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A BUMP IN THE ROAD

With some of Manchester's most iconic schemes at the point of completion, is a bottleneck around the corner for the new-build market? **Joel Durkin** assesses what's next and looks at the options for those on the move

Manchester has matched its ambition over the past 20 years against the size and power of its commercial assets. First came Barbirolli Square, then the glass towers of Spinningfields began to reflect the rise and rise of its professional and financial services economy.

Slowly, as the city's economy expanded, so did its commercial centre, breaking new ground with developments at First Street and crossing the river at Embankment and New Bailey, in addition to significant developments at St Peters Square.

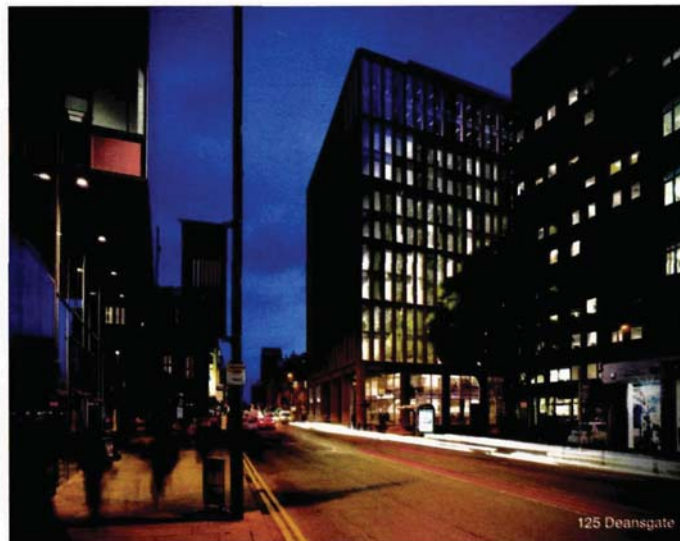
With First Street's No.8 nearing completion, the final pieces of the Spinningfields puzzle are falling into place. And with the structures of No.1 and No.2 now casting a permanent shadow over St Peters Square, options for occupiers with a requirement for new-build city centre space are drying up.

So what are the options for occupiers on the move? And with reports of a number of big requirements in the market, will the supply situation tighten further?

Research by Edwards & Co shows that office take-up in Manchester city centre in the first half of 2017 was 492,730 sq ft – an increase of 17 per cent from the first half of 2016. Last year, the majority of office transactions were made by the legal and financial services firms, accounting for 19 and 23 per cent respectively. Rents have risen, with incentives moving in favour of landlords.

Chris Cheap, regional senior director at GVA, says: "There is sufficient demand, which is going to absorb large floorplate office space and by mid-2018 we could have an undersupply of large floorplates in Manchester city centre."

Cheap says Manchester Landmark and 125 Deansgate are key developments which will help the supply situation. Work on 125 Deansgate began this year following a demolition process. It should be ready by 2019 and is expected to provide 113,500 sq ft of grade A



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James Evans

office space. The £100m Landmark is due to be delivered in the first half of 2019 and will include 13 floors of grade A workspace next to Manchester's One St Peters Square. "We need more than that," says Cheap, "and probably the more attractive are those in locations which may not previously have been considered, such as First Street and New Bailey."

With office-based employment predicted to grow by 4.7 per cent over the next five years, James Evans, head of Savills' Manchester office, believes the continued healthy level of take-up is likely to stay. He says: "Certainly indigenous companies continue to underpin take-up, however inward movers are driving grade A take-up, which in turn is providing rental growth and therefore giving confidence to landlords to pursue ambitious and high-quality refurbishments."

Savills is the agent at 125 Deansgate – a scheme that Evans says has gained first mover advantage among the handful of new builds underway. "The developer was anxious to bring forward a stunning building that also provided a fitting complement to the John Rylands Library opposite, one of Manchester's finest heritage buildings," he says. "The team is also conscious that not every

occupier wishes to be in a 200,000 sq ft building where they may be somewhat anonymous, sharing the space with six or seven other businesses. Therefore, at 100,000 sq ft we anticipate two to three very high-end tenants calling this home."

The supply situation makes it difficult for inward investors looking for large single requirements. "The concern for Manchester is about that 100,000 to 150,000 sq ft inward investor. They do not come along very often but they can be more immediate," says Phil Mayall, development director at Muse. His advice to occupiers of all sizes is to be looking within plenty of time if they will soon be on the move: "Be looking if you have a lease event in two to three years' time."

With supply of new buildings remaining tight, the refurbishment market also remains attractive to occupiers.

Global company Kalibrate Technologies relocated its UK headquarters to 196 Deansgate last month, taking 6,330 sq ft on a ten-year lease. The company provides advice, analysis and software for retailers and fuel industries. It follows a multimillion-pound refurbishment to the scheme by investor CEG.

Ian Thompson, executive vice president of Kalibrate, says: "Kalibrate had a clear remit: we wanted a modern, open plan office to improve our operational efficiencies."

The tight supply of the grade A new build market is also causing a spike in rental prices for refurbished stock. "If any sector of the



market has seen the most rental growth it is good-quality refurbished space, which has risen 20 per cent," says Cheap. "That has coincided with a different type of refurb. As we emerge from the economic downturn occupiers are more concerned with how engaging their space is rather than what it costs."

For Kalibrate, Thompson wanted "a building with a prestigious, central location with good transport and connectivity that would be an asset to our organisation. We also felt that the right building would attract and retain the calibre of staff that Kalibrate looks to employ". He adds: "Finally we wanted all of that within a building that harked back to Manchester's industrial heritage with historic

features that would provide talking points for employees and visitors."

This is also prompting investment money to flow into the refurb market. One example is Helical's Dale House in Manchester's Northern Quarter. Original features of the building will be retained but the first to fourth floors of the building will be transformed to grade A standard.



WHAT'S ON THE HORIZON? KEY SCHEMES JUST AROUND MANCHESTER'S CORNER

125 DEANSGATE

(113,500 sq ft expected summer 2019)

LANDMARK MANCHESTER

St Peter's Square, Manchester city centre
(180,000 sq ft expected first half of 2019)

100 EMBANKMENT

Greengate, Manchester (166,00 sq ft)

TWO NEW BAILEY SQUARE

Salford, close to Spinningfields
(187,241 sq ft)

11 YORK STREET

Manchester city centre (86,000 sq ft)

HANOVER BUILDING, NOMA

Close to Victoria station, Manchester
(110,000 expected late 2018)