

WISHER CONSULTING

St Johns Campus – Market Need & Economic Benefits Report

Client : St Johns Manchester Ltd

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1. Introduction

- 1.1 This Market Need/Economic Benefits report has been prepared by Wisher Consulting on behalf of St Johns Manchester Ltd, a subsidiary of HBD, and is submitted in support of an application for full planning permission at land bound by New College Street, New Quay Street, NCP car park and Gartside Street, otherwise known as “St Johns Campus”. The description of development is as follows:

Demolition of the existing buildings and structures and the erection of a 16-storey office building (Use Class E(g)), with flexible ground floor uses (Use Class E), rooftop amenity space and works to facilitate public realm improvements.

- 1.2 The proposals seek to demolish the existing on-site buildings and structures to deliver a 16 storey office building plus rooftop amenity space of sustainable construction and high quality design. The building will offer flexible office accommodation which will meet the needs of a range of tenants and also provide ground floor commercial uses which will activate the ground floor frontage creating a unique arrival experience.
- 1.3 The proposed development is described fully in the Design and Access Statement prepared by EPR Architects and presented on the application drawings. The application proposals have been developed in consultation with Manchester City Council (“MCC”) Officers and other key stakeholders.
- 1.4 More specifically, the purpose of this report is to outline:
- The need for additional high quality Grade A office accommodation in Manchester city centre, and particularly in the Spinningfields/St Johns districts.
 - The credentials of the proposed development and the ways in which it will help grow and deepen the economic role of Manchester city centre in line with Manchester City Council’s stated growth aspirations.
 - The economic and fiscal benefits of the development.
- 1.5 Wisher Consulting is the new venture of Darren Wisher. Darren is an experienced economist and was previously Managing Director of Regeneris Consulting and the UK economics consulting arm of Hatch.
- 1.6 The findings within this report have been informed by data and insight from a range of local Manchester office market experts including:
- Neil Mort and Jonathan Cook of CBRE.
 - Rob Yates of Cushman and Wakefield.
- 1.7 The report has also been informed by wider reports and intelligence on the dynamics of the Manchester and UK office markets.

2. Manchester City Centre : UK Growth Node

- 2.1 This section of the report is designed to outline the overarching economic growth context for the scheme. As will be clear from the analysis, there is no anticipated let-up in Manchester City Council's ambitions for city centre employment growth.

The Manchester City Centre Growth Phenomenon

- 2.2 The Greater Manchester Places for Everyone Spatial Strategy makes explicit the unique role of Manchester city centre as an engine for economic growth:

"The huge agglomeration of economic activity at the centre of Greater Manchester is perhaps the city region's greatest strength. At the heart of this is the city centre, which is the most significant economic location and largest office market in the country outside London" (Submission Draft 2021, p49).

- 2.3 There are several methods for defining the spatial reach of the city centre. The Manchester City Centre ward captures most, but arguably not all economic activity. In the City Centre ward, employment grew from 121,000 in 2015 to 153,000 in 2020¹. These extra 32,000 jobs represent a growth rate of 26% over the period 2015 to 2020, far greater than the growth rate across Great Britain as a whole of 2%.

- 2.4 This performance is validated by research from Manchester City Council and other stakeholders:

- "The city centre continues to account for 44% of all employment within the city with over 176,000 people employed there" – Manchester City Council State of City 2020.
- "The city centre is now the location of one in five jobs in the city region and it accounted for a third (36%) of all jobs growth in Greater Manchester between 2010 and 2015" – GM Independent Prosperity Review 2019.
- "Employment increased by 17.2% between 2014 and 2018, two and a half times the national growth rate of 6.8% and higher than any other UK city, including London" – MCC 'Future Manchester' Brochure.

- 2.5 It is clear that Manchester city centre has been one of the most successful areas for employment growth in the UK in the last decade.

What Sectors have Driven City Centre Employment Growth?

- 2.6 The sectors that have grown most significantly in employment terms in the last five years are shown in Table 2.1, using standard industrial classifications provided by government.

- 2.7 The two main growth sectors are Professional, scientific & technical (+11,000 jobs) and Business administration & support services (+9,000 jobs). City centre employment growth has been dependent on the full spectrum of business types ranging from newly attracted large global HQs, medium size operations through to start ups and spin outs.

- 2.8 The provision of Grade A office has been vital in facilitating this growth. There have been numerous first-class property developers and investors active in Manchester, delivering high quality office product that is aligned with the City Council's ambitions (see next section of this report). Some of the other factors that have facilitated strong city centre employment growth include:

- Ambitious political and officer leadership.
- A powerful brand and growing international brand awareness.

¹ Source : Business Register and Employment Survey, via NOMIS.

- Agglomeration effects – whereby success breeds success – and the city centre leverages an increasing critical mass of entrepreneurs and corporate decision takers.
- The rise of UK relocations and the need for corporate representation outside of London.
- The relative demise of the out-of-town office product and the preference for more sustainable city-centre based locations.
- The presence in Manchester of large-scale urban transit investment, and an array of anchor institutions and iconic buildings in and around the city centre – all of which combine to make the city centre a very desirable location to trade from.

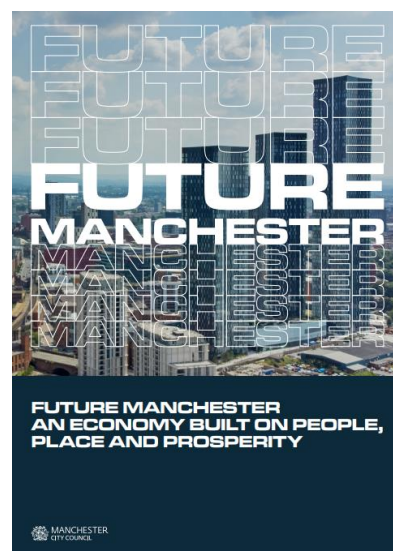
Table 2.1 – Most Significant Growth Sectors 2015 to 2020 : Manchester City Centre ward

Professional, scientific & technical (M)	11,000
Business administration & support services (N)	9,000
Public administration & defence (O)	3,500
Education (P)	1,500
Retail (Part G)	1,000
Information & communication (J)	1,000
Financial & insurance (K)	1,000
Property (L)	1,000

Source : Business Register and Employment Survey, via NOMIS.

Forecasts/Ambitions for the Future

- 2.9 A review of the main policy documents covering the city centre suggests there will be no reduction in ambition on the part of Manchester City Council and its partners for continued city centre employment growth:
- “The majority of new jobs will be in the city centre and wider Core Growth Area” - GM Places for Everyone Spatial Strategy. Submission Draft 2019 p13.
 - Elsewhere in the GM Places for Everyone Spatial Strategy, four key spatial elements are outlined starting with “significant growth in jobs and housing in the core growth area encompassing the city centre and beyond”.
 - “The resurgent city centre continues to be the engine of the city’s and Greater Manchester’s growth” – Manchester City Council ‘Powering Recovery – Manchester’s Economic Recovery and Investment Plan’ 2020.
- 2.10 Manchester City Council’s ‘Future Manchester’ publication² provides some insights into the likely scale of anticipated employment growth - “the next decade and beyond will see sustained growth, with economic forecasts indicating the city centre will benefit from an additional 65,000 jobs” (p1).
- 2.11 The forecasts suggest that city centre employment will grow by roughly 32,500 in each of the next two five-year periods – continuing the trend of the recent past.



² Future Manchester. An economy built on people, place and prosperity. MCC.

3. Strategic Importance of Grade-A Offices to Growth

- 3.1 This section of the report provides evidence on how employment growth in Manchester city centre has been facilitated by the delivery of high-quality Grade A office, and that need for this Grade A office product will intensify further in the coming years.

Looking Back

- 3.2 Manchester city centre has successfully delivered a significant scale of new Grade A office in the last decade in order to meet occupier demands.

- 3.3 Table 3.1 shows both total office take up and the take up of new Grade A stock. In terms of the take up of new stock:

- The average 12-year take up over the period 2011 to 2022 inclusive was 354,000 sq ft per annum.
- The last five years saw an average take up of circa 504,000 sq ft per annum.
- The two-year period pre COVID (2018 and 2019) saw average take up increase to just over 600,000 sq ft per annum.

Table 3.1 : Office Take Up Trends – Manchester city centre

Year	Second-hand	New & Pre-Let	Total Sq Ft	New as % of Total
2011	564,595	133,984	698,579	19%
2012	665,828	117,270	783,098	15%
2013	776,709	18,695	795,404	2%
2014	978,006	345,930	1,323,936	26%
2015	971,380	460,408	1,431,788	32%
2016	1,021,178	384,807	1,405,985	27%
2017	956,668	269,400	1,226,068	22%
2018	1,069,823	661,235	1,731,058	38%
2019	907,607	543,985	1,451,592	37%
2020	445,091	356,938	802,029	45%
2021	658,686	399,970	1,058,656	38%
2022	647,405	561,433	1,208,838	46%
	9,662,976	4,254,055	13,917,031	31%
Average 12 year 2011-2022		354,505	1,159,753	
Average five years pre covid		463,967	1,449,298	
Average last five full years		504,712	1,250,435	
Average last two years pre COVID		602,610	1,591,325	

Source : Bespoke Data Request - CBRE

- 3.4 A number of high-quality schemes have facilitated the take up patterns shown above. Data from CBRE – see Appendix 1 - shows that 18 new build office schemes have been completed in the last six years. The schemes span the Central Business District, Spinningfields, St Johns and the Oxford Road corridor.
- 3.5 The average scheme over the last decade was 160,000 sq ft, and the range was 49,000 sq ft to 315,000 sq ft. Three of the 18 schemes were over 200,000 sq ft.
- 3.6 12 of the 18 schemes have achieved more than 50% letting success prior to practical completion. The eight largest occupiers that have come into city centre schemes in the last three years are:

- Booking.com, 222,000 sq ft at Manchester Goods Yard
- Roku, 115,000 sq ft at No.1 Circle Square
- Amazon, 90,000 sq ft at Hanover Building NOMA
- Cloud Imperium Group, 87,000 sq ft at Manchester Goods Yard
- Deloitte, 44,000 sq ft at 100 Embankment
- Hilti, 42,000 sq ft at Circle Square
- Octopus Energy, 38,000 sq ft at Circle Square
- X+Why, 30,680 sq ft at 100 Embankment.

3.7 The average requirement across these larger scale deals listed above is 88,000 sq ft. Every year there are several substantial occupier requirements in Manchester, with several requirements over 30,000 sq ft each year. Sufficient supply clearly needs to be in place to meet this need.

Looking Forward – ‘Flight to Quality’

3.8 Grade A take-up as a share of total take-up was 20% in the six years between 2011-2016 but had risen to 38% for the latest six-year period to 2022 - see Table 3.1. Grade A is what occupiers want and locations without a strong pipeline of Grade A product will struggle to compete effectively

3.9 This desire for more and more Grade A office is part of what a number of agents and commentators have labelled as a ‘flight to quality’ trend.

3.10 The flight to quality is partly driven by workforce amenity/workforce wellbeing demands in a post COVID world:

- Offices are increasingly being used as a recruitment tool and a key feature in the race for talent, in what is a very tight labour market.
- Workplace wellbeing is especially vital to staff retention. A recent Gallup-Healthways poll³ finds that millennials are 81% less likely to move jobs in the next year if their employer focuses on employee wellbeing.
- A recent survey of 1,000 employees by RICS found that the majority of workers say the quality of their office and workplace facilities play a big part in whether to stay in their job. Provision of a high-quality office environment has helped fight ‘the great resignation’.

3.11 Many landlords have formalised their approach to wellness by adopting the International WELL Building Institutes’ WELL Building Standard, which is the premier standard for buildings/interior spaces seeking to implement, validate and measure features that support health and wellness.

3.12 An even bigger driver of the flight to quality is the high environmental standards that occupiers are increasingly seeking. Business culture has evolved rapidly in recent years, with most corporations now fully embracing sustainability goals in their values. For many occupiers the highest environmentally accredited offices are now a necessity, in order to align with their overarching environmental and sustainability goals.

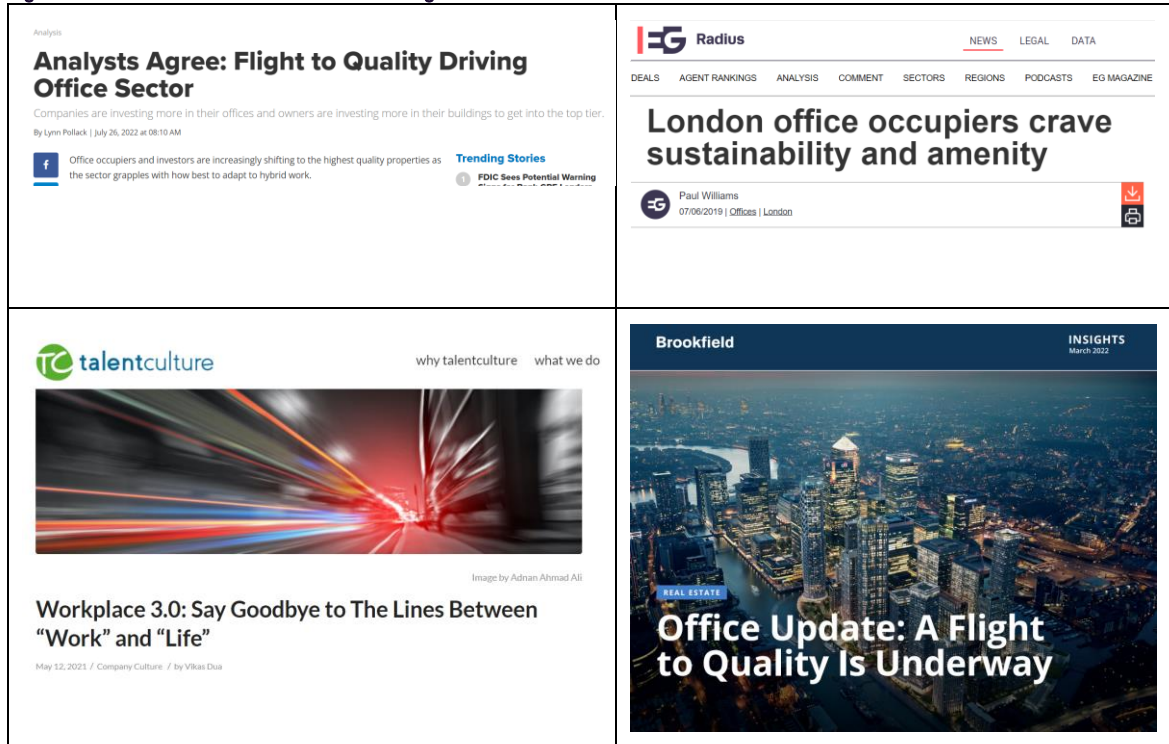
3.13 Companies want to occupy buildings that offer maximum mitigation of impact on the environment. The highest sustainability standards are quite rightly now a prerequisite requirement for majority of occupiers.

3.14 In recent years, BREEAM-rated buildings and those buildings achieving other environmental accreditations (such as NABERS) have attracted a significant premium. Occupiers are increasingly happy to pay for high environmental standards.

³ Gallup-Healthways Well-Being Index Survey.

- 3.15 With sustainability and the net-zero agenda jumping up the priority list for potential occupiers, there is also a parallel shift among developers and property finance providers. Developers and investors are embedding ESG considerations into every stage of the property lifecycle, from due diligence to acquisitions and from leasing to asset management.
- 3.16 The threshold for what constitutes high quality environmental performance of an office building is rising continually. Despite the many successes of the Manchester office market, relatively few buildings currently reach the very highest environmental standards. This represents a threat to the continued performance of the city centre and is it important that additional supply is delivered that can help address this shortfall.

Figure 3.1 : Selection of Recent Market Insights



4. Grade A Office : Demand-Supply Balance

- 4.1 Within this section of the report an analysis of the supply of Grade A office is undertaken and comparison made with the likely level of demand. First the analysis focuses on the city centre as a whole and then zooms in on Spinningfields/St Johns area.

Take-up Trends

- 4.2 Section 3 of this report provided data on historic levels of new Grade A office take-up in the city centre. It revealed:
- Average take-up over the last five years has been circa 500,000 sq ft per annum.
 - The two-year period pre COVID (2018 and 2019) saw average take up increase to just over 600,000 sq ft per annum.
- 4.3 The analysis also showed that every year several larger scale occupier requirements come forward. Consolidation of company operations into main hubs, UK relocation patterns and the increasing 'flight to quality' all continue to be major drivers of this demand for high quality Grade A accommodation.
- 4.4 The critical issue is to establish a reasonable take-up number on which to plan for the future. Manchester needs to ensure that it has not underestimated demand and is properly future-proofing itself in terms of adequate Grade A provision. It is suggested that a figure of circa 600,000 sq ft of new Grade A demand per year is a reasonable level of take up on which to base any demand-supply comparisons. This is a figure that is rooted in evidence and builds in some of the very recent market performance levels seen immediately prior to COVID.

Current Stock & Pipeline

- 4.5 Appendix 2 provides data from CBRE (dated July 2022) on the current availability of Grade A office product in Manchester city centre.
- 4.6 The schedule shows that 451,228 sq ft of existing new build Grade A space is currently available in Manchester city centre, 98,142 sq ft of which is currently in solicitor's hands. This provides an adjusted total of 353,086 sq ft.
- 4.7 The supply analysis is validated by published data from Savills who estimated that unadjusted Grade A supply stood at 560,000 sq ft at the end of 2022 (Latest Office Data 'Market in Minutes' Publication. Savills).
- 4.8 CBRE have also provided data on the likely future pipeline of Grade A office product – see Appendix 3. Measuring the future pipeline is a harder task than measuring current availability, as the analysis needs to factor in:
- The extent to which pre-application schemes and those schemes yet to commit to a planning application process should be factored in.
 - The extent to which those schemes which are known to be still looking to confirm funding should be factored in.
 - Other risks to schemes not advancing. For example, due to the huge recent rise in construction costs, some developers may revert to more modest refurbishments and shelve plans for new Grade A office schemes even though occupier demand is evident.
- 4.9 The approach taken in this analysis is to include all supply irrespective of its funding position, but to exclude any supply in schemes which have yet to commit to a planning application. This approach is sound and reflects Planning Practice Guidance (PPG) which advises a realistic and cautious assessment of supply.

- 4.10 The analysis shows there is 2,000,006 sq ft of pipeline new Grade A floorspace in the city centre. The total pipeline supply increases to 2,353,092 sq ft when the currently available stock in completed schemes is also added in.
- 4.11 There is an additional 823,786 sq ft of potential pipeline supply without planning – see Table 4.1 and Appendices 2 and 3.

Table 4.1 : New Grade A Office Floorspace – Pipeline Supply

	Scale of Supply (Sq ft)
Currently Available	353,086
In Pipeline (with planning)	2,000,006
Total	2,353,092
Additional Pipeline (without planning)	823,786

Source : CBRE July 2022.

Assessing the Demand – Supply Balance

- 4.12 It is standard practice when assessing the supply of housing sites for local authorities to maintain a minimum five-year supply of highly deliverable sites. This same logic often gets translated into the sphere of employment sites and employment floorspace – and it is generally accepted that for sound planning a minimum five-year supply of development schemes is required.
- 4.13 Manchester city centre is currently able to point to 3.9 years worth of Grade A supply based on schemes with planning permission, and 5.3 years worth of Grade A supply when schemes without planning permission are also included. It is suggested that both these ratios need increasing.
- 4.14 Local Plans are required to take at least a 15-year perspective. For a commodity as important as the Manchester city centre Grade A office product, it would be wise to carry of portfolio of schemes that sum to well beyond five years of supply and possibly as much as seven/eight years supply to align with the mid-point of a typical plan making period.

Table 4.2 : Demand-Supply Comparison

Annual Demand (A)	600,000 sq ft
Supply with planning (B)	2,353,092 sq ft
Supply, including schemes without planning (C)	3,176,878 sq ft
Core Years of Supply (B/A)	3.9
Optimistic Years of Supply (C/A)	5.3

Source : Wisher Consulting

A focus on Spinningfields/St Johns

- 4.15 The Manchester Spinningfields area has been a huge success and a major factor in the continued city centre employment growth in recent decades. 13 high quality office buildings were developed at Spinningfields over a circa 13-year period from 2004 onwards.
- 4.16 Spinningfields attracted an exceptionally strong portfolio of occupiers including both relocations into Manchester and organisations wishing to consolidate several regional functions into a single Manchester hub.
- 4.17 The success of Spinningfields has, in part, been due to its location in the heart of the city centre, its critical mass, and the high-quality design of both the public realm and the buildings. Several of the office buildings were larger than 300,000 sq ft and the size of floorplates on offer was one of the major features behind the success of Spinningfields.



- 4.18 The Spinningfields effect has now carried over into the neighbouring St Johns/Enterprise City area, where redevelopment commenced in 2018. The St Johns area development includes the 315,000 sq ft Manchester Good Yards scheme where Booking.com agreed a 12-year 222,000 sq ft let to make them the lead anchor tenant for the area.
- 4.19 Based on CBRE data the only new Grade A availability in the Spinningfields and St Johns area is for 20,000 sq ft at the Transmission scheme.
- 4.20 There are no further pipeline schemes that will add to this availability in the next five years or so. As such, there is a pressing need to look for opportunities to maintain the momentum generated by Spinningfields and St Johns.



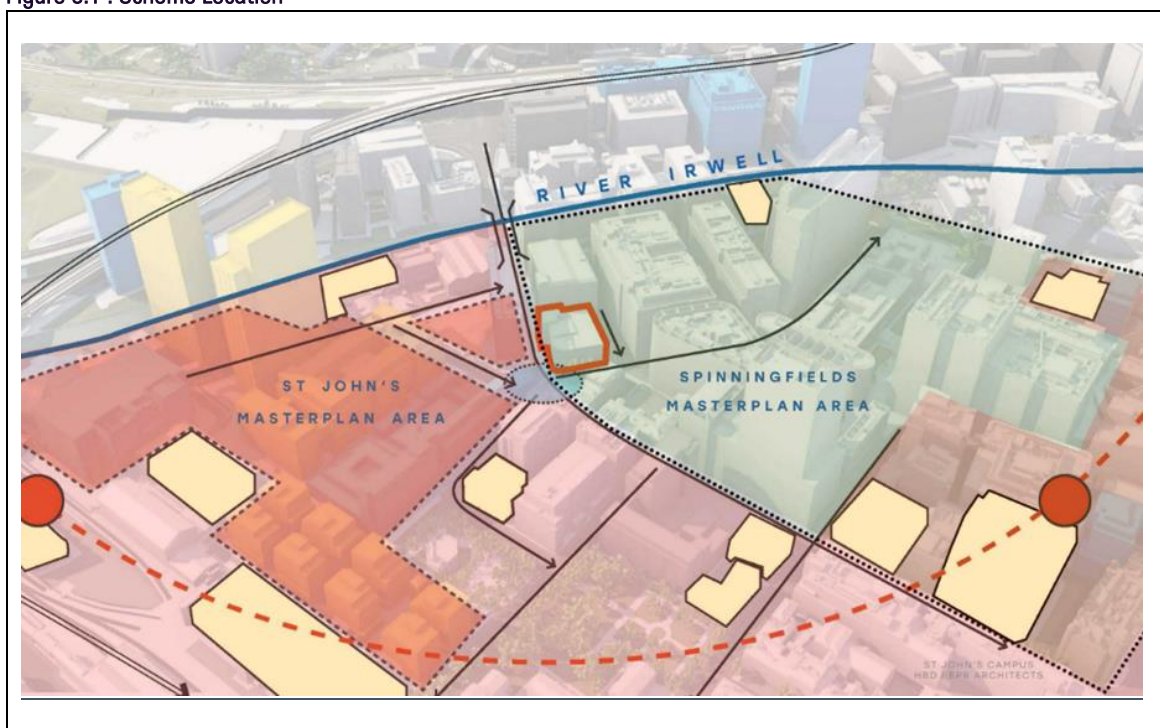
5. Credentials of the St Johns Scheme

- 5.1 The proposed St Johns scheme from Henry Boot Developments will comprise 208,532 sq ft NIA (278,271 sq ft GIA) of exceptionally high-quality Grade A office space. This section of the report set out more details on the credentials of the scheme and its likely contribution to the Manchester city centre office market.

Premier Location

- 5.2 The scheme will be developed on the site of the former Manchester College on Quay Street, Manchester site – see Figure 5.1 below.
- 5.3 The location at the interface of Spinningfields and the St Johns/Enterprise City districts does not get much better from an occupier perspective.
- 5.4 The scheme is located adjacent to two proven market areas and the provision of new Grade A office accommodation in this location is likely to be highly sought after.

Figure 5.1 : Scheme Location



A New Standard in Building Credentials

- 5.5 Henry Boot Developments are very aware of the 'flight to quality' and the increasing occupier preference for office stock that performs to the highest standards in term of sustainability and worker welfare. As such, the St Johns building will be developed as follows:

- It will target a 5.5 Star NABERS UK Design for Performance rating which is a key differentiator to some other new build space currently on the market. NABERS UK provides a rating from one to six stars for the energy efficiency of office buildings. This helps building owners to understand their building's performance versus other similar buildings. 5.5 star is what the very best in UK buildings are currently striving for.
- It will aim for a WELL Platinum accreditation. The WELL standard is the first standard of its kind that focuses solely on the health and wellness of building occupants. A Platinum score is the highest available score.

- It is targeting an Excellent rating on BREEAM. The BREEAM New Construction Standard is a framework against which the overall sustainability of new, non-residential buildings in the UK are assessed. 'Excellent' is the second highest BREEAM score.
- It is targeting an 'A' EPC rating. The EPC (Environmental Performance Certificate) demonstrates the energy efficiency rating of a building and are graded on a scale of A (most efficient) to G (least efficient).

- 5.6 The scheme will aim to be Net Zero Carbon (NZC) for both embodied and operational carbon, assessed against an established framework such as that of the UK Green Buildings Council.
- 5.7 Internal spaces will be driven by biophilic design principles. There is increasing occupier demand for the most desirable working environments; nature-inspired spaces that bring workers into the office and help them engage with each other and their surroundings.
- 5.8 Externally the scheme will take inspiration from the eclectic character of the surrounding area, from the expansive Victorian terraces of Deansgate Terrace and historic former Great Northern Warehouse to the contemporary industrial architecture making comeback in the St Johns Masterplan. The approach will create a distinctive manchesterian building with its own identity.

Attracting Occupiers

- 5.9 At 208,532 sq ft NIA the scheme sits comfortably within the range of new Grade A office buildings that have been constructed and successfully let in Manchester city centre in recent years. The scale will permit the creation of relatively large-scale floorplates which will add to the attractiveness of the scheme.
- 5.10 The scale combined with the location and proposed building credentials will leave St Johns well placed to secure a range of occupiers. This will include:
- International relocations to UK
 - Domestic relocations
 - Major HQ functions
 - Companies expanding/consolidating a range of functions into a single city centre hub.
- 5.11 The sectoral split of occupiers is likely to reflect those sectors that have been growing rapidly in Manchester city centre in recent years including professional and financial services, scientific/life sciences, business administration & support services and the creative and media sectors.

6. Scheme Economic Benefits

- 6.1 The section of the report summarises some of the quantifiable economic benefits that will materialise as a result of the scheme.

Employment

- 6.2 The delivery of 208,532 sq ft (NIA) of employment space equates to some 19,400 sq metres.
- 6.3 Official guidance is provided by the Homes and Communities Agency (now Homes England) on employment densities. Given the nature of the scheme, the most appropriate employment density is that relating to corporate/professional services occupiers - which the guidance suggests is 13 sq m per Full Time Equivalent (FTE) job.
- 6.4 On the basis of the above, the St Johns development will house some 1,490 FTE (full time equivalent) on-site.
- 6.5 Additional off-site jobs will also be created. There are two types of off-site job typically captured in economic impact assessments:
- Induced employment (also referred to as a consumption multiplier) associated with the expenditure of those individuals who derive incomes directly from their employment within the St Johns scheme.
 - Indirect employment (also referred to as a supply linkage multiplier) due to corporate purchases made by St Johns occupiers with linked firms along the supply chain.
- 6.6 These two off-site effects are often combined and labelled as off-site multiplier effects. Homes and Communities Agency (now Homes England) has for many years provided so-called Additionality Guidance. The Guidance is in place to provide economic impact practitioners with rules of thumb on multiplier effects.
- 6.7 The latest version of the Additionality Guidance suggests a multiplier of circa 1.20 for an area that broadly approximates with Greater Manchester – meaning that for every 100 direct on-site jobs a further 20 would be created off-site. There will therefore be a further 300 off-site jobs created (1,490 X 0.2).

Likely Sector Profile

- 6.8 As noted in the previous section of this report, the sectoral split of occupiers is likely to reflect those sectors that have been growing rapidly in Manchester city centre in recent years including professional and financial services, scientific/life sciences, business administration & support services and the creative and media sectors.
- 6.9 It is anticipated that St Johns will capture some combination of:
- International relocations to UK
 - Domestic relocations
 - Major HQ functions
 - Companies expanding/consolidating a range of functions into a single city centre hub.

Gross Value Added (GVA)

- 6.10 An alternative way of quantifying the economic value of St Johns is through the Gross Value Added (GVA) that will be generated each year by occupiers. GVA is a measure of wealth that combines compensation of employees, company profits and surpluses and corporate taxation.

- 6.11 The GMCA 'Economic Forecasts for Greater Manchester' publication provides GVA per worker estimates for the sub-regional Business, Financial, Professional Services sector. It suggests a figure of £120,000 per worker. On this basis, the annual GVA generated by St Johns occupiers will be circa £179 million per annum.

Fiscal Benefits

- 6.12 The St Johns scheme will also give rise to significant Business Rates receipts. Valuation Office Agency (VOA) data suggest that the average rateable value of property around the Spinningfields area is of the order of £380 per sqm, and a standard multiplier of 51 pence in the pound applies. On this basis, the St Johns development will yield in the region of £3.8 million of additional Business Rate revenues each year.

Construction Phase Jobs

- 6.13 The development will also support the local construction sector. It is estimated by HBD's professional advisors that the scheme will cost circa £78 million to develop and the investment will span a circa 2.4-year construction programme, so circa £33 million of investment each year.
- 6.14 Government provides metrics on the ratio of construction spend to job creation⁴. For an office development, the guidance suggests a figure of 26 jobs per £1 million of construction turnover. On this basis the development will support around 850 on and off-site construction jobs per annum. This figure includes both contractors on site and in construction supply chains.

⁴ OffPAT Construction Job Appraisal Guidance.

7. Key Points/Conclusions

7.1 The key points in this report are as follows:

Strong employment growth for Manchester city centre remains a key MCC objective:

- Employment growth in Manchester city centre has outstripped all comparator areas. Employment grew by 26% (+32,000 jobs) in the five-year period 2015 to 2020, compared to growth of just 2% at the national level over the same period.
- Growth has been driven by expansion in the professional, scientific & technical sectors (+11,000 jobs) and business administration & support services (+9,000 jobs) – both of which have been facilitated by a suitable range of high-quality Grade A office product.
- There is no let-up in the growth aspirations for the city centre. Policy documents from both Manchester City Council and others set out a desire for continued strong employment growth in the city centre. The GM Places for Everyone Spatial Strategy states “the majority of new jobs will be in the city centre and wider Core Growth Area” (p13).
- Forecasts provided by Manchester City Council suggest that city centre employment will grow by roughly 32,500 in each of the next two five-year periods – continuing the trend of the recent past.

Grade A office has been, and will continue to be, the prime facilitator of growth:

- Manchester city centre has year-on-year delivered an impressive array of new build Grade A office schemes. 18 schemes have been completed in the last six years. The average scheme size was 160,000 sq ft, and the range was 49,000sq ft to 315,000sq ft, Three of the 18 schemes were over 200,000sq ft.
- Annual new build Grade A office take up in the last full five years was circa 500,000 sq ft but had risen to 600,000 sq ft in the two-year period immediately pre-COVID.
- Every year there are substantial occupier requirements for new Grade A space in the city centre. Across the eight largest city centre new Grade A occupiers in the last three years, the average requirement was 88,000 sq ft per occupier.
- It is the provision of new Grade A office that has increasingly facilitated the city centre’s strong employment performance outlined above. New build Grade A take-up as a share of total take-up was 20% in the six years between 2011-2016 but had risen to 38% for the latest six-year period to 2022.
- Grade A is what occupiers want and locations without a strong pipeline of new Grade A product will struggle to compete effectively.
- There is most definitely a ‘flight to quality’ trend in the city centre, driven by occupiers who are:
 - Increasingly striving for higher levels of workforce amenity/workforce wellbeing in a post COVID world. Offices are increasingly being used as a recruitment tool and a key feature in the race for talent, in what is a very tight labour market.
 - Increasingly striving for the highest environmentally accredited offices, in order to align with their overarching environmental and sustainability goals.
- The threshold for what constitutes high quality environmental performance of an office building is rising continually. Relatively few office buildings in Manchester city centre currently reach the very highest environmental standards. This represents a threat to the continued performance of the city centre.

There is currently 3.9 years of confirmed Grade A supply available or in the pipeline for the city centre. This needs to increase to seven/eight years of supply:

- A figure of circa 600,000 sq ft of new Grade A demand per year is a reasonable level of take up on which to base any demand-supply comparisons. This figure is rooted in evidence and builds in some of the very recent market performance levels seen immediately prior to COVID.
- The total pipeline supply of new Grade A office in Manchester city centre is 2,353,092 sq ft. This comprises 353,086 sq ft of available space in newly completed schemes plus 2,000,006 sq ft of pipeline new Grade A floorspace in schemes with planning permission.
- Manchester city centre is currently able to point to 3.9 years worth of new Grade A supply based on schemes with planning permission, and 5.3 years worth of Grade A supply when schemes without planning permission are also included. It is suggested that both these ratios need increasing.
- Local Plans are required to take at least a 15-year perspective. For a commodity as important as the Manchester city centre Grade A office product, it would be wise to carry of portfolio of schemes that sum to well beyond five years of supply and possibly as much as seven/eight years of supply to provide coverage through to the mid-point of a typical plan making period.

Spinningfields and St Johns have virtually no available or pipeline new Grade A supply left:

- The success of Spinningfields has, in part, been due to its location in the heart of the city centre, its critical mass, and the high-quality design of both the public realm and the buildings. For a circa 13-year period from 2004 onwards Spinningfields was a major factor in continued city centre employment growth.
- Several of Spinningfield's 13 office buildings were larger than 300,000 sq ft and the size of floorplates on offer was another major driver of success.
- The Spinningfields effect has now carried over into the neighbouring St Johns/Enterprise City area, which includes the 315,0000 sq ft Manchester Good Yards scheme where Booking.com agreed a 12-year 222,000 sq ft let to make them lead anchor tenant for the area.
- Based on CBRE data the only new Grade A availability in the Spinningfields and St Johns area is for 20,000 sq ft remaining at the Transmission scheme. There are no further pipeline schemes that will add to this availability of new Grade A stock in the next five years or so.
- There is a pressing need to look for opportunities to maintain the momentum generated by Spinningfields and St Johns.

The HBD St Johns Scheme is much needed and will set a new threshold for quality and for environmental performance:

- The proposed St Johns scheme will comprise 208,532 sq ft NIA of exceptionally high-quality Grade A office space. The scheme is located at the interface of two proven market areas and the provision of new Grade A office accommodation in this location is likely to be highly sought after.
- The scheme is much needed:
 - It will help boost the pipeline of Grade A office accommodation in Manchester which currently stands at below 5 years.
 - It will continue the momentum in Spinningfields and St Johns where there is no further pipeline supply left, other than a very small amount in recently completed buildings.
- At 208,532 sq ft NIA the scheme sits comfortably within the range of new Grade A office buildings that have been constructed and successfully let in Manchester city centre in recent years.

- The timing of the scheme could not be better and the building will be designed to capture current occupier demands for the highest building performance standards. The building will be targeting:
 - 5.5 star NABERS UK Design for Performance energy efficiency rating. A 5.5 star rating is what the very best in UK buildings are currently striving for.
 - WELL Platinum accreditation to demonstrate a focus on the health and wellness of building occupants. A Platinum score is the highest available score.
 - Excellent rating on BREEAM.
 - An 'A' EPC rating.
- As noted above, the threshold for what constitutes high quality environmental performance in office buildings is rising rapidly. The St Johns scheme responds to this and will set a new bar in the sustainability of Manchester's Grade A office stock.

The HBD St Johns scheme will deliver multiple economic and fiscal benefits:

- The St Johns development will house some 1,490 FTE (full time equivalent) on-site. The annual GVA (Gross Value Added) generated by St Johns occupiers will be circa £179 million per annum.
- The scheme's occupiers will also create a further 300 off-site jobs via the expenditure of staff and via corporate supply chain purchases.
- The development, once fully occupied, will yield in the region of £3.8 million of additional Business Rate revenues each year for Manchester City Council.
- The development will create circa 850 on and off-site construction jobs sustained over a circa 2.4-year construction period.

7.2 More detail and the derivation of all of the above is provided in the main body of this report.

APPENDIX 1

CITY CENTRE GRADE A SCHEMES COMPLETED IN LAST 5 YEARS

Building	Practical Completion Year	Total Size	% Let Prior to Construction	% Let Prior to Completion
		(sq ft)		
XYZ	2016	165,000	0%	100%
Two St Peter's Square	2016	160,000	25%	80%
One New Bailey	2016	120,000	20%	80%
101 Embankment	2017	165,000	0%	100%
No.1 Spinningfields	2018	280,000	20%	80%
No.8 First Street	2019	160,000	0%	85%
125 Deansgate	2019	125,000	0%	100%
Landmark	2020	180,760	0%	39%
Two New Bailey Square	2020	187,251	0%	66%
Three New Bailey	2020	157,000	100%	100%
No.1 Circle Square	2020	212,000	0%	50%
No.2 Circle Square	2020	145,000	0%	50%
100 Embankment	2020	166,000	0%	0%
Manchester Goods Yard, Ent City	2021	315,000	70%	100%
Globe & Simpson, Ent City	2021	85,000	100%	100%
The Lincoln	2021	92,969	0%	0%
11 York Street	2021	78,812	0%	0%
Transmission	2022	46,980	0%	53%
		Average	19%	66%

Source : Bespoke Data Request – CBRE. March 2023

APPENDIX 2**CURRENT CITY CENTRE GRADE A AVAILABILITY**

Property	Total Size (sq ft)	Typical Floorplate (sq ft)	Available (sq ft)	Under Offer (sq ft)
Landmark	180,918	14,013	41,327	0
Two New Bailey Square	188,570	17,933	35,866	0
100 Embankment	166,603	19,663	27,848	10,500
11 York Street	78,812	11,628	18,000	11,636
The Lincoln	92,969	16,006	92,969	16,006
Transmission, Enterprise City	46,980	5,470	20,250	0
101 Embankment (M&G)	165,000	17,645	35,290	N/A
101 Embankment (Swinton Insurance)	165,000	17,626	70,504	N/A
Number 8 First Street	170,000	26,000	14,174	N/A
No.2 Circle Square	148,000	9,500	0	0
MGY, Enterprise City	315,000	35,000	0	0
Base, Mcr Science Park	95,000	18,000	95,000	60,000
			451,228	98,142

Source : Bespoke Data Request – CBRE. March 2023

APPENDIX 3

CITY CENTRE GRADE A PIPELINE

Scheme	Total Building Size	Typical Floorplate	Planning Status	Timing
	(sq ft)	(sq ft)		
UNDER CONSTRUCTION (exc space already let)				
4 Angel Square	198,818	19,035	N/A	On-site
Eden, New Bailey	84,410	10,054	N/A	On-site
Havelock	110,762	15,700	N/A	On-site
St Michael's	185,000	20,000	N/A	On-site
Island	100,000	10,000	N/A	On-site
Sub-total	678,990			
WITH PLANNING IN PLACE – CONSTRUCTION YET TO COMMENCE				
No.3 Circle Square	224,970	16,395	Detailed planning received	Q2 2023
Ralli Quays	154,992	12,916	Detailed planning received	Tbc
The Poulton/Mayfield	75,886	9,860	Detailed planning received	Late 2023
The Republic, Mayfield	243,274	23,274	Detailed planning received	Late 2023
One City Road	374,831	17,000	Detailed planning received	Tbc
39 Deansgate	135,672	9,000	Detailed planning received	2026
2 + 3 Angel Square	440,000	18,000	Detailed planning received	Tbc
The Alberton	219,381	13,000	Detailed planning received	Tbc
9A First Street	131,000	16,000	Detailed planning received	Mid 2023
TOTAL	2,000,006			

Source : Bespoke Data Request – CBRE. March 2023

ADDITIONAL PIPELINE WITHOUT PLANNING				
7a First Street	160,000	20,000	Planning application submitted	Tbc
Reedman House	64,122	5,000	Planning application submitted	Tbc
New Victoria	179,000	16,275	Planning application submitted	Tbc
50 Fountain Street	55,000	7,000	Planning application submitted	Tbc
Albert Bridge House	365,664	33,000	Planning application submitted	Tbc
Sub Total	823,786			

Source : Bespoke Data Request – CBRE. March 2023

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