



**27-31 King Street West and
The Carriage Works
Economic Impact Assessment
September 2022**

Key Findings

Construction Benefits



£30m total construction spend



250 Direct FTE job years supported during construction



80 Indirect and Induced FTE job years supported



£25m

Total GVA
associated with
the construction
phase

Operational Benefits



410 net direct FTE jobs accommodated



£13.1m of wages per annum



£6.6m of business rates every 10 years



£35.8m GVA per annum



£2.7m of income and NI tax contributions per annum

* These figures represent the net additional benefits considering the current jobs accommodated onsite

Introduction

The Site

27-31 King Street West and The Carriage Works is located at the southern end of the St. Mary's Parsonage Strategic Regeneration Framework (SRF) area, in Manchester City Centre. The site is bounded by Trinity Square to the south, St Mary's Parsonage to the west, Smithy Lane to the east and Garden Lane to the north.

The site lies within the Parsonage Gardens Conservation Area and consists of a group of six buildings, arranged across a tightly bounded plot. These buildings have evolved over the course of a century responding both to changes in commercial use, architectural fashion and structural damage. The whole site is listed at Grade II.

The Site currently provides 29,000 sqft of office accommodation across three storeys. It is understood that the space is currently only 45% let and that there are several significant barriers to achieving higher occupancy levels, including:

- **Condition:** the accommodation is dilapidated, inefficient and in need of investment.

- **Layout:** the cellular layout is undesirable to many prospective occupiers who require larger, more efficient floorplates that enable greater opportunities for collaborative working. There is also a lack of amenity space for tenants.
- **Energy efficiency:** a current EPC rating of 'E' is undesirable in the current office occupier market and significant investment is required to improve this and to comply with forthcoming energy rating changes.

Proposed Development

The proposals involve the demolition of Reedham House alongside the preservation and regeneration of two listed buildings to provide modern office accommodation over multiple storeys. The proposals will work with the existing heritage assets and unify the site as a single development, creating a larger, single office floorplate. New amenities will be added to the site to complement a new, collaborative and more sustainable working environment, in doing so making the premises more attractive to existing and prospective occupiers.

The proposals include:

- 10,207 sqm (GIA)¹ of office floorspace; and
- 146 sqm (GIA) of ground floor retail floorspace.

The proposals' sustainability credentials are central to the project. The redevelopment will incorporate sustainability into its design and delivery. Part of the proposals involves a sustainable retrofit that will achieve embodied carbon savings through existing building re-use. In addition, the developer's ambition is to embed the concept of circularity (incorporating building materials that can be recycled / re-used / re-purposed at the end of the building's life) within the design concept and to source as many materials locally as possible throughout construction.

From an operational perspective, it is the developer's intention to create a net zero carbon building that is far less energy intensive than the existing premises. The proposals will deliver 100% renewable energy sources on site and will also provide biodiversity and green space to achieve environmental net gain. It is the intention to attain relevant accreditations for the highest energy performance standards (such as NABERS and BREEAM). The proposals will therefore considerably improve on the sustainability of the existing building and support Manchester City Council's ambition to become a net zero carbon city by 2038.

The development has an estimated construction cost of £30.0m over a 30 month build period.

Assessment Scope

ekosgen have been commissioned to produce a socio-economic assessment of the Reedham House proposals. The assessment outlines the breadth and scale of benefits that are expected to be unlocked by the redevelopment, during both its construction and operational phases. Consideration has been given to:

- The local socio-economic policy context that supports opportunities to capture further economic growth within the city centre (including with reference to the St Mary's Parsonage SRF, State of the City Report and Manchester's Economic Recovery and Investment Plan, as examples).
- Key national policy drivers to support Manchester's growth, including the Levelling Up agenda.
- Recent employment and business base growth trends in the Manchester economy, including the role of the city centre and target sectors within this, and the city's contribution at a Greater Manchester level.
- Future economic forecasts to demonstrate overall forecast growth and in target sectors.
- Market signals regarding office demand, including reference to the scale of development currently underway, a continued shortfall in supply and high levels of demand.
- An understanding of the challenges presented by the site in its current form and how these impact on occupancy and market interest, plus wider considerations such as energy efficiency.

The findings are outlined in the sections that follow.

¹ Gross Internal Area – broadly, the whole enclosed area of a building within the external walls.

Strategic Context

Contributing to Policy and Regeneration Objectives

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

Supporting National Policy Agendas

The Northern Powerhouse

The Northern Powerhouse concept – “a vision for joining up the North’s great towns, cities and counties, pooling their strengths, and tackling major barriers to productivity to unleash the full economic potential of the North” is key to the overall strategy to produce more even and inclusive growth across the UK, aiming to address the primacy of London and the South East.

As outlined within earlier sections, Manchester has established itself as a key destination for knowledge-based service sector activities and has significant potential for future growth. This growth is dependent upon an adequate supply of suitable premises being made available and continued success in attracting and retaining skilled workers in the city. Manchester’s significant and fast-growing economy can continue to help drive growth across Greater Manchester and across the North of England more widely. Further growth is predicted through both the continued productive economic use of existing employment premises and new employment development, counterbalancing the strength of London and the South East.

Build Back Better and Levelling Up the National Economy

Build Back Better: our plan for growth outlines the Government’s approach to push forward economic growth across the country, including through growth in existing, new and emerging industries, and states:

“Our plan to build back better takes a transformational approach, tackling long-term problems to deliver growth that creates high-quality jobs across the UK and makes the most of the strengths of the Union. We must retain our guiding focus on achieving the people’s priorities: levelling up the whole of the UK, supporting our transition to net zero, and supporting our vision for Global Britain.”

The plan outlines the role that cities play in realising this ambition and the purpose of addressing regional inequalities, rebalancing the economy and ‘levelling up’ underperforming and left-behind parts of the UK. Manchester has already firmly demonstrated the role it can play on a national and international stage with further growth potential evident.

Alignment with Local Policy Objectives

Manchester Local Plan Core Strategy, 2012

The Core Strategy outlines Manchester’s growth ambitions and recognises the city centre as the key location for major employment growth, especially through high-density development, with an allocation of 58ha for employment use between 2012-2027. The Strategy states that “*City Centre development will generally be high-density. It is a location where land should be used to maximise its efficiency*”. The scheme responds to this context and ensures that high-density development can be offered within a land constrained local authority area.

St. Mary’s Parsonage Strategic Regeneration Framework

The site falls within the St. Mary’s Parsonage Strategic Regeneration Framework (SRF) area which highlights the potential of the area to contribute to Manchester’s growth and deliver significant regeneration benefits. The scheme takes into account both the need to be considerate of the nearby Parsonage Conservation Area and nearby listed buildings and the necessity to provide high-quality development.

The St. Mary's Parsonage SRF sets out a vision to redefine the area, delivering a commercially led mixed use neighbourhood. The proposals for Reedham House are well aligned with the ambitions of the SRF, including maximising the area's potential, with it being considered that *"any future proposals for these buildings would benefit from delivering a coordinated response to the site context at ground floor level. This could potentially strengthen connections to the river, consolidating service arrangements as well as delivering a critical mass of ground floor retail or leisure uses that maximise the positive contribution towards the vibrancy of St. Mary's Parsonage"*.

The development is seeking to revitalise the site, by sensitively restoring the most historically significant parts of the building alongside delivery of a higher density new build elements for commercial uses, which aligns with the mixed-use commercial led vision consistent with the wider SRF.

City Centre Strategic Plan 2015-2018

The Strategic Plan for the city centre sets out a long-term vision for the future of the city centre, highlighting its role as a key driver of economic growth as well as a major employment centre. Increasing demand for a range of commercial space that meets the range of markets and sectors flourishing in Manchester city centre is highlighted, with the need to *"maintain momentum and provide further growth and development"*. The proposals for Reedham House respond to these requirements.

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

Manchester's 2021 State of the City Report recognises the importance of continued development within the city centre and that it *"has grown and been transformed over recent years and is a major asset for the city. While the development of cities globally has been reduced by the pandemic, Manchester has maintained momentum and continues its pre-pandemic growth trajectory following an initial slowdown in March 2020. Manchester has continued to successfully and sustainably develop, due to a strong, co-ordinated and collaborative response with partners across the city"*.

The report highlights the importance further commercial development in supporting further economic growth and recovery and the benefits of St. Mary's Parsonage SRF, with it *"enhancing permeability and connections to adjacent city centre neighbourhoods and delivering developments that respond to the demands and requirements of the city centre"*.

State of the City Report, 2021

Our Manchester', the Manchester Strategy for 2016 – 2025, sets out the wider strategy and long-term vision for the city.

The Manchester Strategy aims to cultivate a thriving and sustainable city to support a diverse and distinctive economy that creates jobs and opportunities. This will foster a highly skilled city with world class and home-grown talent to sustain the city's economic success. It aims to ensure the city is progressive and equitable, making a positive contribution by unlocking the potential of our communities. It targets a liveable and low carbon city, as well as one which is well connected, so that there is world class infrastructure and connectivity to drive growth and ensure Manchester remains a destination of choice to live, visit and work.

The Our Manchester Industrial Strategy sets out Manchester's vision and delivery plan for developing a more inclusive economy, highlighting the importance of the city centre to meeting objectives: *"The city centre continues to be the engine of Manchester's growth....As well as being the economic driver of the city region, the city centre also has a vital role to play in the rebalancing of the national economy. Sustaining the growth of the city centre will ensure that Manchester can continue to compete as a viable alternative to London and the South East, increasing the productivity of the UK and increasing its global profile."*

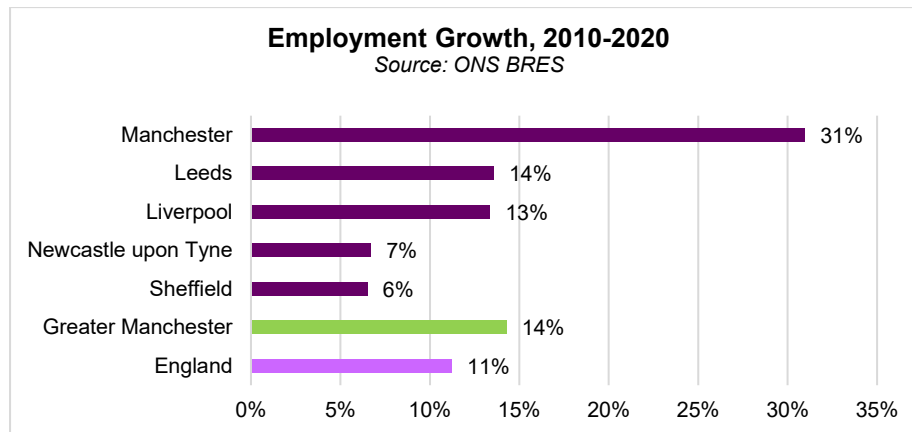
The Reedham House development will accommodate consistent growth within the city in sectors that can enable Manchester to continue to provide high value jobs to its residents and make an increasing contribution to the national economy.

Economic Context

Manchester: A Regionally and Nationally Significant Economy

Manchester has experienced a rapid period of transformation and expansion over the past decade and is now a key economic centre of national significance, the most important outside of London. This transformation has made Manchester a popular place to live, work and invest. It offers diverse and abundant employment opportunities, a thriving cultural, leisure and evening economy, and is an attractive proposition for businesses and investors.

Manchester remains a key conurbation and employment hub for the North of England, with a significant and fast-growing employment base and population. As of 2020, 412,500 people worked in Manchester, accounting for almost 31% of jobs across the Greater Manchester city region. Between 2010-2020, employment in Manchester grew by 31%, at least double that of other major northern cities, and almost three times the national growth rate for the same period.²



Manchester's city centre acts as the focal point for employment in the wider city region. In 2020, the city centre, including the Oxford Road Corridor, was home to 213,000 jobs – accounting for just over half of all jobs in Manchester. Since 2015, city centre employment levels have risen by 21%, significantly exceeding growth across Greater Manchester (8%) and nationally (3%). This strong employment base and associated amenity offers has played a central role in attracting people to live within the city centre. Manchester city centre is now home to just under 40,000 residents, having grown by 50% since 2015. This is a significantly faster rate of growth than achieved by Manchester as a whole (5%), across Greater Manchester (3%) and nationally (3%).

In 2019, Manchester contributed £24.5 billion of Gross Value Added to the UK economy, having grown by 34% since 2014 and outperforming growth across Greater Manchester and nationally. Manchester has been a driving force for Greater Manchester's economic output, accounting for 42% of the sub-region's GVA growth between 2014 and 2019. Looking beyond the sub-region, Manchester had the highest GVA per capita of the major northern cities and experienced the fastest rate of growth between 2014 and 2019. Improving productivity across the North of England is a central tenet of the Government's commitment to levelling up and the continued success of Manchester will be critical to supporting this objective.

Manchester's Service Economy

As an office development, the Reedham House proposals are expected to accommodate knowledge-based, service sector activities such as information, financial, professional and business administrative services. These sectors account for 35% of total employment in Manchester and over the period 2015-2020 grew by 24% compared to national growth of 3%.

² ONS – Business Register and Employment Survey

Employment in Information, Financial, Professional, and Administrative Services Industries, 2015 – 2020

	2015	2020	Change since 2015
Manchester	116,000	144,000	24%
Greater Manchester	323,500	361,500	12%
England	6,671,000	6,896,500	3%

Source: ONS Business Register and Employment Survey, 2020

These trends are also reflected within Manchester's business base, with the number of information, financial, professional and administrative services businesses growing by 13% since 2016 (compared to 4% nationally).

Businesses in Information, Financial, Professional, and Administrative Services Industries, 2016 – 2021

	2016	2021	Change since 2016
Manchester	7,655	8,675	13%
Greater Manchester	32,935	36,085	10%
England	833,830	864,410	4%

Source: ONS UK Business Counts, 2021

Manchester city centre has therefore become a hub for service sector businesses and employment, providing high wage, high productivity jobs and driving economic growth across Greater Manchester and the wider region.

Future Growth Prospects

The Greater Manchester Forecasting Model³ forecasts that Manchester's future employment growth is also expected to be driven by business and professional services (+33.5%) and creative and digital (+11.5%). This is reinforced by recent office market evidence, suggesting that recent occupancy has been driven by strong activity in the technology, media, and telecom and professional services sectors, accounting for over 50% of total take up in 2021⁴. This suggests that both historic and projected future trends highlight Manchester's role as a hub for service activities.

Research undertaken by Centre for Cities⁵ suggests that the ongoing success of some of the UK's strongest performing city centres, such as Reading, Leeds and Manchester, is reliant on the provision of suitable commercial premises in key locations to facilitate ongoing expansion in high growth, knowledge-based service sectors.

Summary

An office development at 27-31 King Street West and The Carriage Works will provide commercial premises that aligns with Manchester's strategic economic function as a hub for knowledge-based, service sector activity. Forecasting suggests future growth in these activities in Manchester that will require office accommodation in attractive and strategic locations such as the city centre. It is therefore important that modern office accommodation that meets the needs of prospective occupiers is provided to facilitate forecast growth, support Manchester's economic recovery and to uphold the city's position as a major contributor to the regional and national economy.

³ Oxford Economics Greater Manchester Forecasting Model

⁴ JLL, The Big 6 Report 2021

⁵ [2019-02-13-City-centres-past-present-and-future.pdf](https://centreforcities.org/2019-02-13-City-centres-past-present-and-future.pdf) (centreforcities.org)

Market Context

Strong Demand for Office Space

Reinforced by the city's strong economic context (see previous section), Manchester is expected to become one of the UK's fastest-growing cities and a leading business location within Europe.⁶

Manchester's strength and resilience specifically as an office market location is reflected in the following market indicators:

- Office take-up in 2021 reached 1.05m sq ft. – marginally below the 10-year annual average⁷, suggesting a healthy year for leasing activity and Manchester's resilience as an office location, despite pandemic-induced restrictions and uncertainty.
- 2021 saw strong rental growth with levels approaching £40 per sq ft – a level that is expected to be achieved during 2022⁸.
- During 2021, office investment totalled £707m, notably higher than that recorded across the rest of the 'big six' cities (Birmingham, Bristol, Edinburgh, Glasgow and Leeds).⁹

Leasing activity has shifted away from traditional city centre occupiers in the banking, legal and accountancy sectors with greater demand from businesses in key growth sectors such as the technology and digital sectors. Indeed, in 2021 JLL reported that occupancy was driven by strong activity in the technology, media, and telecom and professional services sectors, accounting for over 50% of total take up.¹⁰ With both a diminishing supply of Grade A new builds and limited new build space due to be delivered until 2023, OBI expects demand for existing buildings providing more than 50,000 sq.ft to outweigh supply, leading to an upward price on rents.¹¹

The latest Deloitte Regional Crane Survey reports that construction markets in Manchester and Salford have been remarkably resilient during 2021 despite some rebalancing of market activity.¹² There is a healthy pipeline of new developments, fuelled by a continued appetite for inward investment, as well as government funding already beginning to unlock a number of complex regeneration projects.

Changing Workspace Demands

The change in attitudes and behaviours influenced by the Covid-19 pandemic has accelerated trends in the commercial property market, placing greater emphasis on flexibility and hybrid working, health and wellbeing and sustainability.¹³ Multiple sources have reported a greater demand for workplaces that support flexibility and collaboration, and with a growing focus on health and wellbeing the office environment is increasingly being seen as a means of attracting new staff and promoting staff retention.¹⁴

Sustainability of the workspace is also an increasingly important consideration to both businesses and employees. Knight Frank forecasts a growing trend for businesses choosing to base their teams in 'greener' and less energy-intensive offices as a clear way to demonstrate a commitment to sustainability to employees, clients and competitors.¹⁵

Summary

The application proposals directly respond to these market trends. As an office development in an up and coming city centre location, the proposals provide an opportunity to repurpose existing out-

⁶ Savills, Market in Minutes: Manchester Offices, May 2021

⁷ JLL, The Big 6 Report 2021

⁸ <https://www.thebusinessdesk.com/northwest/news/2091314-consultants-predicting-positive-manchester-property-market-in-2022>

⁹ JLL, The Big 6 Report 2021

¹⁰ JLL, The Big 6 Report 2021

¹¹ <https://www.thebusinessdesk.com/northwest/news/2091314-consultants-predicting-positive-manchester-property-market-in-2022>

¹² Deloitte, Regional Crane Surveys 2022

¹³ Arup, Future of offices in a post-pandemic world, 2020

¹⁴ Savills, Market in Minutes: Manchester Offices, May 2021

¹⁵ Knight Frank, 2021 workplace trends: 9 predictions for the year ahead, 2020

dated office premises and provide a greater quantity of modern accommodation that meets the needs of a growing service sector economy in Manchester.

With a clear focus on sustainability, the proposals respond to emerging market trends towards 'greener' working environments. The proposals also respond to occupier preferences towards premises that encourage flexibility and collaboration and place a greater emphasis on staff health and wellbeing.

Economic Impact Assessment

The development will generate economic benefits through both its construction and operational phases. This section considers the nature and scale of benefits forecast to be achieved under each stage, considering the direct, indirect and induced effects.

Economic Uplift from Construction

The estimated construction cost of the proposals is £30.0m and will be built across a 130 week (2.5 year) build period. Applying the average spend per full time equivalent (FTE) in the Construction sector in the North West ¹⁶, suggests around 250 FTE job years will be supported over the construction period. These jobs will generate total Gross Value Added (GVA – a measure of economic output) of £19.7m across the period.

Assuming a consistent development programme, this suggests that an average of around 100 FTE jobs will be supported for a period of 2.5 years, generating GVA of £7.9m per annum.

The construction sector is recognised as generating considerable multiplier effects with a high proportion of construction related expenditure and wages recirculating in the economy. This in turn can help to support employment in the supply chain and wider economy. Applying the HCA Additionality Guidance sub-regional multiplier for regeneration and physical infrastructure projects, suggests a further 80 FTE job years will be supported through indirect impacts (including spill-over effects through the supply chain) and induced impacts (including knock-on consumer spending, e.g. via wages), supporting a GVA contribution of £5.3m over the full construction period.

Temporary Economic Uplift across the Construction Period	
Temporary Construction Benefits	
Construction FTE job years	250
GVA	£19.7m
Temporary Supply Chain Benefits	
Indirect and induced FTE job years	80
Indirect and induced GVA	£5.3m

By adopting a local labour agreement, additional local employment opportunities would be provided to ensure benefits are captured in the local economy. In addition, any apprenticeships directly supported through the construction phase would help to make a contribution to upskilling the local workforce and providing additional local entry level employment opportunities, generating wider benefits.

Operational Direct Economic Impact

Scale of Forecast Benefits

Reedham House is likely to accommodate high productivity employment across a range of service sector businesses, including information & communication, financial, professional, and administrative activities.

It is estimated that the proposals will deliver the following benefits during operation:

- Assuming 100% occupancy, the proposals could accommodate 530 FTE jobs, based on the anticipated floorspace, anticipated uses and the application of HCA employment densities guidance.
- The significant number of jobs accommodated will generate GVA worth £46.5m per year.
- Wages will total £17.1m per year, a considerable proportion of which will be spent locally, particularly in the city centre.
- Each year £3.5m of national insurance and income tax will be contributed to the public purse.

¹⁶ Using the Annual Business Survey, Business Register and Employment Survey (BRES) and the Annual Population Survey

Gross Annual Onsite Employment Uses and Benefits				
	FTE	GVA	Total Annual Wages	Total Annual NI & Income Tax
Office	520	£46.2m	£16.9m	£3.5m
Retail	10	£0.3m	£0.1m	£0.02m
Total	530	£46.5m	£17.1m	£3.5m

NB: some totals may not sum due to rounding

Since the existing building currently accommodates approximately 120 FTE employees, the proposals could lead to a net uplift of around 410 FTE jobs.

Based on 410 additional FTEs accommodated, £35.8m of additional GVA will be generated each year and £2.7m of additional national insurance and income tax will be contributed to the public purse. The table below provides the net annual benefits.

Net Annual Onsite Employment Uses and Benefits				
	FTE	GVA	Total Annual Wages	Total Annual NI & Income Tax
Office	400	£35.5m	£13.0m	£2.7m
Retail	10	£0.3m	£0.1m	£0.02m
Total	410	£35.8m	£13.1m	£2.7m

NB: some totals may not sum due to rounding

Additional business rates of £0.7m per annum will be generated, totalling £6.6m every decade¹⁷. Given that Manchester Council currently retains 100% of business rates, any additional business rates generated can help to support the delivery of local services, generating wider benefits for the borough.

It is anticipated that the employment supported on-site will cater to a range of skill levels, including opportunities for a significant number of highly skilled workers. This is likely to include roles relevant to graduates who have a strong retention rate in the city, helping to drive economic growth and productivity. Mid-level and lower-skilled roles are also likely to be accommodated, providing inclusive and accessible employment opportunities for residents across the skills spectrum.

Operational Indirect and Induced Impacts

The effects of agglomeration, knock-on effects of consumer spending through the wages spent by employees, and additional spending in the supply chain by businesses accommodated onsite will provide a further boost to the local economy. This impact is partially captured by the multiplier effect.

The What Works Centre for Economic Growth Local Multiplier Toolkit suggests an additional job in the tradable sector will create 0.9 jobs in the non-tradable sector,¹⁸ but notes that skilled jobs or jobs in high-tech industries typically generate larger multipliers (2.5 for high skilled jobs and 1.9 for the tech industry). Taking a conservative approach, given that the development will accommodate a range of sectors and skill levels, applying a multiplier of 0.9 suggests a further 370 FTEs could be supported in the wider economy as a result of the development.

¹⁷ Calculated on the basis of the published VOA dataset using average rateable values for office and retail uses in for the LSOA where the site is located, applied to the floorspace to be created for each use.

¹⁸ <https://whatworksgrowth.org/resources/toolkit-local-multipliers/>

Conclusions

The site offers the potential to accommodate a higher density of development in an emerging strong commercial location whilst being sympathetic to the character of the Parsonage Gardens Conservation Area.

The application proposals are well aligned to the strategic, economic and market context, in particular the proposals respond to:

- Strategic ambitions for the city and plans for the area as set out in the St. Mary's Parsonage SRF.
- Manchester and the city centre's growing role as a nationally and internationally important employment and business location.
- Recent and forecast employment growth and evidence of a growing of information, financial, professional, and administrative services businesses base in Manchester.
- Evidence of high demand for commercial space in the city centre.
- Changing demands for workspace, including a greater focus on communal and amenity spaces, health and wellbeing and sustainability.

The proposed redevelopment the Site is expected to deliver significant economic benefits including:

- Supporting a temporary economic uplift during a 130-week construction phase, providing 250 construction job years and a further 80 indirect and induced FTE job years. This is equivalent to an average of 135 FTEs being supported for a period of 2.5 years. The scheme is expected to deliver a total GVA contribution of circa. £25m through construction period, which includes the indirect and induced
- Once fully occupied the proposed development will accommodate around 530 FTEs.
- Given there are currently 120 FTEs accommodated on site, the proposed development will support 410 net FTEs and, each year, generate GVA worth £35.8m, wages of £13.1m and contribute £2.7m of national insurance and income tax to the public purse.
- Additional business rates of £6.6m will be generated every 10 years.
- A range of jobs, including highly skilled roles, graduate-relevant opportunities, and entry-level roles will be accommodated helping to drive economic growth and productivity in the city and support inclusive growth objectives.