

RESEARCH & FORECASTING UK MANCHESTER SNAPSHOT



MANCHESTER

- AVAILABILITY ▲
- TAKE-UP ▼
- RENTS ➔

CITY CORE

- AVAILABILITY ▲
- TAKE-UP ▼
- RENTS ➔

PICCADILLY

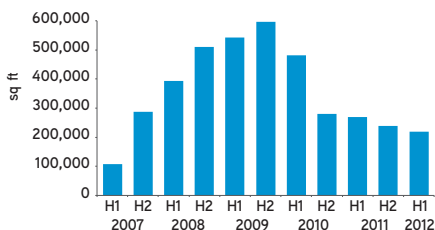
- AVAILABILITY ▲
- TAKE-UP ➔
- RENTS ➔

Overview

- Over the past five years Manchester has seen strong positive absorption of Grade A space (see **Figure 2**). However, evidence in 2012 to date suggests that further absorption of refurbished space is being diluted by release of poorer quality Grade B offering, raising overall vacancy rates. In H1 2012 311,024 sq ft was transacted, with Grade A transactions accounting for around 19% of that figure. This compares to 35% in H2 2011 and 30% in 2011 as a whole.
- With take-up below trend (see **Figure 3**), Q2 2012 saw a modest rise in overall availability (see **Figure 4**), the first since mid-2009. This rise was entirely due to an increase in Grade B non-refurbished product, which has risen by 16% half year on half year and now accounts for 27% of total availability compared to just over 22% at the end of 2008. Overall vacancy in the city core currently stands at 16.8%, a modest rise quarter on quarter. Residential developers are beginning to revisit potential schemes in the city centre.
- Grade A space shortages look set to continue as funding constraints have served to put a brake on new development and the recycling of older and redundant stock. If such shortages in established and oversubscribed CBD locations persist, it may help to push occupiers toward more innovative occupational solutions, which will involve relocation outside the CBD and hence reinvigoration of less fashionable and undervalued peripheral locations.
- While average rental growth is expected to remain static in 2012, primarily caused by release of poorer quality stock onto the market, Manchester will begin to see an increase in average rents from 2013 onwards. Average rental growth in Manchester between 2011-2015 will be 2.2%. Colliers International are forecasting headline rents reaching £31.50 psf by 2014 (see **Figure 5**).

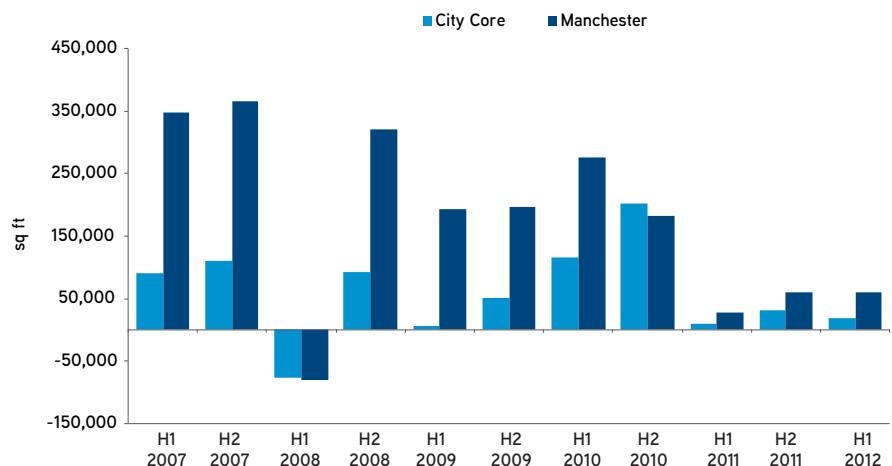
“Grade A availability has fallen by 54% over the past two years.”

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

- With funding constraints remaining in place, the only new scheme over 50,000 sq ft set to complete in the city core up to 2014 is Argent/Greater Manchester Property Venture Fund's St Peter's Square development which is 25% pre-let to KPMG. Ground works on the existing site have completed and construction is now under way. A total of 205,000 sq ft of speculative space is available in the scheme. Grade A availability in the city core has fallen by 54% over the past two years and by 8% in the year to date.
- Larger requirements in the market (see **Figure 6**) are typically having to look off plan for solutions or alternatively outside of the city core. There are a number of significant requirements that are set to come to the market over the next five years. Of currently active searches, BUPA is the highest profile tenant looking to upgrade its existing space. The healthcare provider is looking for up to 160,000 sq ft and has already shortlisted a number of schemes, all design and build, including iplus at Spinningfields, First Street, 101 Embankment and the NOMA scheme.

FIGURE 6: MANCHESTER CURRENT KEY REQUIREMENTS

Company	Size	Timescale
BUPA	160,000	2012-2014
Jacobs Engineering	100,000	2012
Pannone	80,000	2012
BPP	50,000-60,000	2013
Aviva	70,000	2014

Source: Colliers International

FIGURE 7: MANCHESTER OFFICE MARKET SUMMARY

Submarket	Availability (sq ft) H1 2012	Grade A NSA (sq ft) H1 2012	Take-up (sq ft) H2 2011	Take-up (sq ft) H1 2012
Piccadilly	1,042,794	-8,925	110,438	112,857
City Core	1,013,183	18,583	179,268	65,256
Castlefield / Salford	760,789	47,924	58,493	123,889
Northern Quarter	140,338	3,314	37,350	9,022
Manchester	2,958,738	60,879	385,549	311,024

Source: Colliers International

For further information, please contact:

OFFICES

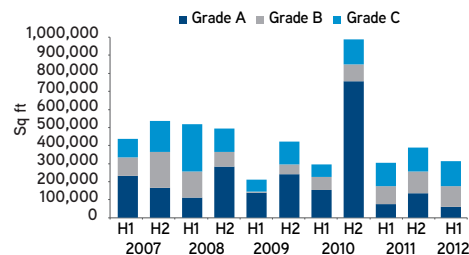
Rupert Barron
+44 161 831 3353
rupert.barron@colliers.com

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

RESEARCH & FORECASTING

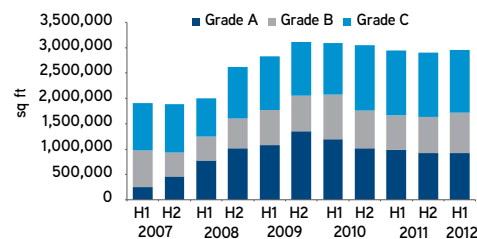
Guy Grantham
+44 20 7344 6793
guy.grantham@colliers.com

FIGURE 3: MANCHESTER TAKE-UP BY GRADE



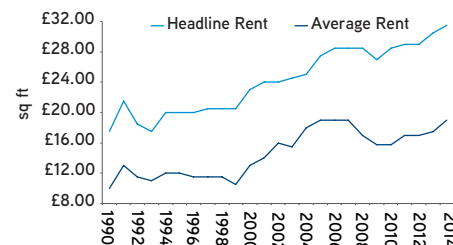
Source: Colliers International

FIGURE 4: MANCHESTER AVAILABILITY BY GRADE



Source: Colliers International

FIGURE 5: MANCHESTER RENTS & FORECASTS



Source: Colliers International

Disclaimer: This report gives information based primarily on published data which may be helpful in anticipating trends in the property sector. However, no warranty is given as to the accuracy of, and no liability for negligence is accepted in relation to the forecasts, figures or conclusions contained in it and they must not be relied on for investment purposes. This report does not constitute and must not be treated as investment advice or an offer to buy or sell property. July 2012 12180

Colliers International is the licensed trading name of Colliers International Property Consultants Limited. Company registered in England & Wales no. 7996509. Registered office: 9 Marylebone Lane, London W1U 1HL



Accelerating success.