



UNITED KINGDOM

MANCHESTER

OFFICES

QUARTER 4 | 2018



2018 TAKE-UP

1,750,276 SQ FT  **64%** ABOVE
 10 YEAR AVERAGE

PRIME RENTS

£37 PSF

2018 INVESTMENT VOLUME

£708m



TAKE-UP

2018 was a record year in the Manchester office market, with total leasing at 1,750,276 sq ft in 314 deals, which is a 45% increase y-o-y and a dramatic 64% above the 10-year average of 1.07 million sq ft. Q4 saw the greatest quarterly take-up in 2018 at 513,217 sq ft.

Take-up in the city centre has exceeded 1.2 million sq ft since 2014 and 2018 leasing activity is 49% above the 5-year average of 1.2 million sq ft.

New Grade A space let during the whole of 2018 represented nearly 10% of total take-up. In Q1 2018 47% of all space let was Grade A, whilst by the end of H1 this had dropped to around 37% and, finally, to 10% by the year end. The lack of Grade A take-up is a reflection of the lack of Grade A supply in central Manchester.

There were two noteworthy deals, in Q4 2018, of more than 50,000 sq ft: Amazon taking 89,449 sq ft at Hanover, NOMA and WeWork leasing 76,174 sq ft at Dalton Place. The majority of deals

in 2018 (80%) were for office suites less than 5,000 sq ft. There were also two stand-out pre-letting deals this year including Booking.com (225,000 sq ft) at St Johns and the GPU deal at Three New Bailey (157,000 sq ft).

Media and Technology was the most active occupier type in central Manchester, contributing to 32% of total take-up in 2018. The largest media and technology deals occurred in the second half of 2018, with Booking.com and Amazon taking a combined c. 315,000 sq ft. The GPU deal skewed the results toward the government; however, omitting this one deal shows that the business services occupiers were actually the second most active occupiers.

2018 saw an increasing trend in pre-letting activity in the Manchester city centre, which we expect to continue in to 2019.

FIGURE 1: MANCHESTER 2018 OFFICE TAKE-UP
 By Quarter



FIGURE 2: MANCHESTER 2018 TAKE-UP
 By Business Type

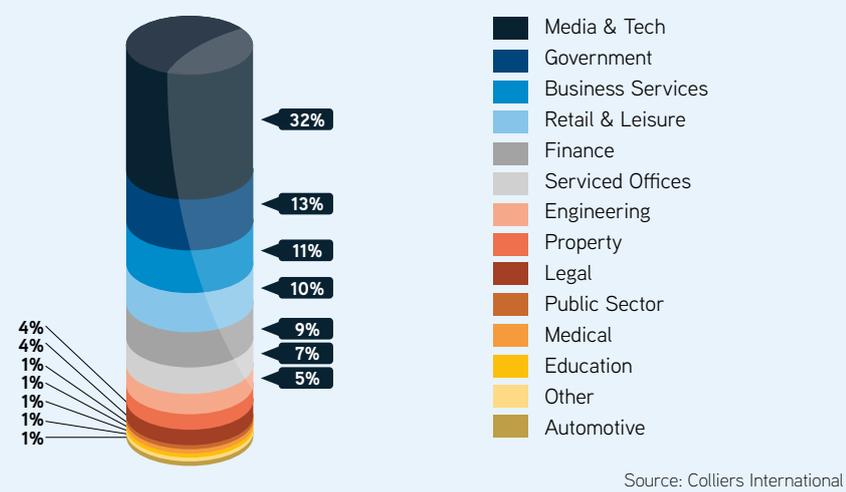
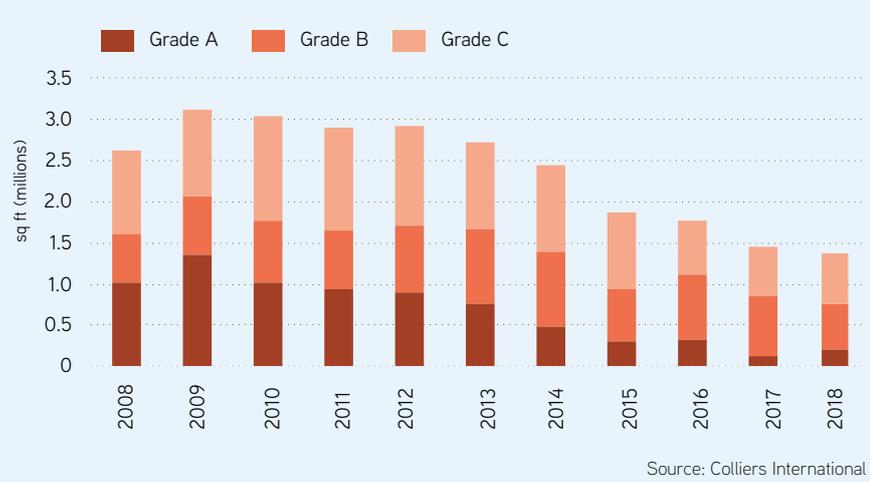


FIGURE 3: MANCHESTER 2018 OFFICE AVAILABILITY
 By Grade



SUPPLY

Strong leasing activity in the last few years continues to deplete Grade A office availability in Manchester. Across the entire city centre there is 196,202 sq ft of 'ready to occupy' Grade A office space, in eight buildings, currently available, of which 39,000 sq ft is under offer to named tenants. The largest available space includes 70,542 sq ft at 101 Embankment, 34,915 sq ft at 1 Spinningfields and 20,813 sq ft at 40 Spring Gardens.

There is 1.2 million sq ft of new Grade A office supply under construction across nine buildings. 55% of that new build pipeline is located in "edge of city/city campus" locations, while the

remainder are located in the traditional CBD. There are four new build schemes under way that will deliver 441,000 sq ft over the next 12 months including; 125 Deansgate, Landmark, Two New Bailey Square, Salford and Riverside House, New Bailey. There is 596,971 sq ft due to complete in 2020 with another 153,000 sq ft to complete at 1 Brazennose Street in 2021.

A future pipeline for delivery beyond 2021 is beginning to emerge, with a small number of schemes obtaining a planning consent. However, they will not deliver before mid/late 2021 at the earliest.

RENTS

Prime rents are at £36/£37 psf. The Grade B market has seen significant rental growth due to the lack of available Grade A space, with Grade B rents now at £27.50 psf. The upward pressure on rents in the Grade B market is now

putting more pressure on Grade A rents.

A shortage of supply over the next two years is expected to drive further rental growth, with Grade A rents expected to reach £40 psf by 2020.

INVESTMENT

Following a record £729 million transacted in 2017, investment volumes for 2018 are at £708 million, which is only 3% below last year's record. Q4 saw a total of £389.8 million transacted, which helped 2018 investment volumes to end on such a high. The purchase of Enterprise City, St Johns for £300 million by Aviva Investors was the major deal of Q4, while the second largest investment deal was BP Pension Fund's

acquisition of Peter House, Oxford Street for £45 million on a yield of 5.12%.

Prime yields in Manchester are between 4.75% and 5% and have been so for several years. As a result of continued occupational and investor demand and sustained rental growth, we believe that prime yields will move in further and capital values will increase though rental growth.

FIGURE 4: MANCHESTER OFFICE RENTS & FORECASTS
 (2008-2020)

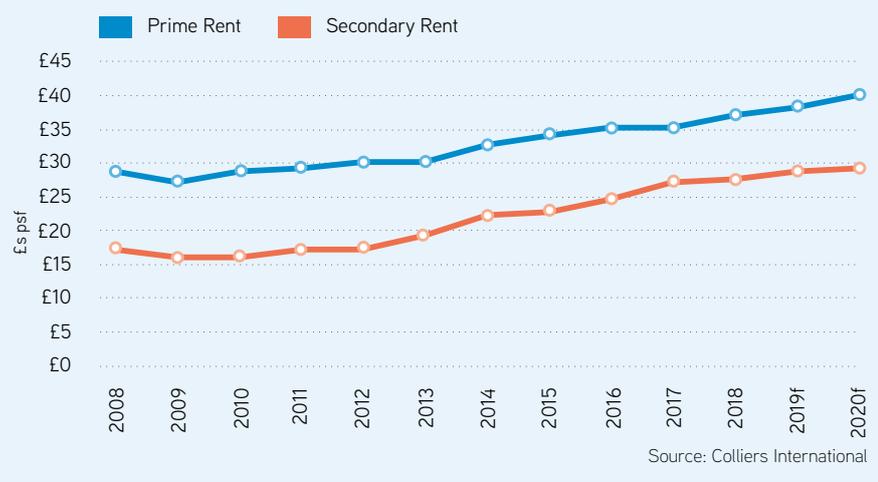


FIGURE 5: MANCHESTER OFFICE INVESTMENT VOLUMES
 (2008-2018)



“
Investment volume activity remained strong in 2018 at £708 million
 ”

FOR MORE INFORMATION

OFFICES

Michael Hawkins
+44 161 831 3354
michael.hawkins@colliers.com

Peter Gallagher
+44 161 831 3361
peter.gallagher@colliers.com

Dominic Pozzoni
+44 161 831 3351
dominic.pozzoni@colliers.com

Scott Shufflebottom
+44 161 831 3352
scott.shufflebottom@colliers.com

RESEARCH & FORECASTING

Lisa Dean
+44 20 7487 1961
lisa.dean@colliers.com

Colliers International Group Inc. (NASDAQ:CIGI) (TSX:CIGI) is a top tier global real estate services and investment management company operating in 69 countries with a workforce of more than 12,000 professionals. Colliers is the fastest-growing publicly listed global real estate services and investment management company, with 2017 corporate revenues of \$2.3 billion (\$2.7 billion including affiliates). With an enterprising culture and significant employee ownership and control, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide, and through its investment management services platform, has more than \$20 billion of assets under management from the world's most respected institutional real estate investors.

Colliers professionals think differently, share great ideas and offer thoughtful and innovative advice to accelerate the success of its clients. Colliers has been ranked among the top 100 global outsourcing firms by the International Association of Outsourcing Professionals for 13 consecutive years, more than any other real estate services firm. Colliers is ranked the number one property manager in the world by Commercial Property Executive for two years in a row.

Colliers is led by an experienced leadership team with significant equity ownership and a proven record of delivering more than 20% annualized returns for shareholders, over more than 20 years.

Colliers International | UK
50 George Street
London W1U 7GA



Research & Forecasting