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Date:

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Dear Shahid

8 CHESTER ST, MANCHESTER, M15 5GE

I refer to our ongoing attempts to attract tenants to your serviced offices at Chester St.

Whilst we did generate some early success since we started to act as your joint agent in 2021, there has been a steep decline in enquiries for your building and this has led to the low occupancy levels that we are now seeing and I know that the current position, at 25% occupancy, is not financially viable. There are various reasons for this decline but I have highlighted below the main factors for your consideration:

Demographic Changes in the Local Area

As you are aware, historically this part of the centre of Manchester was characterised by its industrial heritage with many brick built Victorian former warehouses serving the needs of the market. The suitability of this type of building for warehousing has long since disappeared and most of the mill type property has either been demolished to make way for residential, retail and educational uses, often mixed within the same building.

The area has developed into a central educational hub and this is highlighted by the huge expansion of the Manchester Metropolitan University, which now characterises the area and its occupants.

There has been a huge increase in student numbers in the area, including a significant increase in international students, and this now dominates the demand for buildings in the area, whether it be for educational uses, residential accommodation or space that serves the local population such as restaurants and leisure facilities.

Increase in Availability of Serviced Offices in the Area

There has been a significant increase in the level of availability of serviced offices in the local area. Within the last three years alone, availability of this type of accommodation has more than doubled from 120,000 square feet to more than 270,000 square feet.

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Much of the available accommodation is more suited to serviced offices than your own building and simple economics dictates that if you increase supply (more than doubling in this case) then the price (rents) will fall, along with occupancy level. The area has reached, and gone beyond, saturation levels in terms of availability of serviced offices.

Changes in Working Patterns

Since the onset of COVID, there has been a shift in working patterns with many small business operators now working remotely or from home. The requirement to be sat at a desk in the city centre has seen a significant decline on a national level and Manchester city centre has not been immune to these changes. From an economic standpoint, you are now fighting a losing battle if you continue with the current strategy of offering serviced office accommodation because of a lack of demand.

In my view, if you continue to offer the accommodation as serviced offices you are likely to see a further reduction in occupancy levels, lowering rentals and this will ultimately lead to the accommodation becoming redundant. It is essential that you now consider alternative strategies in order to “bring the property back to life” to reflect the changes in demand and the requirements of the local market.

Decline in the Condition of the Building

We have discussed and reported to you on several occasions on the continuing deterioration of the condition of the building over the course of the last two years. It is evident that the building is of great importance to you and that you are doing all that you can to maintain the building, at least to its existing standard, but again, you are facing the basic economic argument that because of the declining income generated from the building (because of its existing use), it is inevitable that the fabric of the building will continue to deteriorate.

Potential Alternative Uses

As a property owner and accommodation provider it is vital that you align yourself with local demand when offering space to the market. As we have already discussed, the market for serviced office accommodation is now saturated and in decline and there is little point in continuing along this path. Therefore, you should consider alternative uses for the building to realign yourself with local demand.

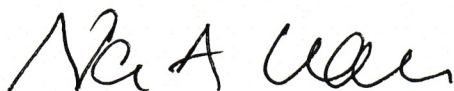
In considering alternative uses for the building, it should be noted that you own and occupy the “lower ground floor” of the property, meaning that the site slopes gently to the rear car park and the ground floor is part way between basement and ground level whilst the rear of the property is accessed at ground level.

It is also important when considering alternative uses that you blend with and complement the tone of the area. The area is currently subject to high levels of regeneration dominated by the expansion of the University and the decline of your own property alongside the high quality of new accommodation being built creates a strong contrast. In any proposal to be made, it is important to highlight how the building will be improved, not only aesthetically but in its condition. The planners will look at sustainability and how you will add benefit to the location and its occupants and clearly, an almost vacant, dilapidated building in a poor state of repair (as it is at present) presents itself with a strong case for improvement and this will require investment.

You have mentioned that you are in discussions with a Chinese leisure operator and that you are looking to seek a change of use to accommodate a restaurant and karaoke bar within the building. There is clearly a strong demand for restaurant and leisure space in the local area and this is, in our view, the best use of the premises as it suits the demands of the local market. Provided the approach to the appearance of the building is sympathetic to the local street scene then this would undoubtedly be the best way forward to regenerating the building both aesthetically and economically and it would provide a new and sustainable use for its future, catering not only to the local Chinese community but also bringing greater diversity and much needed cultural benefits to the whole of the local area.

I hope that this letter is helpful to you in considering the next steps to be taken to secure a sustainable future for the building and I look forward to discussing the matter with you further in early course.

Yours sincerely



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