

Maybrook House

Review of Commercial Workspace and Refurbishment Viability

Prepared by OBI

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Introduction

This report provides an overview of the Manchester City Centre office market, focusing on the demand and supply dynamics, specifically within the Parsonage Gardens district where Maybrook House is situated.

The report goes on to summarise current workspace trends and the key features occupiers are demanding from their workspace when looking to relocate.

The report will also determine the viability of an office refurbishment of Maybrook House, with supporting financial appraisals.

Executive summary

Maybrook House Constraints:

- Physical limitations include dated exterior, undersized entrance, poor lift provision, low floor-to-ceiling heights, narrow floor plates, isolated basement, single glazing, and inadequate WCs.
- Current EPC rating D (91) fails upcoming MEES standards (EPC B by 2030).

Financial Appraisal:

- Comprehensive refurbishment costs estimated at £11.1M, plus professional fees and finance.
- Scenario 1 (Residual Appraisal): Negative land value (–ve)£405,128.
- Scenario 2 (Development Appraisal): Loss of £14M, equating to (–ve)35.46% profit on cost.
- Both scenarios confirm refurbishment is not financially viable.

Conclusion:
Maybrook House cannot be repositioned as a lettable office product due to inherent building characteristics; structural constraints, high capex requirements, and market preference for prime new-build space. Even a cosmetic refurbishment would fail to meet occupier expectations and regulatory standards, rendering the asset at risk of obsolescence by 2030.

Manchester City Centre – Office Market Review

The below sets out the take-up of sq ft on a quarterly basis since the start of 2024:

Q1 24	177,182 sq ft
Q2 24	325,880 sq ft
Q3 24	430,579 sq ft
Q4 24	283,348 sq ft
Total 2024:	**1,216,989 sq ft**

Q1 25	318,995 sq ft
Q2 25	274,480 sq ft
Q3 25	191,728 sq ft
Total 2025:	**785,203 sq ft**

It is important to note that at a macro level, the Manchester market has performed positively over recent years, but the trend of buildings that have seen traction is diverging from the attributes that Maybrook House possesses.

There are a number of good examples of high quality refurbishments when the inherent characteristics of a building permit this, such as projects at Aviary, Havelok, Bond and Pall Mall.

Following a strong H1 2025, the Manchester city centre market consolidated in Q3 with the lowest quarter recorded since Q1 2024. This brings the yearly (Q1-Q3) total take-up to 785,203 sq ft, marking a strong overall performance for the year so far. We estimate the total take-up for 2025 will fall just below the five year market average of 1.1M sq ft.

Across 2024–H1 2025, prime space captured the majority of take-up. The record headline rent reached £45.00 psf for new build accommodation at No 1 St Michael's. There is a current trend of a flight to quality and occupiers' willingness to pay premium rents for best-in-class amenity rich and high ESG rated buildings.

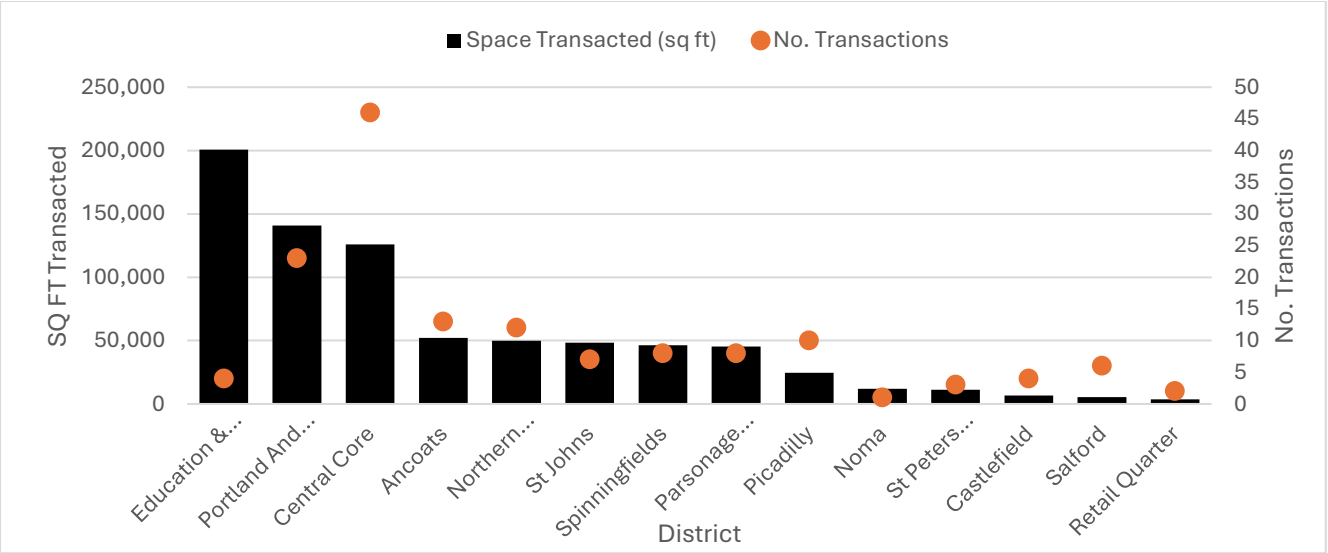
There is falling demand for office buildings lacking a strong inventory of building amenity and ESG accreditations.

Non-prime office buildings are currently experiencing longer void periods, fewer transactions and increased levels of incentives.

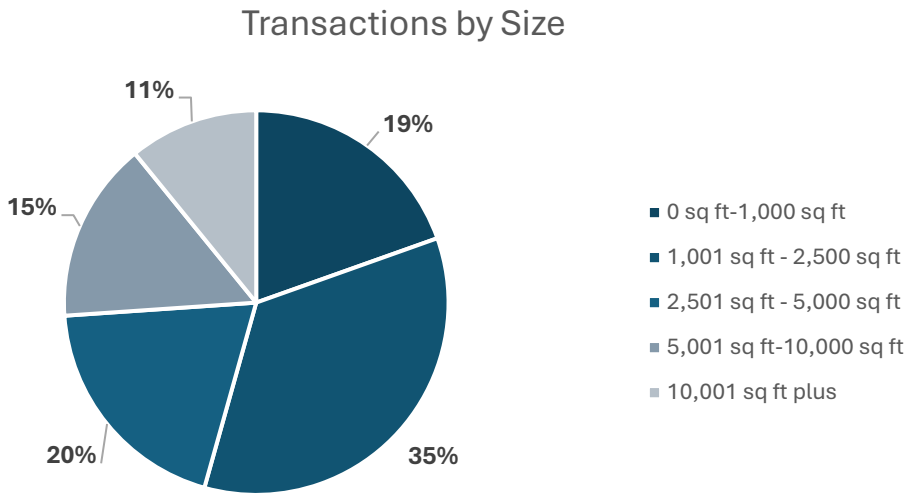
The most active business sectors to date in 2025 in Manchester City Centre in terms of take up (sq ft) are as follows:

- Tech, Media & Telecoms – 241,357 sq ft
- Financial & Professional Services – 91,841 sq ft
- Legal – 73,841 sq ft

The Chart below shows the total of transactions and total size of office space leased in 2025, with Parsonage Gardens placed amongst the weaker performers within the city centre.



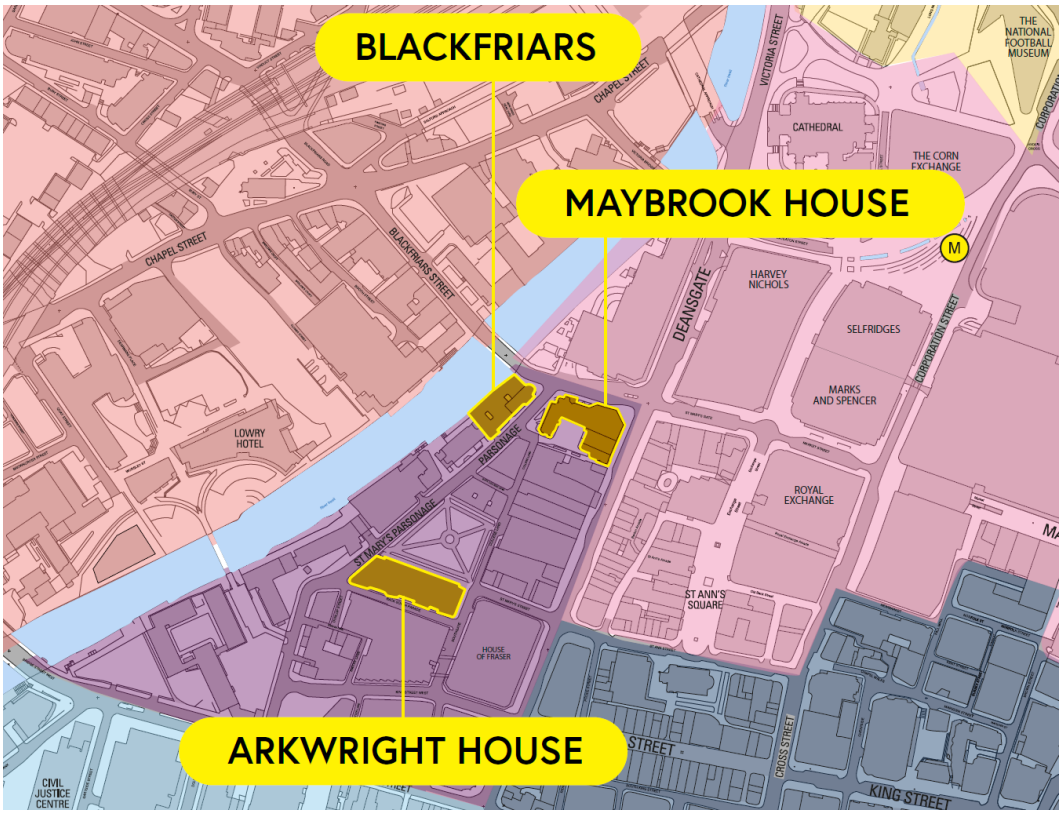
The size of leasing transactions are summarised below. Only 11% of the transactions concluded during 2025 so far are in excess of 10,000 sq ft. The most active size of letting consistently (over the past 20 years) sits within the 1,000-2,500 sq ft bracket.



Companies continue to “right-size” their occupational footprint, as they adapt to hybrid working practices. As a response to this, the city centre’s managed workspace offering continues to build momentum, with Koba having launched their first Manchester site with 30,000 sq ft of flexible space at 100 Barbirolli Square, Cubo committing to an additional 59,431 sq ft at No.1 Spinningfields and Gilbanks taking up 2 floors at the “best-in-class” No. 1 St Michaels. As a result, there is now c.1m sq ft of managed workspace in the city.

Parsonage Gardens District Overview

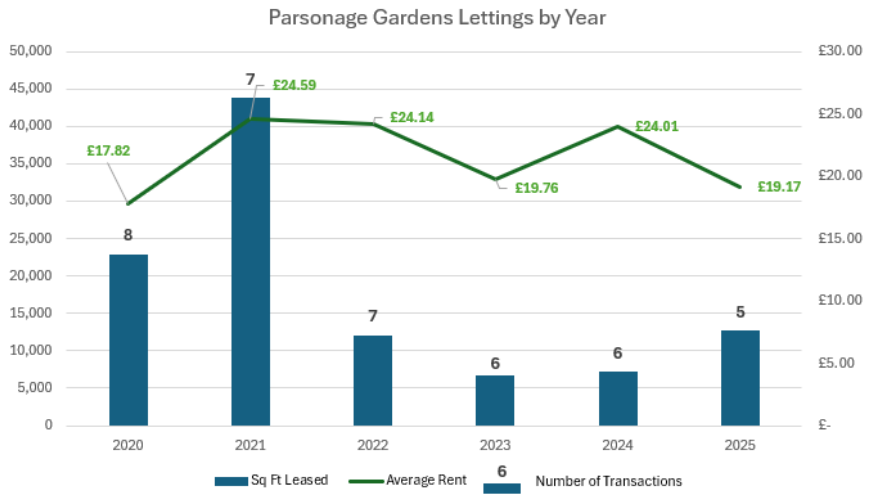
In addition to the wider city centre market overview, we have outlined a more specific overview of the micro district in which Maybrook House is located.



Since the beginning of 2025 there have been 5 transactions, totalling 12,789 sq ft leased in the Parsonage Gardens district as outlined above.

Blackfriars House, situated just north of the district, recently let 9,726 sq ft to Kuits –this was an occupier expansion in the building.

Historically, the Parsonage Gardens location has struggled to lease refurbished office space with the district leasing c. 105,000 sq ft since 2020 (on average 18,250 sq ft per annum).



The jump in space let in 2021 is attributed to 2 floors of Arkwright House being leased to Orega, this is a serviced office letting which is handled on a revenue share with the landlord.

This data confirms that tenant demand for refurbished office space in this district is limited.

Parsonage Gardens – Office Refurbishment Case Study

Arkwright House

Arkwright House was originally constructed in 1929. The Grade II listed building was acquired in 2014 (£11.05M out of administration). At the time of the purchase the building extended to 86,967 sq ft NIA. The typical floor plates are 14,900 sq ft and can be subdivided to create suites from circa 2,500 sq ft.

In 2015 a £16M refurbishment of the building was undertaken to create newly refurbished workspace and was completed in October 2017. The refurbishment included the infilling of three existing lightwells and the creation of a new floor extending to 7,000 sq ft, the completed building now extends to 98,500 sq ft.

Post completion of the re-positioning works, the building struggled to attract new tenant interest. In early 2020, a new asset manager took control of the building undertook an additional £1M remodelling of the reception area.

Despite this further investment, the building's new owners (acquired in 2024) have invested an additional sum of circa £1M on the further works to the reception area, basement amenity and converting ground floor office space into a common area wellness facility.

The building has continued to struggle to secure new tenants, and the void is as follows:

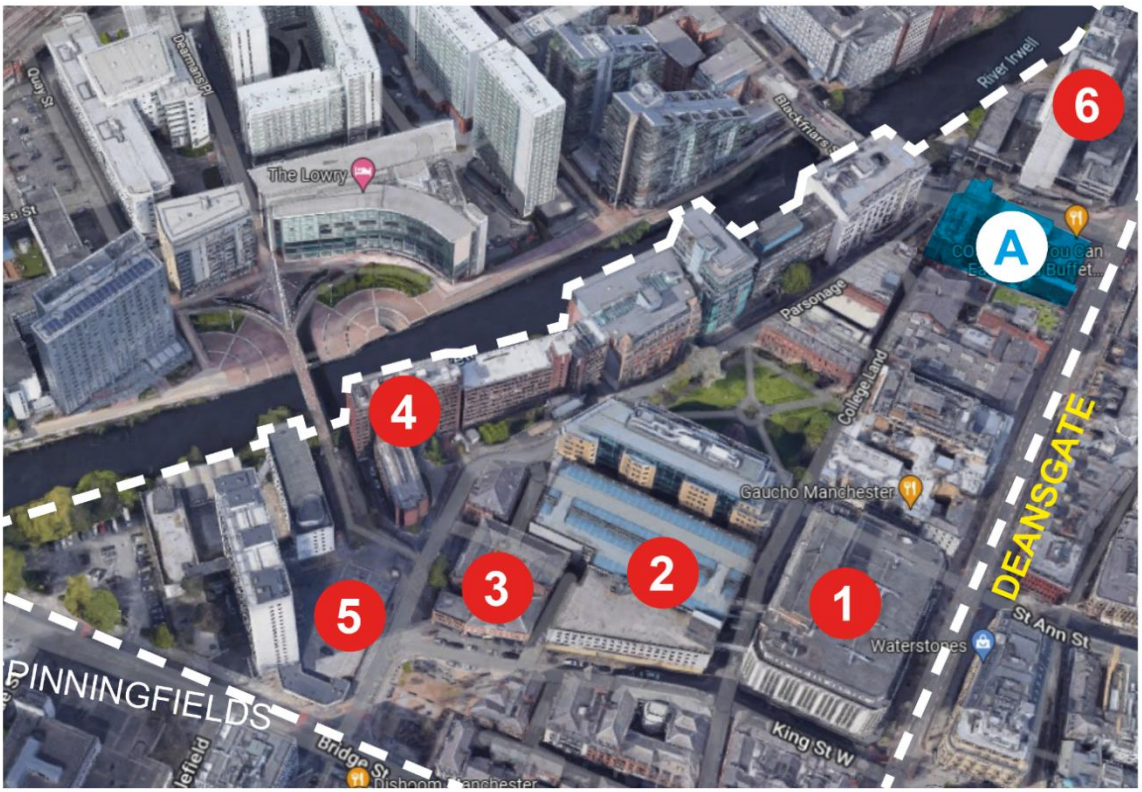
Arkwright House – Current Availability & Void Period:

Floor	Size (sq ft)	Rent (£/sq ft)	Void Length Months / years
1	14,900	£33.00	48 months / 4 years
Part 2	5,586	£33.00	96 months / 8 years
Part 2 (Fitted & Furnished)	3,742	£45.00	31 Months / 2.5 years
Part 2	5,554	£33.00	96 months / 8 years
Part 3	4,014	£33.00	96 months / 8 years
Part 3	4,737	£33.00	96 months / 8 years
6	11,944	£33.00	96 months / 8 years

Despite significant cap ex interventions and numerous building re-launches, it has struggled to attract new tenants since 2017.

Supply Pipeline – Prime New Office Space

It is also important to note the level of proposed new build development within the Parsonage Gardens micro district. The below image summarises 1M sq ft of new office development projects proposed in the district. Therefore, Parsonage Gardens has a significant pipeline and will be well served with best-in-class new build office space.



A MAYBROOK HOUSE

1 EXISTING KENDAL BUILDING
226,000 sq ft

2 KENDAL MSCP
285,000 sq ft

3 REEDHAM HOUSE
64,122 sq ft

4 THE ALBERTON
242,000 sq ft

5 ALBERT BRIDGE HOUSE
150,000 sq ft

6 RENAISSANCE
40,000 sq ft

Key Workspace Trends

The commercial workspace market has evolved significantly in recent years, changing the way buildings are occupied, operated and activated. It is key to the future success of a property that these areas are seriously considered and maintained.

We have set out these key areas below:

Amenity:

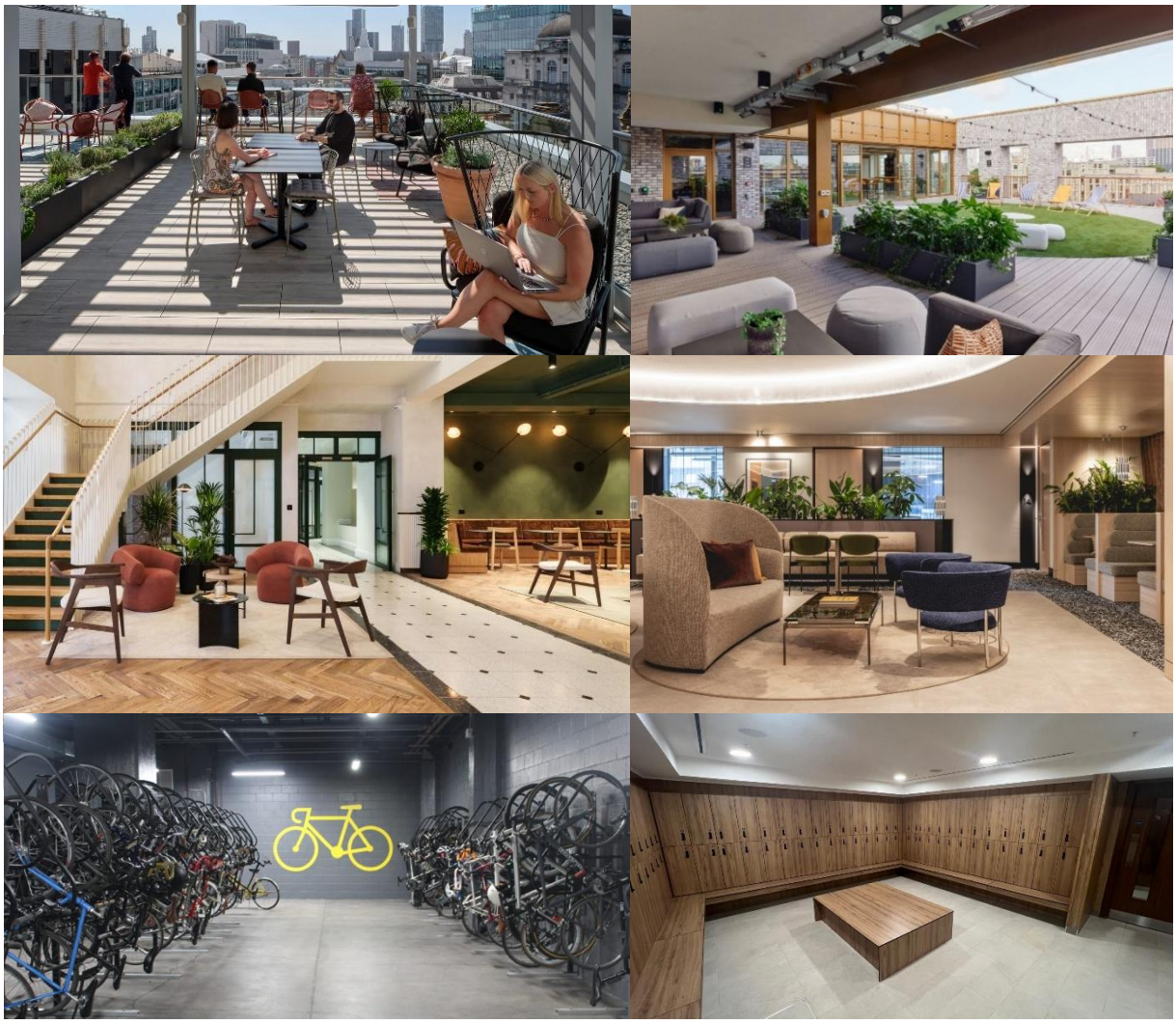
A key trend that has emerged over recent years and is now a critical element of a successful commercial asset is the level of amenity a building offers, along with the service-led management of a building.

It is important to note that this increase in building amenity not only increases the level of cap ex required on re-positioning a building but also reduces net lettable area to provide this level of amenity. Therefore, any refurbishment business plan needs to consider the increased cap ex but also a reduction in the sq ft available to lease.

Occupiers are now expecting to see amenity offerings shown below:

- Meeting space – formal and informal
- Collaboration, breakout and social spaces
- Outside terraces
- Cycle storage and shower/changing facilities
- Gym / studio
- Restaurants/café/business lounge facilities





ESG:

Driven by the urgency of the climate crisis, sustainability has become a central consideration for commercial occupiers. Increasingly, even smaller businesses are aligning their real estate decisions with their ESG agendas, recognising the role that buildings play in their environmental impact.

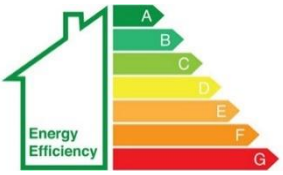
As a result, it is no longer sufficient for the market to cater solely to large corporate tenants; there is a growing need to provide workspace options that meet the sustainability expectations of smaller, ESG-conscious occupiers. Delivering this level of environmental performance, however, requires a significant increase in capital expenditure, particularly to achieve key accreditations and compliance with evolving regulatory standards.

OBI have set out below several accreditations that we believe to be crucial to occupiers when assessing workspace options:

- Nabers
- BREEAM
- EPC
- Net Zero Carbon in operation









Unless a refurbishment delivers a true "best-in-class" outcome (ESG, wellness, amenity, service), the asset competes in the weakest demand segment and faces protracted voids and financial discounting. The lack of such features at Maybrook House would necessitate sacrificing NIA to create amenity, further tightening its appraisal.

Maybrook House – Building Review

We have undertaken a review of Maybrook House to ascertain its potential for a high-quality office refurbishment – to a standard that would attract leasing success.

The building has a number of physical constraints that combine to limit its potential to be a best in class refurbished asset – these are summarised as follows:

Physical Constraints:

External appearance:

The external pre-cast concrete appearance of the building is dated and would require full recladding work in order to enhance the appearance of the building. The building has not received any cladding upgrades since its completion in 1973.



Entrance:



The entrance to the building is limited in size and undersized for the scale of the office building. The office reception / access to the building is not visible from Deansgate. It is challenging to relocate the office entrance due to legal issues with the existing ground floor tenants having leases contracted inside The Landlord & Tenant Act 1954 Part II and also viability in terms of the excessive costs involved.

The existing entrance is also single height and does not provide the size and scale of a lettable refurbishment office product.

Vertical transportation:

The building is under provided in terms of its existing lift capacity. The number and size of the existing lifts would struggle to accommodate peak occupancy in the building of this size and would adversely impact its ability to lease.

Therefore, major structural interventions would be required which would involve losing net lettable floor area and also significant capital expenditure. Increasing the lifting capacity would not be a financially viable route to pursue.

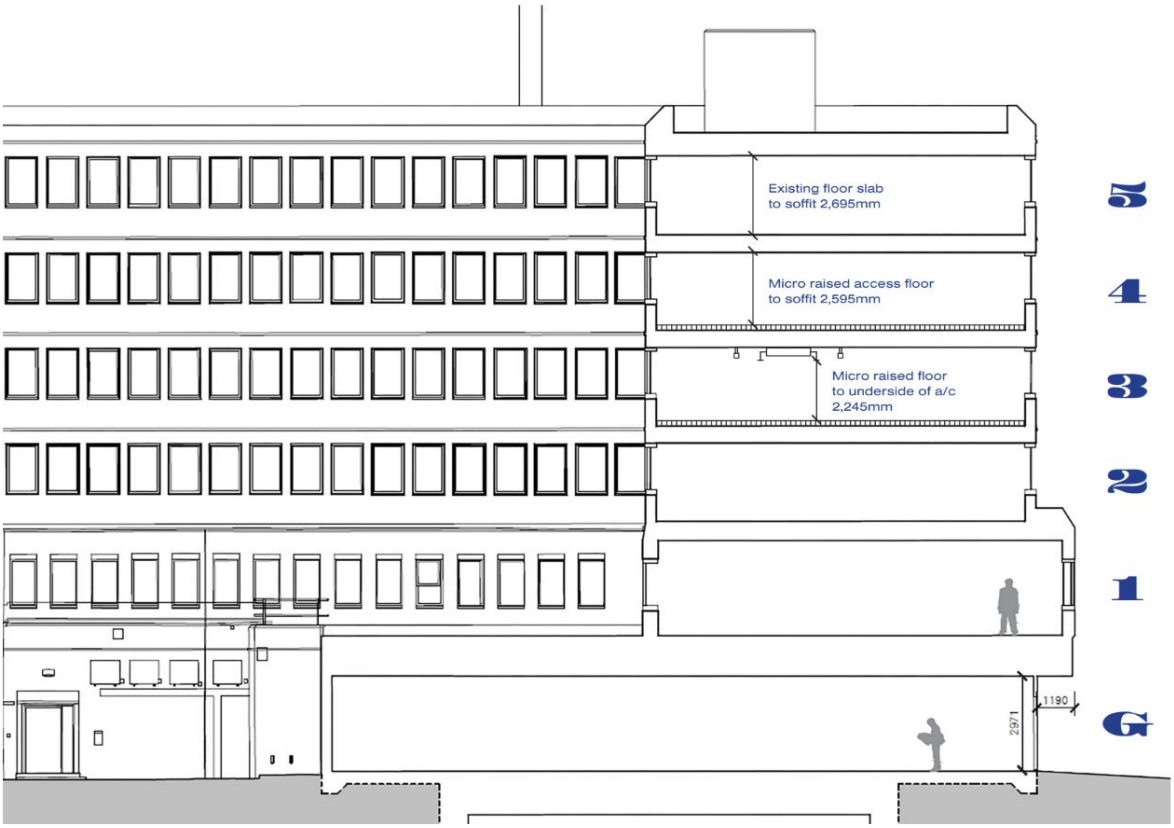
Floor-to-ceiling height:

A major restriction to Maybrook House becoming a best in class office refurbishment is the slab-to-slab heights. The concrete frame structure provides a floor to ceiling soffit height of only

2,695mm which limits both cable management and heating & cooling installations. The BCO guidance recommends clear heights of a 2,450 to 2,800mm from the top of a raised floor to the underside of the mechanical services / suspended ceiling.

Modern tenants equate low ceiling height with inferior workspace quality affecting wellness, aesthetics, and brand image.

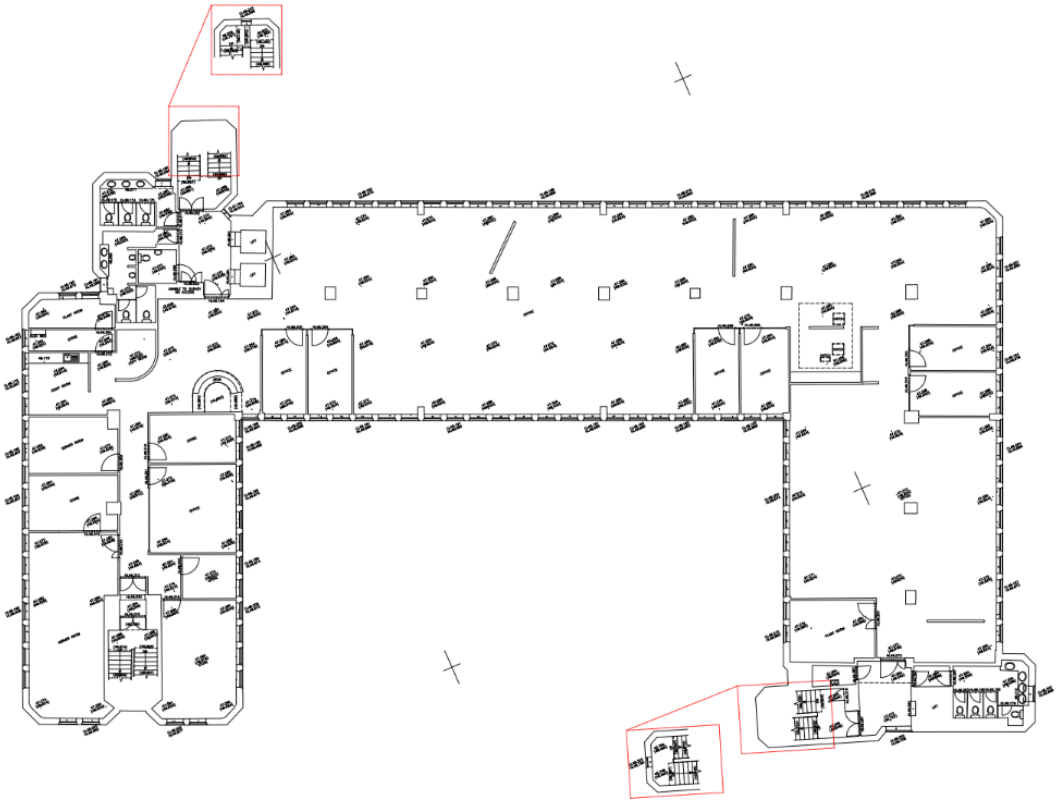
We have detailed below on the section image the floor to ceiling heights assuming a micro raised floor and slim fitting mechanical services. This would deliver a floor to ceiling height sub 2,300mm which would not be acceptable by the occupation market. A suspended ceiling would not be an option due to the even further compromised floor to ceiling heights.



Floor plates:

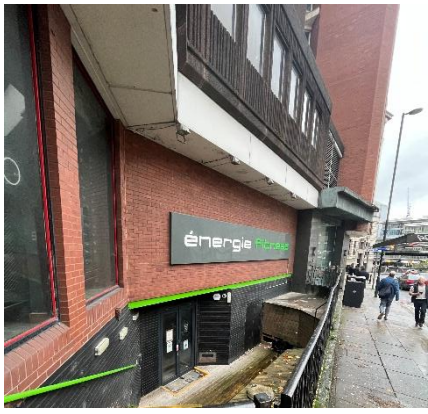
In addition to a poorly configured lift core, the floor plans, as seen below, are not configured optimally for a modern workspace. With a maximum width of only 11,600 the floors would be too narrow to sub-divide and due to the location of the means of escape, sub-dividing floors would not be a viable solution due to the net internal lost to a common area corridor.

Leasing entire floors has historically proven challenging as shown in the take-up data, only 11% of the transactions concluded during 2025 so far are in excess of 10,000 sq ft (across the entire city centre market).

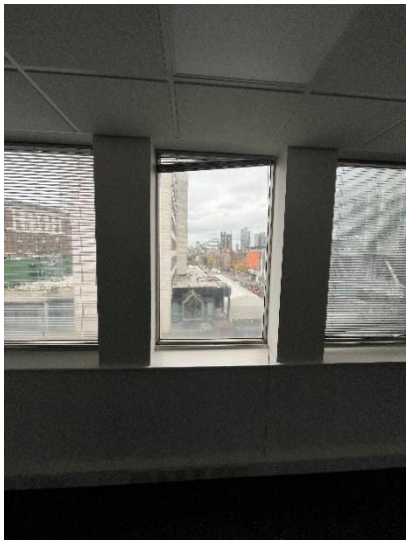


Isolated Basement:

As previously mentioned, amenities are a key factor in the letting of a building, this includes the end of journey facilities; bike storage, showers, changing facilities. Maybrook House has no internal access to the basement, where these amenities would be located. Significant investment and structural alterations would be necessary to add internal access to the basement, that would further restrict viability.



Windows:



The existing aluminium framed single glazing typically underperforms on acoustics, U-values and air-tightness, constraining both EPC uplift and occupier comfort. Single glazing undermines occupier wellbeing (solar gain, noise ingress) and increases operational costs, making the building unattractive even at discounted rents. This is incompatible with modern EPC requirements and will necessitate full glazing replacement to approach EPC B.

WCs Provision:

Additional WC's are required to meet modern standards. This would involve a re-configuration of the main cores and further loss of net internal lettable area.

EPC Rating:

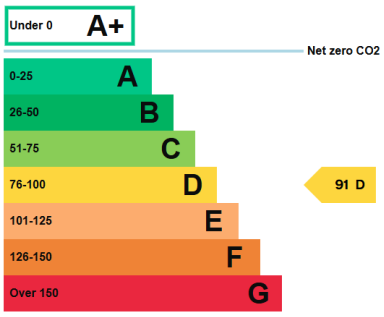
Maybrook currently has an EPC rating of 91 which puts it in a "D" classification. Minimum Energy Efficiency Standards (MEES) legislation states that from 2027 all commercially let buildings will have to be at a minimum EPC rating of "C", followed by a minimum of "B" by 2030. This poses an obvious need for cap ex to bring the building up to regulatory standards before any future leases can commence.

Breakdown of this property's energy performance

Main heating fuel	Natural Gas
Building environment	Air Conditioning
Assessment level	3
Building emission rate (kgCO2/m2 per year)	104.15

Energy rating and score

This property's energy rating is D.



Office Refurbishment Appraisal

Appraisal Assumptions

In arriving at an appropriate Gross Development Value (GDV) we have assumed a comprehensive office refurbishment of Maybrook House. We have analysed the current estimated rental value in order to arrive at our opinion of the aggregate value of the individual units and capitalised this income at a market yield of 7.75%.

To establish costs, we have used building estimates which equate to £100 per sq ft across the basement gym and £225 per sq ft across the offices (floors 1 – 5). We have built in professional fees, a contingency, leasing and sales fees plus finance costs. We have adopted profit on cost at a market standard rate of 20.00% for the residual appraisal

Due to the existing tenants having leases protected by the Landlord & Tenant Act 1954 Part II and their intentions to remain and agree new leases, we have assumed they remain in occupation and extend their leases at increased rents.

Void Costs:

- Service Charge: £4.00 psf across the retail / leisure and £8.50 per sq ft across the offices
- Business Rates: £7.00 per sq ft across the retail / leisure and £11.50 per sq ft across the offices
- Insurance: £0.50 per sq ft

Capex:

- Basement Capex: £549,900 (£100 per sq ft)
- Capex across the offices (includes additional works to the common parts and entire building exterior): £10,594,800 (£225 per sq ft).

  Total: **£11,144,700**

Construction Void: 12 months across all vacant space.

Leasing Assumptions:

Basement Gym: Vacant – market terms assumed.

Lower Ground Bar: Leased at market rent.

42 Deansgate: 15 year lease term at market rent.

50-52 Deansgate: Lease renewal assumed on market terms.

54-58 Deansgate: Lease renewal assumed on market terms.

Part Ground: Vacant – market terms assumed.

Floors 1 – 2: Vacant – market terms assumed.

Floors 3 – 5: Vacant – market terms assumed.

Market leasing assumptions have been applied to all vacant space.

Both appraisals also include:

- 5% contingency
- Full professional fees, marketing, leasing, and tenant vacancy costs
- Finance modelled at 8% debit rate

We have not reduced the floor areas for the existing sq ft for the purpose of this appraisal. In reality, the NIA will reduce to accommodate additional WCs or any future floor subdivision.

We have assumed the basement will be let in isolation and therefore the building will lack amenities.

Summary

Although the proposal to change of use of Maybrook House will see a quantitative loss in office floor area in Manchester city centre of circa 50,000 sq ft (4,645 sq m), this paper demonstrates that the owners of the building has undertaken a significant level of due diligence regarding an office refurbishment. The points set out in the paper clearly highlight why the 1970's structure, slab to slab heights and floor plan configuration does not allow the building to be adapted to create a modern office that would meet the modern-day occupiers requirements. The next section set outs the financial returns of a high quality office refurbishment which clearly shows this would create negative returns on the required capital investment.

If a cosmetic refurbishment was delivered at a lower cost, the building would still fail to provide the quality of workspace required to meet occupational demand. It would also become obsolete in 2030 when the Minimum energy Efficiency Standards are implemented requiring a minimum EPC of B (it is currently a D). The historic leasing performance of Maybrook House over the last 5+ years and the inability of the building to attract new occupiers also illustrates the challenges faced by the property if no significant interventions and improvements are undertaken.

Appraisal Scenarios

To assess the scheme viability in accordance with the proposed office led business plan, we have modelled appraisals in two approaches, as summarised below:

- **Scenario 1 - Residual Appraisal** - cost-led, land value derived, to assess the price that could be underwritten today, should the business plan be implemented.
- **Scenario 2 - Development Appraisal** - land cost fixed at £12.25M (the purchase costs incurred to date by the owner), to assess whether the business plan is viable i.e. if the implementation of the business plan would generate a profit based of the current acquisition costs incurred.

Scenario 1- Residual Appraisal results:

We outline below the inputs to this appraisal:

Residual Inputs		
		Total
GDV:	Capitalised at a net initial yield of 7.75%	£24,446,548
Acquisition costs:	Legal fee and survey (notional fixed fee assumed)	£35,000
Construction Costs:	£100 psf across the basement £225 psf across the vacant offices	£11,144,700
Contingency Developers Contingency	@ 5.00% @ 5.00%	£557,235 £557,235
Professional fees:	@ 10.00%	£1,114,470
Marketing	Fixed Cost	£70,000
Leasing & Legal Fees	@ 15.00%	£288,113
Disposal fees:	Agents @ 1.00% Legals @ 0.50%	£227,842 £113,921
Finance:	@ 8.00%	£5,269,480
Profit on Cost:	20.00%	£4,249,791 profit
Site Value		**-£405,128**

Scenario 2 - Development Appraisal results:

We outline below the inputs to this appraisal:

Development Inputs		
		Total
GDV:	Capitalised at a net initial yield of 7.75%	£24,446,548
Acquisition costs:	Fixed price of £11.50m PP plus costs	£12,247,000
Construction Costs:	£100 psf across the basement £225 psf across the vacant offices	£11,144,700
Contingency	@ 5.00%	£557,235
Developers Contingency	@ 5.00%	£557,235
Professional fees:	@ 10.00%	£1,114,470
Marketing	Fixed cost	£70,000
Leasing & Legal Fees	@ 15.00%	£288,113
Disposal fees:	Agents @ 1.00% Legals @ 0.5%	£227,842 £113,921
Finance:	@ 8.00%	£10,912,363
Profit on Cost:	@ -35.46%	**-£14,010,218 Loss**

Conclusion:

The appraisals reinforce the conclusion that Maybrook House is **not viable** as a conventional office-led refurbishment, based on the land value paid (£12.25M) and adopting current market assumptions.

- Scenario 1: The Residual Appraisal approach generates a current land value that is negative (**-£405,128)**.
- Scenario 2: The Development Appraisal approach (assuming the actual acquisition costs incurred to date) generates a substantial financial loss, representing a profit on cost that is negative to the sum of -35.46% **(-£14,010,218)**.

The metrics of this hypothetical development appraisal approach appears extremely damning, as it assumes a day one land cost of £12.25M, accruing compounded interest at the finance rate (assumed 8.00%) for the total duration of the project (refurbishment/construction and leasing periods). The way that this approach uses finance costs is representative of the opportunity cost / cost of equity. It therefore assumes the asset is 100% geared including residual land value + construction + hold period, etc. This is the industry valuation standard for hypothetical development valuations, i.e. it discounts back at the finance rate.

The two appraisal scenarios undertaken confirm that Maybrook House does not constitute a viable office refurbishment proposition.

In summary refurbishing Maybrook House for an office is a high risk strategy to pursue and there is the real danger that the leasing assumptions in our appraisal are not met (lower rents, larger incentives and longer voids).

The occupation market has moved to best-in-class prime office space (new build or best in class refurbishment) and due to the inherent characterises of the building, Maybrook House will never be capable to being classed as a prime refurbished product. The building lacks a viable solution for the requirement amenities and due to the size / configuration of the floor plates combined with the low ceiling heights, the void periods could extend well beyond the assumptions in the appraisals (ala Arkwright House). There is a strong pipeline of new and refurbished offices being delivered over the course of the next three years and in our opinion Maybrook House (post works) will fail to compete with the pipeline of superior product.