The first quarter of 2017 has been driven by smaller deals

**Market Snapshot**

- Take-up in Q1 2017 reached 208,233 sq ft, which is 3% up on the first quarter long-term average take-up of 196,000 sq ft. Manchester is on track to exceed one million sq ft by year end.

- The largest city centre deal during Q1 2017 was to TravelJigsaw Ltd, who took 22,196 sq ft of refurbished space at 42-44 Fountain Street.

- The business and consumer services sector was the most active sector during the first quarter of the year, accounting for over a third of take-up at 39%, followed by the insurance and financial sector (13%).

- Like 2016, the first quarter of 2017 has been driven by a high proportion of smaller deals. Deals under 3,000 sq ft accounted for 40% of take up, above the five year average of 20%.

- Availability of city centre Grade A space rose by 6%, which was accounted for by 8 First Street coming onto the market, and is set to reach practical completion during October 2017.

- We expect several large Grade A deals to complete by the end of the second quarter, which will see Grade A supply fall. There will then only be around one year of Grade A supply remaining in the market.

- With a number of Grade B refurbishments coming to the market, Grade B supply has risen by 8% in the first quarter of the year.

- The top rent achieved in the first quarter was £32.50 per sq ft at B2 King Street to Arbuthnot Latham on 4,078 sq ft of space.

- Looking forward, Savills expect top rents to reach £35 per sq ft by the end of 2017. We also expect a rise in average rents as refurbished space is delivered to the market. There is now a £4 gap between top refurbishments and new builds in Manchester, the biggest gap of all the regional cities.

- Office investment in Manchester reached £114m at the end of the first quarter of 2017, 10% down on the first quarter long-term average.

- Significant deals included the Zenith Building purchased by AM Alpha for £23m and 201 Deansgate purchased by Essex County Council (Aviva) for £29m.

- The UK institutions were the dominant investor type in the first quarter of 2017, making up 38% of the market.

- However, we expect overseas investment to remain the key contributor through 2017, as investors continue to take advantage of weak Sterling.

- Prime yields currently stand at 5% where we expect them to remain for the second half of the year.

- Aside from the prime end of the market, there remains strong investment demand for lot sizes from £5m to £50m with asset management potential.

- Lack of stock will be the big issue this year. There will be a number of parties who would like to sell but with limited opportunities to re-buy, may end up stalling.
Savills Manchester Office Agency & Investment

Please contact us for further information

TABLE 1

Significant Occupational Deals in Q1 2017

<table>
<thead>
<tr>
<th>Address</th>
<th>Sq ft</th>
<th>Grade</th>
<th>Business Sector</th>
<th>Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>40-44 Fountain Street</td>
<td>22,196</td>
<td>B</td>
<td>Business and consumer</td>
<td>TravelJigsaw Ltd</td>
</tr>
<tr>
<td>40 Spring Gardens</td>
<td>12,088</td>
<td>A</td>
<td>Insurance &amp; Financial Services</td>
<td>Aldermore</td>
</tr>
<tr>
<td>35 Dale Street</td>
<td>7,700</td>
<td>B</td>
<td>TMT</td>
<td>Flatshare Ltd</td>
</tr>
<tr>
<td>82 King Street</td>
<td>4,078</td>
<td>A</td>
<td>Insurance &amp; Financial Services</td>
<td>Arbuthnot Latham</td>
</tr>
</tbody>
</table>

Source: Property Data