

FINAL REPORT

Church House Change of Use – Economic Impact Assessment

September 2025

PREPARED FOR:

CRITERION
CAPITAL

Table of contents



Section 1

Executive Summary and
Introduction

Section 5

Tourism Sector and Hotel
Market Assessment

Section 2

Scheme Details

Section 6

Economic Impact Assessment

Section 3

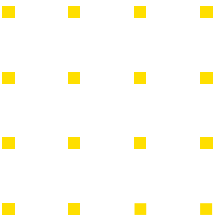
Economic Baseline Analysis

Section 7

Conclusions

Section 4

Office Market Assessment



01

SUBHEADING

Executive Summary and Introduction

Introduction

This Economic Impact Assessment was commissioned by Criterion Capital to support their planning application for change of use, from office to hotel at Church House on 90 Deansgate in Manchester. The scheme is for the conversion of approx. 7,100 sqm (NIA) of office space into a hotel with 136 double bedrooms ranging in size from approx. 14sqm to approx. 25sqm and 40 single bedrooms offering approx. 5 sqm focussing on sleep quality.

Demand in the office market has shifted over the last three to four years. This is often characterised by a ‘flight to quality’ with occupiers increasingly seeking high quality and energy efficient space. This has led to Grade B space being increasingly vacated. Due to the current building’s overall low quality, including poor sustainability credentials and low ceilings, it is not attractive to modern office occupiers. This is indicated by the Site having remained vacant since the Diocese of Manchester relocated its headquarter from the Site to Bury in early 2023.

The St. Mary’s Parsonage Strategic Regeneration Framework (SRF) aims for the area to ‘...host an eco-system of best-in-class employment – from global businesses to start ups – and other high-quality uses including residential, hotel, retail and leisure.’

The MCC’s Local Development Framework (Core Strategy Policy EC2 on Existing Employment Space) safeguards existing employment uses in the city centre unless certain key criteria are met. Exemptions include if the proposed scheme demonstrates that the change of use increases benefits in terms of the MCC’s vision and spatial objectives as set out in the Core Strategy. More specifically Policy EC2 confirms exemption can be made if:

1. The existing use is un-viable in terms of business operations, building age and format
2. The existing use is incompatible with adjacent uses
3. The existing use is unsuitable for employment having had regard to the Manchester Salford - Trafford SFRA, or
4. On balance, proposals are able to offer greater benefits in terms of the Core Strategy’s vision and spatial objectives than the existing use.

Focussing on points 1 and 4, this Economic Impact Assessment has been prepared to provide the Council with analysis informing their decision-making in terms of the benefits delivered by the conversion. We set the scene by providing an overview of the office market in general and of the sub-market relevant to the scheme as well as of the tourism industry in Manchester. We then provide an estimate of the overall benefits estimated to be delivered by the conversion. This is provided net of the benefits delivered by the current use, i.e. the Reference Case.



Executive Summary

Our analysis estimates that 50 on site jobs will be supported during construction resulting in an estimated increase in local Gross Value Added (GVA) of £2.6m p.a. During operation the proposed conversion will result in an estimated additional annual local spend of approx. £15.2m. We estimate that this will support 90 net additional local jobs at the hotel itself and across sectors such as food & beverages, retail, arts, and events and entertainment supported. The majority of visitor spend will be in the City Centre.

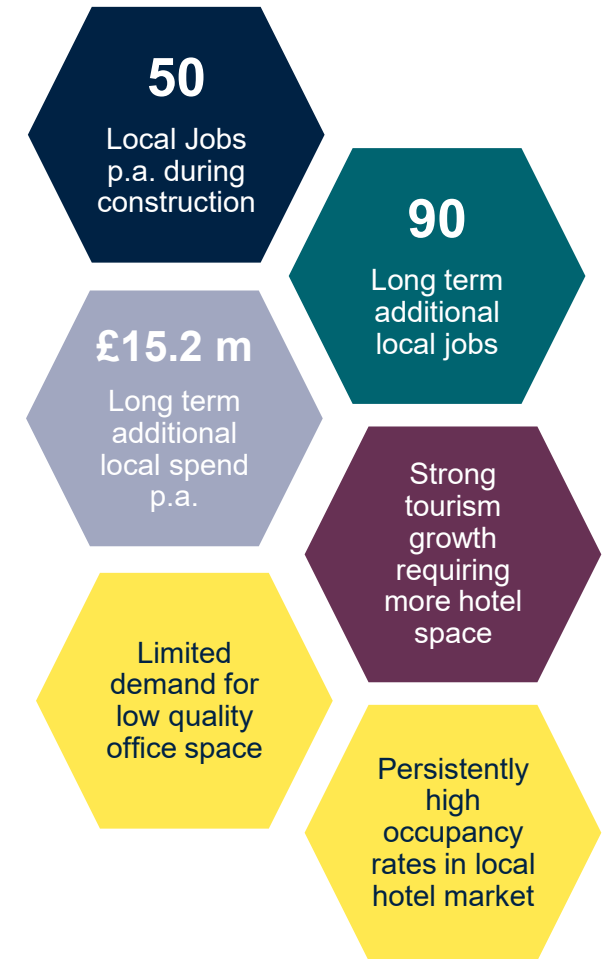
Underpinning this is Savills analysis of both the office and the tourism market. We find that the premises would deliver larger benefits and better alignment with the Council's objectives if it were to be converted into a hotel.

Floors 1-5, i.e. the floors proposed for conversion, are vacant. Reasons for why it is unlikely that the premises will attract office occupiers include: 1) low demand for comparable low quality office space in local office market characterised by decreasing rents, increasing yields, and more tenants moving out than moving in; and 2) substantial work needed to bring premises back into use.

Our assessment of Manchester's tourism market finds that there has been strong growth over the past decade and that the sector has recovered swiftly from the downturn due to the pandemic. Occupancy rates for similar hotels in Manchester City Centre have been continuously high at more than 80% over the past two years. This compares to an average occupancy rate of 68% across Europe, an area Manchester competes with for international tourists. Our analysis also finds that Manchester's hotel market has – in relative terms – outperformed Edinburgh and London since the pandemic and in particular Manchester's economy and midscale hotels have experienced higher demand compared to available supply. In combination with Manchester increasingly becoming a host for major events and with Greater Manchester's ambition to establish Manchester as the most visited UK city outside of London, this makes a strong case for more hotels to be delivered.

We conclude that a conversion to hotel helps to achieve policy objectives as set out in the adopted Core Strategy (including Policy EC2).

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02

SUBHEADING

Scheme Details

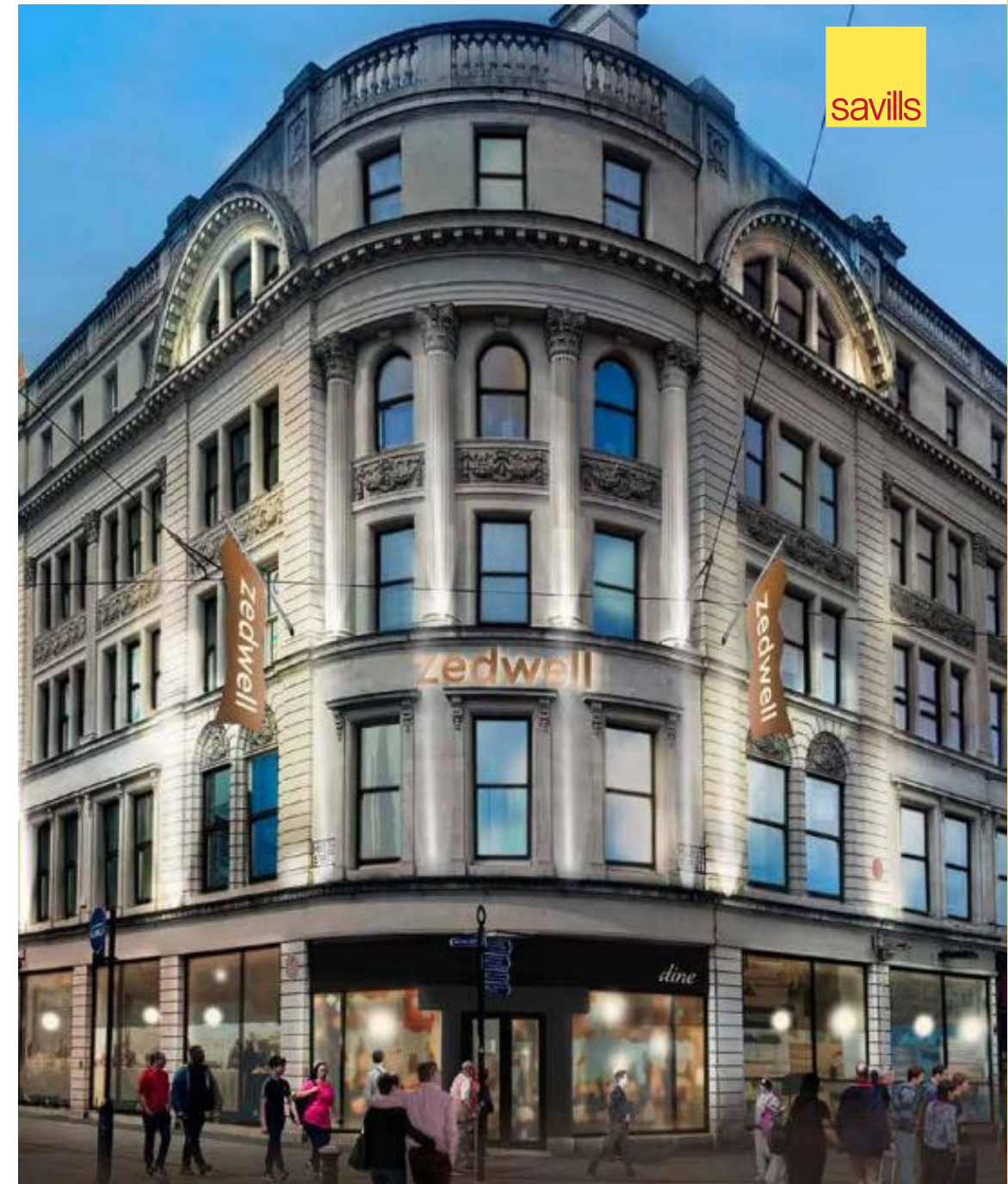
Scheme Details

Introduction

The proposed development at 90 Deansgate is to introduce a high-quality 282-bed Zedwell hotel, offering a minimalist, sleep-focused experience in the heart of Manchester. The hotel will feature double rooms ranging from 14 sqm to 25 sqm, designed with a focus on comfort, soundproofing, and wellness. The proposed hotel will preserve the historic character of the front façade by refurbishing its interior within the building's original envelope.

The interior of all rooms will be made of high-quality natural materials and designed with a highest attention to room's ergonomics that create a functional, cosy and comfortable environment to encourage a peaceful night's sleep for all its guests. The hotel will target groups and families looking for short to medium stays including for both leisure and business travel. Further key scheme details include:

- Circa £100 per night per room (estimate based on other Zedwell hotels)
- 80% targeted occupancy rate
- Total number of Rooms: 157 (125 double/twin rooms; 32 capsules i.e. single rooms)



Regeneration Context

Public Realm

The proposed hotel would support a range of public realm related regeneration efforts in the area, which aim at contributing to more engaging streetscape and open spaces. Initiatives focus on enhancing spaces for walking and cycling, improving air quality, and supporting local businesses. Activating the currently underutilised space at 90 Deansgate, would directly support these ambitions by fostering a vibrant, accessible, and economically robust urban environment

Public realm initiatives include St. Mary's Parsonage Strategic Regeneration Framework (SRF) and Irwell River Park Strategy.

Relevant Redevelopments

There is a range of high-profile redevelopments on Deansgate and the surrounding area including redevelopments at Great Northern, Albert Bridge House, and No. 1 St Michael's.

The proposed hotel would support the surrounding area's business ecosystem by providing accommodation for professionals, as Spinningfields has transformed into a hub for financial and professional services. The proposed hotel would enhance the leisure and retail experience as the area is becoming a premium destination for dining, shopping, and entertainment. The proposed hotel would help to accommodate tourists eager to explore new attractions. Thus, the proposed hotel would facilitate business engagement and increased leisure activity, thus boosting local economic growth.

Image 2 River Irwell



Image 3 Parsonage Gardens



Image 4 Great Northern



Image 5 No. 1 St Michael's



03

SUBHEADING

Economic Baseline Analysis

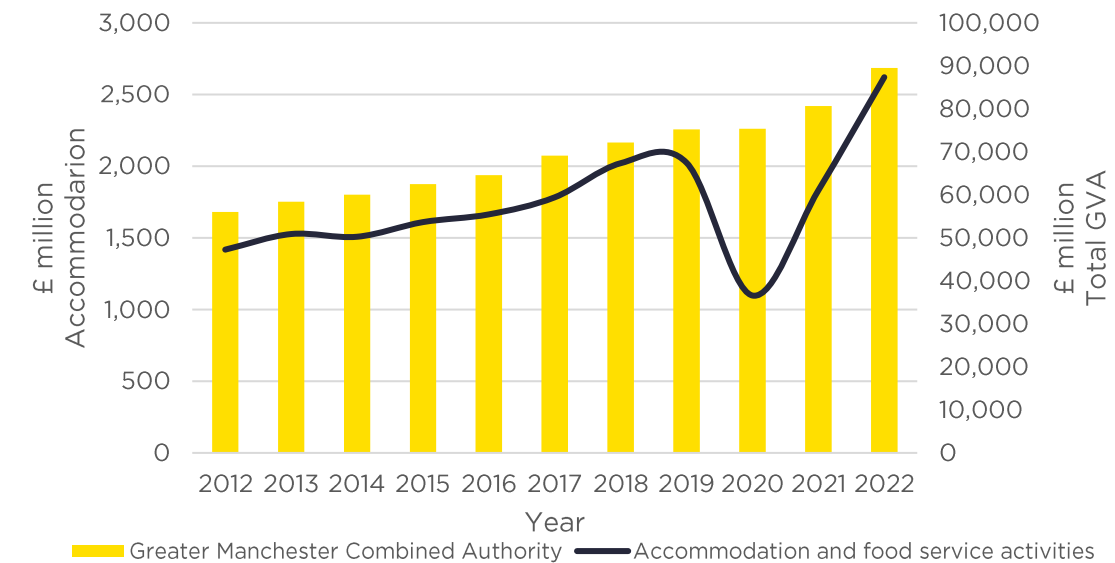
Local Economic Baseline Review



Manchester’s Role as a Driver for Growth in the UK

Manchester is a significant driver of the Northern UK economy. **Figure 3.1** shows that Greater Manchester’s GVA has gradually grown over the last decade with a slight contraction in 2020 caused by the pandemic. This contrasts to the development of the tourism industry, that grew at a faster rate than the wider economy until 2019, but was more heavily affected by the pandemic. The post-pandemic recovery has been strong, the latest available data in 2022 shows that tourism GVA has been growing since 2020 and has exceeded pre-pandemic levels.

Figure 3.1 GVA of Greater Manchester Combined Authority

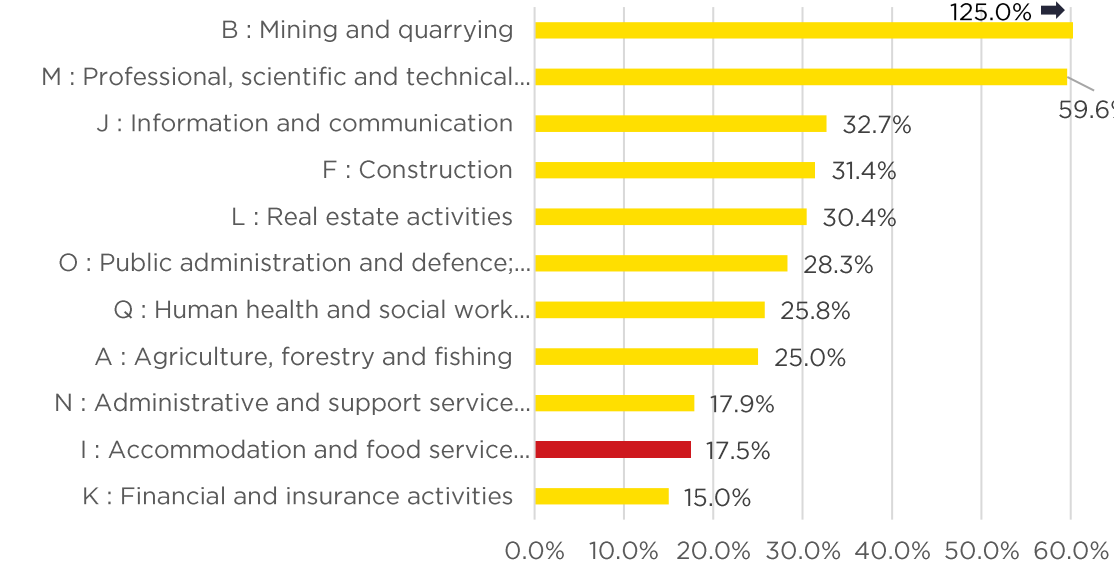


Source: ONS, Savills Analysis (2025)

Growing Employment Sectors in Greater Manchester

Accommodation and Food Services was the 6th most important driver of Greater Manchester’s economy contributing 6.5% to the city’s employment market, thus, providing crucial job opportunities for Greater Manchester’s residents in 2023. Employee numbers in this industry has grown substantially between 2015 and 2023 despite of the pandemic. This is set out in Figure 3.2.

Figure 3.2 Growth employees in Greater Manchester (2015 to 2023)



Source: BRES, Savills Analysis (2025)

Demographics Review



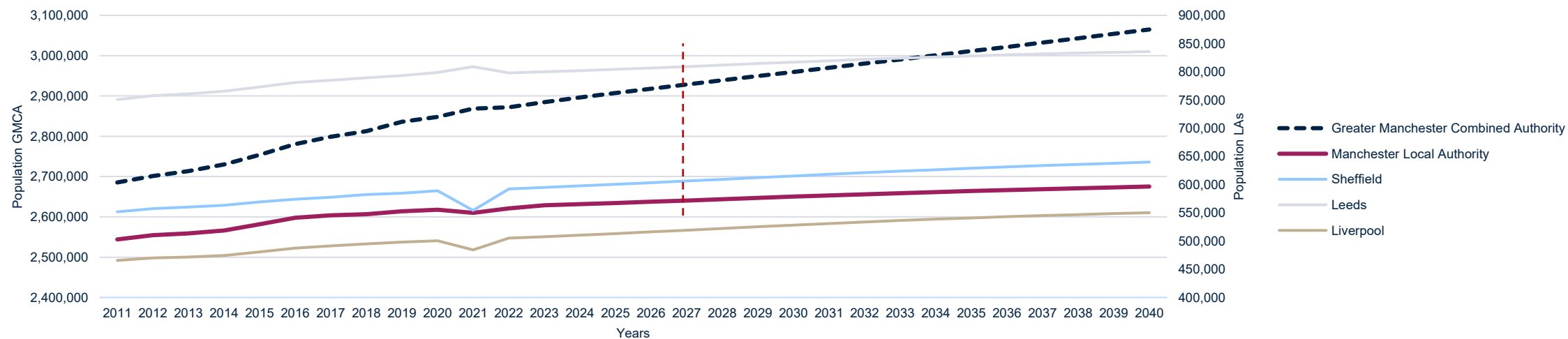
Population Growth Forecast

Figure 3.3 shows how Manchester’s population has changed since 2011 and provides projections up to 2040 in comparison with other large local authority districts. Manchester’s population has rapidly grown and now stands at approximately 550,000 having been just 502,900 in 2013. Manchester’s population is forecast to grow to 578,740 by 2030 and 596,640 by 2040. The wider Greater Manchester Combined Authority (GMCA) has a population of approximately 2.8 million people, of which 63.7% are of working age (16-64). The population of GMCA is forecast to rise to approx. 3.06 million by 2040.

Drivers of Population Growth

Manchester’s population growth has been driven by high levels of international migration, increasing numbers of students, as well as graduates and young professionals seeking employment in skilled jobs in the city given its growing knowledge economy, alongside an attractive accommodation, leisure and cultural offer.

Figure 3.3 Population change and projection



Source: ONS population estimates, Savills Analysis (2025)

04

SUBHEADING

Office Market Assessment

Wider Trends in Office Market

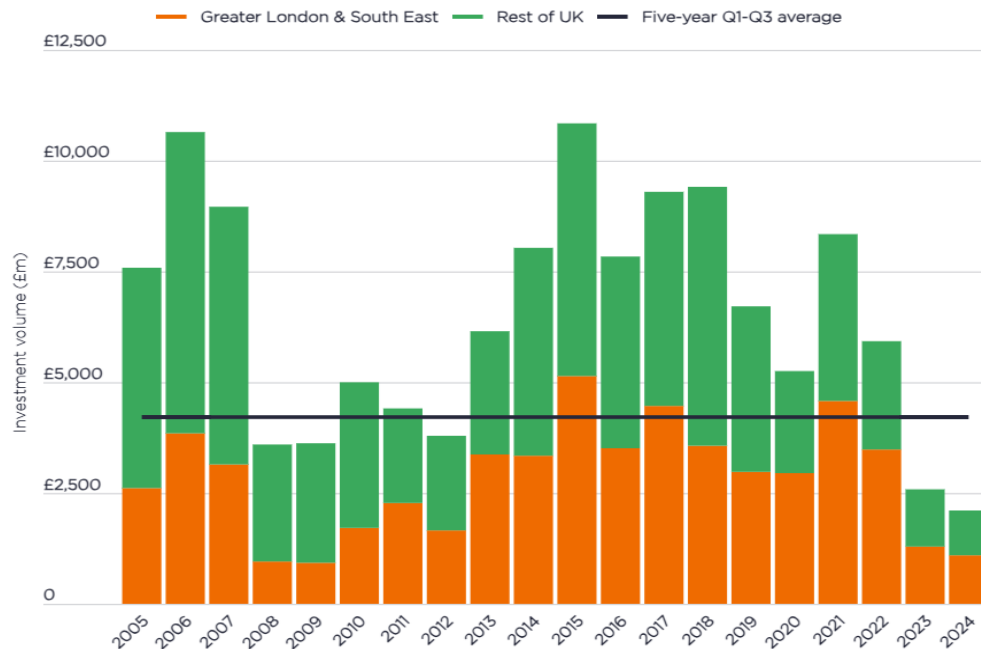


The pandemic has changed the trajectory of the national and regional office market.

Demand for office space has changed with occupiers seeking high quality, energy efficient, and flexible office space as working patterns have changed. This is commonly referred to in the industry as 'flight to quality' as companies upgrade to high-quality space that meets ESG requirements. Across the UK, investment levels in the office market has decreased since 2021. This is illustrated in Figure 4.1.

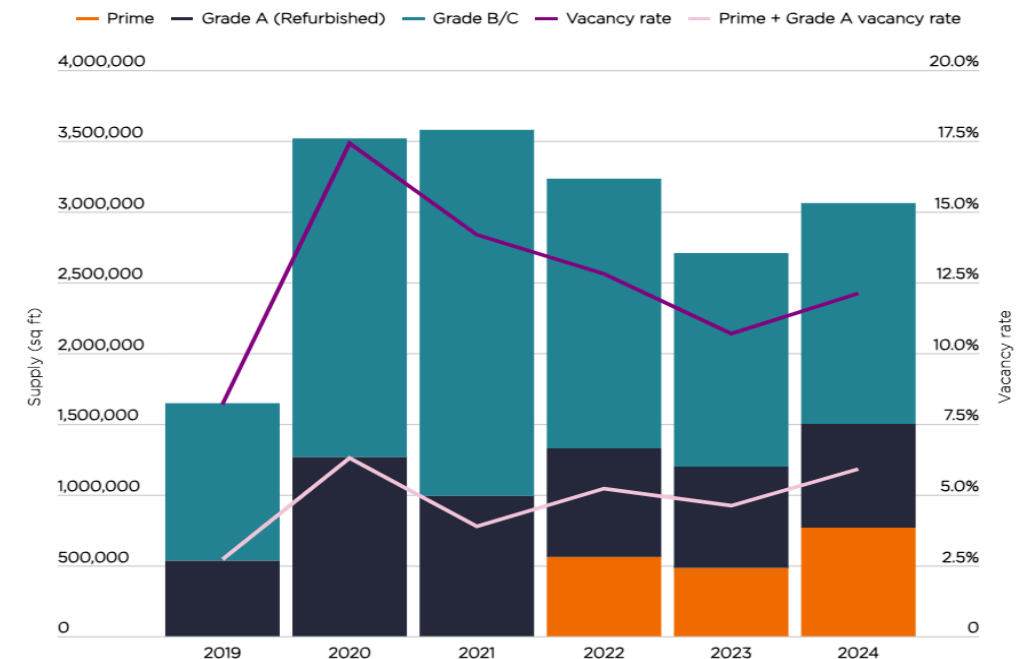
Figure 4.2 sets out how this trend has translated into supply of office space in Manchester. Our analysis finds that delivery of Prime office space has increased since 2021, whilst delivery of (refurbished) Grade A space has been stable since 2022. Prime and Grade A space accounted for 71% of the total take-up in 2024, whilst supply of Grade B and Grade C office space, has contracted since 2021 due to a lack of demand.

Figure 4.1 Office investment volumes of UK regional markets



Source: Savills Research, MSCI (2025)

Figure 4.2 Vacancy and Stock by Office Quality in Manchester



Local Office Market for Grade B/C space



Low Demand and High Yields for Low Quality Space

We assess the office market in Manchester. More specifically, we analyse demand and supply patterns in the market for below quality and average quality office floorspace within the Manchester Inner Ring Road.

Our analysis finds that the vacancy rate for such premises has increased sharply since 2019 from around 6% to around 11%. Net absorption (i.e. in-movers minus out-movers) has been negative in every single year since 2020. The reason why the vacancy rate has not increased even further since 2022 lies in the fact that net deliveries (i.e. new builds/conversions minus stock being taken off the market) have been negative too, thus, decreasing the amount of stock available. This is set out in Figure 4.3.

Two other key indicators illustrating that demand has been consistently low are rental growth and yields. Since 2022, nominal rental growth has been (substantially) below inflation with the cumulative growth in rents since late 2022 being 1.9% whilst cumulative inflation over the same time period was approx. 23% meaning that real market rents (i.e. adjusted for inflation) have decreased by around 20%. Since 2021, yields have increased from around 6% to around 8% indicating that investors increasingly shy away from investing in below average and average quality office space. This is set out in Figure 4.4.

Source: CoStar, Savills Analysis (2025)

Figure 4.3 Low Quality Local Office Market Demand Metrics

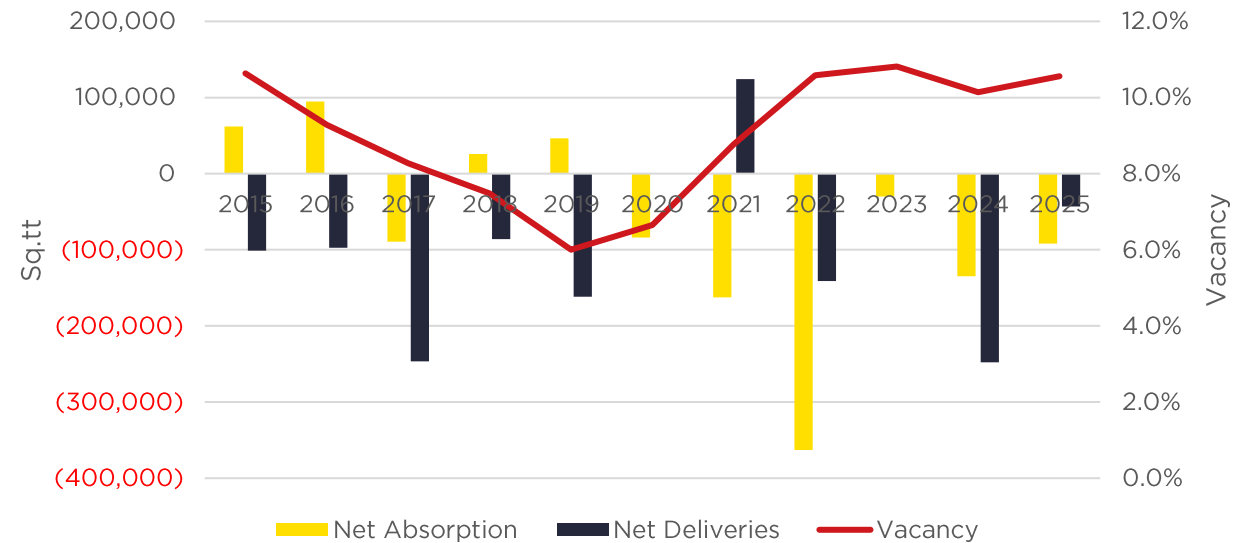
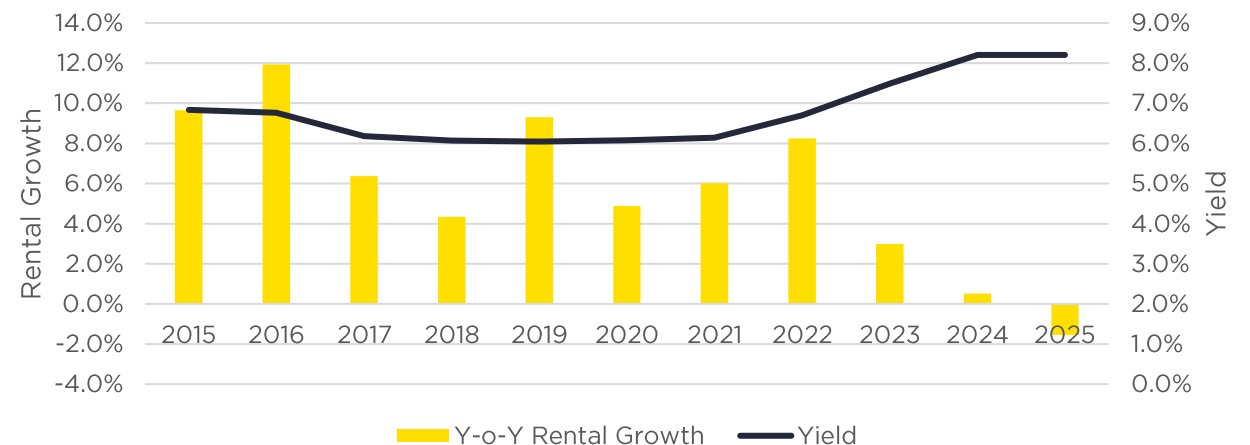


Figure 4.4 Low Quality Local Office Market Rents and Yields



05

SUBHEADING

Tourism Sector and Hotel Market Assessment

National Tourism Trends

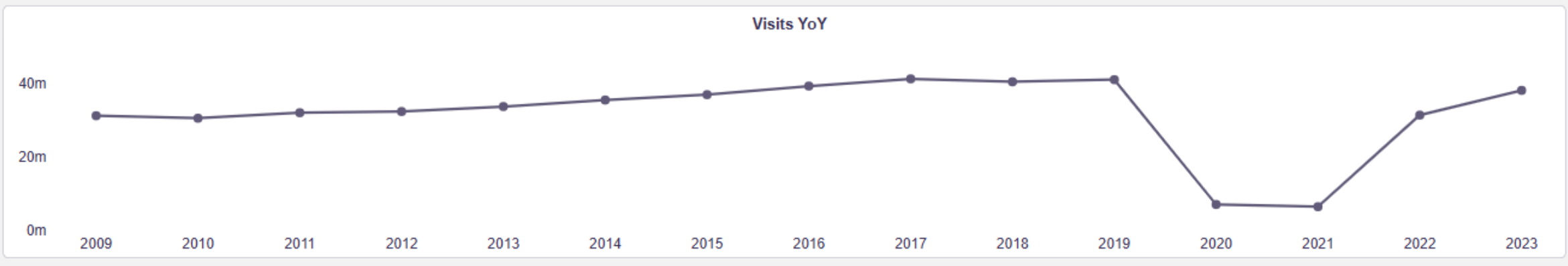


Tourism in the UK has been Resilient since 2019.

As shown in Figure 5.1, the number of international visits to the UK has been growing steadily prior 2019. It then dropped to 6.4 million in 2021 but bounced back to around 38.0 million inbound visits to the UK in 2023. This is an increase of 21% compared to the data in 2022, reducing the hit caused by the pandemic.

Encouraging signs in the tourism sector can also be reflected in room occupancy and visitor spending data. Room occupancy in England in 2024 was 79%, 8% higher than the pre-COVID level in 2019 (Figure 5.2). While this is likely influenced by a number of hotel closures since 2019. A total of 292.9m nights were spent in the UK in 2023, 11% higher than that in 2022. Visitor spending, on the other hand, reached a record of £31.1 billion in 2023, up by 17% in nominal terms and 9% in real terms than in 2022. These metrics indicate that the tourism sector in the UK is quickly recovering from hit caused by COVID-19.

Figure 5.1 Number of International Visits to the UK



Source: England Occupancy Survey December 2024, VisitEngland Research
Quarterly and Annual Inbound Update Total UK, - Q4 2023 and Full Year 2023, Visit Britain

Figure 5.2 Room Occupancy in England

Room Occupancy	2019	2023	2024
December	65%	74%	75%
December Year To Date	71%	76%	79%
December Weekend	70%	77%	81%
December Weekday	63%	72%	73%

Manchester Tourism Industry



Tourism Sector is Pivotal to Manchester's Economy

Manchester has been one of the most popular destinations for domestic and international travellers. VisitEngland estimates that there were 4.2m domestic staying visits to Greater Manchester in 2021, behind only Greater London. In 2022, 1.2 million international visitors visited Manchester, ranking third in the UK. Manchester has also become a popular destination for business travellers, hosting numerous conferences, exhibitions, and corporate events. The city's convention facilities, such as Manchester Central, have played a pivotal role in attracting business tourism. This is set out in **Figure 5.3**. Manchester is also becoming an increasingly attractive destination for international visitors and Manchester has – in relative terms – outperformed London and Edinburgh since 2009. This is set out in **Figure 5.4**.

According to marketingManchester and in line with our analysis of ONS data, Greater Manchester's tourism sector has been contributing to Manchester's economy and labour market. Before the pandemic, tourism activity in Greater Manchester generated £9.5bn in GVA and supported 102,500 Full Time Equivalent (FTE) jobs in 2019. The latest data in 2022 shows a significant bounce back to £8.7bn in GVA for Greater Manchester, supporting 87,500 FTE jobs.

In January 2025, the Greater Manchester Visitor Economy Strategy 2025-2030 was launched aiming to boost tourism GVA to £15bn by 2030 and to become the most visited city-region outside of London and a top 20 European destination. To enable this level of growth, the strategy sets out that Manchester needs to enhance its visitor offer including additional beds.

Figure 5.3 Purpose of Visiting Manchester in 2022 ('000)

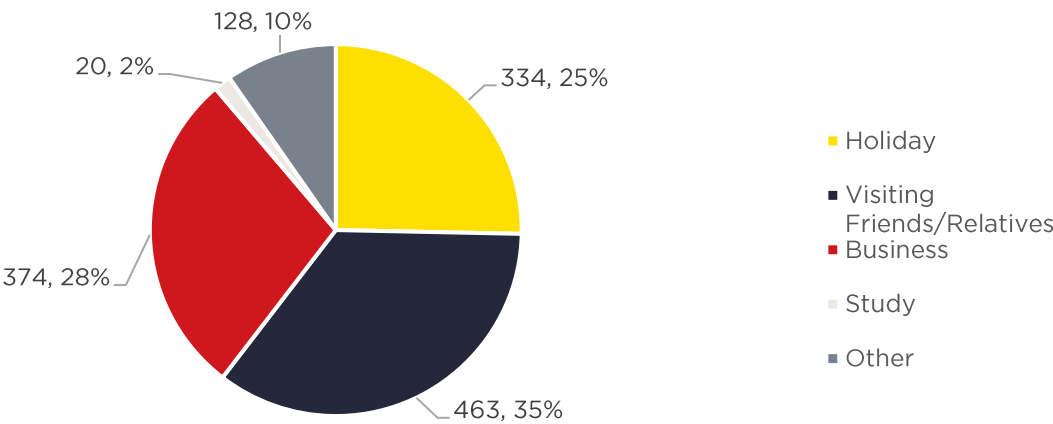
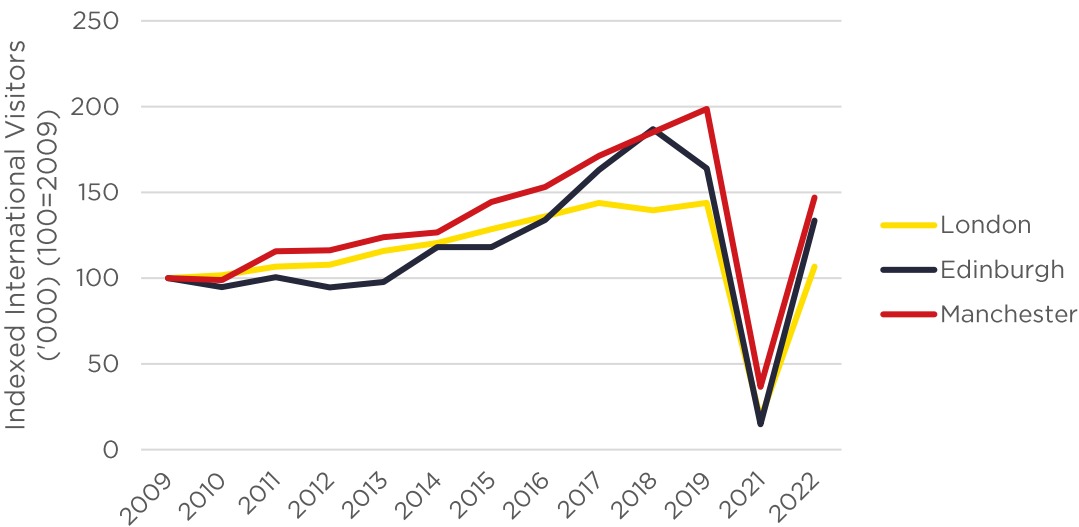


Figure 5.4 Top 3 UK cities' Indexed Number of International Visitors



Source: International Passenger Survey, Office for National Statistics

Manchester Hotel Market

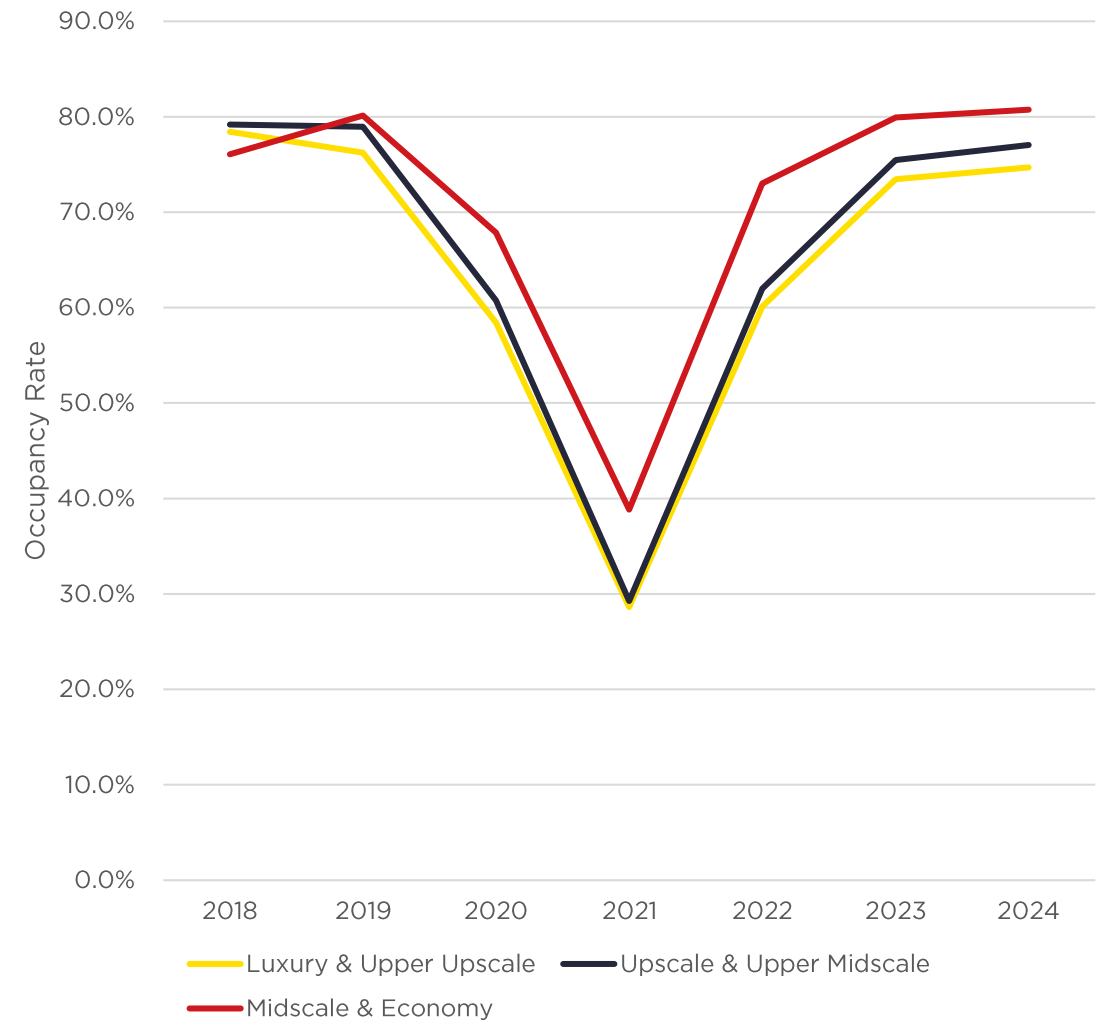
Strong Rebound Post-Pandemic

In line with the tourism industry in Manchester, the city centre's hotel market has experienced a strong rebound since the end of the pandemic. Particularly in the Midscale & Economy category, occupancy is high at above 80%, which is higher than the national occupancy rate. This is set out in Figure 5.5 and should be seen in the context of the UK and Ireland having the highest occupancy rates in Europe where the average occupancy is 68%.

The high occupancy rate for Midscale & Economy rooms demonstrates that despite a substantial increase in supply of such rooms post-pandemic, there is an ongoing need for more hotel space. There are 877 rooms (an increase of 6.8% relative to current stock) currently in the pipeline within the Manchester Inner Ring Road. However, the strong performance of the tourism industry over the past four years as well as an increasing amount of major events being hosted in Manchester (e.g. Davis Cup and MTV European Music Awards in 2024, Oasis in 2025) are likely to mean that occupancy rates will remain at very high levels.

For Greater Manchester to achieve the objectives set out in the Greater Manchester Visitor Economy Strategy 2025-2030, the city has a clear need for more hotel space as occupancy rates at consistently above 80% risk choking off economic growth

Figure 5.5 Occupancy Rates in Manchester



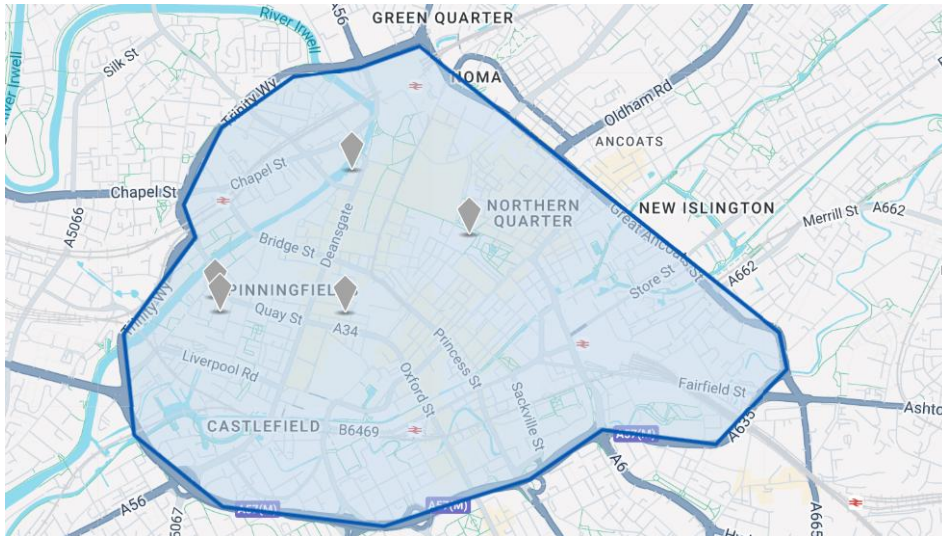
Supply and Pipeline of Hotel Rooms

Over 2024-2026, Manchester is only forecast to experience a modest increase in growth of the number of hotel rooms compared to growth seen between 2018 and 2023. Comparable UK cities are expected to see higher increases. This is set out in Figure 5.6.

Map 5.1 illustrates where the growth in rooms is anticipated to occur. The five inner ring road hotels currently under way are:

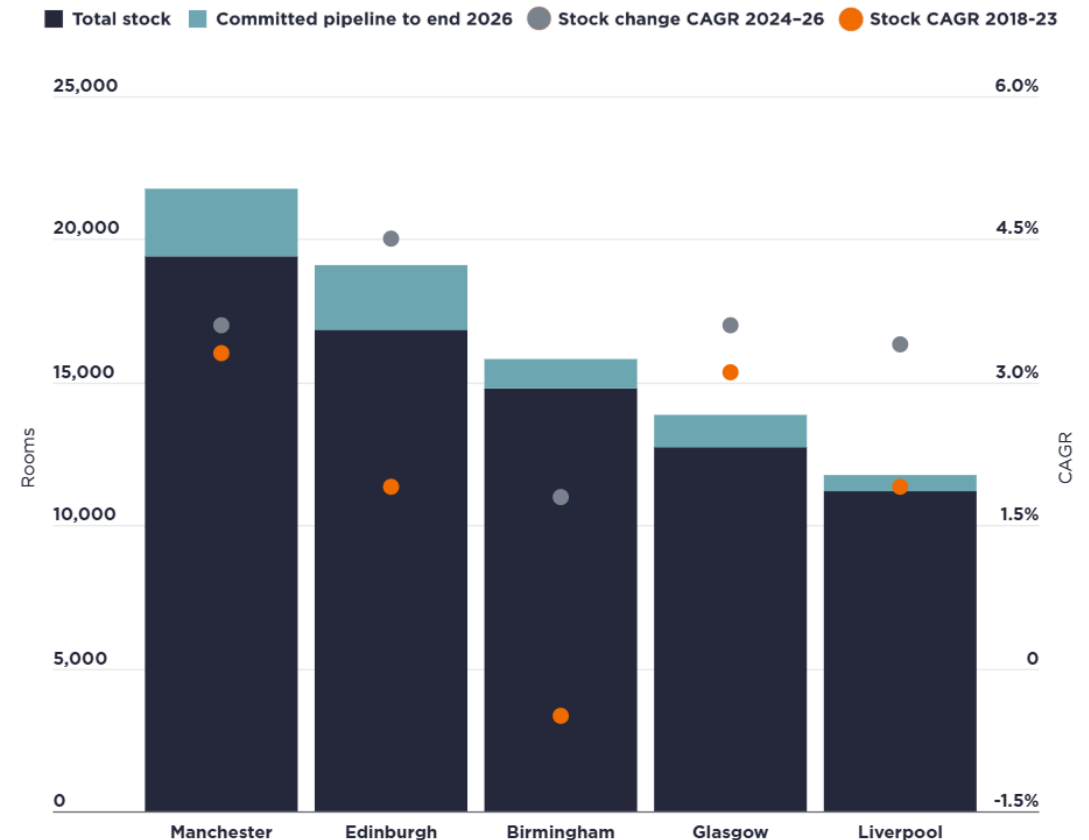
- Zedwell Royal Buildings (187 rooms)
- St John's Aparthotel (147 room)
- Mollie's Hotel & Diner (128 rooms)
- Treehouse Hotel Manchester (200 rooms)
- Number One St Michael's (191 rooms)

Map 5.1 Hotels Currently Under Way



Source: CoStar, Savills Analysis (2025)

Figure 5.6 Stock and Growth in Hotel Rooms UK Cities



06

SUBHEADING

Economic Impact Assessment

Method



For this assessment of the potential economic benefits of the proposed development, we have reviewed Church House's existing and proposed uses. The assessment uses economic data to estimate the benefits of new employment, economic activity and additional revenue to local government. The assessment of economic benefits follows guidance from the Homes and Communities Agency Additionality Guide (HCA, 2014) and HMT's Green Book (2022). It accounts for leakage, displacement and multiplier impacts of the proposed development. Our assessment considers impacts during construction as well as operation and takes into account wider benefits to other local businesses, too.

Construction Phase

The construction phase focuses on construction costs and temporary employment effects such as GVA per worker and provides the number of jobs created. The proposed development would lead to the creation of direct on-site and indirect off-site construction jobs.

To estimate the number of jobs required for the construction of the proposed development, the factors considered are a) overall construction cost based on client estimates; b) average output per construction worker in the North West; and c) construction duration.

Leakage, which refers to the proportion of output that benefits workers outside of the intervention's target area (i.e. Manchester LA) is estimated by analysing commuting patterns by construction sector workers.

Displacement is assumed to be small as the amount of on-site employment per annum is a small proportion of the existing construction workforce in Greater Manchester.

Operational Phase

The operational phase focuses on direct and indirect employment as well as Gross Value Added (GVA) generated by running the proposed hotel. We estimate the number of jobs as Full Time Equivalent (FTE) jobs.

The number of FTE jobs was estimated by following the HCA Employment Density Guide (2015). We take the total number of beds and divide this by the 'FTE per bed' for midscale hotels to work out the proposed hotel's direct employment impact.

After accounting for leakage and displacement, we estimate the hotel's multiplier effects using the ONS' Input-Output table. For the wider area around the hotel, the multiplier is 1.23.

The total GVA was estimated based on GVA generated per hotel worker in the North West region. Leakage was estimated by assessing hotel staff's commuting patterns.

Wider Benefits

The wider benefits focus on the estimated increase in local spend by visitors. There will also be fiscal benefits associated with the proposed development via the increase in business rates.

The tourism expenditure was calculated based on data provided by marketingManchester, which provides values for spend per day per visitor. The values of spend per visitor per day varies around £237 depending on the type of visitor (incl. accommodation costs). To provide a conservative assessment, we assumed a lower figure of £215 to account for the proposed development being a middleclass hotel. To estimate total spend, we assume that each double room is occupied by two visitors at an average occupancy rate of 77%.

For the single bedrooms, we assumed a lower spend (£123) as these rooms cater to the more budget conscious travellers.

We then estimate how many local jobs are supported by that spend using expenditure per employee per industry.

Economic Benefits



The proposed development will create employment opportunities for Manchester residents, initially during the construction of the hotel, and then as the hotel becomes occupied and fully operational.

Estimates for the temporary construction and long-term operational job benefits have been derived from construction cost estimates and the proposed accommodation schedule provided to Savills Economics by Criterion Capital.

From this information, the construction, direct and wider jobs and GVA have been estimated using ONS data sector specific productivity, cost per job and multiplier benchmarks, in line with Green Book and HCA Additionality Guidance.

Construction Phase

£12.5m capital investment

required to construct and fit out the proposed hotel.

50 direct construction jobs

supported across 1.5 years of construction. It is estimated 20 of these roles will be filled by residents of Manchester. This also equvalates to a figure of 75 gross job-years.

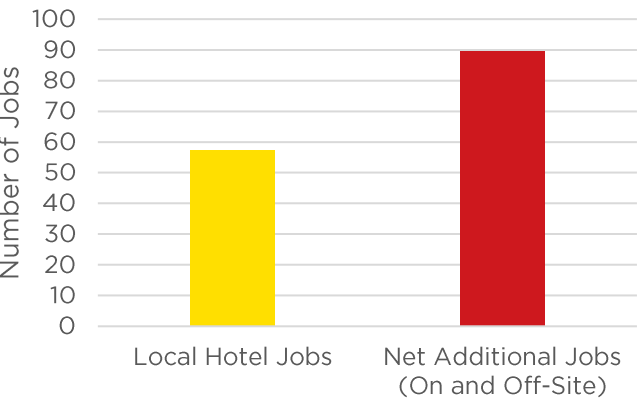
27 net additional jobs

are expected to be generated for Manchester residents directly and indirectly during the construction period.

£2.6m Construction GVA

per annum directly contributing to the Construction sector during the construction period.

Figure 6.1 Jobs Supported



Operational Phase

90 direct on-site jobs

onsite once the hotel is fully operational

57 local hotel jobs

taken up by Manchester residents once leakage is considered

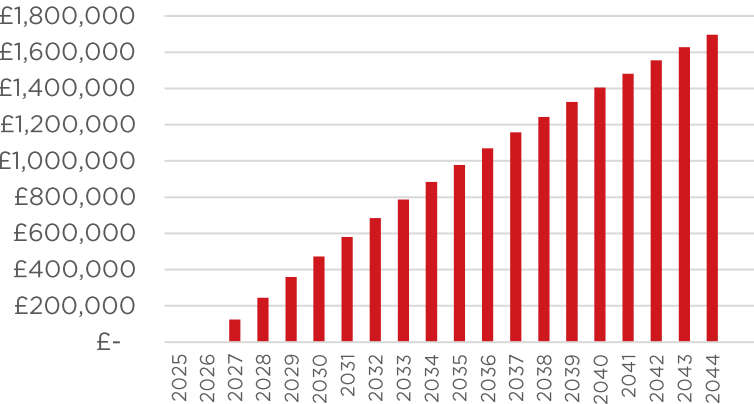
90 net additional jobs

accounting for displacement and including jobs across industries such as F&B, retail, arts, and events supported by visitors spend

£2.0m Gross Value Added

per annum contributed to the local economy via net additional jobs

Figure 6.2 Business Rates Generated



Wider Benefits

£1.7m (NPV) additional public sector revenues

resulting from cumulative business rates over 20 years

£15.2m total additional expenditure

by staying visitors on local retail, leisure and food & beverage activities.

07

SUBHEADING

Conclusion

Conclusion

Given the site's current limitations as Grade B/C office space, combined with the strong forecast growth in demand within Manchester's tourism sector, change of use from office to hotel at 90 Deansgate represents an advantageous proposal. The proposed hotel comprehensively addresses the criteria set out by MCC's Core Strategy Policy EC2. Our report sets out the clear economic unviability of continued office use. This unviability is highlighted by prolonged vacancy of the site itself and consistently low market demand for such office space.

Evidence from recent market analyses indicates a broader trend known as 'flight to quality', where occupiers increasingly prefer high-quality, energy-efficient, and flexible office spaces. This shift has substantially diminished demand for lower-grade offices which has expressed itself in the market as more tenants are moving out than moving in. The vacancy rate for comparable premises has increased notably from approximately 6% in 2019 to around 11% currently. Furthermore, rental values adjusted for inflation have declined significantly, with cumulative nominal rental growth of just 1.9% since 2022, compared to cumulative inflation of approximately 23%. In conjunction with a substantial increase in yields, attracting an investor to refurbish the site for high quality office use would be challenging and such refurbishment would most likely be commercially unviable illustrating the declining economic viability of maintaining Church House as office space.

The hotel's introduction aligns closely and strategically with the ambitions set forth in the St. Mary's Parsonage Strategic Regeneration Framework (SRF). This framework seeks to establish a vibrant, mixed-use community consisting of premium employment opportunities and supporting leisure, retail, and hospitality infrastructure. By converting the site into a hotel, this proposal will significantly enhance local vibrancy and footfall, creating positive knock-on effects that bolster nearby retail, dining, and entertainment sectors.

The development will not only create substantial immediate employment opportunities during construction but is estimated to also generate sustainable economic benefits through permanent operational employment. The forecast creation of approximately 90 net additional jobs for Manchester residents, combined with an annual economic contribution estimated at £15.2 million p.a, underscores the considerable positive economic impact anticipated from this conversion. The hotel's contribution to increased visitor spend and economic resilience through enhanced leisure and business tourism further aligns the proposal with the city's broader regeneration and growth strategies.

Given the robust evidence of economic benefits, compliance with local strategic planning goals, and the unviability of maintaining office use, this work supports the case for the proposed change of use at 90 Deansgate. The analysis finds that the change of use is expected to help to unlock the area's significant economic potential and contribute positively to Manchester's vitality, regeneration aspirations, and overall vision for sustainable growth.