

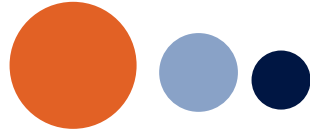
Manchester Offices



4.75%

Current prime office yield

Having remained stable throughout 2018



Top sectors

Professionals (22%), Insurance & Financial (16%), TMT (13%)

£35

Current top rent

We expect to see rental growth of 4% by the end of 2019

The economy in the North West is expected to grow by 2.1% in 2019, making it the fastest growing UK region this year.

Greater Manchester is forecast to grow at a rate of 14% over the next five years, well ahead of the UK average of 11%.

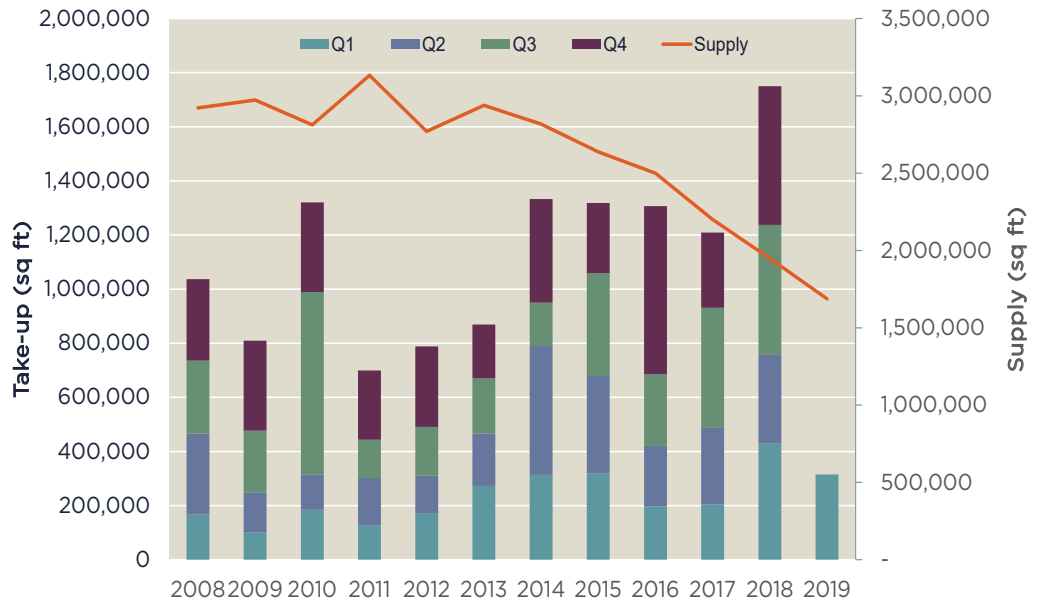
It is anticipated that the levels of job creation in Manchester could outpace that of cities such as Berlin, Tokyo and Paris between 2015 and 2020, helped by Greater Manchester having the largest regional creative and digital clusters in the UK, employing 63,500 people and generating GVA of £3.1 billion each year. We expect employment in this sector to grow by 24% over the next 10 years (12% over the last 10 years) out-performing all other regional cities.

Despite a subdued start to 2019, with no significant office investment volumes transacted in the first quarter, there continues to be a wide range of domestic and international demand for the city and we expect volumes to pick up later this year.

The most notable transactions for the next quarter will be 70 Great Bridgewater Street and 125 Portland Street, both of which are asset management focused, looking to take advantage of the excellent occupational backdrop and rental growth prospects in the city.

With prime yields remaining stable at 4.75%, Manchester remains attractive to the London West End (3.75%) and other European city markets such as Milan (3.5%) and Barcelona (3.75%).

At 1.75 m sq ft, 2018 saw the highest level of take-up ever recorded in Manchester. 2019 is expected to be another strong year.



Source Savills Research

Manchester office market round-up

Themes for the Manchester office market 2019 and beyond

1 Manchester's office market continues to go from strength to strength. 2018 was the fifth consecutive year that Manchester saw city centre take-up in excess of 1.2 million sq ft.

2 The first quarter of 2019 reached 314,733 sq ft and despite continued political uncertainty, we expect 2019 to exceed 1.2 m sq ft once again.

3 The 47,000 sq ft letting to Eversheds at Two New Bailey was a particular highlight of the first quarter in 2019, along with Moneysupermarket who took 22,600 sq ft at No.1 Spinningfields, commanding the highest rent of the quarter at £35 per sq ft.

4 However, the Manchester office market isn't reliant

on the larger deal with 46% of take-up in Q1 made up of lettings under 15,000 sq ft.

5 With only 310,000 sq ft of Grade A space available (38% of this in legals), new Grade A product is rather limited with only 125 Deansgate completing within the next 6 months. Late 2019 will see Landmark complete adding 180,000 sq ft into the mix. Pre-let conversations are on-going.

6 Manchester's top rent reached £35 per sq ft in the first quarter of the year, however, we expect 2019 to see a growth of 4%, as top rents hit £36.50 per sq ft on new developments.

7 With a lack of new build space, the city is also seeing a significant growth in the

Grade B refurbishment market, as these buildings offer an attractive alternative to the new developments. The gap between top of class refurbished space and new build rents has now closed with £35 being achieved on Bauhaus.

8 Manchester has the highest graduate retention rate outside of London and retains 60% of its graduates - contributing to a young, skilled and talented workforce.

9 This has helped generate an immediate and varied pool of talent that is very appealing to a number of existing occupiers in the city as well as helping to attract inward investment.

60% of graduates remain within the city each year

Case Study

3 Hardman Street

In 2017, millennials became the largest generation in the UK workforce. Over the last few years, with the emphasis now on attracting and retaining staff, there has been a huge transformation within the office sector, with landlords no longer able to hand over the keys and just walk away. Real estate is now recognised as a recruitment and productivity tool.

There has been a significant shift toward designing space around the worker, in order to keep and retain the best staff. Today's millennials expect provision of services to help create a community, not just a place to work.

3 Hardman Street, Spinningfields, has taken this on-board and the building now hosts an array of seasonal events throughout the year and is surrounded by a vast collection of amenities. This amenity is further enhanced by the development of The Field - a managed green space located directly opposite the building.

However, what really makes the building stand out is its new 'portal' for employees, which has been a fantastic addition to the building. This provides occupiers with access to key amenities, and is also helping to develop networking opportunities and a sense of community within the building. According to Fiona Lyons from Mapletree "The feedback has been overwhelmingly positive with staff feeling more engaged and energised" which, in turn should help impact on productivity and performance.

FRONT COVER

3 Hardman Street, Spinningfields, Manchester

“One-in-four people experience a mental health problem in the UK each year – so the likelihood is high that someone in your workplace is struggling with stress, anxiety or depression right now.”



Wellness in the workplace

How wellness has impacted on the traditional office

It's no exaggeration to say that the focus on fitness and health is at the heart of a global trend, which prioritises wellbeing and its impact on workplace productivity.

According to Andrew Cooke, Regional Director at Bruntwood "As the lines between work and play become increasingly blurred, investing in wellbeing is creating a healthy ripple effect that drives employment, improves amenity and even encourages business migration - enlivening and enriching our business communities. It's something that employers and landlords can no longer afford to ignore."

Implementing wellbeing initiatives in your workplace, and doing it effectively, is about balance and tailoring activities to the interests of your staff. Provided you get this right, you can improve productivity levels and staff attitudes towards your business.

In a recent survey by Mind, 60% of workers said they'd feel more motivated if their employer took

action to support their mental wellbeing.

One in four people experience mental health problems in the UK each year - so the likelihood is high that someone in your workplace is struggling with stress, anxiety or depression right now. While several of Manchester's key entrepreneurs have spoken publicly about their experiences, the reality is that many more workers stay silent.

From a productivity perspective, higher employee wellbeing boosts employee performance in a number of ways - it boosts their creativity and problem-solving abilities, it also impacts on their attitude to work, leading to greater collaboration and social co-operation. Finally, it improves their health, which means less sick days and a more energetic approach to their job.

The workplace they inhabit is one of the most important issues to today's young workforce. Consequently, today's occupiers

expect a workplace that puts people first to help them perform to the best of their ability. Employers need to react to the demands of the millennial workforce - a generation of people who are becoming less and less likely to go into secondary low-grade buildings.

There is a strong case for designing offices for staff wellbeing, with measures including, increased break-out areas, better access to daylight and good air quality, shown to reduce absenteeism and improve staff retention rates.

With the quality and specification of building being of the utmost importance, there is also an increased importance put on amenity provision and the environment outside the office.

The formation of a collaborative energised environment, creating a community of occupiers to cluster, is essential to attracting and retaining talent.

“Employee satisfaction and productivity, absenteeism and presenteeism, and recruitment and retention, can all be influenced positively by effective health & wellbeing strategy.” BCO: Wellness matters



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