



**39 Deansgate
Economic Impact Assessment**

A report for Kames Property Income Fund

July 2021

Contents

1. Introduction	1
Proposed Development.....	1
Key Features and Markets	1
The Development Context	1
2. The Manchester Economic Context.....	2
An Important Economic Centre	2
A Significant Economy	2
Growth Prospects.....	3
The Population Base.....	3
A Strong and Expanding Financial, Digital, Tech and Media Sector	4
Manchester City Centre: A Key Employment and Population Centre	5
3. The Manchester Market Context.....	6
Impact of Covid-19	6
Significant Demand for Office Space	6
4. A Strategically Aligned Proposition	7
Contributing to Policy and Regeneration Objectives	7
Supporting National Policy Agendas.....	7
Meeting Local Growth Ambitions: Planning Drivers.....	7
Meeting Local Growth Ambitions: Economic Drivers	8
5. 39 Deansgate Development Economic Impact.....	9
Economic Uplift from Construction.....	9
Operational Direct Economic Impact	9
6. Conclusions.....	12

1. Introduction

Proposed Development

The Kames Property Income Fund 39 Deansgate development will deliver a 17-storey office building providing 136,000ft² (net) of 'Grade A' office space and 5,000ft² of flexible ground floor retail space. The scheme will also deliver a new electricity sub-station, a 96-space basement cycle hub with facilities for cyclists and runners, in addition to an external roof terrace with seating and planters for co-working or amenity space. The scheme is designed to provide 'best in class' accommodation in a marketplace that continues to report strong demand for centrally located Grade A accommodation and an under-supply.

The development has an estimated construction cost in the region of £41m over a 30 month build period.

Key Features and Markets

Sustainability and inclusive access have been incorporated into the design process, including the use of low and zero carbon technologies. The development is intended to achieve a BREEAM 'Excellent' rating for the office space.

The development will target the fintech, software developers, banking, media, leisure sectors. These are already established sectors in the economy with significant growth potential in Manchester – building on recognised sector strengths and growing market profile – and that can offer residents a variety of employment opportunities.

The Development Context

Currently the site is occupied by a 1960's nine-storey mixed-use building, Speaker's House, which is now in a poor state of repair, with low ceilings and unattractive office space for the city centre market lacking superfast fibre broadband. A recent office market review¹ has found that the building's service charge makes it uncompetitive, relative to similar provision. Occupancy rates have been declining for a number of years and the Covid-19 pandemic has led to a further acceleration in occupier losses.

The site is strategically located on the intersection between Deansgate and St Mary's Gate, the edge of the city's core retail district. The area is expected to see significant redevelopment in coming years, including the redevelopment of the Ramada Complex, diagonally opposite the development site.

¹ Office View: 39 Deansgate, Manchester, July 2021, CBRE

2. The Manchester Economic Context

An Important Economic Centre

Manchester has experienced rapid growth over the past decade and is now in the most important economic centre in the country outside of London. A combination of strong and plentiful employment opportunities, a thriving cultural, leisure and evening economy, and an attractive proposition for businesses and investors has transformed Manchester into a popular place to live and do business.

This position has been supported by Manchester's strong positioning in a series of recent indices, including:

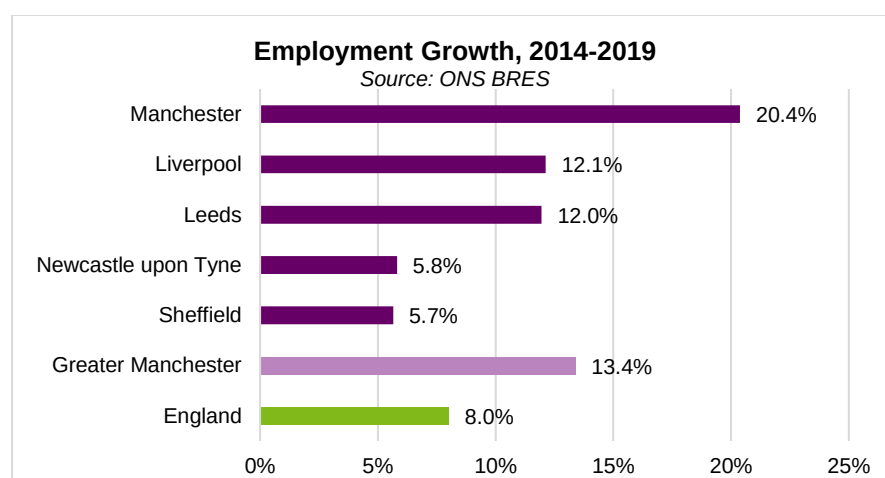
- The Economist's Global Liveability Index for 2021 ranked the city as the number one place to live in the UK.
- Manchester was ranked the best place in the UK for local business in a study by Capital on Tap in 2021².
- It was the third best performing city in the UK for attracting FDI in 2020, after London and Edinburgh according to EY's latest UK Attractiveness Survey.

As well as recognising the existing strengths of the city, these well-publicised positive rankings continue to build the city's profile in both the national and international marketplace, attracting further skilled workers, businesses and investors into the city.

A Significant Economy

A Key Employment and Business Centre

As of 2019, 410,500 people worked in Manchester, accounting for almost 30% of jobs in Greater Manchester. Manchester has seen a considerable uplift in employment with almost 70,000 additional jobs reported over the past five years, a 20% growth rate, outperforming all major northern cities by at least 8 percentage points and exceeding the national growth rate by two and half times.



There were 22,850 businesses operating in Manchester in 2020, accounting for 22% of Greater Manchester business base. Since 2015 there has been a 34% uplift with an additional 5,800 businesses, far exceeding business count growth experienced in any other major Northern city and 2.6 times the national growth rate.

It is important for Manchester to continue to attract new businesses and jobs by delivering new attractive employment space in strategic locations, in order to maintain this momentum and continue to grow strongly.

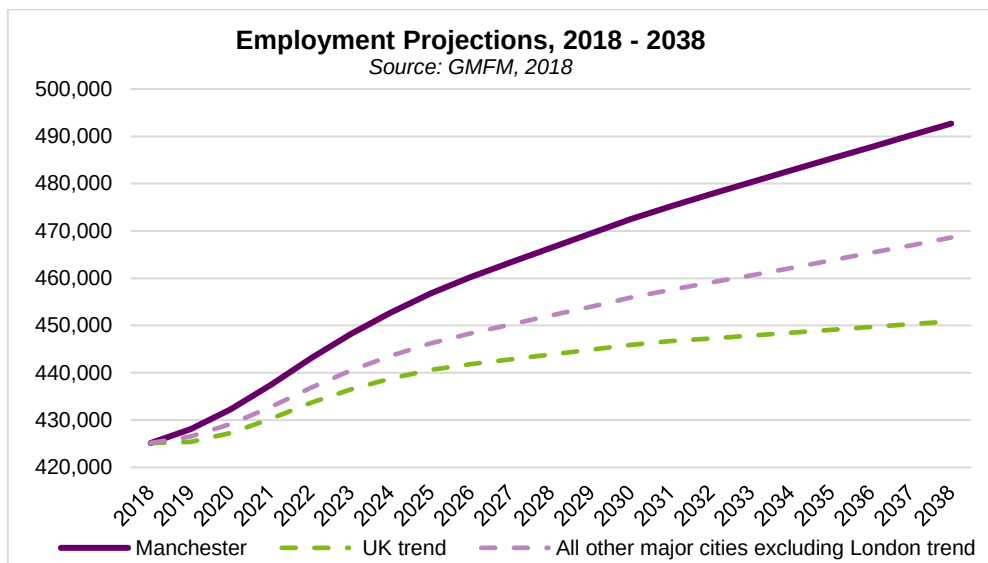
² <https://www.business-live.co.uk/retail-consumer/manchester-best-place-local-businesses-19602288>

An Important Economic Contributor

In 2018, Manchester contributed Gross Value Added (GVA – a measure of economic output) of £22.6m billion to the UK economy, having grown by 30% since 2013, outperforming growth across Greater Manchester and nationally. Manchester has been a driving force for Greater Manchester's economic output, accounting for 42% of the sub-region's GVA growth between 2013 and 2018. Looking outside the sub-region, Manchester had the highest GVA per capita out of the major northern cities, as well as recording a faster rate of growth between 2013 and 2018.

Growth Prospects

The Oxford Economics Greater Manchester Forecasting Model (GMFM) forecasts that Manchester will be home to an additional 68,000 jobs by 2038 (+15.9%), outperforming jobs growth across the UK (6.1%), as well as in comparison to all major cities in the UK outside of London.



While these forecasts were established pre-Covid-19, Manchester has shown its resilience, and is expected to bounce back strongly. To support Manchester's economic recovery and achieve forecast growth, there is a need to ensure employment space is delivered in attractive locations and in the forms required by the market to satisfy demand.

The Population Base

A Growing Population

Over the past 20 years, Manchester's population has grown by 32% - more than twice the national growth rate of 15% - and the city is now home to 555,741 people. The city's working age population has continued to grow strongly by 42%, 3.5 times the national rate of 12%. Central to this growth has been increasing employment and the growing attractiveness of the city centre as a place to live and work.

By 2038, there are expected to be 100,000 additional residents in Manchester with population growth continuing to outstrip the growth rate of the population nationally, driven by further employment growth helping to attract highly skilled migrants. Manchester's working age population is expected to grow by 13.9% with an additional 54,200 residents aged between 16 and 64, while across the UK the working age population is expected to shrink by around 570,000 (-1.4%), demonstrating the momentum and strength of Manchester in continuing to attract and retain people of working age to live in the city.³

³ Greater Manchester Forecasting Model, 2018

A Young, Highly Skilled Workforce

Manchester has a relatively young population, with 78% of its residents under 50, compared to 62% of England's population. Around 70% of Manchester's population is working age, compared to 64% across Greater Manchester and 63% nationally.

Manchester has a significant student population with over 74,000 students, one of the largest concentrations of students in Europe, and a high graduate retention rate of over 60%⁴, supporting a pipeline of new graduate workers for the city. This reflects a positive undergraduate experience and the availability and range of good quality jobs. The city economy has a large proportion of its employment in high growth sectors which require a well-qualified young workforce, and this is reflected in the makeup of the workforce.

A Strong and Expanding Financial, Digital, Tech and Media Sector

The Employment and Business Base

The 39 Deansgate development is targeting an important element of the Manchester economy. The financial and digital economy accounts for 9% of total employment in the city and 40% of Greater Manchester's employment in these sectors. They have grown strongly in recent years and continue to display strong growth forecasts. Over the five years between 2014 and 2019, employment in this sector grew by 21% in Manchester compared to national growth of 8%. Manchester represents a growing hub of activity in this area which is increasingly recognised.

Employment in Financial, Digital, Tech and Media Industries, 2014 – 2019

	2014	2019	Change since 2014
Manchester	31,000	37,500	21%
Greater Manchester	80,500	93,500	16%
England	1,899,500	2,045,500	8%

Source: ONS BRES, 2019

Supporting uplifts in employment, the number of Financial, Digital, Tech and Media businesses in Manchester has grown by 30% since 2015, above the Greater Manchester (26%) and national (19%) rate of growth. There is now a significant concentration of businesses clustered in the city centre, as well as Salford Quays which, together with research and development (R&D) assets along Manchester Corridor, are seen as important accelerators of growth for Greater Manchester and the wider north.

Businesses in Financial, Digital, Tech and Media Industries, 2015 – 2020

	2015	2020	Change since 2015
Manchester	1,835	2,380	30%
Greater Manchester	8,430	10,590	26%
England	215,160	256,540	19%

Source: ONS Business Counts, 2020

Recognition of Manchester's Standing

Manchester has a growing reputation as a tech cluster in the UK with recent references including:

- According to the Tech Nation 2020 report,⁵ Manchester is Europe's fastest-growing major tech cluster, with investment growing from £48m in 2018 to £181m in 2019, an uplift of 277%.
- Recent research by digital learning company Fire Tech suggests that "*Manchester is the UK's most impactful tech hotspot outside of London*" and is home to more than one fifth of tech and digital roles outside of London.⁶
- The Data City, a data science and software company, research conducted in 2020 named Manchester as the UK's top Digital Tech city in terms of the scale of digital business activity

⁴ https://www.savills.co.uk/research_articles/229130/308587-0

⁵ UK Tech for a Changing World, Tech Nation Report 2020

⁶ <https://edtechnology.co.uk/business/manchester-crowned-biggest-tech-hub-outside-uk-capital/>

and affordability. The report shows that Manchester is home to 18,926 digital businesses and hosted 1,789 related digital events in 2019.⁷

This position is driving demand for space within accommodation such as that proposed at 39 Deansgate to meet the needs of growing businesses already in the city and incoming businesses looking to join and benefit from the cluster.

Building upon the substantial financial services and tech and digital sectors in Manchester, Fintech is a fast emerging specialist sub-sector for Manchester which is now recognised as a fintech powerhouse that's developing strength and expertise in sectors such as data analytics, payments, cyber-security, platforms and software⁸. The 2021 Global Fintech Rankings has named Manchester as one of the Top 50 cities in the world for starting and scaling up a FinTech company, ranking 34th globally (up 19 places), 9th in Europe and second in the UK after London.⁹

A Sector with Significant Growth Potential

The Digital, Media and Tech sector is expected to continue to grow strongly in Manchester with the impacts of clustering and agglomeration helping to driving jobs and GVA growth. Employment in digital industries, as one element of the development's target market, is expected to grow by 15% by 2038, while GVA is forecast to grow by 72%.¹⁰

In order to meet growth forecasts, there is a need for the infrastructure to be in place to accommodate businesses and employees in locations that satisfy the needs of businesses in a competitive labour market. An ability to access modern office requirements is an important consideration for the sector.

Manchester City Centre: A Key Employment and Population Centre

A Focal Point for Recent Employment and Population Growth

Manchester city centre acts as the key employment centre for the wider city region. In 2019 the city centre, including the Oxford Road Corridor, was home to 205,000 jobs, half of Manchester's total employment. Since 2015, 45,000 additional jobs have been recorded in the city centre, a 28% uplift in four years, compared to 11% across Greater Manchester and less than 5% nationally.

This strong employment base has played a role in also attracting people to live within the city centre. Manchester city centre is now home to over 54,000 residents, having grown by 36% since 2015, a significantly faster rate of growth compared to Manchester as a whole (4.4%), Greater Manchester (3.0%) and nationally (2.7%).

The Core of Continued Growth

The city centre will have a central role to play accommodating the city's forecast strong employment growth. Achieving forecast growth will, however, also require suitable premises to be provided in key locations.

Increasingly businesses are looking for benefits from agglomeration. Business sectors that are influenced by agglomeration (where entrepreneurs, companies, new start-ups and talented workers from disparate economic growth sectors are keen to cluster in locations which can provide business and networking opportunities) are attracted to locations where there are deep labour markets offering an exceptional range of highly qualified and skilled staff.

Manchester's existing business base ensures that it is in prime position to attract companies that benefit from clustering, particularly prevalent in the financial and professional and digital and tech businesses, which this development will accommodate.

⁷ <https://www.investinmanchester.com/media-and-events/industry-news/2020/3/18/world-first-ai-survey-identifies-manchester-as-uks-top-digital-tech-city-a2769>

⁸ <https://www.manchesterdigital.com/digital-specialisms/fintech>

⁹ <https://www.prolificnorth.co.uk/news/tech-news/2021/06/manchester-named-one-worlds-top-fintech-cities>

¹⁰ Greater Manchester Forecasting Model, 2018

3. The Manchester Market Context

Impact of Covid-19

Covid-19 has had a dramatic impact on the UK economy over the past 16 months, with a challenge to avoid the possibility of long-term recession. While in the short term the impact of Covid-19 is likely to slow growth in Manchester, the city benefits from a strong economy and remains an attractive location for investment. It is well placed to recover and return to the levels of employment and economic growth seen in recent years, with signs of growing market confidence already evident. Post-Covid-19 forecasts suggest Manchester's economy will recover strongly and grow by 22% over the next five years making Manchester one of the UK's fastest-growing cities.¹¹

Despite a move of many companies to more permanent hybrid working models, Covid-19 has highlighted the importance of high quality, flexible office space for face-to-face meetings, collaboration and knowledge-sharing, and there are early signs that both employers and employees are keen to return to the workplace. Providing an appropriate office offer to support business needs is an important step to maintaining momentum in the city, meeting the needs of businesses looking to relocate within the city as their needs evolve and new entrant requirements.

Significant Demand for Office Space

A Consistent Track Record

According to OBI, Manchester has achieved more growth in its office market than any other regional city since 2011, with an average 1.2m sq ft of take-up each year overall and Grade-A take-up averaging 475,000 sq ft each year. The strength of its occupational market provides the confidence to consistently attract international investment from overseas funds and developers.¹²

Although a significant scale of development has been delivered, with almost 1.3 million sq ft of office accommodation under construction and 1.2 million sq ft of office floorspace completed during 2020, the supply of Grade A office space remains a challenge.¹³ According to Savills, there was just under 800,000 sq ft of available supply in 2020, equivalent to 1.8 years of average take-up¹⁴ and demand continues to build, causing this pipeline to contract.

A Resilient Market

Despite the impact of Covid-19, Manchester recorded the strongest take up in 2020 amongst the largest six office markets¹⁵. Savills suggest demand for office space post-Covid will remain strong, with the number of enquiries in March and April of 2021 up 25% from the same time in 2019. Since restrictions began to be eased in May 2021, a growing number of people have been returning to city centre offices, increasing business and investor confidence. Department Bonded Warehouse, part of Enterprise City, which targets tech, digital and creative sectors, is reporting 91% occupancy and has welcomed 43 new businesses since the start of 2021.¹⁶ This illustrates demand within the sectors that 39 Deansgate will target.

In the first half of 2021, office take up in Manchester of 454,441 sq ft was recorded, highlighting the continued resilience of the market. The first quarter of 2021 also saw a record high rental value of £38.50 per sq ft secured on a letting to Grant Thornton at Landmark, which could exceed £40 per sq ft during 2021 according to JLL.¹⁷ A recent report found that almost half (49%) of businesses in Manchester and Liverpool felt that there is not enough appropriate city centre space to meet their needs post-Covid-19, with 87% remaining committed to the region's city centres.¹⁸ New office supply is needed to support Manchester's key growth sectors – including the Digital, Media, Tech, Financial and Professional sectors – and respond to market need in both the immediate and medium term.

¹¹ https://www.savills.com/research_articles/255800/314716-0

¹² <https://www.placenorthwest.co.uk/news/comment-manchester-office-market-fly-or-die/>

¹³ The Deloitte Crane Survey 2021 survey

¹⁴ https://www.savills.com/research_articles/255800/299603-0

¹⁵ Property Predictions 2021: Manchester, JLL

¹⁶ <https://businessmanchester.co.uk/2021/07/02/soaring-demand-for-manchester-office-space-indicates-rapid-recovery-for-city-centre-workplace-market/>

¹⁷ Property Predictions 2021: Manchester, JLL

¹⁸ Brabners, Bouncing back: North West cities, 2021

4. A Strategically Aligned Proposition

Contributing to Policy and Regeneration Objectives

The 39 Deansgate scheme is strategically aligned to a series of ambitions both nationally and within the city, considering both economic and planning drivers. Examples of strategic fit are highlighted against a series of key policy ambitions below, which recognise the need to continue to regenerate the city to meet evolving needs and the scale of growth potential, requiring the efficient use of limited land supply and the role that Manchester can play in growing the national economy and reducing the productivity gap that continues to persist in the North of England.

Supporting National Policy Agendas

Build Back Better and Levelling Up the National Economy

Build Back Better: our plan for growth sets out the Government's approach to drive forward economic growth across the country, including through growth in existing, new and emerging industries. In the document's introduction, the Prime Minister sets out the scale of ambition:

"This plan for growth is a call to arms to put this right. Our mission is to unleash the potential of our whole country and restore the energy and confidence of the Victorians themselves. Just as the government has done whatever it takes to support lives and livelihoods throughout the Covid crisis, so we will turn that same ambition and resolve to the task of our recovery.

We will level up our country, so the map of our whole United Kingdom is lit up with competitive cities and vibrant towns that are centres of life – places people are proud to call home, with access to the services and the jobs they need to thrive."

The plan highlights the role of cities in realising this ambition and the intention to address regional inequalities, rebalance the economy and 'level up' underperforming and left-behind parts of the UK. Manchester has already demonstrated the role it can play on a national and international stage with further growth potential evident.

The Northern Powerhouse

The Northern Powerhouse concept – *"a vision for joining up the North's great towns, cities and counties, pooling their strengths, and tackling major barriers to productivity to unleash the full economic potential of the North"*¹⁹ – is central to the overall strategy for delivering more even and inclusive growth across the UK, counterbalancing the dominance of London and the South East.

Digital and financial and professional services – which typically cluster in city centres – have been recognised as strengths in the north where Manchester already plays a key role and offers scope for growth. Subject to an adequate supply of premises being made available and continued success in attracting and retaining skilled workers in the city, Manchester's significant and fast-growing economy can help to drive growth in the North of England with further growth through both new employment development and the continued productive economic use of existing employment premises, counterbalancing the strength of London and the South East.

Meeting Local Growth Ambitions: Planning Drivers

Strategic Regeneration Frameworks

39 Deansgate falls within the endorsed Ramada Complex Strategic Regeneration Framework (SRF) which highlights the potential for the area to support Manchester's growth and deliver significant regeneration benefits. The SRF's development principals reference the delivery of high density development, in line with recent development in Spinningfields: *"in line with existing planning policy there will be an assumption towards delivering high density development that maximises the potential"*.

In regards to the 39 Deansgate site, the SRF states a preference for the site to continue to provide a mix of commercial and retail uses, and *"any proposals that safeguard or further enhance this function*

¹⁹ HM Government, Northern Powerhouse strategy, 2016

of the site will be favoured". The scheme responds to both priorities for the use of the site and the drive for high density development.

The draft St. Mary's Parsonage SRF covers the area adjacent to the 39 Deansgate site. The SRF sets out a vision to redefine the area, delivering a commercially led mixed use neighbourhood. The 39 Deansgate proposals are well aligned to the SRF's ambitions, including maximising the area's potential, embracing Manchester's zero carbon ambitions and encouraging an ecosystem of high-quality employment.

Manchester Local Plan Core Strategy, 2012

The Core Strategy sets out Manchester's growth ambitions and recognises the city centre as the key location for major employment growth, with an allocation of 58ha for employment use between 2012-2027. The Strategy states that *"the City Centre will remain the focus for office (and similar employment use) development"*. The scheme responds to this context and ensures that high density accommodation can be offered within a land constrained local authority area.

City Centre Strategic Plan 2015-2018

The Strategic Plan for the city centre, which sets out a long-term vision for the future of the city centre, highlights its role as a driver of economic growth and role as a major employment centre. The Plan references the digital sector as one of Manchester's distinctive strengths which it will continue to build on.

Increasing demand for a range of commercial space, that meets the needs of the market and key growth sectors is highlighted, and the need *"to provide a growing pipeline of accommodation and protect strategic sites for commercial development"*. The proposals respond to this requirement.

Meeting Local Growth Ambitions: Economic Drivers

State of the City Report, 2020

Manchester's 2020 State of the City Report recognises the city centre as one of the UK's leading employment hub, and states: *"Over the past 12 months, Manchester has continued to develop as a leading global city to live, work and visit. The city centre sits at the heart of this, experiencing the highest levels of construction activity in recent times. The scale and pace of growth and development change is transformational, with expanding city centre boundaries, a new skyline taking shape, and new communities thriving in previously under-utilised areas."*

The report highlights the importance of *"ensuring a strong pipeline of commercial development that is flexible and reflective of the evolving needs of businesses and employees"* in supporting economic recovery post-Covid-19 and helping to continue to attract inward investment.

Developing a More Inclusive Economy – Our Manchester Industrial Strategy, 2019

The Our Manchester Industrial Strategy sets out Manchester's vision and delivery plan for developing a more inclusive economy, highlighting the importance of the city centre to meeting objectives: *"The city centre continues to be the engine of Manchester's growth. As noted in the Greater Manchester Independent Prosperity Review's Reviewers Report, one in five jobs in Greater Manchester is now located in the city centre, and there are 60 per cent more jobs in the city centre than in all other major employment locations within the city region. The population of the city centre has increased dramatically, growing by 120 per cent between 2001 and 2011, compared to 8.1 per cent across Greater Manchester as a whole. Now home to over 50,000 residents, the population is younger and more diverse than the rest of the region. A pipeline of planned residential developments means the population is expected to reach 100,000 by 2026."*

As well as being the economic driver of the city region, the city centre also has a vital role to play in the rebalancing of the national economy. Sustaining the growth of the city centre will ensure that Manchester can continue to compete as a viable alternative to London and the South East, increasing the productivity of the UK and increasing its global profile."

The 39 Deansgate development will accommodate continued growth within the city in sectors that can support Manchester to continue to offer high value jobs to its residents and make a growing contribution to the national economy.

5. 39 Deansgate Development Economic Impact

The 39 Deansgate development will generate economic benefits through both its construction and operations. This section considers the nature and scale of benefits forecast to be achieved under each stage, from both a direct and an indirect and induced perspective.

Economic Uplift from Construction

The development has an estimated construction cost of £41m across a 30 month build period. Applying the average spend per full time equivalent (FTE) in the Construction sector in the North West²⁰, suggests 387 construction job years will be supported over the construction period, an average of 155 a year assuming a consistent development programme, generating Gross Value Added (GVA – a measure of economic output) of £30m.

An ambition to maximise local labour during the construction phase has been identified by the developer, including the use of apprentices, as well as an aim to prioritise local suppliers, including those who use local sources. This will support further economic benefits in the local economy.

The Construction sector is recognised to generate considerable multiplier effects with a high proportion of construction related expenditure and wages recirculating in the economy. This in turn can help to support employment in the supply chain and wider economy. Applying a multiplier of 1.842, in line with the CEBR construction multiplier, suggests a GVA contribution of £55m will be generated through indirect (spill-over effects through the supply chain) and induced (knock-on consumer spending, e.g. via wages) impacts, supporting 878 FTEs while construction is underway.

Temporary Economic Uplift	
Temporary Construction Benefits	
Construction full time job years	387
GVA	£30.0m
Temporary Supply Chain Benefits	
Indirect and induced jobs	878
Indirect and induced GVA	£55.3m

Operational Direct Economic Impact

Scale of Forecast Benefits

The 39 Deansgate office building will be marketed to Digital, Tech and Media businesses, including fintech, software developers, banking, media, leisure, key growth sectors for Manchester. Retail/leisure uses will also be accommodated on the ground floor. Based on the anticipated floorspace, anticipated uses and the application of HCA employment densities guidance, 1,116 FTEs are expected to be accommodated in the building, once fully occupied.

The significant number of jobs accommodated will generate GVA worth over £78.5m per year, with wages totalling £36.2m, a considerable proportion of which will be spent locally, particularly in the city centre. Each year, £7.5m of national insurance and income tax will be contributed to the public purse, while business rates of £8.5m will be generated every decade²¹.

Onsite Employment Uses and Benefits					
	Annual				10-year
	FTE	GVA	Total Annual Wages	Total Annual NI & Income Tax	Business Rates ²²
Office	1,089	£77.3m	£35.6m	£7.4m	£8.2m
Commercial	27	£1.2m	£0.5m	£0.1m	£0.4m
Total	1,116	£78.5m	£36.2m	£7.5m	£8.5m

²⁰ Using the Annual Business Survey, Business Register and Employment Survey (BRES) and the Annual Population Survey

²¹ Calculated on the basis of the published VOA dataset using average rateable values for office and retail uses in Manchester, applied to the floorspace to be created for each use. Given that city centre rateable values may exceed the city-wide average, this is considered to be a cautious estimate.

²² *ibid.*

Sector and Employment Profile

The building's target sectors are: fintech; software developers; banking; media; and the leisure sectors. This approach will allow the development to accommodate over 1,000 FTEs within the broad sectors of: information and communication, financial and insurance, and professional, scientific and technical activities, in addition to the retail sector in ground floor units.

Jobs supported onsite will cater to a range of skill levels, indicative of the skills profile of Manchester's residents. A significant number of highly skilled workers, including roles relevant to graduates who have a strong retention rate in the city, will be accommodated helping to drive economic growth and productivity in the city. The range of mid-level and low skilled roles will also make an important contribution to growth, providing accessible employment opportunities for residents and supporting inclusive growth aspirations. By providing a mix of roles, opportunities for career provision will also be offered.

Broad Sector, Skills and Occupational Profile		
	FTEs	%
Broad Sector		
Information and Communication	363	33%
Financial and Insurance Activities	363	33%
Professional, Scientific and Technical	363	33%
Retail Trade	27	2%
Total	1,116	
Skills Profile		
Level 4+	504	45%
Level 3	360	32%
Level 1-2	252	23%
Total	1,116	
Occupational Profile		
Managers, Directors and Senior Officials	163	15%
Professional Occupations	361	32%
Associate Prof. & Technical Occupations	305	27%
Administrative and Secretarial Occupations	157	14%
Skilled Trades Occupations	34	3%
Sales and Customer Service Occupations	69	6%
Elementary Occupations	27	2%
Total	1,116	

Evidence of high demand for commercial space in the city centre which meets current market needs and expectations, as presented earlier in this report, suggests there is currently a missed opportunity to provide attractive premises in a key city centre location and support the employment and regeneration ambitions of the city.

Operational Indirect and Induced Impacts

The effects of agglomeration, knock-on effect of consumer spending through wages spent by employees, and additional spending in the supply chain by businesses accommodated onsite will provide a further economic boost in the local economy. This impact is captured by the multiplier effect. The What Works Centre for Economic Growth Local Multiplier Toolkit suggests an additional job in the tradable sector will create 0.9 jobs in the non-tradable sector,²³ but notes that skilled jobs or jobs in high-tech industries typically generate larger multipliers (2.5 for high skilled jobs and 1.9 for the tech industry). Taking a conservative approach, given that the development will accommodate a range of sectors and skill levels, applying a multiplier of 0.9 suggests a further 1,000 FTEs will be supported in the wider economy as a result of the development.

Establishing a Sustainable End Use

The building currently onsite is in a poor state of repair, lacks appropriate broadband provision and the current floorplates on the upper floors are deemed unattractive to the market, with many units lying

²³ <https://whatworksgrowth.org/resources/toolkit-local-multipliers/>

vacant. This is not a sustainable position and means that a key site within the city is not delivering to its economic potential.

At the time of the planning application being submitted early 2020, the building supported 270 FTEs, significantly below the number estimated to be accommodated within the proposed development and with high levels of vacancy already evident. A trend of businesses vacating the space has continued since and it is increasingly difficult to identify new tenants.

At the time of preparing this assessment, it is reported that as few as 100 people are working onsite, in part due to further units falling vacant as businesses have relocated. This equates to less than a tenth of the site's potential, identified through this assessment, with the actual impact underplayed further as indirect and induced impacts are impacted by the low level of direct impacts.

At the time of the 2020 planning application, five units were vacant, totalling 886m² of empty employment space. This has now risen to eight units (two retail and six office) totalling 1,819m² of commercial space, highlighting the scale of decline over the past year, a trend which is expected to continue.

The proposed development will ensure that premises are provided that meet business and employee needs. CBRE's recently prepared market report emphasises that the scheme design has been developed to meet identified needs and a high level of occupancy is expected to be achieved.

6. Conclusions

An Appropriate Response to Market Need

Manchester's significant growth over recent years, supported by a number of high growth sectors including the digital and tech sector, as well as strong forecast employment and population growth is underpinning demand for employment space, and although supply has been increasing, there remains a shortfall relative to demand.

The building which currently occupies the 39 Deansgate site is in a poor state of repair, is unattractive to the market, with a high number of vacant units and tenancy levels continuing to decline, accelerated by the Covid-19 pandemic. Even with investment, the building is unable to satisfy market requirements.

Intervention is needed to ensure that this key site in the city centre continues to contribute to the city's economy and remains a viable location. Evidence of high demand for commercial space in the city centre and growth in the building's target sectors, suggests there is currently a missed opportunity to provide attractive premises in a key city centre location and support the employment and regeneration ambitions of the city.

39 Deansgate is designed to meet a specific market need – providing high quality office space for a strong and fast-growing sector of the market where Manchester is increasingly recognised to play a role on the national and international stage. The scheme is strategically located within the city centre at the edge of the city's core retail district and sits within the Ramada Complex SRF where significant change is due to occur in coming years, including the introduction of higher density development.

A Significant Benefits Generator

This paper has shown that the development will support Manchester's growth and regeneration ambitions, delivering significant economic benefits for the city and its residents, both in scale and the ability to support a continued reduction of the north's productivity gap. In summary:

- The £41m construction scheme will support a temporary economic uplift during a 30-month construction phase, supporting 387 construction job years, an average of 155 a year, and a further 878 indirect and induced jobs. The scheme is expected to support a GVA contribution of circa. £85m through the direct, indirect and induced construction effects.
- The development will deliver 141,000ft² (NIA) of 'best in class' Grade A office and retail space, accommodating 1,116 FTEs once fully occupied, generating GVA worth over £78.5m per year and wages totaling £36.2m.
- The development will target the fintech, software developers, banking, media, leisure sectors. These sectors are well established key growth sectors in Manchester, offering significant further growth potential, particularly as Manchester is increasingly recognised as a national leader in the fields with a considerable cluster of activity.
- The use of low and zero carbon technologies supports to the City Council's ambition for a net zero carbon city by 2038.
- A range of jobs, including highly-skilled roles, graduate-relevant opportunities, and entry-level roles will be accommodated helping to drive economic growth and productivity in the city and support inclusive growth objectives.
- Benefits to the public purse include £7.5m of national insurance and income tax each year and business rates of £8.5m over 10 years.