

Office Market Report – Manchester City Centre

One Medlock Street

Premier Inn Hotels and
Dominus Group

October 2022

Introduction and Client Brief

This report concerning the demand for office floorspace in Manchester has been prepared for Premier Inn Hotels and Dominvs Group in relation to the proposed development which includes 36,494 sq m of Class E office floorspace at One Medlock Street in Manchester. In particular, the report will focus on:

- ▶ The site location and characteristics
- ▶ An overview of the Manchester market
- ▶ Historic Take Up Analysis
- ▶ Grade A office rents
- ▶ Current Grade A availability & space under offer
- ▶ Grade A Development pipeline – existing and future
- ▶ Supply and demand dynamics
- ▶ Current occupier trends – present & future
- ▶ How to position the building to align with what occupiers want



Executive Summary

Factor		Rating
Demand	From 2014 to 2018 average annual take-up grew significantly by 51%, averaging 1.38 million sq ft per annum. The last 3 years have seen a dip in the average take up due to the coronavirus pandemic, however it is projected that the take up for 2022 will be in the region of 1.2m square feet, which represents a return to pre-pandemic levels of take up. There is an increasing demand for Grade A space with amenity, as occupiers now look to improve their office workspace to enhance staff retention, recruitment and wellbeing.	
Supply	There is currently 768,205 sq ft of existing new build Grade A space available in Manchester City Centre, 285,922 sq ft of which is currently under offer, providing an adjusted total of 482,0283 sq ft. On the assumption that 500,000 sq ft of Grade A space is taken up annually, there is 12 months' supply of space, with the expectation that all existing space will be let by the end of 2023.	
Pipeline	There is currently 946,583 square feet of space under construction delivered across six schemes. The total anticipated pipeline delivered over the next four and half years is in the region of 2.5 million – 3 million square feet. Including the current availability of Grade A space (assuming that all space that is under offer completes), this provides a total of 3-3.5 million square feet. On the basis that on average 500,000 square feet is transacted every year, this is equivalent to 6/7 years supply. There is however few schemes with large floor plates of 20,000 square feet and above, with only 6 out of 17 proposed schemes able to offer floor plates of this size.	
Location	The location of the subject site is on one of the main routes into the city centre from the South. The site is opposite the City Road development site and is in close proximity to the First Street development, comprising a multi-phase scheme of offices, bars/restaurants, a multi storey car park and student residential accommodation. The area is an established location for office occupiers.	
Overall development opportunity	Overall the site represents a good development opportunity for a new office building. The market is in need of good quality, sustainable space office space and there is a current lack of supply being delivered. The likelihood is that demand for Grade A space will continue to grow, and although there is several schemes in the pipeline, the likelihood is that not all of these will be delivered.	

The site location & characteristics

- ▶ The site is located on Medlock Street on the Southern fringe of Manchester city centre. The site sits on the junction of the Inner city ring road and the Princess Parkway, which are two of the busiest roads in the city.
- ▶ The Princess Parkway is one of the main arterial routes into the city centre, with commuters from some of the most popular residential locations in South Manchester travelling into the city by car. For example Didsbury, Chorlton, Cheadle Hulme and Wilmslow are easily commutable.
- ▶ The southern fringe of the city centre is also the best connected part of the conurbation for travel to Manchester Airport, and the site is accessible by car in only 20 minutes from the airport.
- ▶ The site is also well connected for the vast numbers of highly skilled graduates produced by the two universities. The main MMU campus is a short walk away and the site is accessible to those graduates living in both the city centre and South Manchester.
- ▶ The site sits adjacent to One City Road, which has planning consent for 275,000 square feet of offices, and on the other side of Medlock Street are plots earmarked allocated as future phases of the First Street Development.
- ▶ First Street now consists of 2 office buildings, a VITA student block, a multi storey car park, and the HOME events space. To complement this the site also has communal green space as well as several good quality bars and restaurants including Dockyard and Tiffin Room. In addition to this, the next phase of First Street has been pre-let to a government occupier. This will see a 130,000 square foot office building constructed in 2024.
- ▶ The next phase for the site is now in public consultation, and will consist of a multi-storey office building along with an additional VITA student accommodation building.

The site location in context

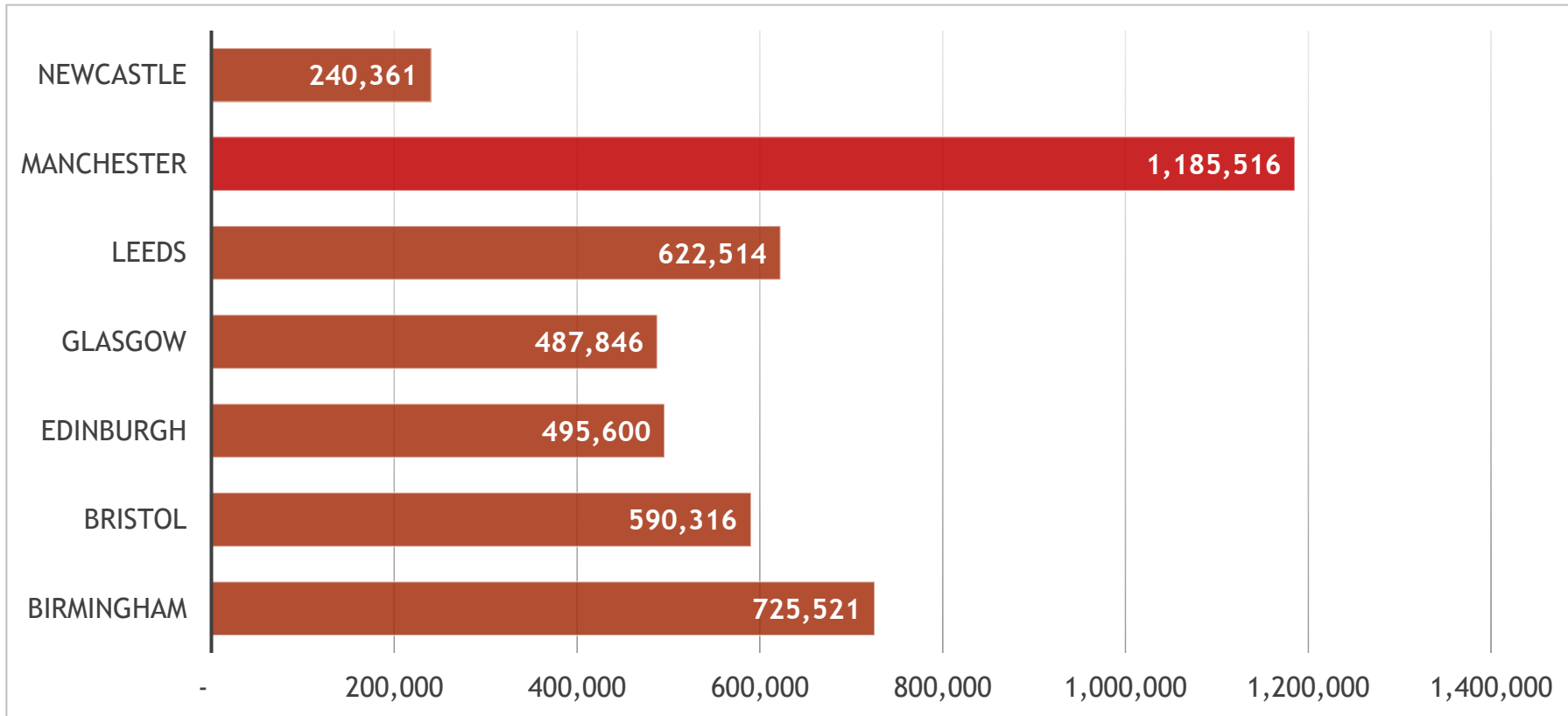


Location	
1	The Site
2	River Street Tower
3	No.9 First Street – GPA Building
4	First Street Future Phase
5	First Street Future Phase
6	City South
7	One City Road Development Site
8	No. 8 First Street
9	Little Peter Street
10	HOME
11	Multi storey car park

Manchester Overview

- ▶ The population of Greater Manchester is now 2.7 million (1.77 million of these are working age).
- ▶ Manchester is now the fastest growing UK City outside London, benefitting from an excellent public transport network, popular cultural attractions and an educated workforce.
- ▶ Over the last decade the population of central Manchester has grown by 20%.
- ▶ 7.2 million people live within an hour's commute, the largest travel to work catchment of any regional UK City. Within an hour's drive of the city, this rises to 380,000 students and 128,000 graduates each year.
- ▶ Manchester has two popular universities with 100,000 Undergraduates currently studying at universities in Greater Manchester. 71% of students who study in the North West gain employment in the region after graduating.
- ▶ One third of the 1.75 million workforce are educated to degree level, with 608,000 people holding an NVQ level 4 or higher.
- ▶ The impact of this is that occupiers in most sectors are increasingly looking at their office space as a mechanism to attract the best quality graduates and staff. Consequently, the city centre is outperforming other regional locations due to the large amount of occupiers moving into the city centre from other areas of the North West and beyond. Over 20% of office take up is now from 'inward movers' previously located outside of central Manchester.

10-year average take up in regional cities

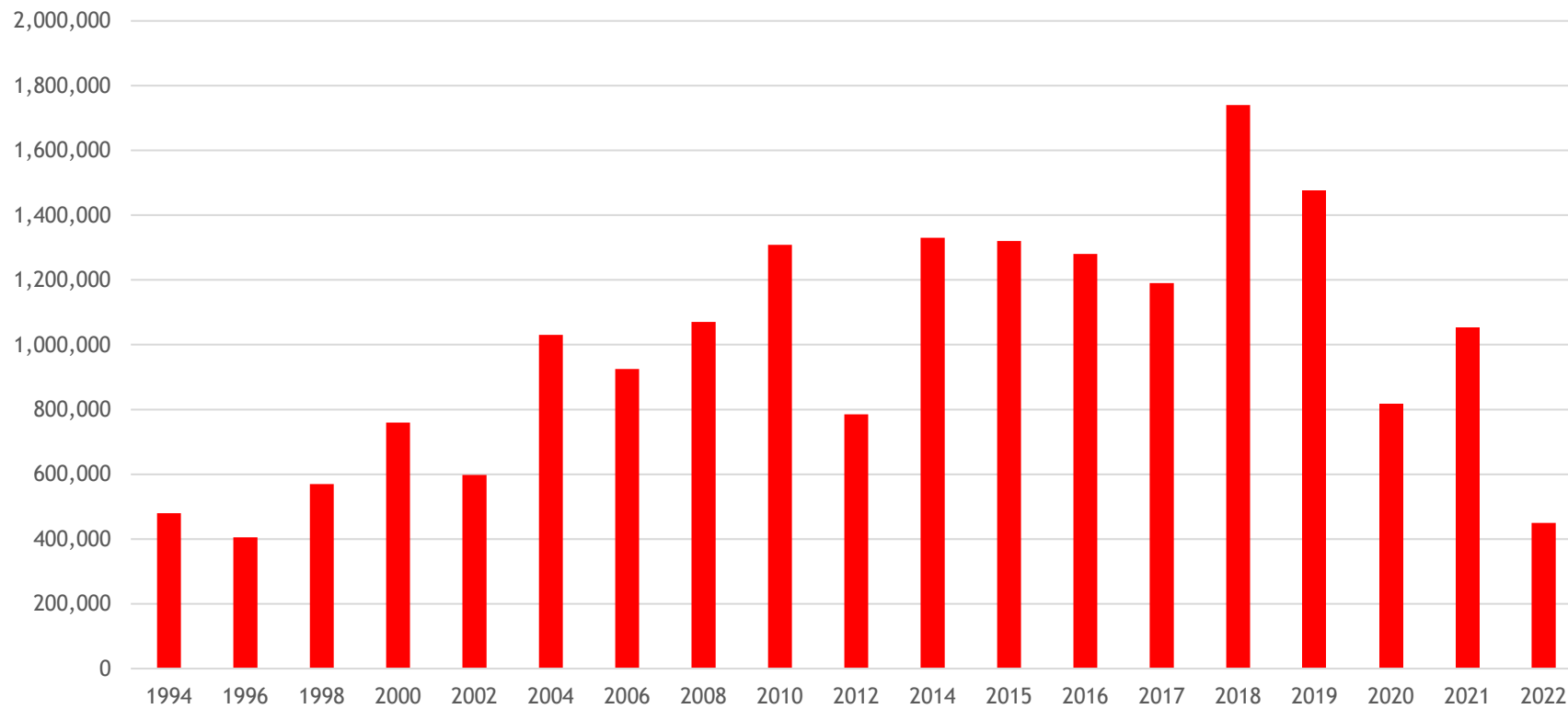


Manchester has consistently performed better than the other regional locations in the UK over the last 10 years, with average take up over 60% higher than nearest competitor Birmingham. Take up is defined as the total number of square footage of office space transacted within a single year.

Historic Take Up in Manchester city centre

- ▶ The total size of the Manchester Office Market is now approximately 20.5m square feet, with a current vacancy rate of 15%. This has remained relatively static over the last 3 years.
- ▶ Take-up 15 years ago averaged 867,000 sq ft per annum and despite a global recession during 2008 and 2014, take-up increased by 5% during this period, demonstrating the resilience of Manchester's office market in the middle of a very challenging economic time. From 2014 to 2018 average annual take-up grew significantly by 51%, averaging 1.38 million sq ft per annum during this period.
- ▶ The last 3 years have seen a dip in the average take up due to the coronavirus pandemic, however it is projected that the take up for 2022 will be in the region of 1.2m square feet, which represents a return to pre-pandemic levels of take up. The table on the next page illustrates how take up in Manchester has steadily increased over the last 15-20 years.
- ▶ Out of this take up figure, on average approximately 500,000 square feet is Grade A office space (40%)
- ▶ In 2021 40% of the take up by floorspace was accounted for by lettings of more than 20,000 square feet. The total number was 413,000 square feet.
- ▶ The largest transaction from 2021 was Roku leasing 115,000 square feet at 1 Circle Square. So far in 2022, the largest letting is the GPA taking a pre-let of 130,000 square foot at 9 First Street, and there are a number of larger transaction under offer.
- ▶ In terms of the immediate location, First Street has secured 465,000 square feet of lettings since 2014, which includes letting space to GPA, Ford Credit, Jacobs, Gazprom and WSP.

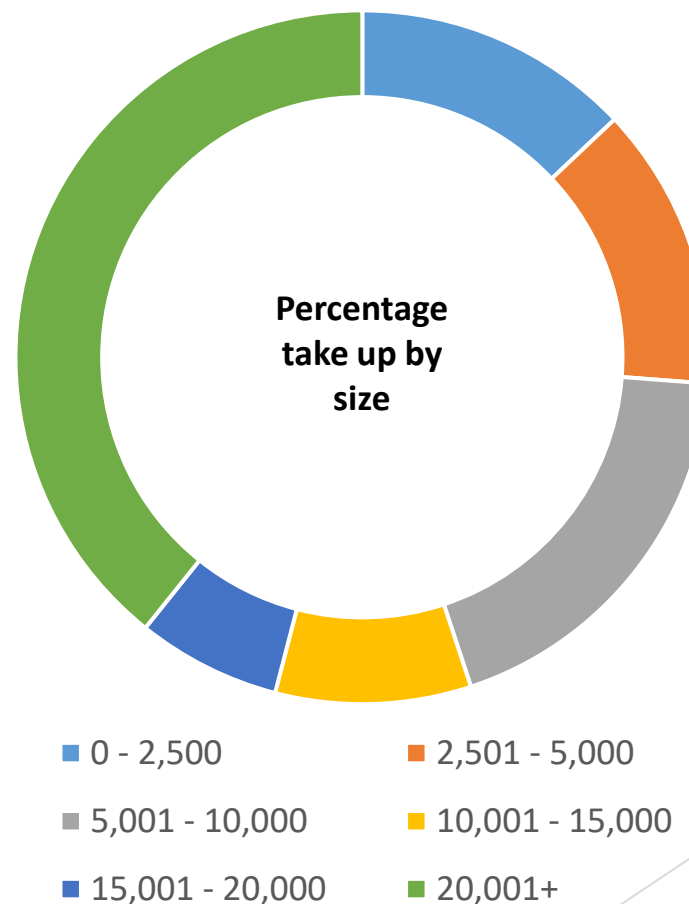
Manchester City Centre Office Take-Up 1994 – 2022 (to date H1)



City Centre Take Up Analysis - 2021

Size (sq ft)	Total Floorspace (sq ft)	% of Total Take Up
0 - 2,500	136,483	12.96%
2,501 - 5,000	139,436	13.24%
5,001 - 10,000	197,103	18.72%
10,001 - 15,000	95,986	9.12%
15,001 - 20,000	70,616	6.71%
20,001+	413,122	39.24%
Total	1,052,746	100.00%

Top 10 Deals by Size		
Building	Occupier	Size (sq ft)
1 Circle Square	Roku	115,066
Manchester Goods Yard	Cloud Imperium	81,130
1 Circle Square	Octopus Energy	38,114
58 Mosley Street	Instant Group	33,374
Arkwright House	Orega	29,864
1 Circle Square	Accenture	25,000
Redfern House	MOJ	24,548
274 Deansgate	Whispering Smith	23,702
One Central	Castore	22,085
100 Barbirolli Square	Brabners	20,239



The Grade A Office Market

- ▶ The Manchester office market has witnessed strong levels of occupier and investor demand in recent years, with large corporate firms increasingly looking to expand their footprint in Manchester or relocate into the city centre from other locations.
- ▶ Examples of large occupiers who have moved into the city centre over the last 3 years are Booking.com, Amazon, Octopus Energy, Uber, WPP Group, Roku, BT and Hilti.
- ▶ There continues to be clear evidence of both public and private sector occupiers looking to locate into central Manchester to gain exposure to Manchester's deep labour pool. Following the pandemic we have seen occupiers rationalise their occupational footprint and are focusing on best-in-class workspace in order to attract staff back to the office. This flight to quality is evidenced by 27% of the number of transactions in 2021 achieving in excess of £30.00 per sq ft, in comparison to 11% in 2020 and 9% in 2019.
- ▶ This trend has resulted in landlords and developers looking to increase the quality of office space on offer in order to attract occupiers, with a focus on tenant amenity, employee wellness and sustainability.
- ▶ There are now several schemes across the city centre where Grade A office space has been delivered, which has led to occupiers clustering within these locations. Circle Square, St Peters Square and First Street are all good examples of this trend.
- ▶ Moving forwards, it is likely that occupiers will be increasingly drawn to the best quality space and that Grade A space will account for an increasingly higher percentage of the total take up.

Grade A Office Rents & Availability

- ▶ Prime Grade A office space is currently achieving a headline rent of £38.50 per sq ft. Current quoting rents range from £36.50 per sq ft to £42.00 per sq ft depending upon the position of a building.
- ▶ The record headline rent stands at £38.50 per sq ft for the letting of the 11th floor at Landmark to Grant Thornton, achieved in 2021. There is however now space under offer at £40 psf on the 12th floor of Landmark.
- ▶ Manchester City Centre achieved 10.30% rental growth between 2017 and 2021, which is 2.06% per annum over this period. Rents stayed relatively static during the pandemic with the majority of landlords aiming to not compromise on rental levels. We have however seen a slight increase in incentives.
- ▶ On average over the last 10 years, 300,000 sq ft of new space has been delivered per year. On average, Grade A take-up over the past 5 years is 500,000 sq ft per annum, therefore there has not been enough supply to meet demand.
- ▶ There is currently 768,205 sq ft of existing new build Grade A space available in Manchester City Centre, 285,922 sq ft of which is currently in solicitor's hands, providing an adjusted total of 482,0283 sq ft. On the assumption that 500,000 sq ft of Grade A space is taken up annually, there is 12 months' supply of space, with the expectation that all existing space will be let by the end of 2023.
- ▶ There are 10 buildings in the city centre which can offer Grade A space, however only three of these building can offer floor plates of 20,000 square feet and above which are Manchester Goods Yard, No. 8 First Street and 100 Embankment.
- ▶ 100 Embankment has been the most successful scheme this year, with circa 90,000 square feet under offer to 3 separate occupiers. This shows demand for large floor plates.
- ▶ There are 2 new schemes being delivered in 2023 which will bring 300,000 to the market, and there is an abundance of additional schemes in the pipeline. This will be covered elsewhere in this report.

Grade A Office Take Up – Recent Activity

Date	Building	Tenant	Size (sq ft)	Headline Rent (psf)
Jan-21	No.1 Spinningfields	Fieldfisher	11,342	£37.50
Jan-21	Two St Peter's Square	Schroders	3,795	£35.00
Jan-21	11 th floor, Landmark	Grant Thornton	13,143	£38.50
Feb-21	No.1 Spinningfields	Brown Shipley	11,342	£37.50
Feb-21	No.8 First Street	Lonza	12,330	£31.50
Feb-21	No.1 Spinningfields	Browne Jacobson	6,629	£35.00
May-21	1 st floor, Landmark	Allianz	10,883	£34.50
June-21	12 th floor, No.1 Spinningfields	Robert Walters	5,596	£37.50
Aug-21	No.2 Circle Square	Accenture	25,000	£32.00
Oct -21	7 th , 8 th & 9 th floors, Mcr Goods Yard, Enterprise City	Cloud Imperium Group	87,130	£35.00
Oct-21	No.1 Circle Square	Roku	115,066	£33.00
Dec -21	No.2 Circle Square	Autocab	19,084	£33.00
Dec-21	No.2 Circle Square	Octopus Energy	38,000	£31.50
May- 22	9 First Street	GPA	130,000	£32.50

In 2021 there was 370,000 sq ft of Grade A take up. This was down on the average of 500,000 sq ft, primarily as a consequence of the pandemic.

Grade A Space - Currently under offer

Building	Tenant	Size (sq ft)
Landmark	RSM	13,329
Landmark	Xero	14,004
100 Embankment	Deloitte	43,863
100 Embankment	X+Why?	30,680
100 Embankment	AECOM	19,663
11 York Street	Rolls Royce	11,082
11 York Street	Gilbanks	21,820
11 York Street	Avison Young	11,081
No.2 Circle Square	BAE	19,151
No.2 Circle Square	Disney	9,567
Transmission, Enterprise City	PTG	10,600
MGY, Enterprise City	Peak AI	35,000
MGY, Enterprise City	Matillion	35,000
11 York Street	AON	11,082
Total		285,922

There is an abundance of Grade A space currently under offer as the market recovers from the effects of the pandemic. It is likely more of the current supply will be absorbed over the next 12 months.

Current Grade A Availability

Property	Quoting Rent (psf)	Total Size (sq ft)	Typical Floorplate (sq ft)	Available (sq ft)	Under Offer (sq ft)
Landmark	£36.50-£40.00	180,918	14,013	110,656	27,333
Two New Bailey Square	£31.00	188,570	17,933	53,799	N/A
100 Embankment	£32.50	166,603	19,663	166,303	94,206
11 York Street	£36.50-£38.50	78,812	11,628	78,812	55,065
The Lincoln	£40.00-£42.00	92,969	16,006	92,969	N/A
Transmission, Enterprise City	£32.50-£40.00	46,980	5,470	46,980	10,600
101 Embankment	32.00	165,000	17,645	105,794	N/A
Number 8 First Street	£31.50	170,000	26,000	14,174	N/A
No.2 Circle Square	£33.00	148,000	9,500	28,718	28,718
MGY, Enterprise City	£32.50-£35.00	315,000	35,000	70,000	70,000
Total				768,205	285,922



100 Embankment

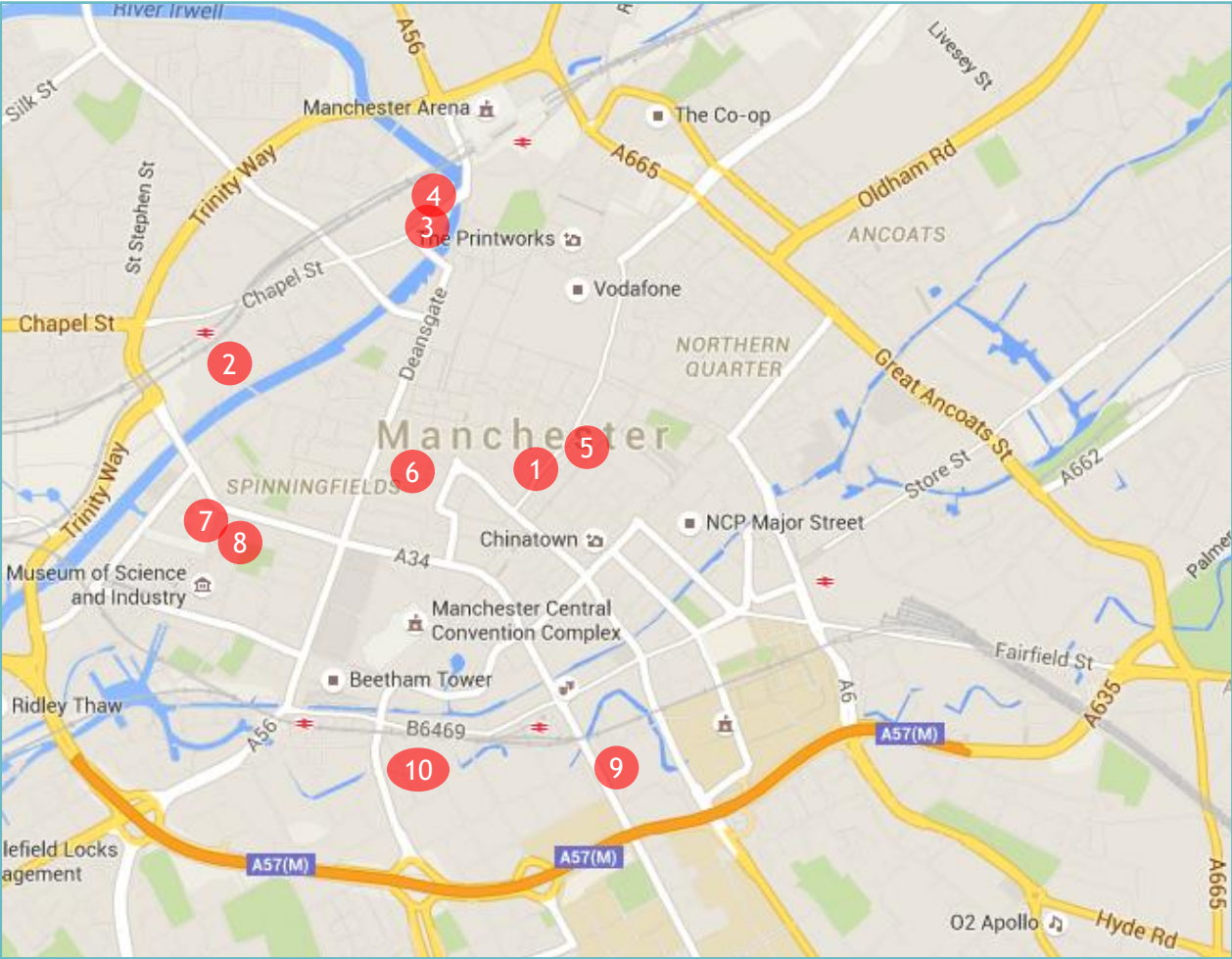


Landmark



Circle Square

Grade A schemes with Availability



Properties	
1	Landmark
2	2 New Bailey
3	100 Embankment
4	101 Embankment
5	11 York Street
6	The Lincoln
7	Transmission
8	Manchester Goods Yard
9	2 Circle Square
10	No. 8 First Street

Speculative Development Track Record (2016–2022)

- ▶ Manchester City Centre has a strong track record of delivering speculative Grade A office buildings.
- ▶ The table on the next page identifies 16 new build schemes delivered between 2016 and 2021 in Manchester City Centre.
- ▶ The only two schemes which have yet to achieve any letting success are The Lincoln and 11 York Street, which both completed in Q4 2021. However, there is 55,000 sq ft of space under offer at 11 York Street, which will leave 35% vacant in this building.
- ▶ 9 of the 16 schemes have achieved more than 50% letting success prior to practical completion, with six schemes being located on the edge of Manchester City Centre - No.1 Circle Square, No.2 Circle Square, 101 Embankment, One New Bailey, Two New Bailey Square and No.8 First Street.
- ▶ Only 2 of these schemes were more than 20% pre-let prior to construction. This demonstrates that not many buildings have historically benefitted from securing occupier commitment in order to facilitate construction, but have seen sufficient occupier demand during the course of the building construction period to secure lettings prior to practical completion.

Speculative Development Track Record (2016–2022)

Building	Practical Completion Year	Total Size (sq ft)	% Let Prior to Construction	% Let Prior to Completion
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%	0%
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, Enterprise City	2021	315,000	70%	30%
The Lincoln	2021	92,969	0%	0%
11 York Street	2021	78,812	0%	0%

Grade A Development Pipeline (2023-2026)

- ▶ The tables on the next 3 pages identify schemes which have the potential to be delivered before the end of 2026.
- ▶ There is currently 946,583 square feet of space under construction, to be delivered across six schemes.
- ▶ In addition this, there are seven schemes where 1,100,000 square feet is due to be delivered. These schemes all have funding in place and in the majority of cases planning permission has been received.
- ▶ There is also at least an additional 1,150,000 square feet which can potentially be delivered. Out of this figure, 510,000 square feet already has planning consent. It is difficult to predict how many of these schemes will eventually happen and at what time. Some of the schemes do not have funding in place or are subject to vacant possession etc...
- ▶ Additionally, there is 130,000 square feet to be delivered at First Street which is driven by a pre-let to the GPA.
- ▶ The total anticipated development pipeline over the next four and half years is in the region of 2.5 million – 3 million square feet. Including the current availability of Grade A space (assuming that all space that is under offer completes), this provides a total of 3-3.5 million square feet.
- ▶ On the basis that on average 500,000 square feet of Grade A space is transacted every year, this is equivalent to 6/7 years supply.
- ▶ There are a total of 17 schemes either under construction or in the pipeline. Only 6 of these will provide floor plates of 20,000 square feet and above.

Grade A Development – under construction

Scheme	Total Building Size	Quoting Rent (psf)	Typical Floorplate	Available (sq ft)	Status	Timing
UNDER CONSTRUCTION						
4 Angel Square	198,818	£38.50-£40.00	19,035	198,818	On-site	Q1 2023
Eden, New Bailey	104,430	£34.50	10,054	104,430	On-site	Q2 2023
Havelock	105,250	£33.50-£36.00	15,700	105,250	On-site	Q1 2024
St Michael's	187,085	£40.00+	20,000	187,085	On-site	Q3 2024
Island	100,000	£39.00+	10,000	100,000	On-site	Q3 2024
Viadux	251,000	Likely to be £35-£37.00	20,000	251,000	On-site	Q3 2024
Total				946,583		

Grade A Development - under construction

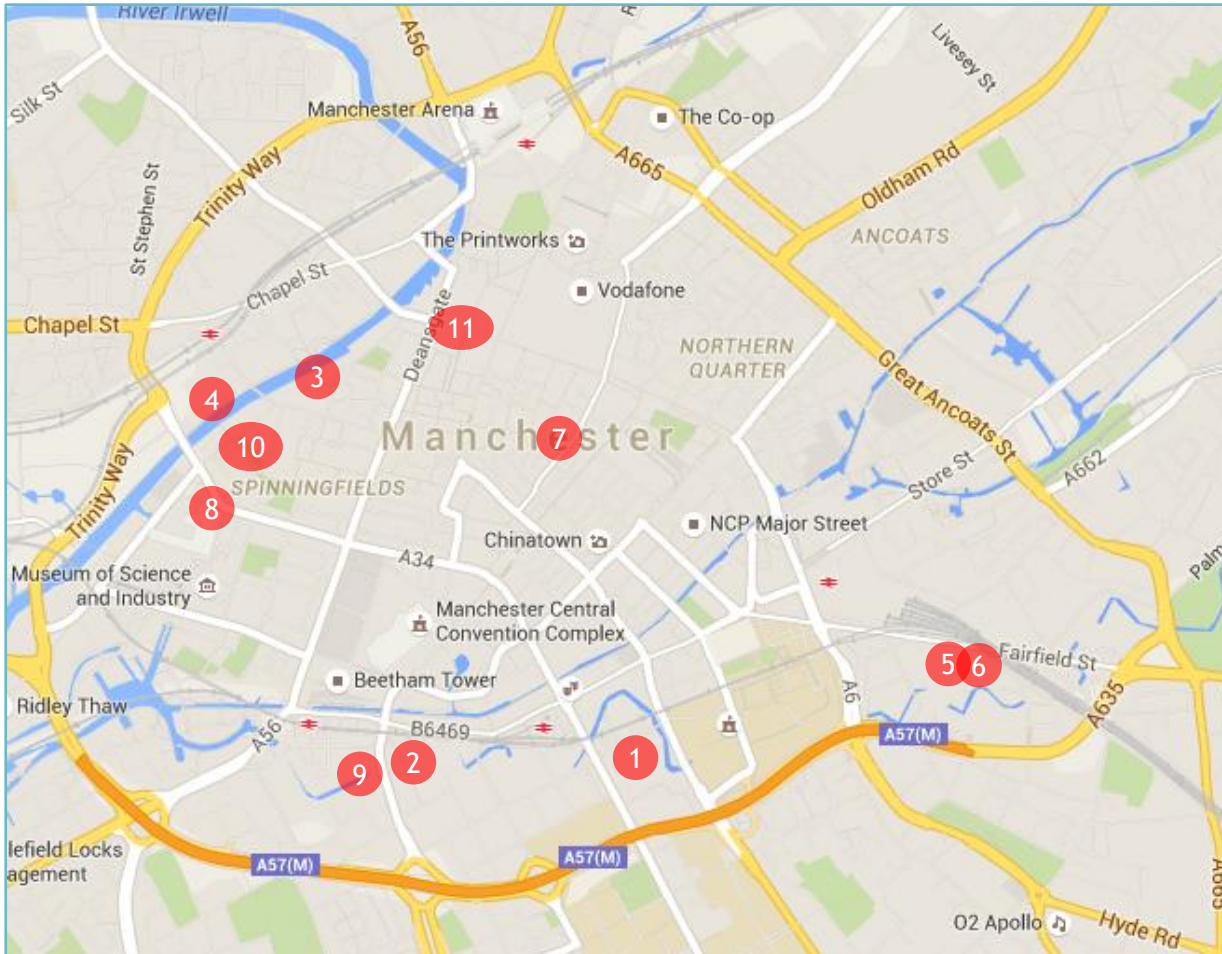


Properties	
1	4 Angel Square
2	Eden
3	Havelock
4	No.1 St Michael's
5	Island
6	Viadux

Grade A pipeline – Future Development

Scheme	Total Building Size (sq ft)	Typical Floorplate (sq ft)	Let/Under Offer (sq ft)	Status
SPECULATIVE/FUNDED/NOT ON SITE				
No.3 Circle Square	224,970	16,395	Detailed planning received	Q4 2024
10a First Street	160,000	20,000	Planning application to be submitted Q3 2022	Q1 2025
The Alberton	195,000	13,000	Planning application to be submitted Q3 2022	Q2 2025
Ralli Quays	154,992	12,916	Detailed planning received	Q2 2025
The Poulton, Mayfield	70,353	9,860	Detailed planning received	Q2 2025
The Republic, Mayfield	243,274	23,274	Expected to start on site Q2 2023 Detailed planning received	Q2 2026
50 Fountain Street	55,000	4,500-9,000	Planning permission not received	Q4 2026
VP will be gained in 2024				
SPECULATIVE/FUNDING NOT IN PLACE				
St John's Campus	205,000	13,000	Planning application to be submitted Q3 2022	Q2 2025
Detailed planning received				
One City Road	374,831	16,300		Q2 2025
VP yet to be obtained				
Albert Bridge House	365,664	35,000	Planning application to be submitted Q3 2022	Q2 2025
39 Deansgate	135,672	9,000	Detailed planning received	Q4 2025

Grade A pipeline – Future Development



Properties

- | | |
|----|------------------------|
| 1 | 3 Circle Square |
| 2 | 10 First Street |
| 3 | The Alberton |
| 4 | Ralli Quays |
| 5 | The Poulton, Mayfield |
| 6 | The Republic, Mayfield |
| 7 | 50 Fountain Street |
| 8 | St Johns Campus |
| 9 | One City Road |
| 10 | Albert Bridge House |
| 11 | 39 Deansgate |

Conclusion – is there enough supply to meet future demand?

- ▶ There is currently an average of 500,000 square feet of Grade A space transacted every year in the city centre. It is likely that a minimum of 3 million square feet will be delivered over the next 4.5 years, therefore if demand continues at the current level then 65% of the future supply will be absorbed.
- ▶ It is projected that an increasing level of take up in the city centre will be within Grade A buildings, and the market in Manchester will continue to grow at the same rate as before the coronavirus pandemic. The effect of this is that there will be more than 500,000 square feet of Grade A space transacted annually, which would then increase the percentage of Grade A space absorbed over the coming years to beyond 65%.
- ▶ There is a lot of uncertainty in the market, particularly in relation to economic conditions with high inflation and interest rates. Additionally the fluctuation in build costs is likely to continue. The effect of this could mean less speculative development taking place, which will reduce the supply in the market further.
- ▶ It is likely that demand for good quality space will continue to grow, regardless of economic conditions. Manchester has proved to be a resilient market over the last 5-10 years with a strong mix of existing Manchester occupiers and inward investors providing a strong base to transactional activity. The trend for occupiers looking to modernise their workspace to align with modern working practices will also lead to improved take up activity in the Grade A market.
- ▶ Sectors such as education, technology and professional services, as well as 'northshoring' government departments are drawn to Grade A space, and these sectors have continued to grow in recent years.
- ▶ Only 6 out of 17 schemes will offer large floor plates of 20,000 square feet. Large occupiers are increasingly looking to be on a single floor to enhance collaboration, and large floor plates to accommodate this trend are needed.
- ▶ New office developments which meet the criteria most desired by modern occupiers will see sufficient demand to secure occupiers

Occupier Trends and the future

- ▶ Rents for good quality refurbished space have sustained and we have not seen discounting from landlords to secure transactional commitment. Cost remains a significant driver for occupiers but not the most important, with quality of space and staff/visitor experience being fundamental as workspace plays a bigger role in recruiting and retaining employees, as well as supporting and encouraging the ongoing return to the office following the pandemic.
- ▶ We are seeing demand for fitted space increasingly. This demand is generally confined to smaller requirements (sub 5,000 square feet) however it is likely that larger requirements will consider fitted space. Occupiers are willing to commit to a higher annual rent in order to avoid a large capital expenditure on their fit out.
- ▶ Many tenants are now seeking more flexible terms. It is likely that the pandemic has caused a lot of this uncertainty, and once occupiers have a firm idea as to what their long term office requirements will be, then they will be comfortable with committing to longer leases. In the long-term, buildings which have a co-working operator will still be viewed favourably by occupiers. The ability to have access to additional meeting rooms/conferencing/events space as well as the potential to take additional space on a short term basis is attractive to large corporate occupiers.
- ▶ Occupiers and their staff will require more sustainable buildings. Corporates firms will have sustainability targets and Net Carbon Zero commitments, therefore will only consider space that aligns with these objectives. Smart buildings which reduce energy consumption will also be required.
- ▶ There is an increased desire for buildings which enhance employee wellbeing and collaboration. Communal space, roof terraces, on site gyms and cafes are required by occupiers to stimulate productivity and attract the best staff.

Building Delivery at One Medlock Street

- ▶ At One Medlock Street any office development should carefully consider how it can meet the needs of occupiers both now and in the future.
- ▶ Large floor plates of 20,000 square feet and above are certainly a USP. There is a dearth of large floor plates both currently available and in the pipeline. Most occupiers have a desire to be on a single floor to enhance collaboration and avoid the business becoming fragmented. The floor plates should be as clear and column free as possible.
- ▶ The building should have excellent sustainability credentials. Both Eden and 4 Angel Square are being delivered next year and are 'Net Carbon Zero'. This should be the aspiration for new office buildings in the city centre going forwards, in order to hit our national targets and appeal to occupiers.
- ▶ A building with a NABERS rating of at least 5 stars should be considered. NABERS is the most recognised benchmark for evaluating energy efficiency of office buildings in the UK.
- ▶ The building should have amenity to meet the needs of the modern occupier. This should include communal lounges and meeting spaces, an on site café, along with a high provision of shower facilities, cycle racks and lockers. A gym/fitness studio is also well received by occupiers. Car parking within the building is not necessary in the current environment and the location has several public car parks nearby.
- ▶ An element of outdoor space should be considered as part of the development. All tenants like to have access to outdoor space, whether this be individual balconies or a communal roof terrace.

Mixed Use Development

Mixed use schemes have become widespread in the city centre. In particular there are 2 schemes in Manchester which have both office and student residential elements co-existing successfully, which are Circle Square and First Street. Both of these schemes have proved successful in attracting office occupiers and the residential element hasn't hindered the letting success of the office building.

Circle Square



The first phases at Circle Square includes 2 office buildings totalling approximately 400,000 square feet, 700 PRS apartments and a 16 storey Vita Group tower comprising of 384 studios with communal facilities. The public realm area, Symphony Park, sits at the centre of the scheme and is available to be used by all of the occupiers.

First Street



The first phase of First Street includes a Vita student living building, alongside the first office building. The Vita building consists of 279 student apartments and was completed in September 2015. The developer has recently launched a public consultation for the next phase of First Street (Plot 10), which will consist of a new office building and an additional Vita student building. This will be their new student sharing & co-living concept House of Social. The size of the scheme is tbc however the proposals include 4&6 bedroom sharing apartments and a ground floor food hall.

Conclusion

- ▶ Demand for Grade A office space is continuing to grow in the city centre as occupiers require more from their office space. This trend is likely to continue as demand returns to pre-pandemic levels.
- ▶ The drivers of this trend is a focus on ESG commitments, employee wellbeing and attracting the best talent.
- ▶ There is potentially an abundance of new office development taking place over the next 4-5 years. It is likely that there will be enough supply to cater for ongoing demand, however this will depend on the pace of development and wider economic conditions.
- ▶ One Medlock Street is very well located for individuals commuting from South Manchester as well as young professionals and graduates living in the city centre. The location is now established due to the success of First Street. This will only continue as the remaining phases of First Street and One City Road are developed.
- ▶ The majority of Grade A lettings have taken place in existing buildings or schemes under construction. Very few lettings have historically been pre-let driven.
- ▶ The building with the most space currently offer is 100 Embankment, which offers floor plates of 20,000 square feet. This demonstrated demand for large floor plates, and only 6 of the 17 new schemes will be delivering floor plates of 20,000 square feet and above. It is clear that the market needs more buildings with this size of floor plate.
- ▶ A new office building should be designed to align with modern occupier requirements, with a focus on high sustainability credentials, enhanced tenant amenity space and office spaces that stimulate collaboration.
- ▶ One Medlock Street is a prominent gateway site into Manchester. The site represents a good opportunity for a new office building and would be well received in the market.