



Office snapshot

Manchester city centre Q2 2020

Key takeaways

- As a result of the Covid-19 lockdown restrictions, Manchester saw a slowdown in market activity in Q2.
- Good quality space continues to be scarce, with Grade A vacancy at just 1.5%. Although supply is anticipated to rise as tenant-released grey space comes back onto the market.

Top five leasing deals


Tenant/ Purchaser	Transact ion type	Area (sq ft)	Address
Trusted Mortgages	Lease	14,172	Cardinal House
Ashfield Health	Lease	9,059	City Tower
CMS	Lease	7,800	1 The Avenue*
Intellicentrics	Lease	7,204	55 Spring Gardens
Ageas	Lease	7,121	55 Spring Gardens


*JLL involved in transaction

Demand


 **72,400 sq ft**
Q2 take-up

 Average deal size
3,618 sq ft


 **11,100 sq ft**
Grade A take-up

 Dominant sectors
20%
Professional


18%
Life Sciences

 **Largest Q2 deal**
Trusted Mortgages
Cardinal House,
14,172 sq ft

 **20** Total number
of deals


 **5** Number of deals
above 5,000 sq ft


 **Largest deal this year**
Hilti – No 1 Circle
Square,
42,559 sq ft

 **1** Number of deals
above 10,000 sq ft


Supply


 **23.5m sq ft**
Total stock

 **833,000 sq ft**
Currently available

 **356,300 sq ft**
Total Grade A supply

 **3.6%**
Vacancy rate

 **685,800 sq ft**
New build speculative
under construction

 **6**
Number of new build speculative
buildings under construction

Prime rents

 **£36.50 per sq ft**

Year-on-year rental growth

 **1.4%**

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Market overview

Demand

Summary statistics	Q2 2020	Change Y-o-Y	12-month outlook
Take-up	72,400	↓	→
Prime rent (£ psf)	£ 36.50	↑	↑

Historic take-up (sq ft)

Year	2017	2018	2019	2020 H1
Total	1.2m	1.7m	1.5m	381,600
No. of deals	276	317	263	78

Source: JLL, 2020

The Manchester office market saw a significant slowdown in Q2 due to the Covid-19 lockdown restrictions in place. Take-up in Q2 was 72,400 sq ft taking the H1 2020 total to 381,600 sq ft. The largest transaction over the quarter was Trusted Mortgages taking almost 14,200 sq ft at Cardinal House. As lockdown restrictions started to ease at the end of Q2, smaller enquiries were generally more prominent, with larger requirements taking longer due to tenants reassessment of strategy and how space will be utilized.

Headline prime rents were held at £36.50 per sq ft during Q2, with typical rent free periods stable, at circa 24 month's rent free on a 10-year term*.

Supply

Summary statistics	Q2 2020	Change Y-o-Y	12-month outlook
Vacancy rate (%)	3.6%	→	↑
U/C spec	1.1m	↓	↓

Source: JLL, 2020

The Manchester market remained characterised by a scarcity of good quality space, with Grade A vacancy unchanged, ending Q2 at 1.5%. Additionally, overall vacancy was also stable over the quarter and remained at 3.6%. With tenant-released grey space expected to come back onto the market over the remainder of the year, overall vacancy levels are anticipated to increase.

The development pipeline remains active with 1.1m sq ft of new build and refurbished space under construction on a speculative basis and due for delivery in 2020 and 2021. The majority of schemes consist of new build developments. With some construction activity pausing or undergoing delays due to Covid-19 restrictions, some completion dates may be impacted by three to six months.

Investment

Investment market	Q2 2020	Change Y-o-Y	12-month outlook
Investment vol (£m)	£2m	↓	↑
Prime yield	4.75%	→	→

Source: JLL, 2020



2020 total
£2m



Prime yield
Q2

Manchester saw a subdued first half of 2020 in terms of investment volumes. This was in line with the wider UK investment market as activity paused due to a combination of Brexit, Covid-19 and a general lack of stock. Activity is returning to the Manchester investment market, with a number of buildings currently under offer and a stronger H2 is expected.

Prime yields were held at 4.75%*.

*The Covid-19 pandemic has created a material uncertainty in real estate investment market performance. Across Europe, there is considerable variation in the extent of the human tragedy implications unfolding and its impact on economic activity, including the trajectory, duration and extent of these impacts on all real estate sectors. Varying recent and ongoing policy responses across the region and mitigating implications will differ by market and sector.

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