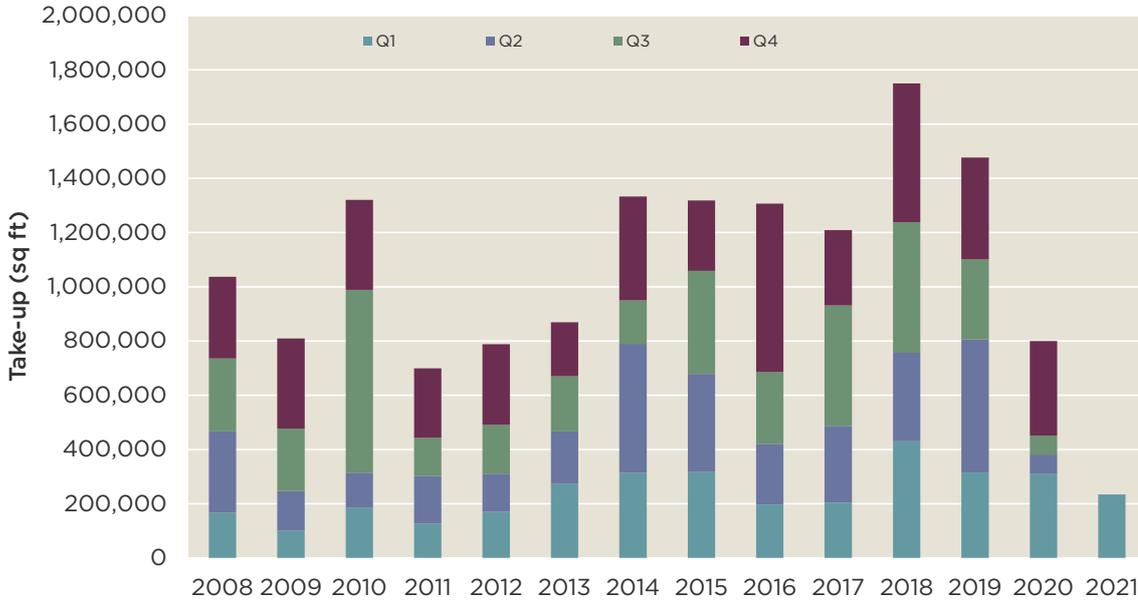


Manchester Offices



Manchester saw a new rental high of £38.50 per sq ft in Q1



Source Savills Research

Manchester city centre office market round-up

Headline rents in Manchester city centre increased by 2.7% in Q1 2021

1 Manchester city centre take up reached 234,258 sq ft in Q1 2021 over 42 transactions, just 10% below the 10 year Q1 average level.

2 Significant deals in Q1 included Brabners who signed on 20,239 sq ft at 100 Barbirolli paying £33.50 per sq ft for a modern collaborative environment where employees will have access to a whole host of amenities including a yoga studio and Society, the brand-new food and entertainment space. Serviced office provider Orega leased 29,864 sq ft at Arkwright House reflecting the largest deal in Manchester city centre during the quarter and the Ministry of Justice leased 24,548 sq ft at NOMA's Redfern building for £27 per sq ft. The building will become home to a new flagship office for the MoJ's Manchester Probation Service, which brings together functions offered from a number of different locations into a new city centre hub.

3 Optimism among the Chief Financial Officers (CFOs) has

risen to the highest level in the 13-year history of the Deloitte CFO Survey. Savills believe office space will still be in strong demand post-Covid with enquiries in March and April of 2021 an impressive 25% up on the same time in 2019.

4 As employees return to the office, the biggest impact on city centre requirements will be the way in which floor space is used. Rather than having an office which has typically focussed on desk space, offices which offer 'burst space', such as business lounges and additional meeting rooms, are receiving the most interest. This type of space is becoming a necessity for team meetings or 'overspill' for days when more people come into the office. In some instances this may lead to a smaller square footage, but in others there may be a need for increased space.

5 Total office supply in Manchester city centre currently sits at 3.8 million sq ft. Grade A availability totals 1.3 million sq ft, increasing by 6%

since the end of 2020 due to significant development activity. Included in this is the 195,000 sq ft of space under construction which is completing within the next six months, namely The Lincoln Building and 11 York Street.

6 2021 has started strongly with headline rental growth of 2.7%. This was on a letting to Grant Thornton at Landmark setting a new rental high of £38.50 per sq ft.

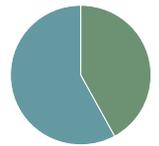
7 The prospect of the easing of lockdown restrictions and the hope that all legal limits on social contact can be removed in June 2021 has led to a growing positive sentiment about a return to the office. This is evidenced by the recent investment activity witnessed in the city centre in the first four months of 2021, with approximately £290m of stock either completed or currently under offer.

Take-up, supply, rental performance

Key data points

**1.3m
sq ft**

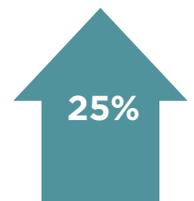
Grade A supply has increased as developments have completed



Public Services, Education & Health sector, TMT and Professional Services make up 42% of take-up in Q1 2021

**£38.50
per sq ft**

Manchester's current top rent



Requirements in March and April 2021 were 25% up on the same period in 2019

2021 has already started off strongly with a deal to Grant Thornton at Landmark setting a new rental high for the city.

Manchester is forecast to see the highest regional office based employment growth over the next five years

The region's economy is expected to recover strongly from the 2020 recession and grow by 22% over the next five years

In a Financial Times report, titled *fDi European Cities and Regions of the Future 2021*, Manchester has been recognised as Europe's 5th best large city for business, ranking ahead of cities including Rotterdam, Glasgow and Cologne. It also came second for inward investment ranking ahead of Frankfurt, Düsseldorf and Lyon.

In fact, the region's economy is expected to recover from the 2020 recession and grow by 22% over the next five years making Manchester one of the UK's fastest-growing cities and a leading business location within Europe.

Private sector office-based employment within Manchester has grown by 20% over the last five years and is forecast to grow by a further 7% over the next five. Manchester is also forecast to see the higher levels of office based employment growth of the big six between now and 2025.

The growth in the technology sector has been notable in Manchester and the city has been named as Europe's fastest-growing tech hub. In fact, the digital and creative sectors have been the fastest-growing sectors in Greater Manchester between 2015 and 2020, growing by 42%.

This tech growth can be evidenced by office take-up levels. The 2021 rolling five-year average from the sector (2016-2020) stands at 317,228 sq ft representing a 73% growth from the 2016 rolling five-year average (2011-2015) of 183,072 sq ft.

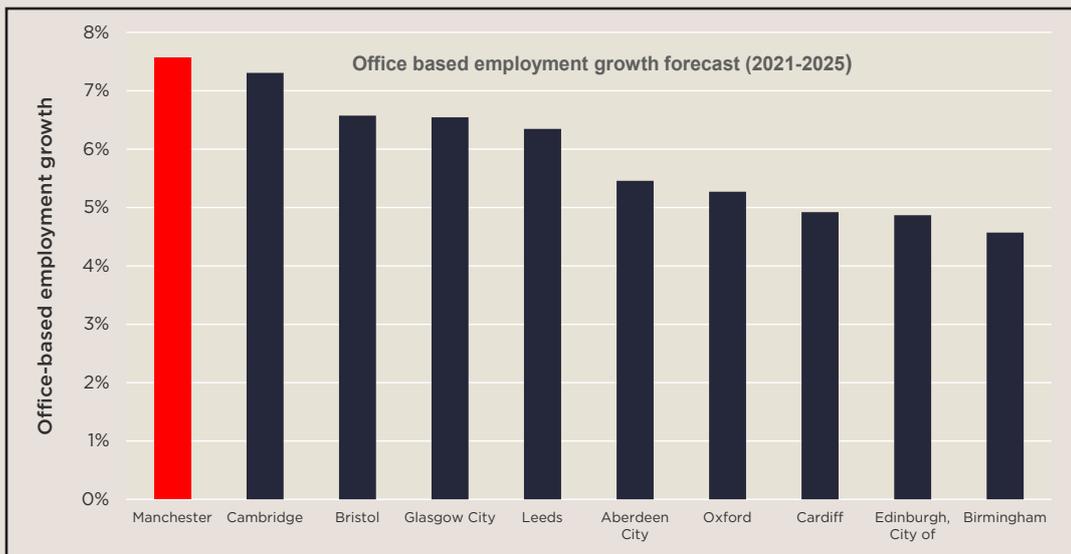
Currently, 55,000 people work in over 9,000 creative and tech businesses in Greater Manchester, the vast majority of which (over 90%) employ fewer than ten people. Forecasting from Oxford Economics suggests that up to 8,700 more jobs could be added in the sector in the years to 2030.

Manchester currently offers an incredibly talented workforce and a fantastic tech scene with some of the most exciting, fast-growing tech companies in the UK situated there. Given the quality of life and better value for money, coupled with the high quality talent emerging from the universities, it is not surprising that tech companies are choosing to relocate or expand within the city.

However, the city needs to ensure it has the right offering to attract and keep the right talent. As work changes, cities should recognise that their commercial space will need to evolve too. Schemes like Circle Square provide accommodation for start-ups to collaborate alongside established tech companies, helping them to develop, innovate and grow.

By investing in Manchester's digital workforce today, we will drive forward the city's future economic and social recovery.

Summary: Manchester is forecast to see the highest levels of regional office-based employment growth



Source Oxford Economic (May 2021)

The digital and creative sector was the single fastest-growing sector in Greater Manchester between 2015 and 2020.

Savills team

Please contact us for further information

James Evans
 Director
 Office Agency
 07870 999 665
 jevans@savills.com

Richard Lowe
 Director
 Office Agency
 07870 999 774
 rclowe@savills.com

Peter Mallinder
 Director
 Investment
 07870 555 750
 pmallinder@savills.com

Oliver Foster
 Director
 Investment
 07870 555 739
 ofoster@savills.com

Clare Bailey
 Director
 Commercial Research
 07972 000 108
 cbailey@savills.com

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