

RESEARCH & FORECASTING UK MANCHESTER SNAPSHOT



MANCHESTER

- ABSORPTION ↑
- AVAILABILITY ↓
- TAKE-UP ↑
- RENTS ➔

CITY CORE

- ABSORPTION ↑
- AVAILABILITY ↓
- TAKE-UP ↓
- RENTS ➔

PICCADILLY

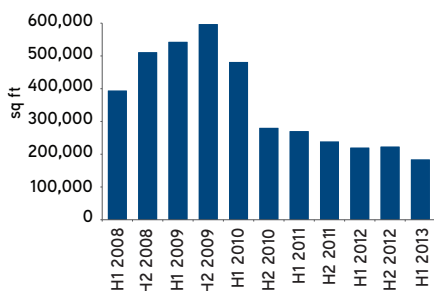
- ABSORPTION ↑
- AVAILABILITY ↓
- TAKE-UP ↑
- RENTS ➔

Overview

- Net stock absorption (NSA), while not matching the total for H2 2012 has remained strongly positive. H2 2012 was skewed somewhat by the completion of the new Co-operative headquarters at One Angel Square but the total of +122,128 sq ft for H1 2013 suggests that underlying demand for office space is gaining traction. Demand for Grade A office space was emphasised in the figures with Grade A occupation levels rising by over 100,000 sq ft in the first six months of 2013 (see **Figure 2**).
- Total take-up for H1 2013 was marginally up on the previous six months (see **Figure 3**), although it underperformed in the City core. Central Manchester take-up for the period totalled 457,180 sq ft, the highest half year total for 2.5 years. Take-up in Piccadilly, Castlefield and the Northern Quarter rose for the second successive half year period. With just one deal above 25,000 sq ft to Travel Jigsaw (63,096 sq ft) at Sunlight House, the emphasis remains firmly upon the sub 10,000 sq ft market which continues to underpin demand. There is increasing evidence of expansion amongst occupiers in that size band who are beginning to seek additional space.
- Grade A supply remains constrained with availability falling by 15% in the past 12 months (see **Figure 1**). In the City core the equivalent figure is higher at 17% and Grade A vacancy has continued its downward trajectory. Across Manchester Grade A vacancy has fallen from a high of over 30% in 2010 to its current level of 15%. We anticipate that figure falling further to near 10% by the end of 2013.
- Headline rents remain stable at £30 psf. This was confirmed by the recent deal to WorldPay (22,000 sq ft) who took a 10 year lease from Credit Suisse at 3 Hardman Square, M3. While Grade A product is diminishing, there remain available units that are capable of driving prime rental growth in the short to medium term (see **Figure 5**). We anticipate further increase in net effective rents over the next 12 months.

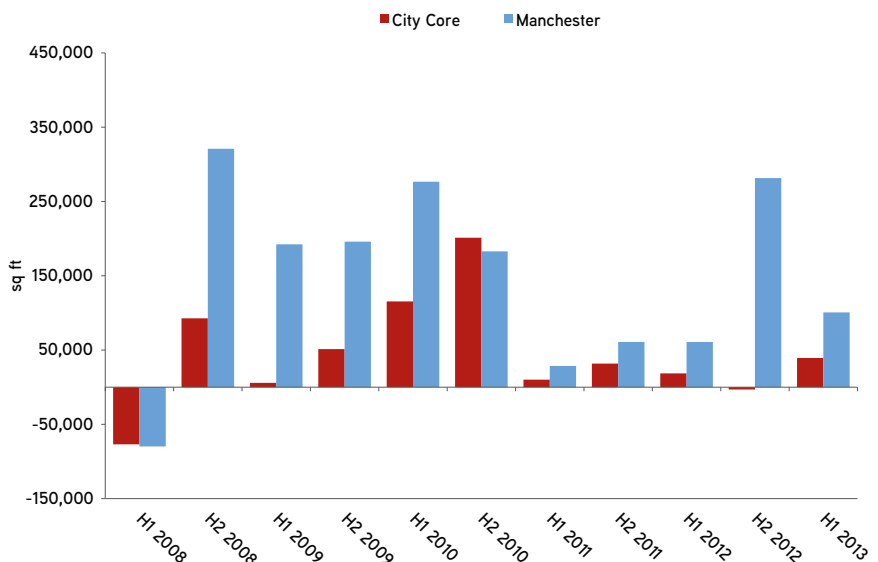
“In terms of new business the North West is outpacing all other UK regions.”

FIGURE 1: CITY CORE GRADE A AVAILABILITY



Source: Colliers International

FIGURE 2: MANCHESTER GRADE A NET STOCK ABSORPTION BY LOCATION



Source: Colliers International

Occupier Markets

- Current market analysis remains keenly focussed on Grade A supply levels. While Argent’s 1 St Peter’s Square scheme (205,000 sq ft speculative) is under construction with completion set for mid-2014, there are no other schemes currently in progress. That said, MediaCom has announced its intention to commit to a 17,000 sq ft pre-let which will allow construction to commence at Allied London’s 1 Hardman Street, the first new development at Spinningfields since 2009. Add to this the Hines/Manchester & Metropolitan Properties proposal to redevelop the former Odeon cinema site next to Argent’s development into a 131,000 sq ft of offices, and the pipeline is beginning to come back to life.
- Annual take-up for 2013 looks on course to surpass 1 million sq ft for the first time since 2010. A number of requirements that have been in the market for some time look set to finalise decisions in the second half of 2013 such as Pannone (80,000 sq ft), who is believed to be shortlisting options. Interest in top quality offering is consistent, with 17 Grade A deals recorded H1 2013. However, average deal size was 3,290 sq ft, emphasising the strong levels of activity in the 3,000-6,000 sq ft size band, examples being Nationwide and Sandhills. Occupiers which have previously been reluctant to invest capital in expansion are now expressing confidence in the wider regional and national economic picture. The latest Regional Purchasing Managers’ Index suggests that business activity in the North West is the strongest in the UK outside London, currently at a 27 month high. Equally significant, in terms of new business, the North West is outpacing all other UK regions.
- As sentiment and the fundamental indicators turn positive, key regional markets are attracting significant interest from investors once more. There is evidence that vacant possession freehold prices are on the rise. Smaller scale refurbishments, such as IVG at One Marsden Street, are evidence of renewed landlord confidence in demand for better quality second-hand accommodation. Higher profile requirements are coming to the fore once more. ‘Project Tomorrow’ continues to move toward completion on up to 180,000 sq ft of office space across multiple units and locations across Manchester for a global technology provider, which will now additionally include a European HQ function (40,000 sq ft). Also, Midas’ ‘Project Super’ for a US tech firm with an initial need for up to 15,000 sq ft, is set to grow to a 200,000 sq ft requirement for a multi-use facility. Demand from the media and technology sector continues to be a healthy source of potential transactional activity. Lease breaks and expiries are also likely to instigate occupier activity which in turn will contribute to budding expansionary demand.

FIGURE 6: MANCHESTER OFFICE MARKET SUMMARY

Submarket	Availability (sq ft) H1 2013	Grade A NSA (sq ft) H1 2013	Take-up (sq ft) H2 2012	Take-up (sq ft) H1 2013
Piccadilly	1,018,669	29,102	140,889	151,700
City Core	918,225	39,306	126,607	92,608
Castlefield / Salford	712,669	24,034	160,726	189,7738
Northern Quarter	143,356	8,222	28,688	32,261
Manchester	2,792,919	100,664	456,910	466,342

Source: Colliers International

For further information, please contact:

OFFICES

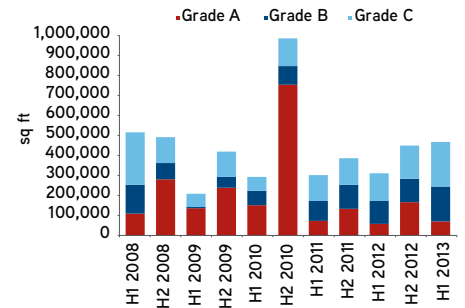
Rupert Barron
+44 161 831 3353
rupert.barron@colliers.com

Robert Prescott
+44 161 831 33 54
robert.prescott@colliers.com

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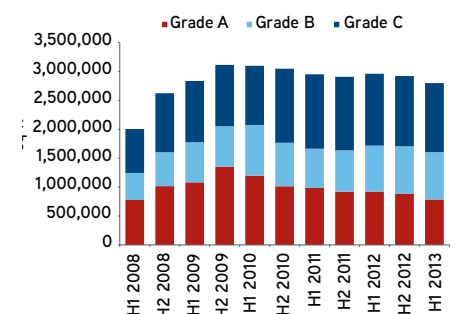
Guy Grantham
+44 20 7344 6793
guy.grantham@colliers.com

FIGURE 3: MANCHESTER TAKE-UP BY GRADE



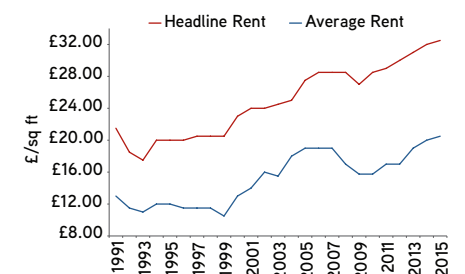
Source: Colliers International

FIGURE 4: MANCHESTER AVAILABILITY BY GRADE



Source: Colliers International

FIGURE 5: MANCHESTER RENTS & FORECASTS



Source: Colliers International

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