

RESEARCH



MANCHESTER

OFFICE MARKET QUARTERLY

Q2 2017



OCCUPIER MARKET

With the supply of available Grade A office stock at a historic low, the market imbalance is expected to support an uplift to prime headline rents.

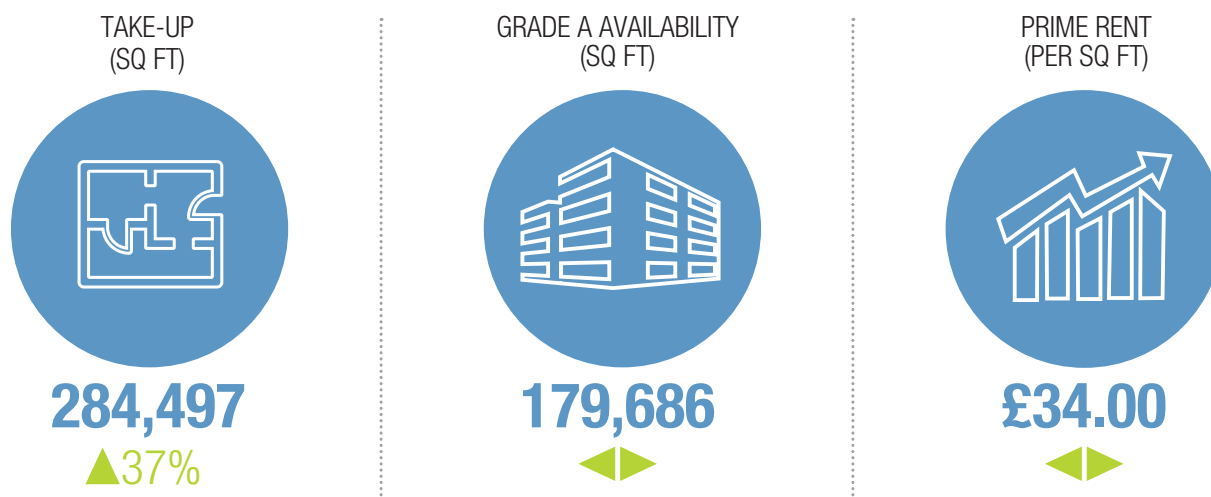
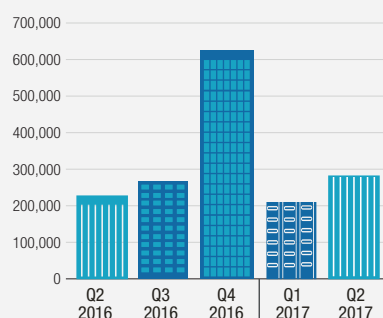


FIGURE 1

Take-up (sq ft)



0.8m
ACTIVE
REQUIREMENTS
SQ FT

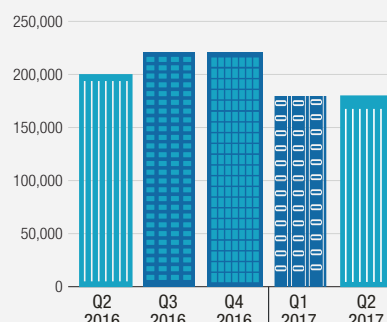


DAVID PORTER

Grade A supply remains at a historic lows and while the completion of c.500,000 sq ft of new office space is expected over the next six months, it is unlikely to relieve the supply pressure given that the majority are pre-let.

FIGURE 2

Supply (sq ft)



34%
BELOW THE
5-YR AVERAGE



MARK BAMBER

Demand from TMT occupiers shows no sign of slowing. Q2 was the second consecutive quarter where the TMT sector was the most active occupier group, with the sector accounting for nearly 50% of total take-up.

Key leasing transactions Q2 2017

ADDRESS	SIZE (SQ FT)	OCCUPIER	RENT (PSF)
No.1 Spinningfields	55,802	WeWork	Confidential
No.1 Spinningfields	17,949	Weightmans	£32.00
No.2 St Peters Square	16,271	Distrelec	£33.50
Universal Square	32,900	CarFinance 247	£15.00

Source for all charts: Knight Frank Research

Note: Percentage change reflect quarter-on-quarter movement

INVESTMENT MARKET

Investment volumes increased for the third consecutive quarter, with the weight of investor interest supporting yield compression.

TRANSACTION VOLUME
Q2 2017



£128m

▲42%

TRANSACTION VOLUME
LAST FOUR QUARTERS



£485m

▲7%

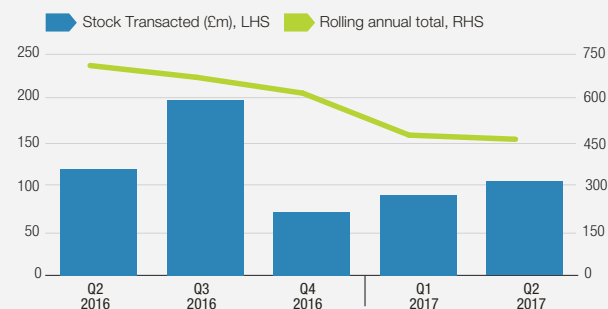
PRIME NET INITIAL YIELD



5.00%

▼25bps

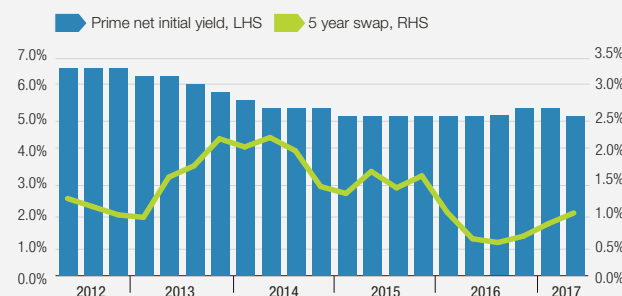
FIGURE 3
Investment volumes



TOM DAWSON

A lack of Grade A supply and strong rental growth prospects is supporting demand for value-add opportunities. Institutional investment is likely to drive the market moving forward as a number of schemes near completion.

FIGURE 4
Prime net initial yield and finance



MIKE POCHIN

Bolstered by strong rental growth prospects, Manchester remains an attractive location for investment. Overseas investors continue to dominate the market, however we are beginning to see the return of the UK institutions.

Key investment transactions (last four quarters)

BUILDING	PRICE (£M)	NET INITIAL YIELD	PURCHASER
One St Peter's Square	£164.00	5.30%	Deka Immobilien
CIS Tower, Miller Street	£66.00	6.25%	Castlebrooke Investments
201 Deansgate	£29.15	3.60%	Essex CC
The Zenith Building, Spring Gardens	£23.075	7.07%	AM Alpha
81 Fountain Street	£19.50	5.00%	Aprirose

Source for all charts: Knight Frank Research

Note: Four quarter investment volume total is compared to the 10-year annual average. All other movements reflect quarter-on-quarter changes

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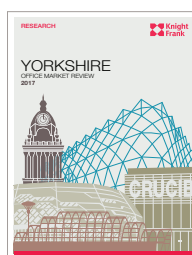
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