

Royal Buildings – Proposed Change of Use from Office to Hotel

Economic Impact Assessment Report

Prepared by Savills on behalf of Criterion Capital

29th June 2023

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Executive Summary and Introduction

Executive Summary



This Economic Impact Assessment was commissioned by Criterion Capital to support their planning application for change of use, from office to hotel at the Royal Buildings (2 Moseley Street) in Manchester. This analysis finds that the proposed conversion will result in additional economic benefits to the local area of approx. £12.5m. This is mainly driven by the increase in local spend due to an increase in activity and footfall as well as higher spending per visitor compared to the current use.

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

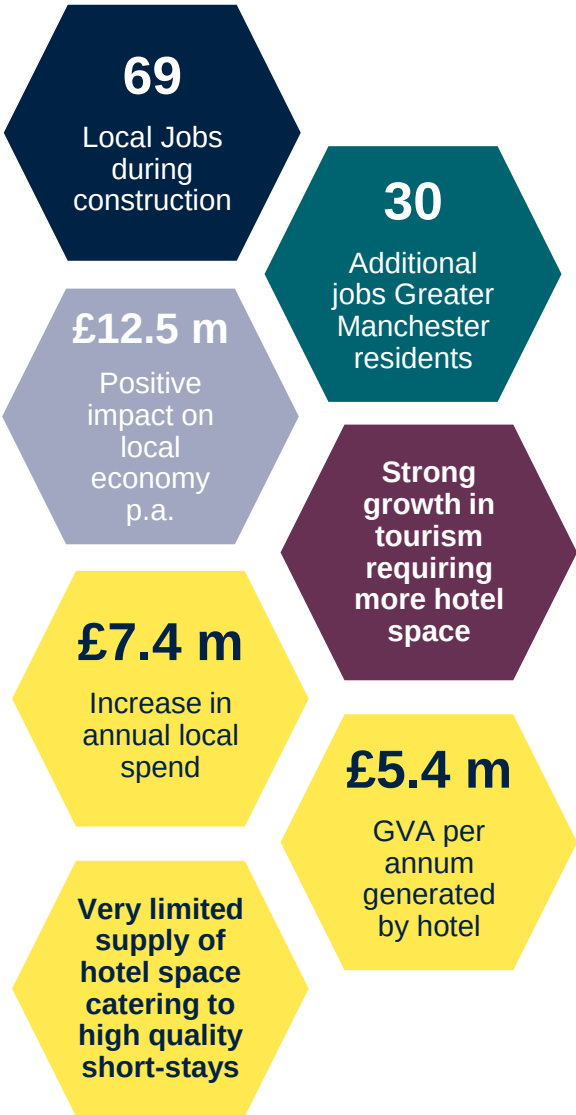
There is currently only one occupier occupying a share of the building with the majority of the premises being vacant. There are several reasons for why it is unlikely that the premises will attract further occupiers going forward; 1) low demand for low quality office space in current office market due to ‘flight to quality’; 2) substantial work needed to bring premises back into use; 3) small size of the floorplates not being suitable for Grade A office occupiers even if they were refurbished to high standard. As such, the current use as office space is unlikely to deliver meaningful economic benefits in the foreseeable future.

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. Savills’ Hotel Team find that the economy and mid-scale hotel sector in Manchester has recovered well and is performing better than the more up-market and luxury sector. Savills forecast that occupancy in this sector will increase from currently 67% to 76% by 2027. The strong demand forecast is based on the positive trajectory of the Manchester tourism market as well as and an increasing number of major events, which currently regularly leads to demand for room outstripping supply.

Bringing these two elements together, we have estimated the impact of construction activities, the number and wages of net-additional jobs on site as well as the net-additional spend supporting the local economy from the proposed change of use. We find that construction activities will lead to a short-term economic boost supporting 69 jobs. In the medium to long-term, we estimate the hotel will support 30 net additional jobs in Greater Manchester and generate a net additional GVA of £5.4m p.a. The increase in activity and visitors’ local spend will add a further net additional £7.4m p.a. to the local economy, thus, supporting the regeneration of Piccadilly Gardens and local businesses in the area.

Thus, we conclude that:

- Conversion to hotel meet’s the Council’s vision for Piccadilly Gardens and the City centre. It helps to achieve policy objectives as set out in the adopted Core Strategy (including Policy EC2)
- The premises is not fit for use as office space in current market being characterised by demand for high quality and flexible work space which cannot be accommodated at the site (due to constraints such as the floor plate and condition)
- Positive impact on local economy of £11m in short-term and £12.5m p.a. in the medium to long-term.



Introduction

This Assessment supports a planning application for change of use of the upper floors of Royal Buildings (2 Mosley Street), Piccadilly Gardens, Manchester, from office to hotel. The scheme would result in the conversion of 2,983 sqm of office space into a hotel with 187 bedrooms. Due to the low quality and size of the existing floor plates, the offices are not attractive to modern office occupiers. Most of the units have been vacant for a number of years. There are also issues with Mechanical, electrical and plumbing (MEP) installations, the lift, the structural conditions on the upper floors, poor condition of the roofs, and non-compliant ventilation.

Thus, substantial work would be required to bring the premises back to a state where they would be appropriate for further office occupiers to move in. However, due to the small size of the floor plates, it is unlikely that Grade A occupiers could be attracted even if this substantial work was to be carried out.

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 of the proposed conversion has been prepared to provide the Council with robust analysis informing their decision making process in terms of the benefits delivered by the conversion.

As such, this report sets 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. The report then provides an estimate of the overall benefits likely to be delivered by the conversion – this is provided net of the benefits delivered by the current use, i.e. the Reference Case.



Source: CoStar, Savills (2023)

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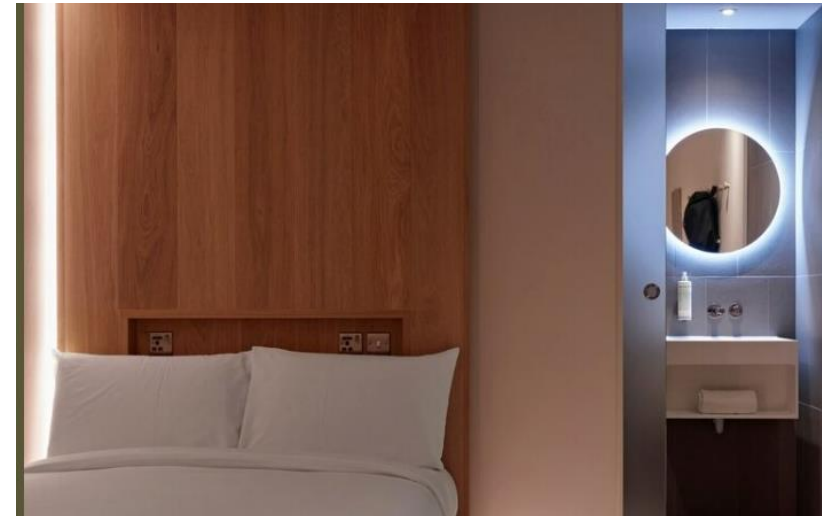
Scheme details

Scheme Details

The proposed development is a high quality 187-bedroom hotel operated by Zedwell adjacent to Piccadilly Gardens. The scheme will preserve the historic character of the front façade by refurbishing its interior within building's original envelope.

The proposed development aims to provide high quality and quiet rooms focussing on unique sleeping experience. The interior of all rooms will be made of the highest 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 nights sleep for all of its guests. The hotel will only provide essential amenities with no food and drink on site. The hotel will target groups of a short stay leisure travellers and business travellers. Key scheme details:

- 187 double bed rooms
- Circa £100 per night per room (estimate based on other Zedwell hotels)
- 7.2 sqm room size
- Targeted occupancy 80%
- Proposed Hotel Space:
 - GF: 74
 - 1F: 742
 - 2F: 925sqm
 - 3F: 925sqm
 - 4F: 900sqm
- Total: 3566 sqm



Source: Zedwell hotels rooms (2023)

Location and Regeneration Context

Royal Buildings is located on Piccadilly Gardens at the junction of Mosley Street and Market Street, within Manchester's Central Retail Area and within the defined retail core which offers major international retail brands alongside small independent traders which collectively acts as a significant draw to residents and tourists. The proposed redevelopment will therefore support a retail and tourism activity in the area and retail businesses on the ground floor.

Being in front of Piccadilly Gardens (as shown in Figure 2.1 and Figure 2.2), the proposed development falls within the Manchester City Centre Regeneration Area. Piccadilly Gardens is an open-space area situated in the heart of Manchester city centre. As an accessible gateway to the city, it provides both work and leisure opportunities for a large number of people. Piccadilly acts as a key entry point into the heart of Manchester city centre and creates a first and lasting impression on visitors and Mancunians alike.

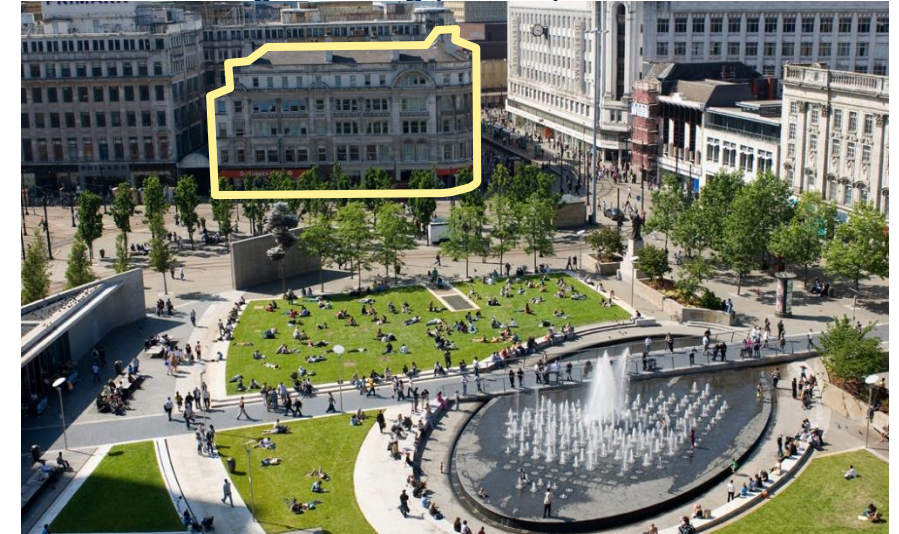
However, **Piccadilly Gardens is currently widely viewed as not fully utilising its potential** as a city centre public realm element and MCC aim to transform it into a world class public space showcasing and exemplifying the City's growing international status reflecting its growing popularity amongst both national and international tourists.

MCC are currently carrying out an international design competition to appoint a Landscape Architect / Urban Designer led design team to fulfil MCC's vision and create a revamped public space at Piccadilly Gardens. MCC want Piccadilly Gardens to provide an example of the very best in Manchester public realm.

The Council wish to develop the site in a sustainable way that respects its heritage. It seeks a design team capable of realising this project in ways that combine imagination and creativity with economy and sustainability.

As such, the **proposed change of use** with its inherently sustainable approach due to the utilisation of embodied carbon as well as with its preservation of the heritage building **aligns well with MCC's plans for the redevelopment of Piccadilly Gardens.**

Figure 2.1 and 2.2 Piccadilly Gardens today (top) and architect's design drawing (bottom)



Source: MCC, City Regeneration Area, Piccadilly (2023); Various

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Economic Baseline Analysis

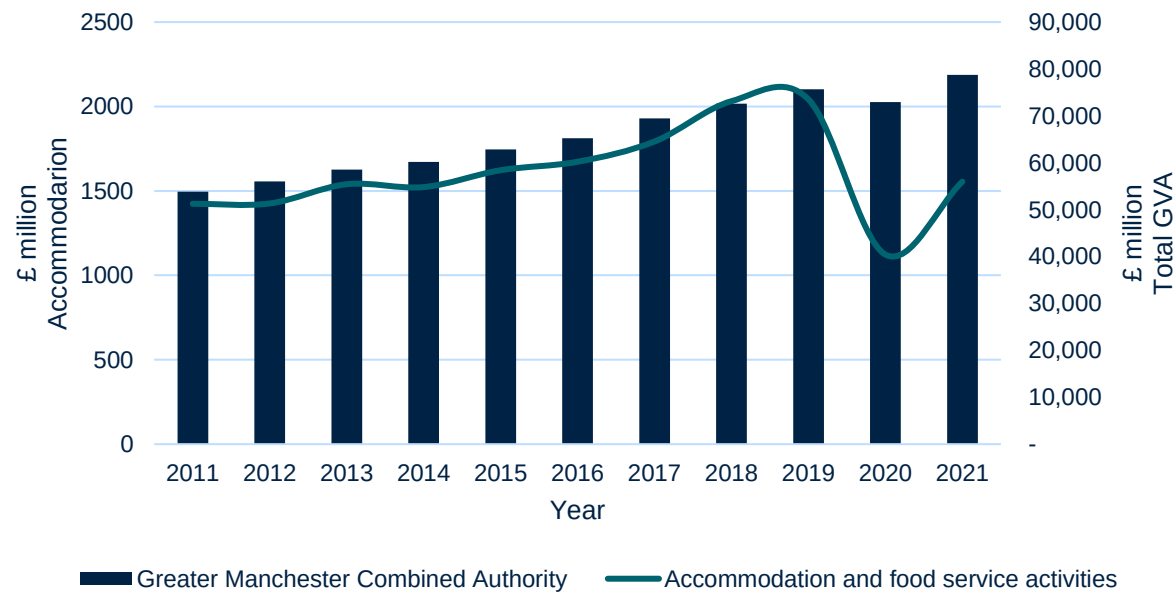
Local Economic Baseline Review



Manchester is a significant driver of the Northern UK economy. On the key measures of gross value added (GVA) and employment, the headline messages are strong, reflecting the positive changes in Manchester’s economic and demographic position over the last decade. 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 far more heavily affected by the pandemic. The post-pandemic recovery has been strong, however, in 2021 (the last year data is available for), tourism GVA was still below pre-pandemic levels.

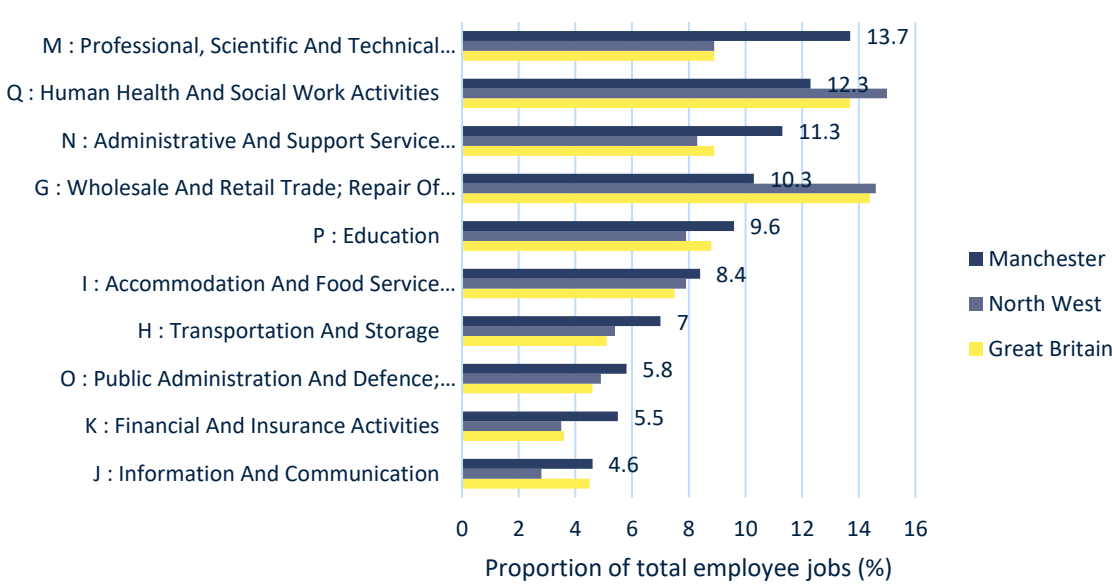
We also assess what industries are the largest contributors to and drivers of Greater Manchester’s economy by analysing the proportion of jobs in the respective industries as shown in Figure 3.2. We find that *Accommodation and Food Services* is the 6th most important driver of Greater Manchester’s economy contributing 8.4% to the city’s employment market, thus, providing crucial job opportunities for Greater Manchester’s residents. The number of employees in this industry sector has grown by 20% from 2015, from being 7th the most important sector in 2015. It is important to note that *Accommodation and Food Services* provide a larger share of total employees in Greater Manchester than in Great Britain on average (7.5%), highlighting the city’s status as an increasingly important hub and destination for both national and international tourists.

Figure 3.1 GVA of Greater Manchester Combined Authority, current prices



Source: ONS, Regional gross value added (balanced) by industry: city and enterprise regions, 2021

Figure 3.2 Top 10 industry sectors by number of employees in Manchester



Source: ONS, Business Register and Employment Survey, 2021

Demographics Review



Figure 3.3 shows how Manchester’s population has changed since 2011 and provides projections up to 2040 in comparison with major 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.**

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.

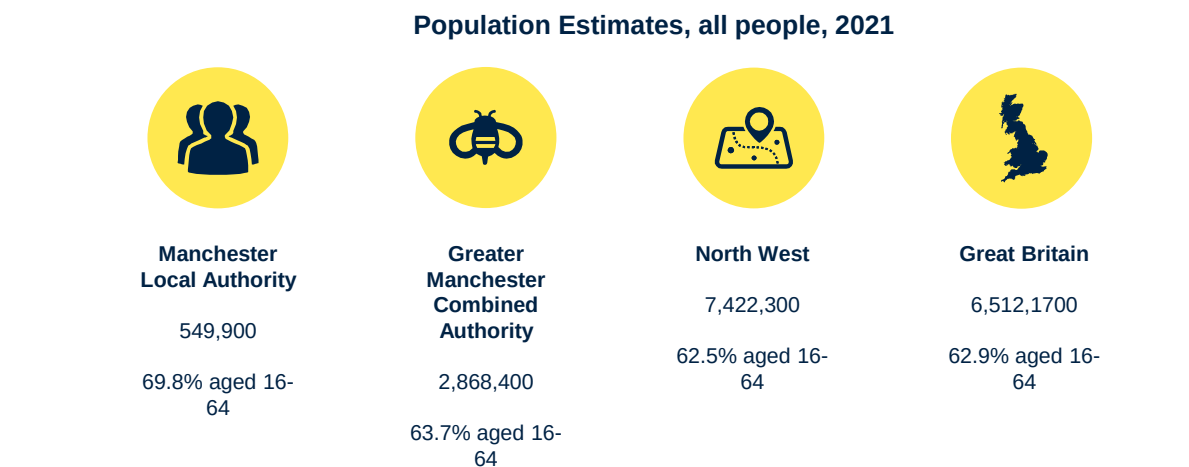
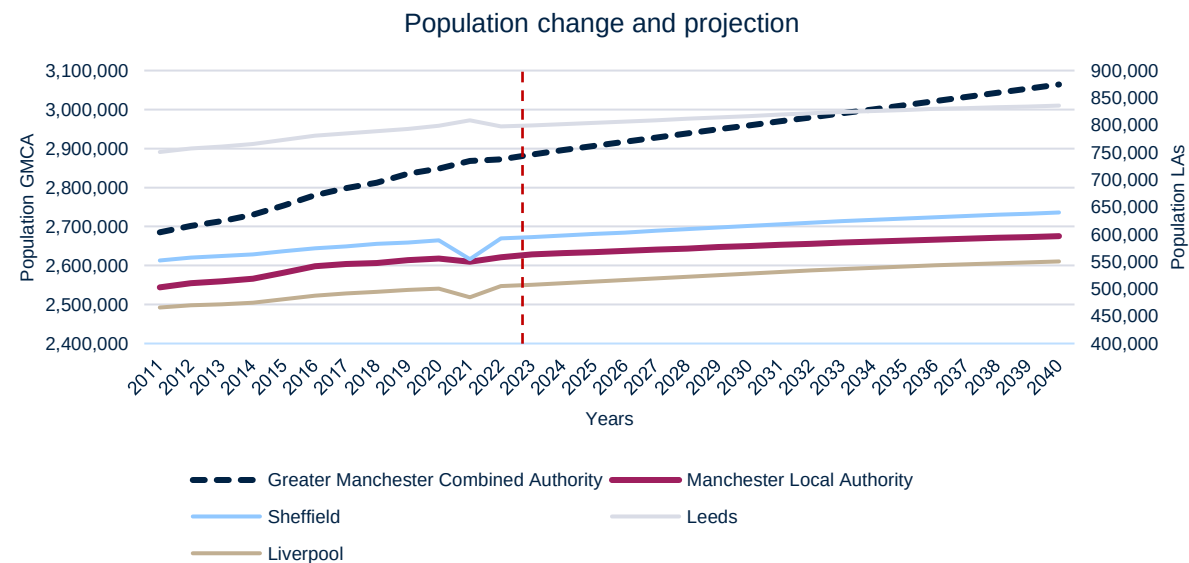


Figure 3.3 Population change and projection



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Office Market Assessment

Manchester City Centre Office Market and Submarket Review



This section reviews the overall office market in Manchester City Centre as well as the relevant submarket.

The pandemic has changed the trajectory of Manchester’s overall office market, which saw strong growth in the decade before the pandemic struck. Falling demand for office space in 2020 and an increase in new deliveries caused Manchester’s vacancy rate to rise from its pre-pandemic low to 8.7%, a seven year high.

Moreover, **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.

Savills Office Market Research team find that in Q1 2023 take-up totalled 211,000 sqft in Manchester city centre, which is 29% below the five-year Q1 average. **Prime and Grade A take-up accounted for 70% of the overall take-up** demonstrating the change in demand as the average proportion Grade A take-up was 43% over the last five years.

Focussing on the submarket relevant to the Royal Buildings, we review premises by quality. Industry experts CoStar classify the Royal Buildings as 3-star premises, which puts them into the below to average quality category. Figure 4.1 finds that vacancy rates for below to average quality premises were at a record low before the pandemic but have since continuously increased, whereas vacancy rates for higher quality premises have decreased.

Figure 4.2 looks at a number of key indicators for Q1 2023, such as market rents, net absorption, and floor space under construction. This finds that the **below to average quality submarket has seen negative net absorption** indicating that the trend observed since the beginning of the pandemic is continuing. This means that there is likely to be very limited demand for office space such as the one provided by the Royal Buildings.

We also carry out a bespoke review of similar buildings in the area. We do this by quality, age and size and find that there are 16 comparable premises. This analysis finds that the vacancy rate for those sits is even higher than the average for 3-star rated buildings and sits at 16.2%.

Figure 4.1 Manchester City Core Office Market Vacancy Rate by Office Quality

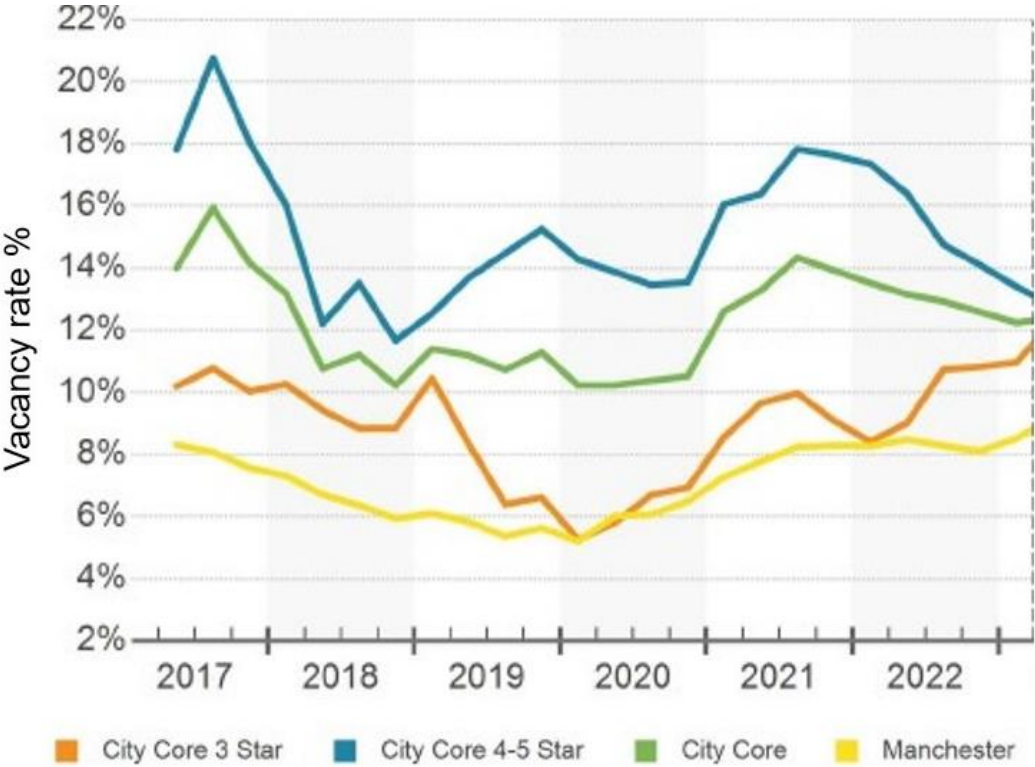


Figure 4.1 Manchester City Office Market Key Indicators Q1 2023

Current Quarter	NIA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	7,871,323	12.9%	£31.40	18.2%	42,743	0	432,529
3 Star	5,493,747	12.1%	£26.43	15.4%	(59,487)	0	0
1 & 2 Star	228,610	2.1%	£16.32	2.5%	2,235	0	0

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Tourism Sector and Hotel Market Assessment

Tourism Sector in Manchester

This section provides insight into the state of the tourism sector in Manchester. The city has emerged as a vibrant destination, attracting domestic as well as international visitors and has experienced significant growth in its tourism sector over the past decade. With its rich industrial heritage, iconic landmarks, world-class sporting events, renowned universities, and a thriving music and arts scene, the city has become a must-visit destination for travellers seeking a diverse and dynamic experience. Leading global travel guide **Lonely Planet has unveiled its global top destinations to visit in 2023, with Manchester included in the 30 must-visit locations**, making it the only UK city to feature in the list. Adding to the accolades, **National Geographic has announced that Manchester will be included in their highly anticipated list as one of the world's best destinations to visit in 2023** recognising the city's post-pandemic revival and its raft of significant cultural attractions due to open in 2023.

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.

The city has witnessed a steady increase in both domestic and international tourism. In the last pre-pandemic year, Manchester was the UK's third city by the number of international visits (Figure 5.5). The region attracts 119 million visitors per year, 11 million that stay and 108 million day visitors*. Domestic tourists are drawn to Manchester for weekend getaways, shopping, and cultural experiences, while international visitors are enticed by the city's rich history, renowned football clubs, and vibrant music scene.

As mentioned in the baseline analysis, **tourism has emerged as a vital contributor to Manchester's economy**, generating substantial revenue and creating employment opportunities. Prior to the Covid-19 pandemic, tourism activity in Greater Manchester generated £9.5bn in GVA. 102,500 Full Time Equivalent (FTE) jobs were supported. According to *marketingManchester* and in line with our analysis of ONS data, Greater Manchester's tourism sector is contributing more to Manchester's economy than key sectors such as advanced manufacturing, life sciences and creative, digital and tech demonstrating the importance of the industry.

Contributions to the city's GVA are derived from various sources, including accommodation, dining, shopping, transportation, and entertainment. As such, **visitors' local expenditure is a key driver for Greater Manchester's GVA**. To sustain and enhance tourism related growth, *marketingManchester* notes that Manchester needs to invest in tourism related infrastructure, such as high quality accommodation.

Figure 5.1: The cities seeing the highest number of international visits in 2019

	All international visits 2019
1	London (21.7m)
2	Edinburgh (2.2m)
3	Manchester (1.7m)
4	Birmingham (1.1m)
5	Liverpool (845,000)

Source: marketingManchester (2023)

Hotel Market Context

We assess both the wider hotel market as well as the relevant sub-market, i.e. high quality, affordable accommodation.

The current **occupancy rate of Manchester's wider hotel market is 78.3%**, which is above the historic average of 63.7%, showing an increased demand for visitors accommodation in the recent years (see Figure 5.1). Figure 5.2 provides an overview of hotels in Manchester city centre. Even though there is a high density of premises, occupancy is high and forecast to remain substantially above the historic average at 71.3%. This is below the current rate of 78.3% as the current situation is characterised by pent-up spending on services like hospitality in a post-pandemic world, but this is likely to reduce to lower levels in the foreseeable future.

Figure 5.3 shows occupancy rates of economy and midscale hotels in Manchester's city centre over time. This finds that occupancy rates have dropped significantly during the pandemic but that they have recovered quickly to near pre-pandemic levels of 75.6%. **Economy hotels have recovered more quickly than any other type of hotels.** Economy hotels' average occupancy is slightly higher than it was in 2019, which was itself already a historic high. The rapid recovery and high demand for economy class accommodation was boosted a series of major events in the city as well as by Manchester's two football clubs matches in the Premier League, internationally, and in the FA Cup.

Midscale hotels' occupancy is at 67% slightly below it's 2019 levels of 78%. It is **forecast to increase to 76.6%** responding to a growing overall tourism sector.

Figure 5.3 Manchester City Centre Occupancy Rate and Number of Beds of Economy & Midscale Hotels Over Time

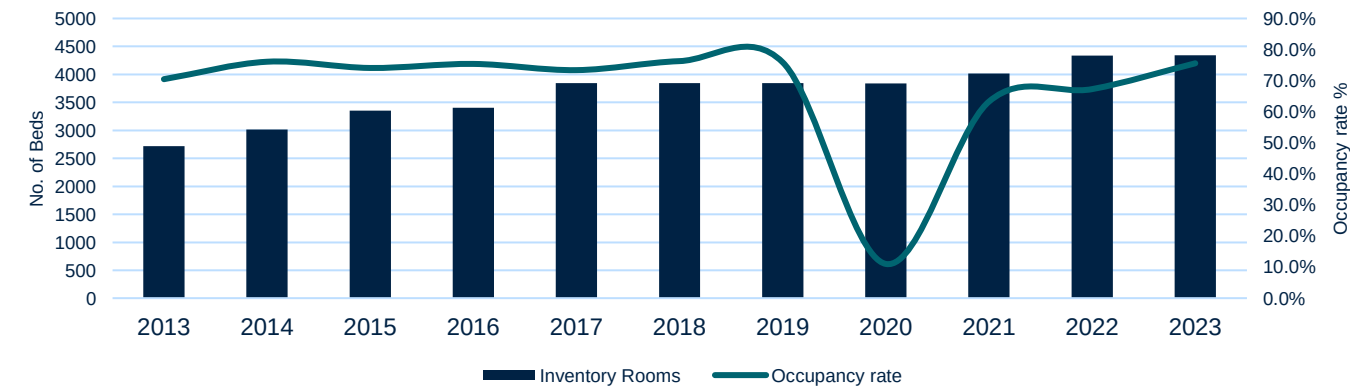


Figure 5.2 Manchester City Centre Hotel Market

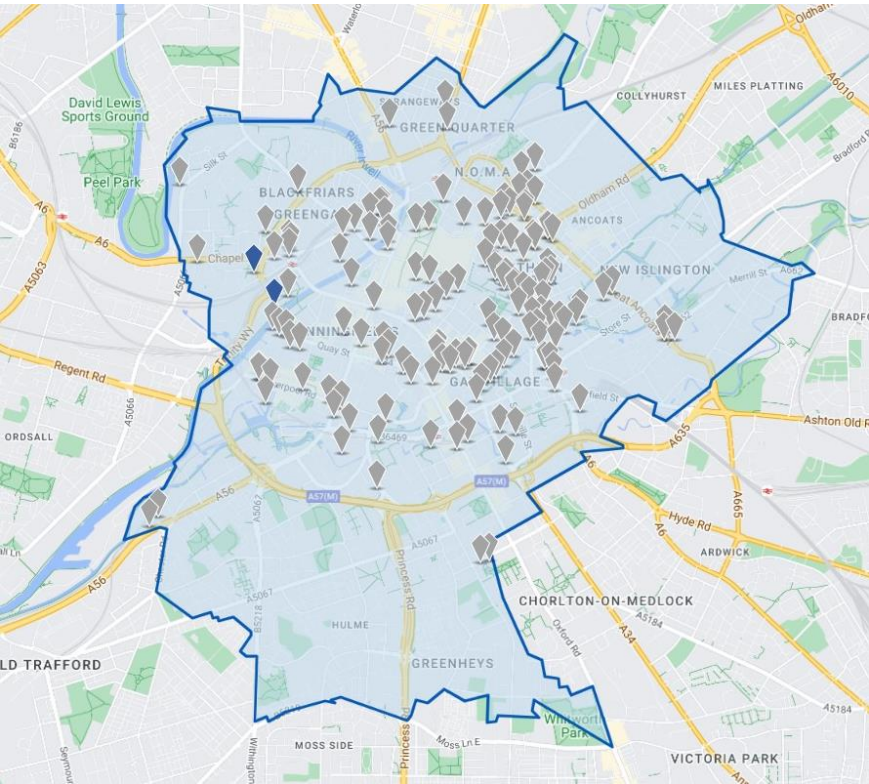


Figure 5.1 Manchester City Centre Hotel Market Key Indicators

Average Trend	Current	3 Mo	YTD	12 Mo	Historical Average	Forecast Average
Occupancy	78.3%	77.3%	74.5%	75.4%	63.7%	71.3%
Occupancy Change	9.5%	15.1%	21.3%	23.9%	-0.6%	-0.5%
ADR	£100.85	£95.91	£92.73	£93.89	£87.56	£102.40
ADR Change	9.2%	6.0%	5.5%	2.7%	2.0%	2.6%
RevPAR	£78.93	£74.14	£69.12	£70.77	£55.75	£72.96
RevPAR Change	19.6%	22.0%	27.9%	27.2%	1.3%	2.1%

Supply of Hotel Rooms

The overall pipeline of new hotels is fairly healthy with 5,687 new rooms having been confirmed for Greater Manchester*. This equals a growth rate of 21% on the current supply. Figure 5.4 provides a breakdown of the current visitor accommodation stock levels in Manchester city centre. This finds that 3 and 4 star hotels constitute the majority of all rooms in Manchester city centre.

However, there are currently no direct competitors to the hotel proposed for the Royal Building’s change of use. The hotels offering a similar experience are Moxy Manchester City (146 rooms), Motel One Manchester (328 rooms) and easyHotel (115 rooms). However, these premises define themselves also via their value-for-money, whereas the proposed hotel is more defined by upmarket materials used. A direct competitor would be the Motto by Hilton (154 rooms) offering stylish yet relatively affordable accommodation. The operator of hotel is currently seeking detailed planning consent.

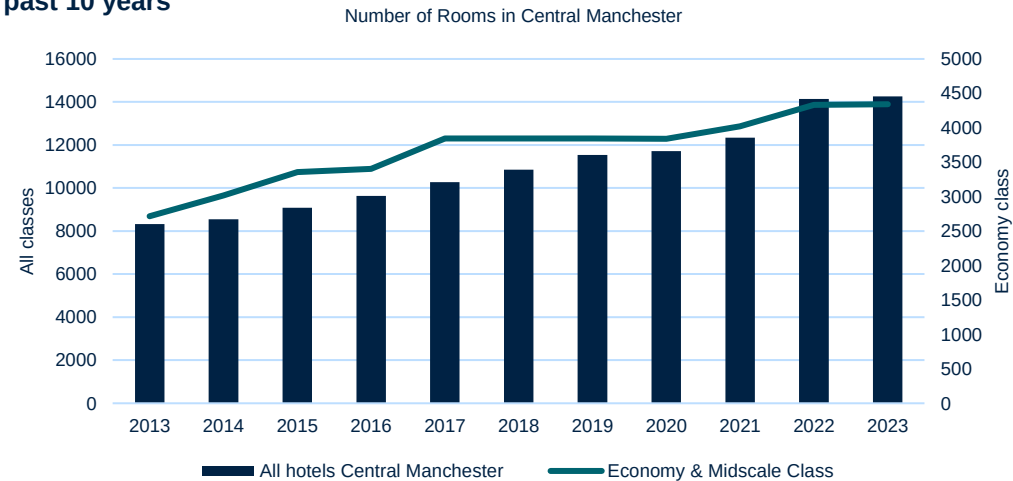
Figure 5.5 shows the change of number of rooms in Central Manchester over the past 10 years. The supply of rooms has gradually increased over the past years and has grown by a cumulative 71.3% since 2013. The number of rooms in the economy and midscale class has increased by 36.6% since 2013, thus, at a far slower rate than the overall market as well as lower than the growth rate in the Manchester tourism sector.

Figure 5.4 Hotels Beds Stock of Manchester City Centre in 2023

Property Type	No. of properties	No. of rooms
Hotel: 5 star or equiv.	3	362
Hotel: 4 star or equiv.	33	6,104
Hotel: 3 star or equiv.	20	3,766
Hotel: 1/2 star or equiv.	8	885
Hotel: tbc/unknown	3	54
Guest Accommodation (B&B, guest house, inn)	8	73
Self-catering units (Apartment, cottage or house)	140	178
Serviced apartments	17	1,258
Total	232	12,680

Source: marketingManchester (2023)

Figure 5.5 The change of Rooms Stock in Manchester City Centre over past 10 years



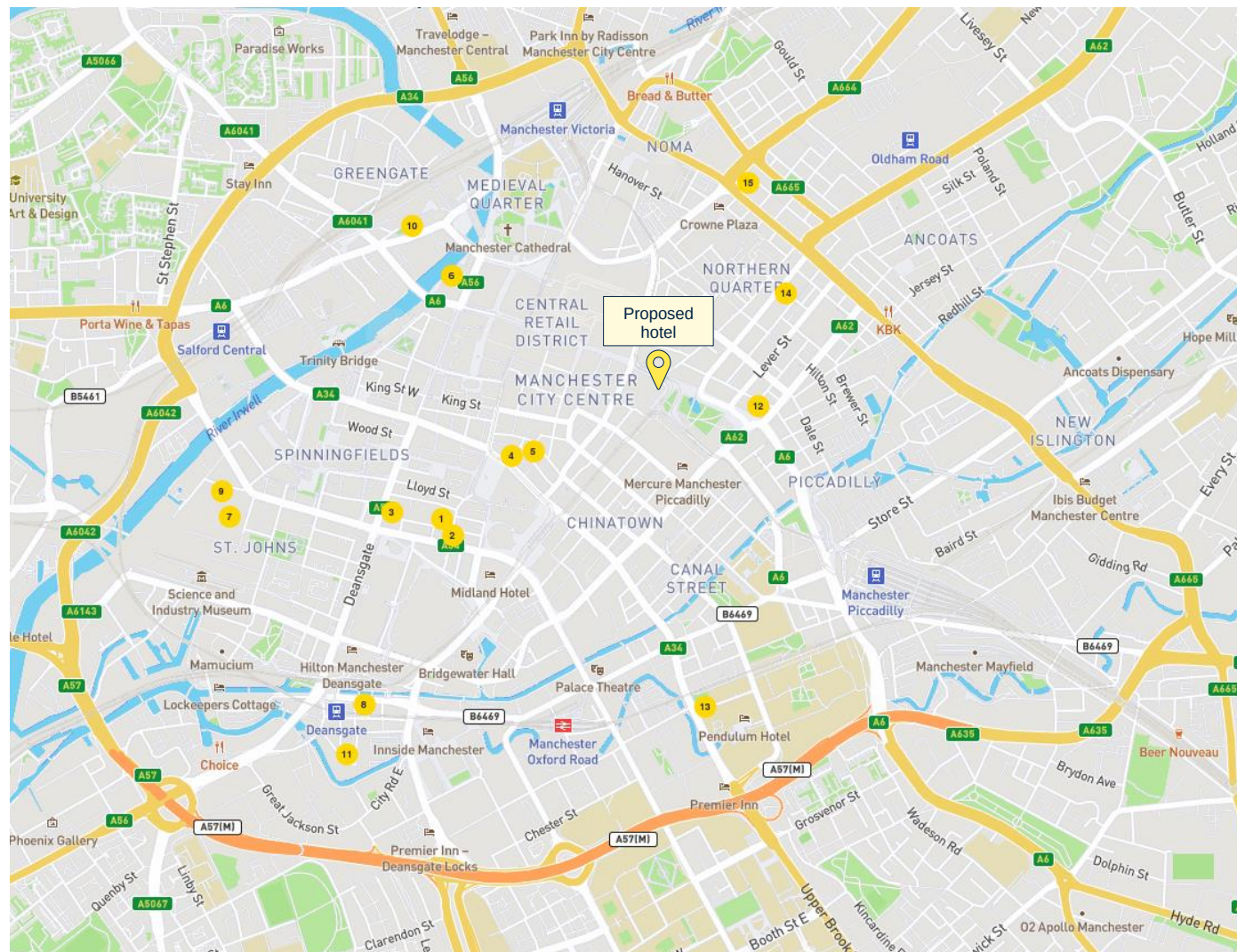
Source: CoStar, 2023

Hotel Development Pipeline

The Figure 5.6 shows upcoming hotel developments in Manchester city centre. The majority of new hotels developments are concentrated in the west side of the city centre. New hotels developments are concentrated in clusters around locations such as: Petersfield; around Civic Quarter next to CBD; St Johns; Greengate and next to Medieval Quarter; Castlefield; Oxford Road Corridor; Northern Quarter.

Based on the map of the Strategic Regeneration Framework in Manchester*, the Royal Building in Piccadilly Gardens falls within Retail Core district, which offers major international brands alongside small independent traders which collectively acts as a significant draw to residents and tourists. Although, the pipeline of hotels is fairly healthy overall, there is only a very limited amount of developments catering the retail district's need for increased local spend.

Figure 5.6 Upcoming Hotels Developments in Manchester City Centre



Source: Savills analysis, 2023

6

Economic Impact Assessment

For this assessment, we have reviewed Royal Building's existing and proposed uses, the relevant planning and regeneration context and provide our estimate of the economic benefits of the development proposal. 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 HM Treasury's Green Book (2022). It accounts for leakage, displacement and multiplier impacts of the proposed development. This section sets out the assessment of the potential economic benefits of the proposed development. It focuses on the construction phase, the operational phase, and wider benefits derived from increased visitor spend.

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, factors are considered are a) overall construction cost based on BCIS 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. Greater Manchester) 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.

The Operational phase focuses on direct and indirect employment as well as Gross Value Added (GVA) generated by running the hotel. We estimate the number of jobs as Full Time Equivalent (FTE) jobs. The assessment also considers displacement of jobs from elsewhere, and indirect multiplier effects as a result of the new jobs on site. The number of FTE jobs was estimated by following the HCA Emp Density Guide, 2015. The total GVA was estimated based on GVA generated per hotel worker in the North West region. Leakage was estimated by assessing hotel/leisure staff's commuting patterns. We then estimate the total GVA benefits in the area and compare this to the reference case.

The wider benefits focus on the estimated increase in local spend by tourists/visitors and staff. There will also be fiscal benefits associated with the proposed development via the increase in business rates. To estimate business rates, the Valuation Office Agency (VOA) rateable values of similar hotels (Motel One, Moxy Hotel) were used. The tourism expenditure was calculated based on the data provided by *marketingManchester* which provides values for spend per day per visitor. The values of spend per day vary from £130 to £150 depending on the type of visitor (incl. accommodation costs). To provide a conservative assessment, we assumed the lower end of the range and assumed that each double room is occupied by two visitors. Zedwell aim for an occupancy rate of 80%, however, to provide a conservative assessment we applied the average occupancy rate for similar hotel (i.e. 75%). Since the proposed development is in the city centre providing a wide range of leisure and retail offerings, we assume leakage to be minimal at 10%. Thus, we estimate that the majority of the visitor spend will be retained in the study area. Since hotel staff also generate local spend on working days, expenditure by a hotel staff was estimated and compared to the estimated spend by the current language school staff and students.

Economic Impact Assessment



This section summarises the key economic and regeneration benefits of the construction phase, operational phase and wider impacts driven by the net additional visitor spend generated by the hotel's customers.

The estimate for total on-site employment during the 1.5-year construction period is 69 construction jobs per annum. To estimate the number of jobs required for the construction of the proposed development, factors are considered such as construction cost (£~11 million.) and average output per construction worker in the North West (£151,747). Once leakage, displacement and multiplier rates are taken into account, the proposed development would generate net 38 on-site and 31 off-site construction jobs per annum in Greater Manchester.

The operational phase jobs would generate 30 FTE jobs. We assume that five rooms require one FTE job based on Zedwell's service requirements (e.g. no food and drinks is served, hence, lower number of FTE jobs per room than quality of the accommodation would suggest). In line with average occupancy rates for similar hotels, we assume a 75% occupancy rate.

We estimate that the hotel would generate a net additional GVA of approx. £5.4m. This is based on the total room charges (£5.12m) and the induced effects generated by hotel staff's wages of approx. £365,996, which is net of leakage and displacement. Moreover, we estimate that hotel guests will spend a net additional £7.4m p.a. in the local area generating wider knock on effects on local businesses in and around Piccadilly Gardens as well as in Greater Manchester.



7

Conclusions

Conclusions

Our analysis has demonstrated that: the existing office use is unviable in terms of business operations due to building's poor architectural spatial characteristics and poor structural conditions; and the proposal will support Core Strategy's vision on tourism and spatial objectives of *SO2.Economy* to support cultural and tourism development as a primary economic driver to the City region.

This piece of analysis finds that the Royal Building's change of use from office use to hotel will result in additional economic benefits to the local area of £12.5m. This demonstrates that the premises use as a hotel is more economically sustainable than its use as an office space. Because of the proposed hotel's positive impact on vibrancy and local businesses in and around Piccadilly Gardens as well as its overall boost for the local economy, we find that the proposed hotel offers greater benefits in terms of the MCC's vision and spatial objectives than the existing use. We also find that the change of use would address an undersupply in the respective hotel submarket, which has shown strong recovery from the pandemic and is anticipated to keep growing on the back of Manchester's increasing popularity amongst national and international tourists alike – as recently proven by the city being named by both the Lonely Planet and National Geographic as global must-visit destinations. Occupancy rates in the subsector are forecast to grow to nearly 80%, which is in line with Zedwell's Business Plan.

Assessing the wider Manchester office market and the relevant subsector (i.e. small and low quality office space) we find that even though the Royal Buildings are in a suitable location for office space and there is currently one occupier occupying a share of the building, it is unlikely that the premises will be economically sustainable without a change of use. There are several reasons for this. Firstly, the majority of the premises are vacant and need substantial work before they can be brought back to the market. Secondly, the office market in general has moved and is characterised by a 'flight to quality' with occupiers seeking Grade A, energy efficient, and flexible work space. Due to the Royal Buildings' floor plates, even a refurbishment to a Grade A standard would be unlikely to result in modern occupiers being attracted to the premises. Thus, we find that the current use of the building as office space is unlikely to be economically sustainable potentially resulting in the continuous decline of the site and the site becoming derelict in the long term.

Bringing the assessment of the tourism market and the office submarket together, we estimate that not only would the conversion have a positive short term impact due to a boost delivered by the construction activities but also lasting and long term positive effects on the local area. Positive effects include net-additional jobs on-site as well as the net-additional tourism spend supporting the local economy. The increased footfall in and around Piccadilly Gardens would support the MCC's objectives for the area and help to make the most of this prime location in the heart of Manchester.

The development is therefore in full accordance with Manchester City Council's Policy EC2 as the change of use will deliver greater benefits in terms of the Council's Core Strategy's vision and spatial objectives than the existing use.