

Regional Focus

Manchester



Manchester leaps into the unknown

Ready to spring back after a difficult 18 months, the city has the potential to thrive once again – despite the challenges

Big changes are on the horizon in Manchester. Sir Richard Leese announced in early September that he would step down as leader of the council in December after 25 years. A constant in the city since before the Manchester bombing in 1996, Leese was instrumental in the city's regeneration and rise to become a truly global city.

This came after the council's strategic director of development, Louise Wyman, stepped down in April. Becca Heron, former executive director of economy and skills at Wigan Council, was soon appointed to take over from Wyman. Between the Northern Gateway, Mayfield and other projects dotted in and around the city, Heron will have plenty on her plate.

But some constants remain. Chief executive Joanne Roney is winning plaudits. Meanwhile, Andy Burnham was re-elected mayor of Greater Manchester in May. Burnham has been one of the most visible politicians in the North during the pandemic – Covid hit the city region especially hard and led to extended local lockdowns.

A grim report from Sir Michael

Marmot in June showed that the coronavirus death rate in Greater Manchester was 25% higher than the England average, which had led to a significant fall in life expectancy.

Now, coming out of the pandemic, the city is still waiting for a full recovery in many ways, including on the high street. Despite progress, footfall is still less than half of what it was pre-pandemic – only Birmingham, Oxford and London ranked lower in August, according to the Centre for Cities.

Although the struggles of the past year and a half are not yet over, Manchester is poised for a strong recovery. Culturally, the Manchester International Festival was a success, drawing 3m visitors into the city in early July, along with another 1.2m in online events. Soon, the festival will run a new £186m arts venue that is set to open in 2022.

In property, the deals keep coming as investors worldwide reaffirm their belief in the city and its future. Singapore's CDL Hospitality Trust recently agreed its first investment into UK build-to-rent with a £73.3m deal for The Castings in Piccadilly East. And investment giant KKR

has partnered with Gary Neville's venture Relentless on its £200m St Michael's development in the city centre.

The office market is also active across Manchester. Earlier this year, it saw CBRE's flexible office operator Hana open its doors at Windmill Green, while fintech company Klarna doubled its existing office space at Enterprise City. And workspace is still being added: Investec was granted permission to transform the former House of Fraser on Deansgate into a 500,000 sq ft office scheme.

Elsewhere, Tritax Symmetry got the go-ahead for a 1.4m sq ft industrial park in Wigan after some concern about its location on green belt land.

But the defining feature of the Manchester skyline is the continued presence of an army of cranes. Major redevelopments are racing ahead: Far East Consortium's £4bn Northern Gateway project took a step forward when its plans for 244 new homes and a 1.3ha park at Collyhurst Village were approved.

Behind Piccadilly Station, the 5.7ha Mayfield mixed-use development is going out of the ground, the centrepiece of which is the city's first new public park in more than a century. Injecting much-needed green space into Manchester, the development sums up the city's aspirations. The post-pandemic resurgence is not a return to normal; it is a journey to create a place that is even better, greener and more resilient than before.

On the cusp of recovery

Though largely a slow start to the year, the first half saw sparks of activity in the industrial and residential sectors

Offices

EG Radius recorded 553,131 sq ft of office lettings in Greater Manchester in the first half of 2021, down 26%, year-on-year and 49% below the five-year average. Across the 10 boroughs, Manchester was by far the most active market, accounting for 66% of lettings, followed by Salford (21%) and Trafford (6%).

The largest deal recorded in the first six months, however, was in Salford: BLM Law's 70,782 sq ft lease at Two New Bailey. Moving out of its two existing offices in Manchester, including its HQ for 75 years at King's House on King Street West, the firm said the deal was part of its shift to flexible working, which will see its staff work remotely for up to 50% of the time.

Other significant deals included the Instant Group taking 33,374 sq ft at 58 Mosley Street and the NHS agreeing a 30,240 sq ft lease at St James House in Salford.

Investments in the first half totalled £108m, in large part driven by Ashtröm Properties' acquisition of No.8 First Street for £82m. Total office investment was up by 75% on the same period in 2020 – which was an unusually quiet period for Greater Manchester's office market even before the pandemic struck

– but down 65% on the five-year average.

Industrial

Activity in the industrial sector has held up better than in the office market. Down by just 1%, year-on-year, total industrial take-up in Greater Manchester was 1.55m sq ft in H1. Compared to the five-year average, however, it was down 17%.

Kingsway 216, a 216,000 sq ft industrial unit in Rochdale, let to an undisclosed business in May, was the largest industrial deal so far this year. In total, Rochdale accounted for 30% of Greater Manchester's industrial deals in H1 2021 – the most active borough in the city region, followed by Trafford (25%) and Salford (15%).

On the investment side, the £45m sale of the Manchester Mail Centre warehouse to a private investor was the largest deal in the first half of the year. There were several other bulky deals, including NFU Mutual purchasing Kingsway 216 for £32.6m and LondonMetric snapping up a warehouse for £20.5m at Northbank Industrial Park.

These deals propelled total investment volumes to £152m – up 32% on the same period in 2020 and up 3% on the five-year average.

Retail and leisure

Few companies have committed to new retail space in and around Manchester over the past year. EG Radius recorded just 136,040 sq ft of retail deals in the first half of 2021, down 56% on 2020 and 74% below the five-year average.

The largest retail letting was H&M's 33,820 sq ft commitment at the Trafford Centre. In fact, Trafford accounted for 45% of all retail space let in H1 2021, while about a quarter of lettings took place in Tameside. Manchester itself was just the third most active borough, at 16%.

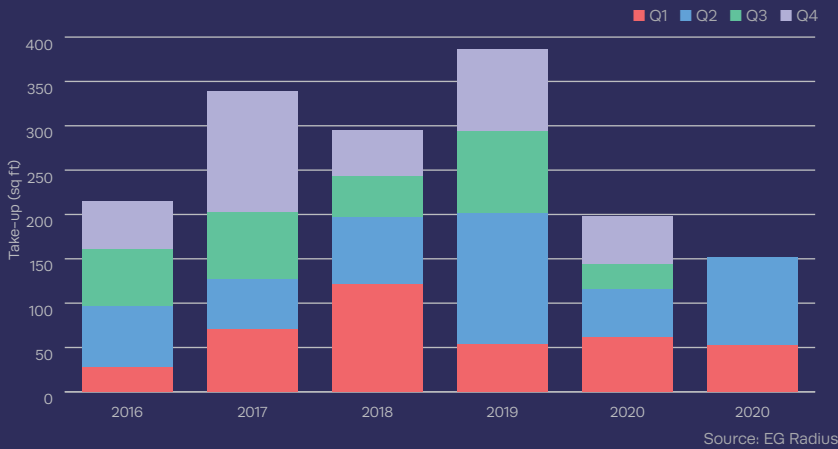
Rasmala Long Income Fund's purchase of Hattersley Tesco for £28.6m was the only significant retail investment deal, accounting for half of the total volume during the period. At £57m, total investment was down 58% on last year and 64% on the five-year average. A quarter seems like a long one. The emergence of another wave of Covid cases and a delay to reopening have left the sector with question marks hanging over its future. But if a fast recovery does follow a sharp downturn, we should be able to see the first signs of that in August as restrictions ease.

Residential

Housing in Manchester continues to be a magnet for investors and developers. EG reported several deals early in the year, including Barings funding two student housing schemes – one in London and one in Manchester – for £43.8m. This was soon followed by Cheyne Capital and North Wood



Industrial investment in Greater Manchester

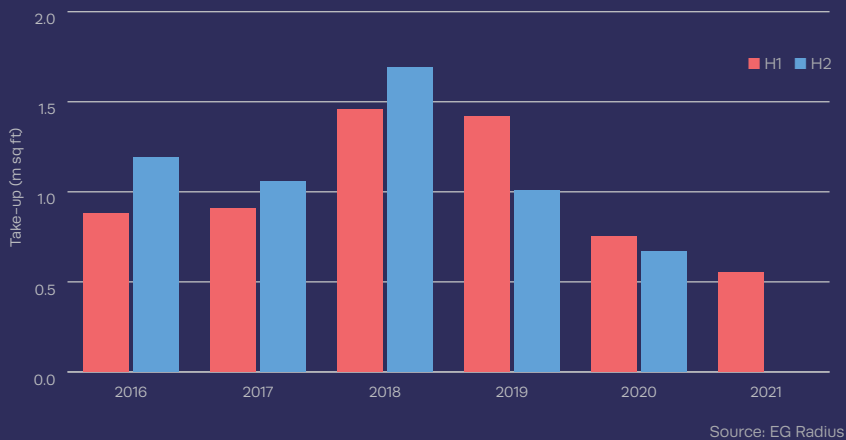


agreeing a £32m forward funding deal for 144 flats in Manchester's New Cross, while Canadian fund AIMCo and Ridgeback Group purchased a £100m consented scheme where they will develop 358 flats at Swan House.

Goldman Sachs also made its mark in the city, buying the 918-home Thistle portfolio of BTR family housing from Gatehouse Bank and Sigma Capital for £150m. Most of the portfolio's 15 sites were located in Greater Manchester and Liverpool.

More recently, we have seen Federated Hermes dip into the BTR market, agreeing a £37.5m loan for the Green Rooms in Salford's MediaCity UK. The 238-flat scheme is the first BTR scheme from Amro Partners. Elsewhere, Urban Splash committed £11.6m to a housing scheme in New Islington. ■

Office take-up in Greater Manchester





With On-Demand Rankings, you can now access an up-to-date view of how agencies are performing across the UK by sector, geography, and deal type, updated on a weekly basis.

Snapshot of contributed data from 01/01/21 to 03/09/2021

North West Top Contributors – Office

Contributor	Space transacted (sq ft)
JLL	228,534
CBRE	209,059
Savills	104,660
Cushman & Wakefield	92,033
Colliers	79,795

North West Top Contributors – Industrial

Contributor	Space transacted (sq ft)
CBRE	1,394,769
JLL	637,486
Avison Young	517,186
BNP Paribas Real Estate	352,168
Knight Frank	298,143

North West Top Contributors – Retail

Contributor	Space transacted (sq ft)
Savills	96,968
CBRE	46,115
Hitchcock Wright & Partners	23,386
Butters John Bee	4,297
Carter Towler	2,900

Scotland: Top 10 individual dealmakers by region

Agent	Company	Total space transacted (sq ft)	no of deals
Andrew Byrne	CBRE	94,334	44
Neil Kirkham	CBRE	74,708	35
Dan Margolis	CBRE	63,904	32
Robert Kos	JLL	29,6379	26
Darren Hill	CBRE	72,4814	19
Brian Ricketts	Hitchcock Wright	34,782	17
Richard Wharton	JLL	82,931	15
Joe Parker	Cushman & Wakefield	87,467	14
Nick Harrop	Hitchcock Wright	90,045	13
Jack Weatherilt	Avison Young	24,7617	11

For more information and to find out how to contribute your data, get in touch at deals@egi.co.uk