MANCHESTER CITY CENTRE
MARKET REPORT
2024

24

OBI

15 YEARS

2010 — 2025

Introduction

↘ 2024 was the year when large lettings returned. In comparison to 2023, where the largest transaction was to Arden University at 43,000 sq ft, 2024 saw Manchester secure it's largest letting since 2018, when Bank of New York Mellon took the entirety of 4 Angel Square comprising 196,000 sq ft. Other large lettings included Arm, Cubo and AtkinsRéalis.

It was an encouraging year for office take up, with Manchester recording it's highest levels since 2019. Take-up was 29% higher when compared with 2023.

With March marking the 5-year anniversary since COVID-19, we have taken the opportunity to review the true impact of the pandemic on the Manchester city centre office market. We have analysed pre and post pandemic leasing activity, including data on upsizing vs downsizing to uncover interesting trends around the uptick in the return to the office.

We are seeing occupiers that made real estate decisions around the time of the pandemic, suffering from a lack of space, or being forced into office re-designs to accommodate additional desks.

During 2024, we witnessed a continuing decoupling of the occupational and investment markets. The occupational market has recorded strong take-up levels and aggressive rental growth in the prime markets, whilst only 21 investment transactions occurred across secondary assets totaling an overall investment volume of just £205m (53% down on the 5 year average). Although we experienced two interest rate cuts during the year, we were expecting more, and a base rate of 4.75% means the cost of debt has remained higher for longer than expected.

The investment market was dominated by property companies and overseas family offices, capitalising on value propositions and assets that require an intensive asset management plan.

No large or prime office buildings were traded during 2024 and as a consequence, there is no recent investment activity to provide guidance on where prime yields stand.

The "flight to quality" trend is a well coined phrase but remains relevant, with circa 50% of the leasing take-up attributable to prime stock. No. 1 St Michael's and Island were standout schemes which attracted leasing success prior to completion of the construction works.

ESG remains high on everyone's agenda, although the raft of new accreditations we have seen over the past few years are in their infancy. Those certifications which restrict how a tenant fits out, or operates within a new building, will need re-assessing to ensure they are realistic and sustainable moving forwards.

With the challenges around development economics restricting new speculative development, the city will rely on some of the major office refurbishments to plug the shortage of supply in the new build sector. Rylands was a notable project to start on-site – a significant 300,000 sq ft re-positioning proposition. One Hardman Boulevard, now re-branded as The Metropolitan, has secured planning permission to deliver another major scheme of over 350,000 sq ft and will commence during 2025. Both buildings will help fill the diminishing new build supply pipeline.

Any new development will need to hit rents of circa £52.50 — £55.00 per sq ft to have any chance of being viable. The next development cycle will see a step change in prime rents which currently stand at £45.00 per sq ft.

This paper will also investigate what we believe is a structural change to office leasing. There is sufficient data which supports the rise in the flex market (more operators and space taken) which has eaten away at the number of smaller conventional transactions happening in the city. In 2014 there were 336 transactions covering 1.4m sq ft of take up — fast forward 10 years, and 197 lettings accounted for 1.2m sq ft. Conventional lettings have fallen by over 100 transactions in a 10 period. The average size of conventional lettings has also increased.

The quality, variety of product and flexibility offered by the newest flex operators appears to be a popular solution for many businesses seeking sub-5,000 sq ft. There is activity in the larger corporate end too, with the likes of Axa, eBay and Moonpig also committing to significant flex deals in the city.

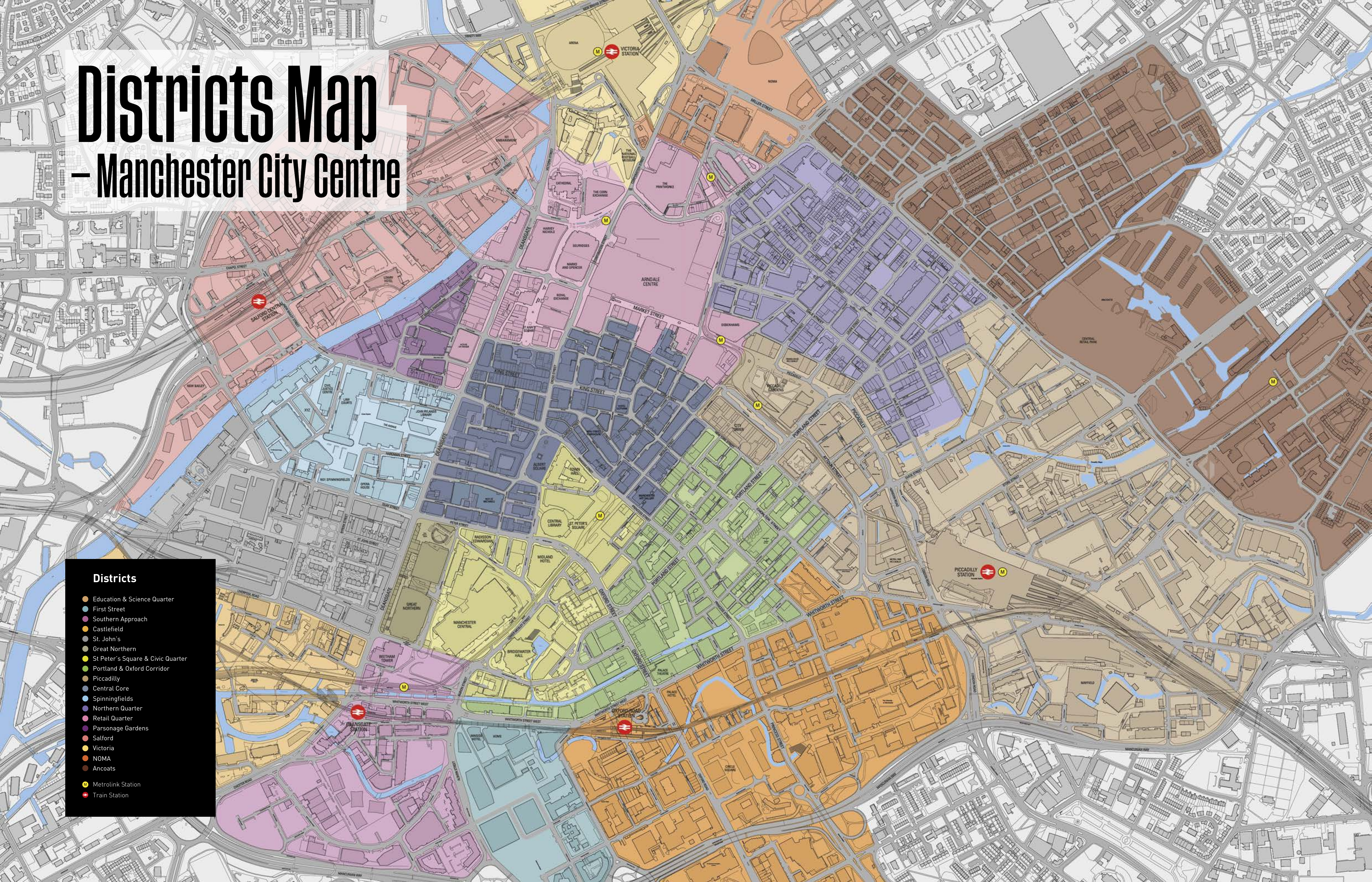
The rise in flex space has undoubtedly super-charged the hybrid leasing, fitted & furnished model — an increasingly active leasing solution which sits between the traditional conventional and flex markets. We explore this in more detail in this report.

Finally, as an industry, we are seeing transactions take longer from agreeing terms to legal commitment — something we collectively need to work on improving!

We look forward to seeing you soon.

WILL LEWIS
CO-FOUNDER, OBI

Districts Map – Manchester City Centre



2024 Occupational Analysis

OVERVIEW

A total of **1,216,989 sq ft** of leasehold workspace was transacted in the city centre in 2024, a **29% increase** compared to 2023.

33% of the space let achieved rents in excess of £40.00 per sq ft

There were **197** leasing transactions completed in 2024, which is a **10% downturn** in comparison to 2023 and **19% below** 2022.

The 10-year average take-up figure now stands at **1.19 million sq ft**.

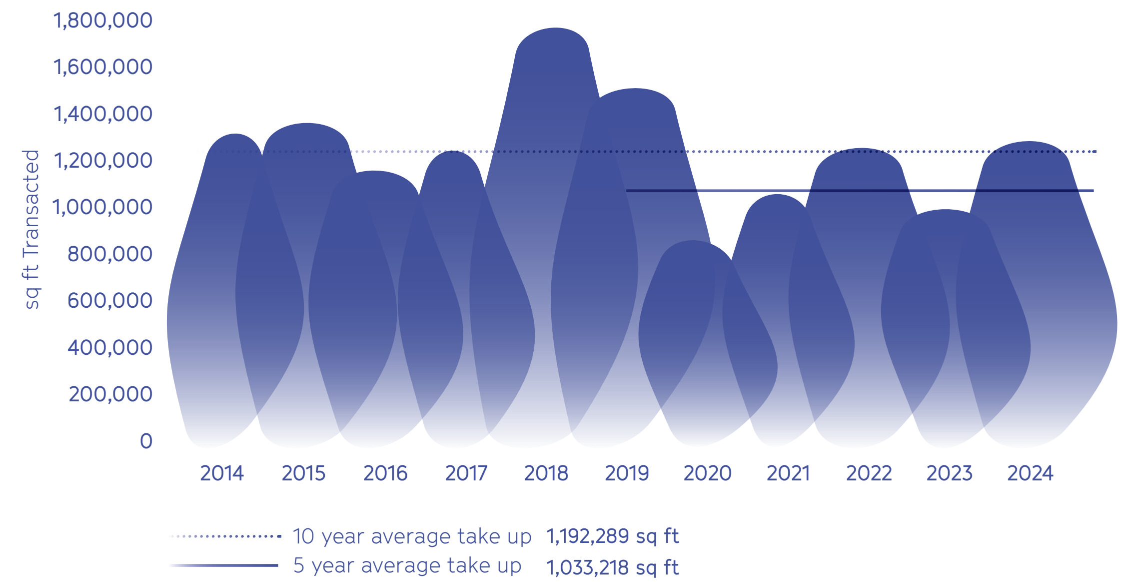
The 5-year average take-up figure now stands at **1.03 million sq ft**.

2024 saw the return of large leasing transactions with three lettings concluded on workspace over 50,000 sq ft. The most notable being the 196,443 sq ft transaction to Bank of New York Mellon at 4 Angel Square.

Prime new build accounted for **11** transactions and **404,548 sq ft** of workspace transacted in the city centre in 2024. This is more than double that was recorded during 2023.

The increasing importance of ESG and EPC's was evident with **51%** of transactions happening on suites with an EPC rating of **B** or higher.

Last 10 years annual take up (sq ft Transacted)



NO. 1 Spinningfields

RENT ANALYSIS

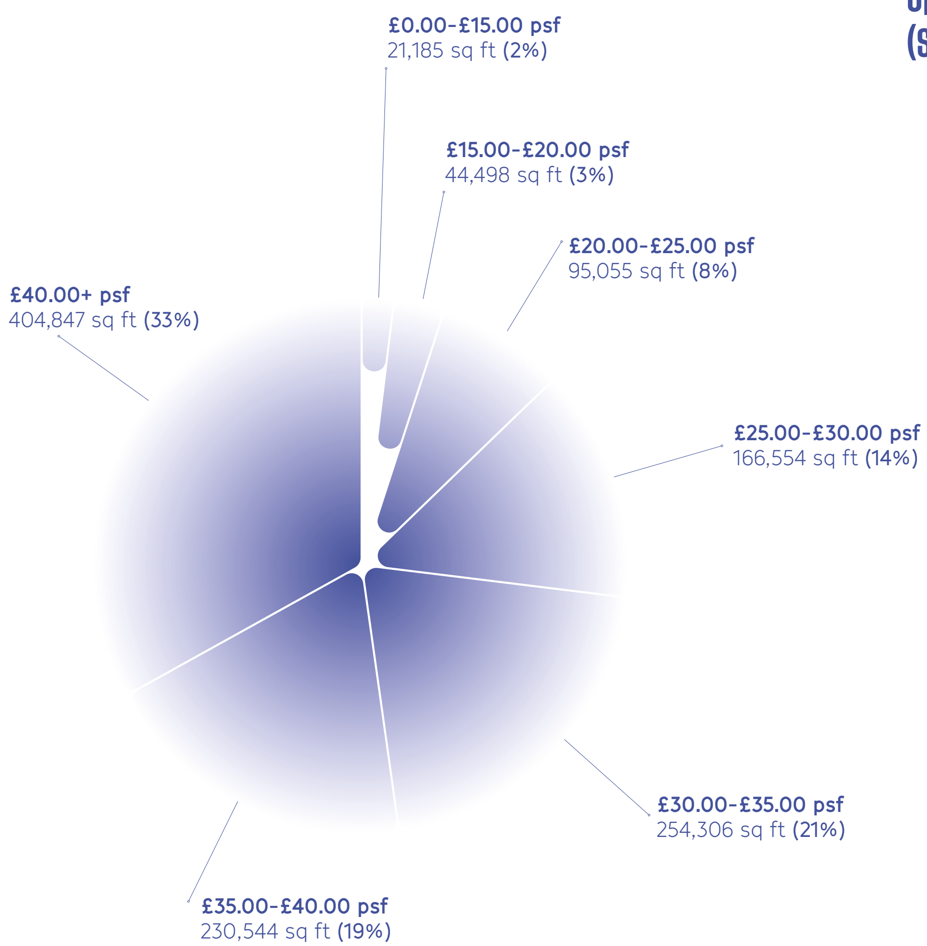
No.1 St Michael's, continued to set the bar for Manchester city centre in terms of headline rents, setting new records for the city on two separate occasions throughout the year. The latest letting hit **£45.00 psf** on a deal with Channel Four.

404,847 sq ft (33%) of workspace transacted at a rent in excess of **£40.00 psf** across **21 transactions** in 2024, up from **88,808 sq ft** across **11 transactions in 2023**.

Six of the 21 transactions to complete above £40.00 psf were on fitted and furnished workspace totaling **22,145 sq ft**.

Headline rents increased by 4.7% compared to 2023.

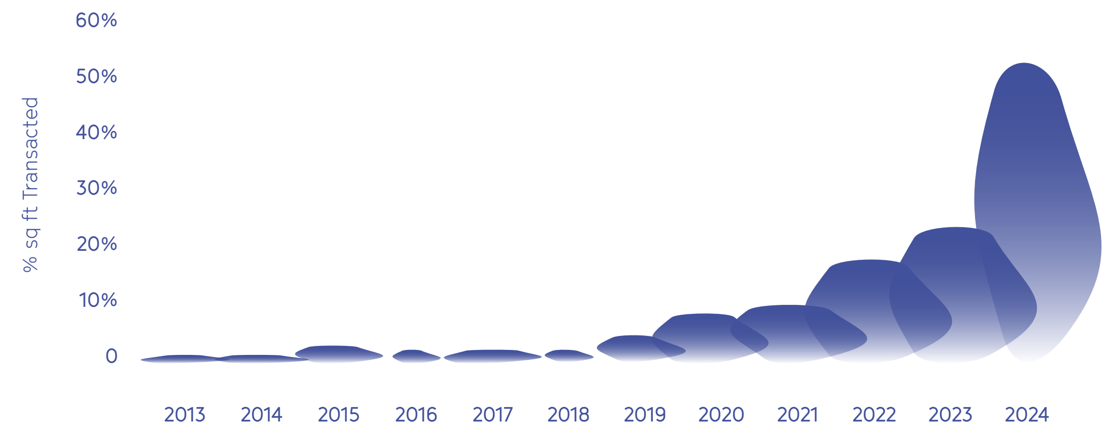
Space Let (sq ft)



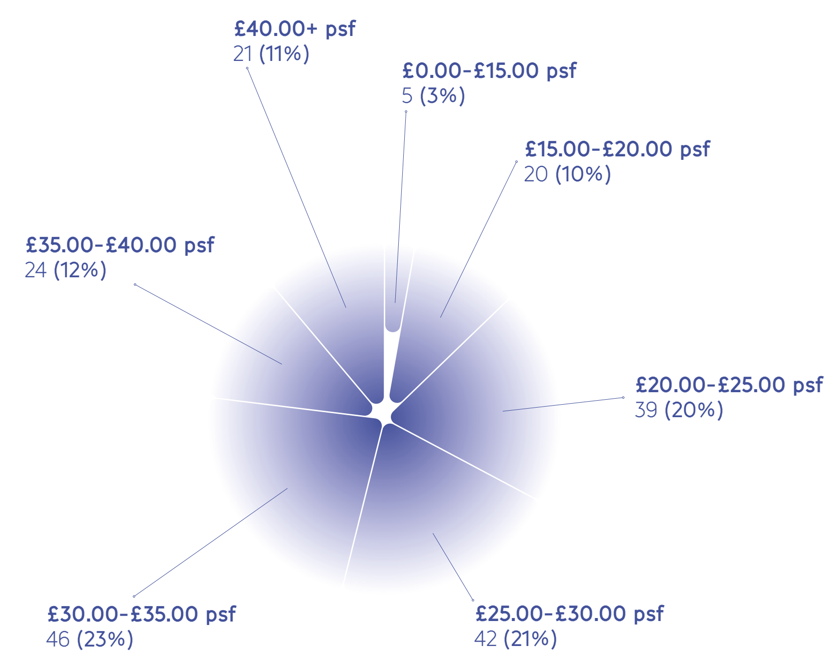
2024 saw a notable increase in the volume of workspace transacted at a rent over £35.00 psf.

This can be attributed to occupiers seeking best-in-class opportunities coinciding with the delivery of the latest phase of speculative Prime new build developments reaching practical completion.

% of total space transacted in excess of £35.00 psf



No. of Transactions (sq ft)



SIZE ANALYSIS

The most active size band by number of transactions was between **1,001 sq ft** and **2,500 sq ft**, accounting for **32% (63)** of transactions.

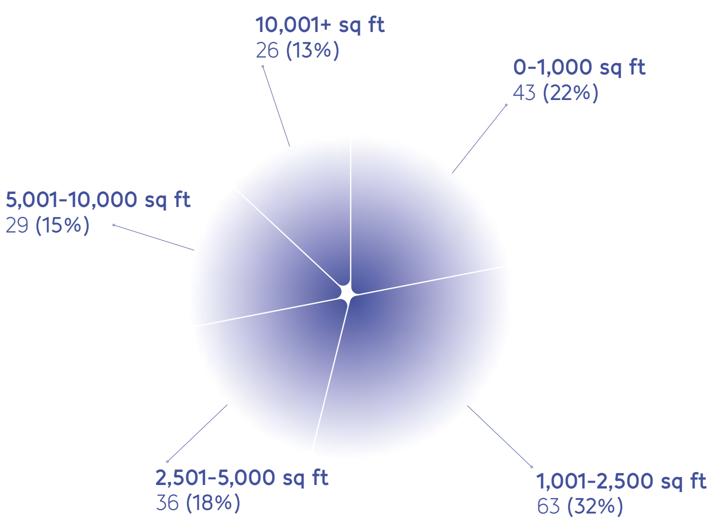
Large transactions (+10,001 sq ft) increased from **21 transactions in 2023** to **26 in 2024**.

The largest transaction was to Bank of New York Mellon who acquired the whole of 4 Angel Square, taking **196,443 sq ft.**

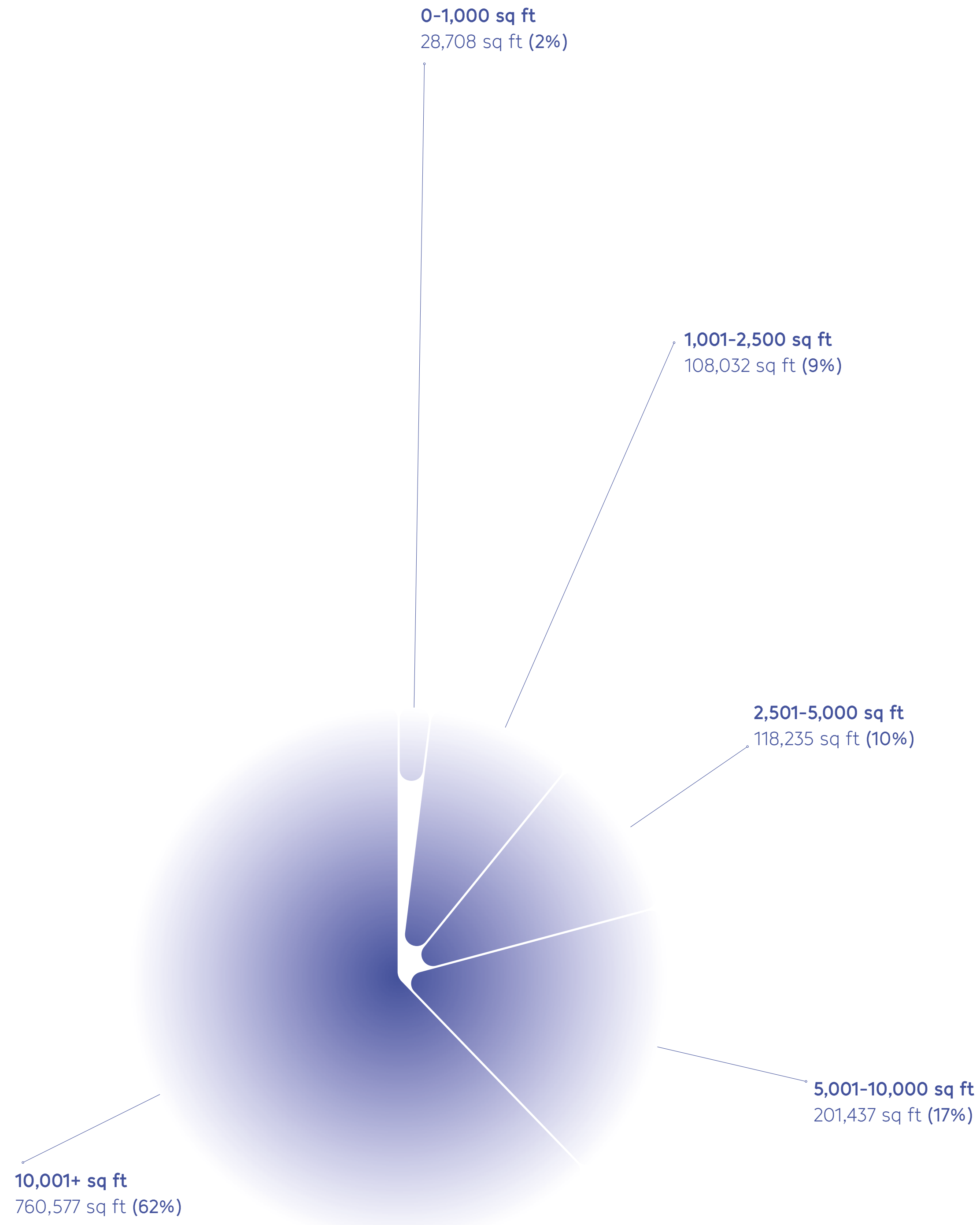
The average transaction size in 2024 was 6,178 sq ft, up from 4,283 sq ft in 2023.

4 Angel Square, NOMA

No. of Transactions



Space Let (sq ft)



Island

Boosted by the delivery of No.1 St Michael's and Island, the Central Core, consistently the best performing district in Manchester, experienced a significant increase in space transacted with **379,133 sq ft** of space let, a **42% increase compared to 2023.** The increase in space transacted occurred despite the overall number of transactions dropping from 68 in 2023 to 59 in 2024.

Piccadilly also performed well, with **110,955 sq ft** of space let, a **54% increase on 2023.** Longmead Capital's Piccadilly Place was the standout scheme in the district, concluding two transactions to AtkinsRéalis and GHD totaling 46,084 sq ft.

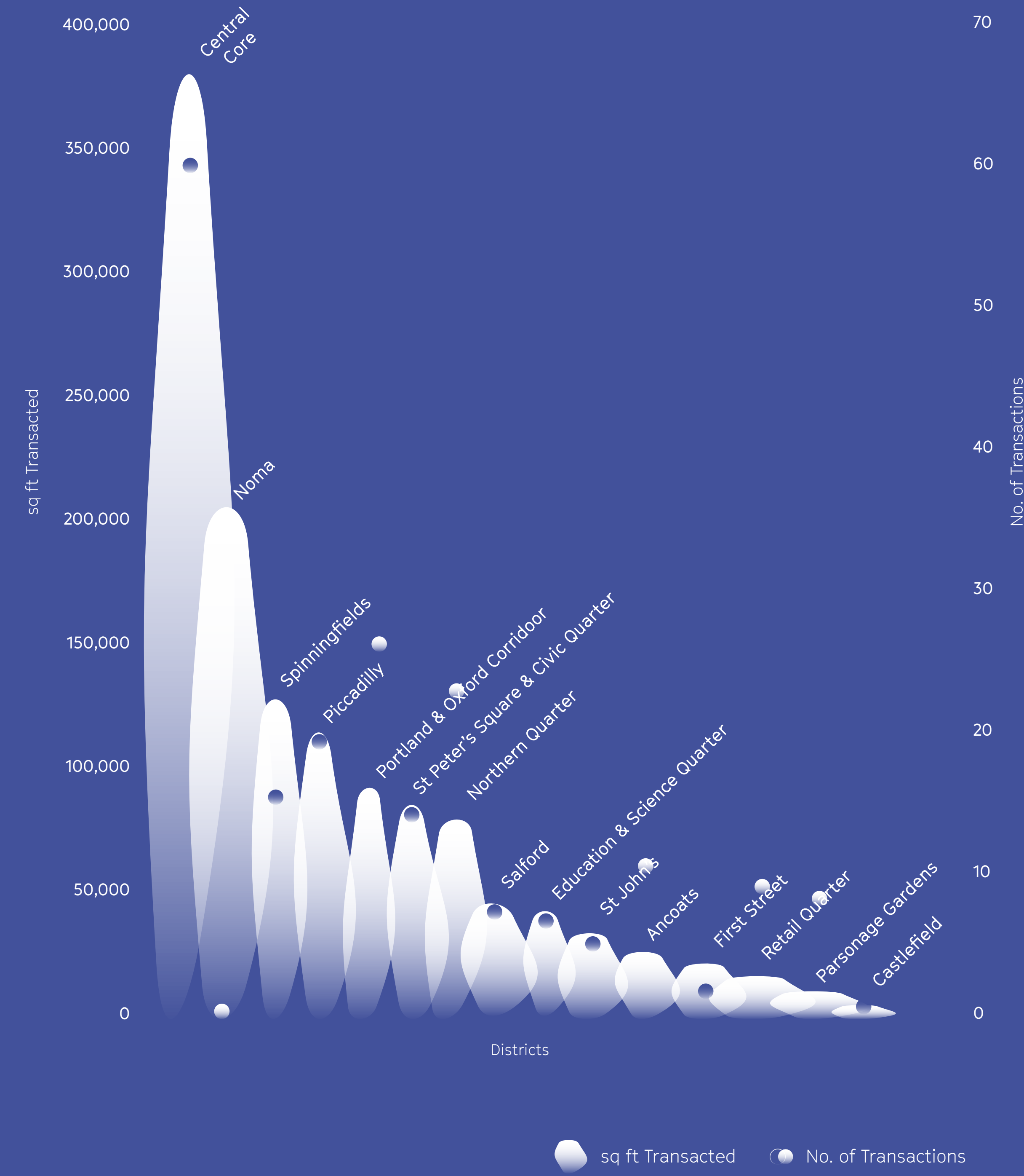
Spinningfields illustrated it continues to have a significant draw for occupiers transacting **118,119 sq ft across 14 transactions.** We expect this district to have a strong 2025, as best in class refurbished space is delivered in buildings such as 4 Hardman Square and The Metropolitan.

Top three districts by sq ft transacted:

1. Central Core — **379,133 sq ft**
2. Noma — **203,044 sq ft**
3. Spinningfields — **118,119 sq ft**

Top three district by No. of transactions:

1. Central Core — **59**
2. Portland & Oxford Corridor — **25**
3. Northern Quarter — **22**



SECTOR ANALYSIS

Manchester continues to benefit from broad sectoral demand, with the city not over reliant on any one industry.

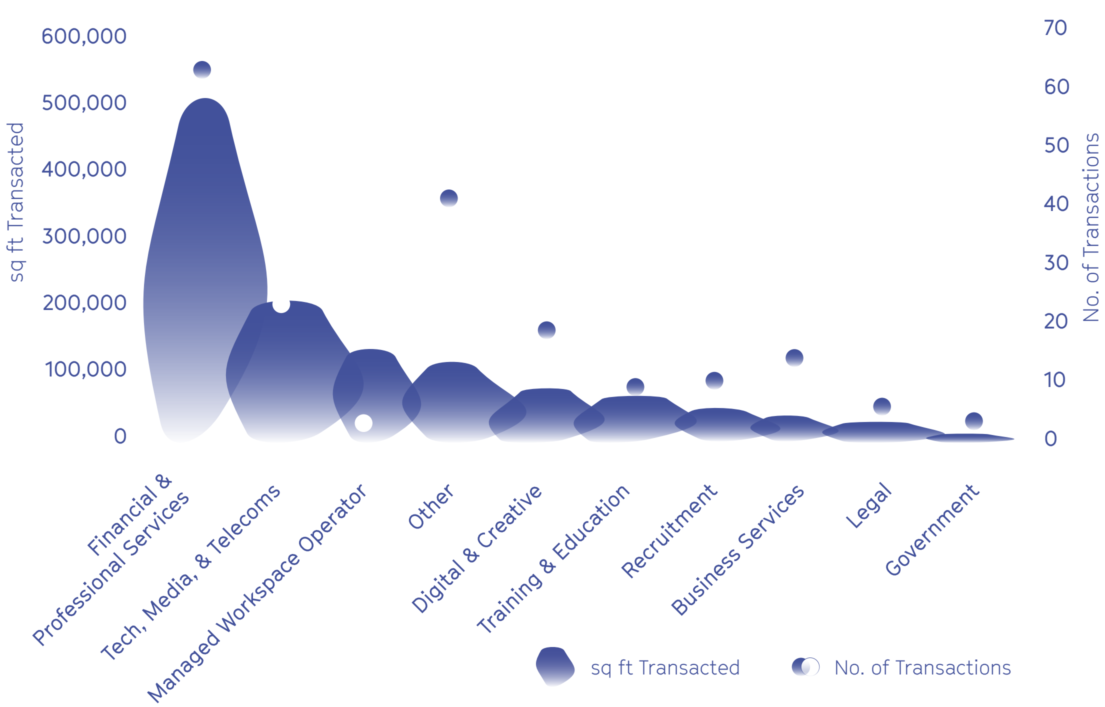
Financial & Professional Services was the best performing sector of 2024, concluding **509,174 sq ft** of space let, boosted by the Bank of New York Mellon deal. The number of transactions in this sector also **increased by 34%** from 47 deals in 2023 to **63 in 2024.**

The Tech, Media & Telecoms sector, which over the last couple of years has been subdued, saw an increase in take-up from 78,101 sq ft across 17 transactions in 2023, to **211,201 sq ft** and **24 transactions** in 2024.

The continued expansion of the Managed Workspace (Flex) market saw **121,494 sq ft** leased across **3 transactions.** Cubo expanded their presence in the city taking space in No.1 Spinningfields, with Gilbanks committing to their second Manchester operation at No.1 St Michael's and new entrant Koba committing to 100 Barbirolli Square.

Take-up from the **Legal** sector was subdued compared to previous years, with **29,415 sq ft transacted across 6 deals.** This may be due to the fact this sector was one of the quickest to re-evaluate their occupational requirement post-COVID, with several businesses concluding relocations during 2020 to 2023.

Sector Analysis



Top three sectors by total sq ft transacted:

1. Financial & Professional Services — **509,174 sq ft**
2. Tech, Media & Telecoms — **211,201 sq ft**
3. Managed Workspace Operator — **121,494 sq ft**

Top three sectors by No. of transactions:

1. Financial & Professional Services — **63**
2. Tech, Media & Telecoms — **24**
3. Digital & Creative — **19**

Koba, 100 Barbirolli

2024 KEY TRANSACTIONS

Month	Property	Sq Ft	Grade	Tenant	Rent (psf)
April	No.1 St Michael's	33,933	Prime New Build	Gilbanks	£37.50
May	No.1 St Michael's	19,695	Prime New Build	S&P Global	£44.00
June	No.1 Spinningfields	59,431	Grade A	Cubo	£37.50
August	No.1 Spinningfields	5,436	Grade A	CB Tax	£42.50
September	No.1 St Michael's	68,860	Prime New Build	Arm	£40.00
September	4 Angel Square	196,443	Prime New Build	BNY Mellon	£40.50
October	Island	45,744	Prime New Build	Virgin Media O2	£44.00
October	No.1 St Michael's	12,293	Prime New Build	Channel Four	£45.00

FITTED AND FURNISHED ANALYSIS

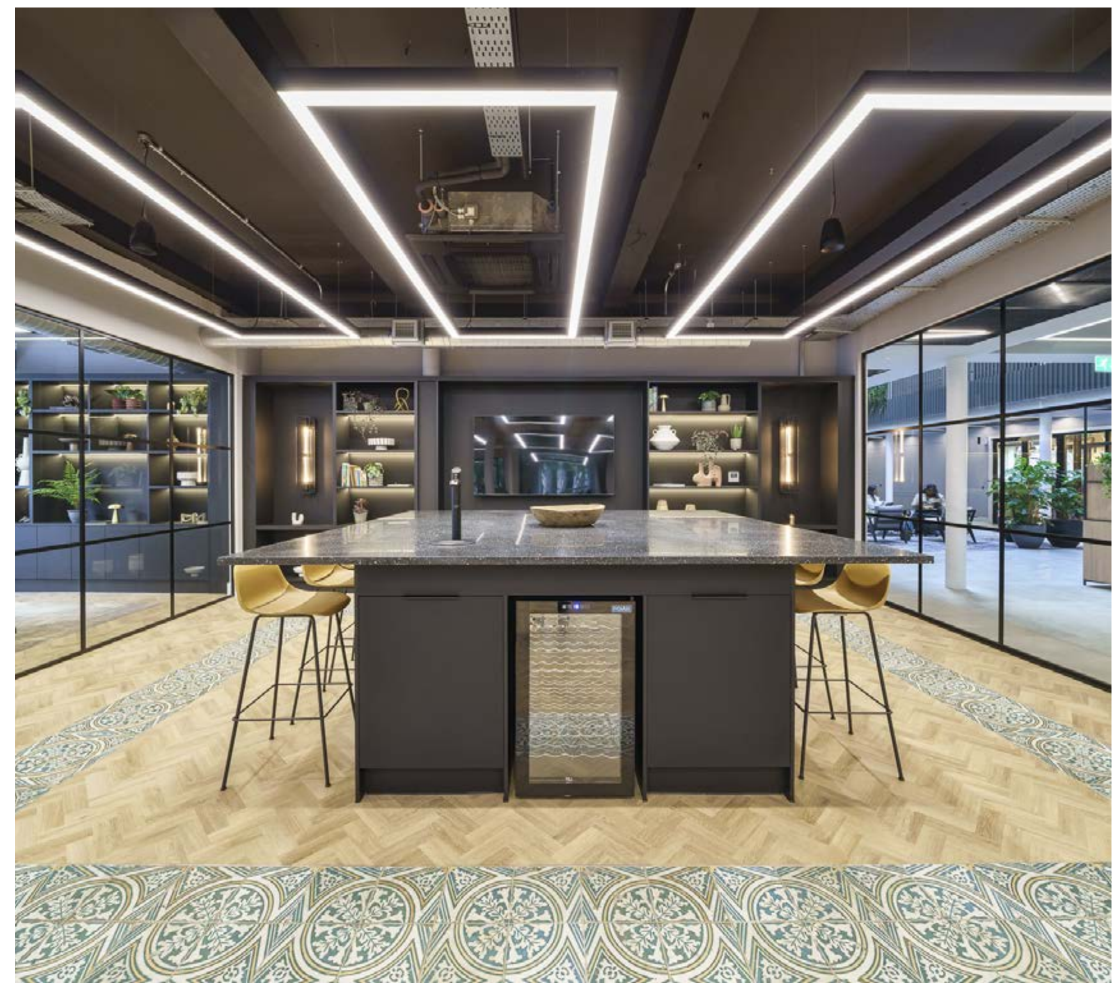
Fitted and furnished workspace transactions accounted for **17% (38)** of all conventional transactions in the city centre.

The most active size band in the fitted and furnished market was **1,001 — 2,500 sq ft**, responsible for **45%** of the number of lettings (17 transactions).

The largest fitted and furnished transaction concluded on 7,020 sq ft at 55 Spring Gardens to UK Expert Medical.

The average transaction size on fitted and furnished suites was **2,339** sq ft **down 30%** from **3,323 sq ft** in 2023.

Sevendale ↙



MANAGED WORKSPACE (FLEX)

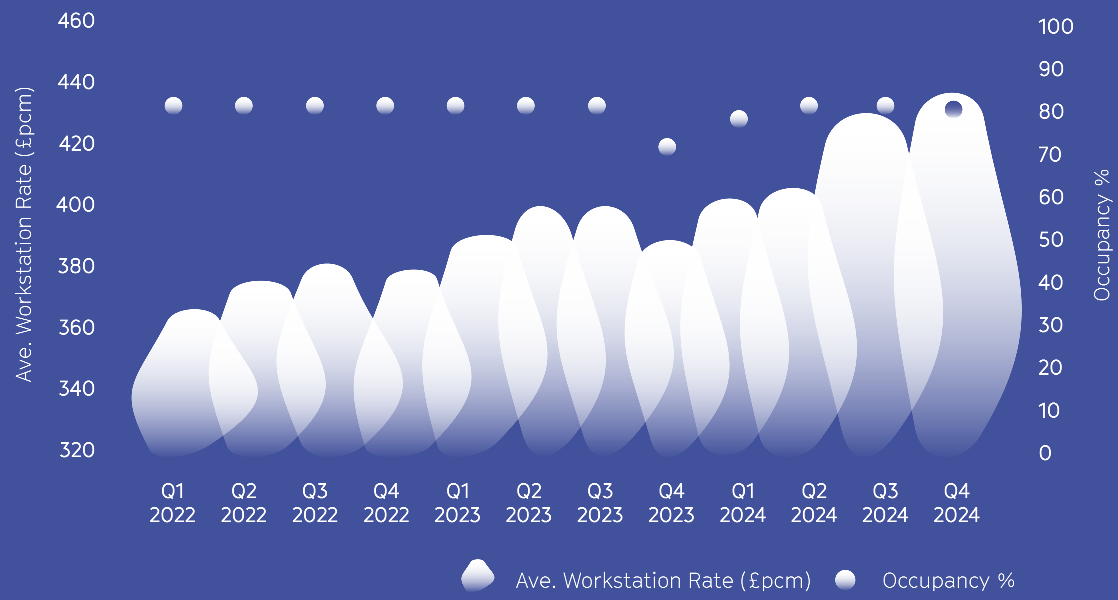
There is now **c.1.2m sq ft** of managed workspace in Manchester city centre across **51 centres**.

It is expected that a further 130,000 sq ft will be launched to the market in 2025.

Despite the increased availability across the city centre, we have seen vacancy rates remain stable compared to previous years, with strong take-up recorded as occupiers continue to be drawn to the service and flexibility offered by this type of workspace solution.

Headline desk rates have reached in excess of £600 per workstation per month for best-in-class suites.

Quarterly Managed Workspace Analysis (2022-2024) ↘



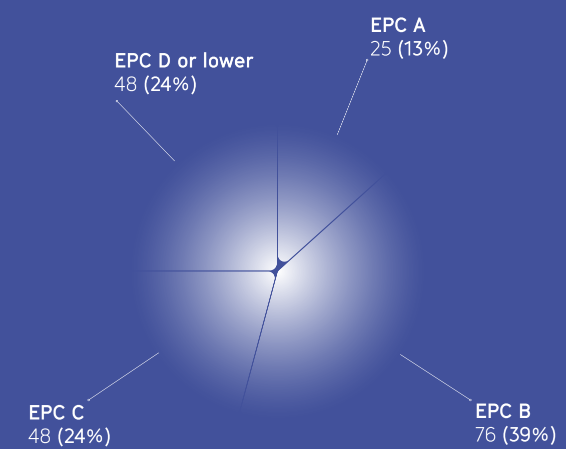
EPC RATINGS

The drive towards improved energy efficiency and demand from occupiers for sustainably led workspace continued in 2024, with **52%** of transactions occurring on suites with an **EPC rating of B** or higher, up from **45%** in 2023.

Properties with an EPC rating of B accounted for the largest share of transactions, comprising 39% (76) of transactions.

There remains uncertainty on the approach of the new Labour government to the introduction of Minimum Energy Efficiency Standards (MEES) and the proposed timescales for these to take effect.

No. of Transactions by EPC Rating ↘



TIMELINE OF KEY EPC DATES FOR COMMERCIAL PROPERTY

APRIL
2025

A valid EPC must be registered to for all commercial property lettings.

APRIL
2027

The minimum EPC rating is to be raised to C. Proposed to be delayed to 2028 by previous government.

APRIL
2028

Further requirements to EPC registration applied to commercial property lettings.

APRIL
2030

Anticipated increase of minimum EPC rating to B.

Pandemic to Present: A Five-Year Review of the Commercial Workspace Market

The commercial workspace market in the UK has undergone a profound transformation over the past five years, driven in a large part by the effects of the COVID-19 pandemic.

As the country emerged from the pandemic, businesses grappled with new dynamics shaped by hybrid work models, remote work mandates and the long-standing assumptions they had made about their office spaces, their design and their necessity.

With Manchester recording 1.2 million sq ft of take-up in 2024, the market performed to its highest level since 2019, with demand returning to pre-pandemic levels.

In this article we take a deeper dive into the trends that have emerged over the last 5-years, from an occupational, commercial and design perspective.


Barclays boss: Big offices 'may be a thing of the past'

29 April 2020 · 803 Comments

The office is dead.....?

In 2020, it was widely assumed that Covid and the subsequent lockdowns would result in the “death of the office”, with a decline in demand for traditional office leases as the pandemic accelerated the adoption of remote and flexible working arrangements, reducing the need for companies to maintain large, centralised city centre offices.

Take-up in 2020 equated to circa 800,000 sq ft, circa 35% lower than the 10-year average. Several large occupiers put their requirements on hold, with just 16 transactions over 10,000 sq ft throughout the year, down from 32 in 2019.

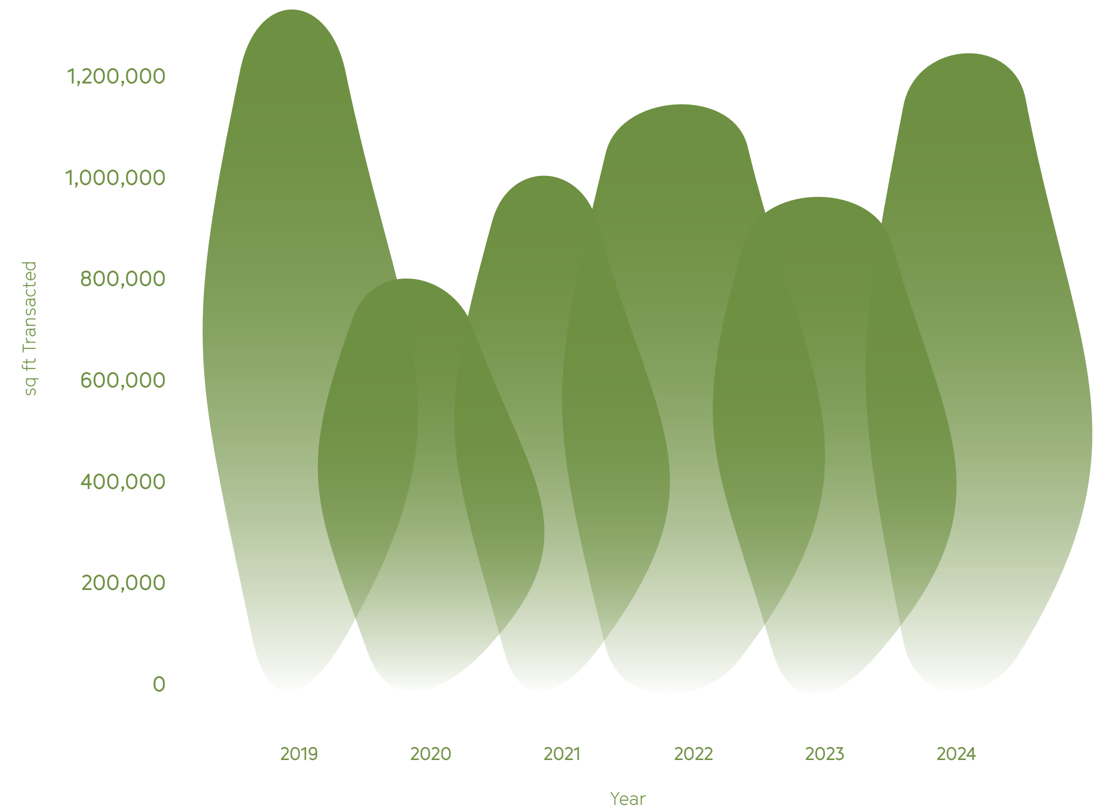
However, by the second half of 2021, it was apparent that those doom mongers, calling for the end of the office, could be getting it wrong.

Large leasing transactions returned, with major inward investors also opting to open new HQ’s within the city with the likes of Roku (115,066 sq ft) and Cloud Imperium Games (81,130 sq ft) moving to Manchester city centre.

This recovery has continued and last year Manchester experienced its highest take up since 2019. 2024 also saw the conclusion of the largest letting of any regional city centre over the last four years, when Bank of New York Mellon acquired the whole of 4 Angel Square (196,000 sq ft).

There has also been an acceleration of headline rents in the city with £45.00 per sq ft achieved in Q4 2024 when Channel Four acquired the final suite (12,000 sq ft) in No.1 St Michael’s. During 2024, in excess of 50% of the space transacted commanded rents in excess of £35.00 per sq ft.

5 year annual take up (sq ft transacted)



Recentralisation, not decentralisation

Many predicted that the pandemic would result in businesses undertaking a mass exodus from city centres, with employees unwilling to use public transport infrastructure to get to and from work. A ‘hub-and-spoke’ approach was anticipated with businesses opting to have small decentralised regional offices with a small presence in the city centre where employees could come together to meet when required.

As already outlined, by 2021, it was clear this prediction was inaccurate, as several major inward investment transactions gave Manchester a ‘shot in the arm’ as it recovered from the pandemic. This trend has continued with businesses continuing to move to Manchester city centre on a regional and national level.

Jumping the gun……

As lockdowns were lifted, city centre occupiers with lease events quickly sought to re-evaluate their occupational requirements. Many occupiers reduced their occupational footprint adopting flexible or hybrid work from home policies.

The legal sectors were particularly quick off the mark, with several committing to new offices, downsizing their footprint whilst seeking out the best workspace in the city.

Some businesses that relocated in 2021 / 2022 have subsequently had to take further expansion space to accommodate additional desks as the return to the office theme gathers momentum.

The need to remain flexible

Since 2020, flexibility has emerged as a key consideration for businesses looking to relocate. Predicting occupational requirements two to three years ahead, let alone five to ten years, has become challenging.

Landlords have realised that to attract major occupiers to their schemes, they need to be able to offer the ability for the occupiers to flex their operational footprint. Core and flex lease structures (a mixture of long and short lease terms) have emerged and are now commonplace, particularly in larger multi-floor lettings with corporate occupiers.

Providing high-quality managed workspace within a building is now a well-established strategy pursued by the majority of landlord's and developers delivering new build and large-scale refurbishment schemes in Manchester.

Gilbanks, 11 York Street ↘

Since 2020 over 358,000 sq ft of workspace has been let to managed workspace operators across 17 transactions in Manchester city centre. This figure does not account for Landlord operated managed workspace delivered by the likes of Bruntwood and Allied London.

New operators to the city have been crucial to the success of schemes delivered post-pandemic with Gilbanks at 11 York Street, Cubo at The Lincoln and X+Why at 100 Embankment providing examples of the positive leasing impact this type of workplace solution can have for a building.

Not only do flex operators help develop a community at a scheme by drawing in a smaller start-up and SME's, they also offer larger occupiers the comfort that if they outgrow their conventional space within a building they have flex opportunities to accommodate expansion.

The rhetoric behind corporate working polices

In the early days of the pandemic, as businesses were forced to work from home, many promoted the flexibility they were willing to offer their employees in deciding where they wanted to carry out their role.

The impacts of this new shift towards home working in the UK were unknown and for most presented opportunities, but for others greater challenges. Some businesses used it as a simple excuse to "cost cut".


Forbes Sign In

Twitter Employees Can Work From Home 'Forever' Or 'Wherever You Feel Most Productive And Creative'

Jack Kelly Senior Contributor

Jack Kelly covers career growth, job market and workplace trends.

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Majority of CEOs see a full return to the office within three years, study shows

Survey reveals most chief executives would reward staff for working full-time in the office, as commentators highlight EDI issues

by Mahalia Mayne | 27 September 2024

No longer is there a 'one size fits all' approach to working practices and office design, with individual businesses needing to adopt a bespoke strategy that supports individuals and teams to work in the most effective way.

However, as time moves on, it is apparent that there is a growing recognition of the value that an office environment provides. These benefits include improved mentorship and professional development for younger employees, a boost to collaboration and networking opportunities and a reduced feeling of isolation, particularly for young professionals, who miss the social interaction an office environment provides.

In 2024, there was an increasing ground swell of businesses starting to mandate employees back to the office. According to the KPMG 2024 CEO Outlook report, which surveyed 1,300 CEOs globally – including 150 in the UK, more than four-fifths (83 per cent) of UK CEOs expect to see a full return to the office within three years (up 19 percentage points from the previous year).

Similarly, many businesses who have acquired space since the pandemic have gone on to take further expansion space or exercise option agreements that were put in place, having been conservative about the number of people wishing to work from the office. Some examples in Manchester include Cloud Imperium Games, Deloitte and Starling Bank.

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HSBC Already Fears New Downsized London HQ Will Prove Too Small

- Bank looking to lease additional space in City, people say
- Lender planning move from Canary Wharf to City in late 2026

Downsizing vs Upsizing

"Flight-to-quality" became one of the most over used phrases in the commercial real estate sphere in recent years. It has become a common preconception that as occupiers have sought out the best quality space, that these moves to the best buildings available were made possible by a company reducing their occupational footprint. The most recent data supports that occupiers are chasing the premium space with 33% of the space transacted in 2024 commanding rents in excess of £40.00 per sq ft (up from 9% in 2023).

This year, OBI has undertaken detailed research of transactional data which provides analysis of 10,000 sq ft + transactions (excluding lettings to flex operators) and whether the moves were a downsize, upsize or like-for-like move. The findings may surprise some.

Following the pandemic, there were more businesses reducing their occupational footprint, but since then there has been a gradual decline, culminating in 2024 where all but three of the of the transactions concluded on workspace of over 10,000 sq ft were occupiers increasing the amount of space they occupied.

Several factors causing this include:

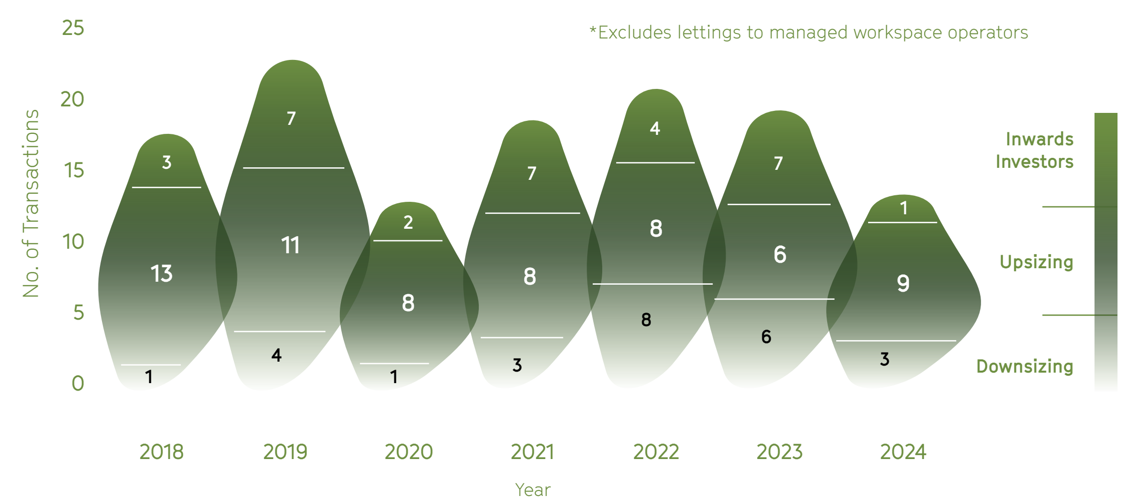
Occupational densities **– as businesses seek to increase the level of breakout and amenity space within the office to provide an environment that will attract employees back to the office, the amount of space being provided per employee has increased.**

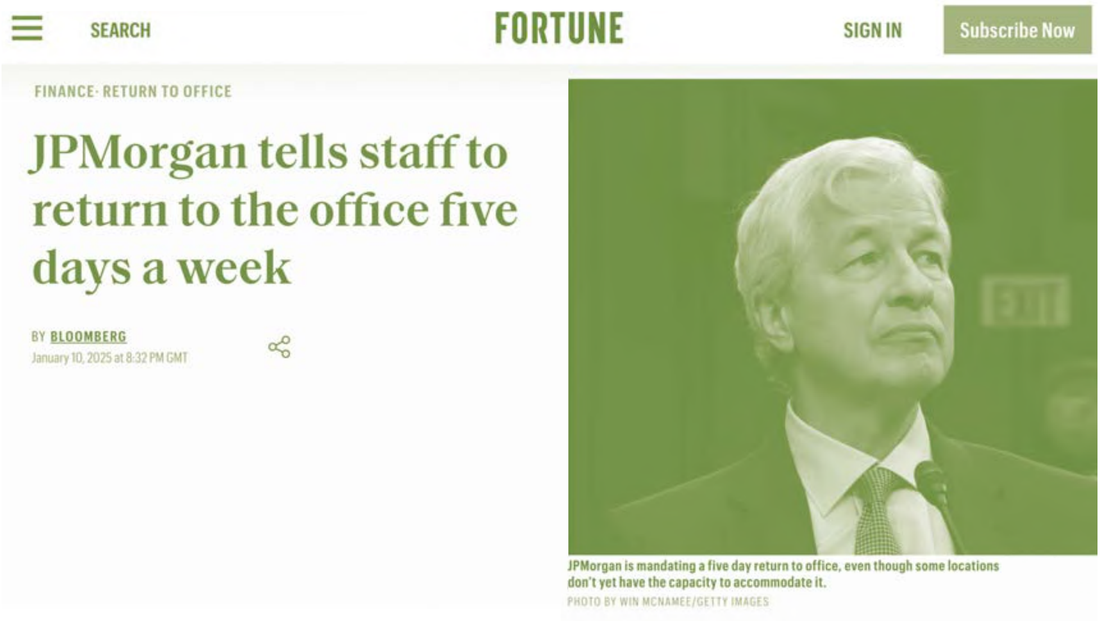
Increasing headcount **– despite concerns around the general economy, many corporate businesses have been growing their employee headcount in recent years, with several requirements coming to the market and subsequently increasing in size.**

Return to office-based working **– occupiers adapting their working policies around more days being based in the office.**

No. Transactions 10,000 sq ft+

*Excludes lettings to managed workspace operators

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FINANCE · RETURN TO OFFICE

JPMorgan tells staff to return to the office five days a week

BY BLOOMBERG
January 10, 2025 at 8:32 PM GMT

JPMorgan is mandating a five day return to office, even though some locations don't yet have the capacity to accommodate it.
PHOTO BY WIN MCNAMEE/GETTY IMAGES

Closing thoughts.....

It cannot be disputed that the approach to office-based work has experienced seismic shifts brought about by the pandemic. Occupational, technological and design trends, that would typically take several years to be adopted have been fast-tracked, requiring the property industry to adapt and change.

As an industry, the market has been pragmatic and evolved to offer workspace products that promote flexibility, provide high-quality amenity and a streamlined process for relocation.

Levels of demand have returned to pre-pandemic levels, provide a clear barometer that there remains demand from commercial and public sector occupiers for city centre workspace.

The key throughout 2025, will be ensuring that the supply of workspace is maintained and that the city has the capacity to accommodate those business that wish to be based here and that the product provided continues to meet the changing needs of the occupier.

No 1 St Michael's – Fully Let Prior to Completion

OBI has worked with the Relentless team for over 10 years on the design and delivery of the 200,000 sq ft speculative office-led scheme. 2024 was the year where we played our part in fully letting No.1 St Michael's prior to practical completion.

It is the first time in 15 years that a speculative office building of this scale in Manchester has been fully let prior to practical completion. It has been brought to the market through a joint venture between Relentless and global investment firm, KKR, with the support of Manchester City Council.

Since construction began on the 100% speculative development in 2022, the team has secured six office tenants and three F&B operators, setting a new headline rent for offices in the city on three occasions. The latest record rent of £45.00 per sq ft was secured on the last letting to Channel Four.

The multi-let nature of No.1 St Michael's presents a perfect tenant mix of national and international occupiers from the legal, business intelligence, technology, AI and media sectors, while the F&B provision will see three iconic brands open their first UK venues outside London.

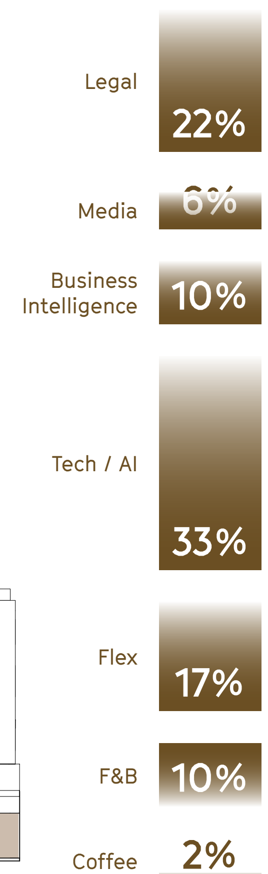
Gary Neville, director at Relentless Developments, said:

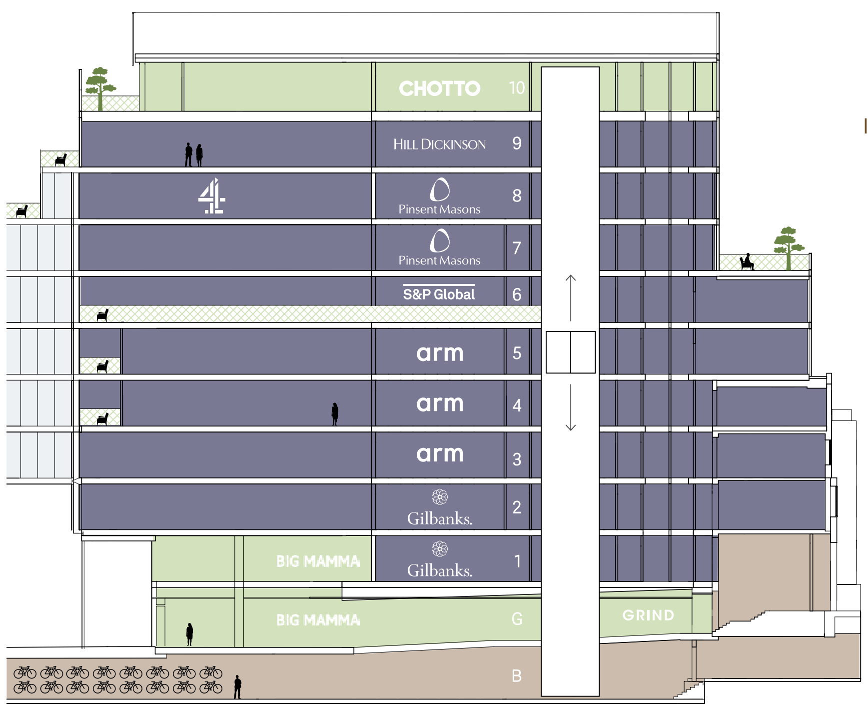
"It was a huge leap of faith to speculatively build a development in excess of 200,000 sq ft, but we've always been confident in our ambition for the building.

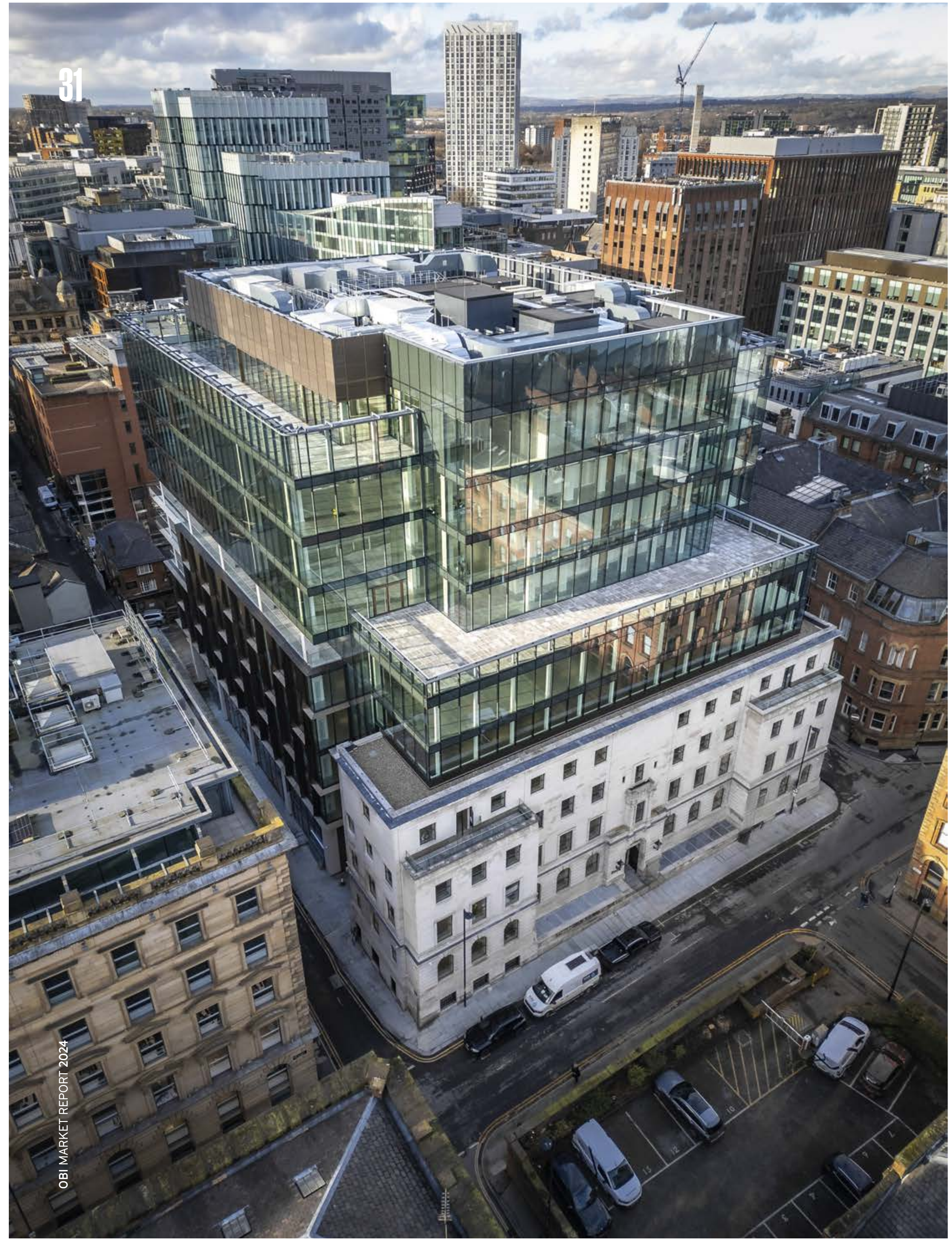
"We also recognised sustainability was crucial and invested heavily to ensure our ESG credentials met the aspirations of our tenants."

Gary Neville ↘

Occupier Sector Make-up







Nicky Barker, Head of Asset Management in KKR's European Real Estate team, said:

"In today's market, top tenants expect world class sustainability, a prime location and distinctive amenities – these have become crucial drivers of long-term value.

"This was the vision we shared with Relentless when collaborating on the development of No.1 St. Michael's, a vision now affirmed by the project's success in setting new benchmarks for Manchester's real estate market."

St Michale's, phase 1 ↘

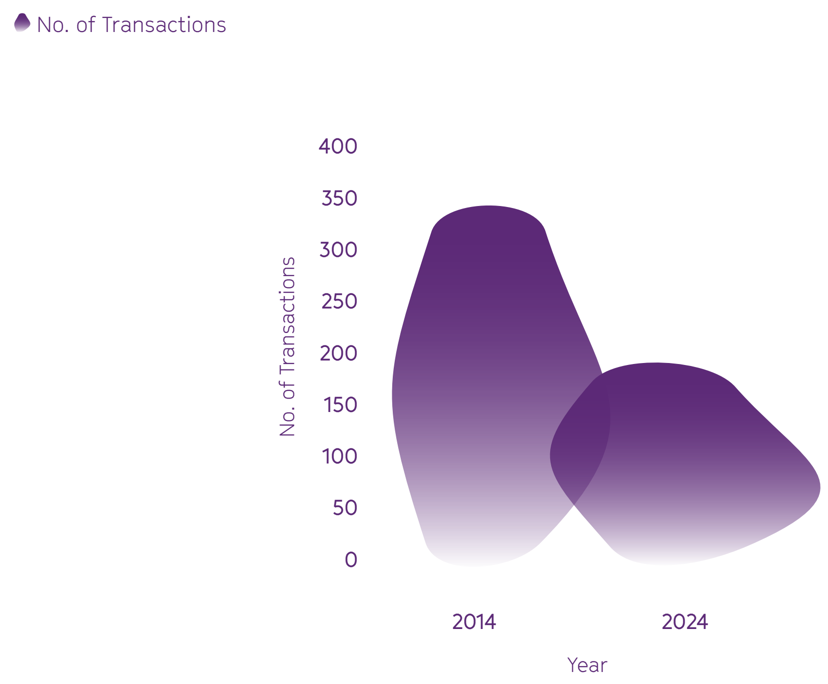
2024: Structural Changes to the Office Leasing Market

The commercial workspace market in Manchester city centre has been driven over a prolonged period of time by transactions in the sub-5,000 sq ft market. These 'churn' deals have maintained consistent occupational demand, even against the most challenging economic backdrops such as the banking crisis in 2008 and during the pandemic in 2020.

Based on the analysis of 2024 take-up, and for the first time since OBI have been analysing the Manchester city centre leasing market, there are trends emerging that illustrate we are seeing a structural shift to traditional market dynamics.

In 2024, whilst overall take-up levels remained strong, with the highest levels of demand since 2019, there has been a drop in the number of transactions concluded, with conventional deals down by 10% on 2023 and almost a fifth on 2022. The largest percentage decrease being within the sub 5,000 sq ft size band.

Total No. of Conventional Transactions



A distinct three-tier market is now present in the city centre, comprising of the following product classes:

- Conventional CAT A
- Fitted & furnished
- Managed workspace (Flex)

In 2024, managed workspace started to play an increasingly important role in satisfying the needs of occupiers, particularly those seeking sub-5,000 sq ft, resulting in the reduction of conventional transactions recorded.

The quality and availability of managed workspace in the city centre has improved, with new entrants arriving in the city including Gilbanks, X+Why and Cubo. These operators supplement the space available in Landlord operated buildings, offered by the likes of Bruntwood, Northern Group and Allied London.

The depth and quality of the flexible workspace in Manchester enables it to appeal to occupiers from all sectors. There are currently 22 providers within the city providing circa 1.2 million sq.ft of managed workspace, which accounts for c.5% percentage of the total Manchester office market, and there is scope for this market to increase.

Manchester's Managed Workspace Market (Flex)

There has been circa 121,494 sq ft of take-up in 2024 from the managed workspace sector. These centres, offered by new entrants to the city, continue to raise the bar in terms of quality and service as they look to differentiate themselves from the competition.

The product is now increasingly diverse, catering for a wide range of occupier needs and demands. Whether a business is looking for corporate space within Grade A building in a prime location, or innovative workspace in a district positioned towards the creative sectors — managed workspaces now offer a range of solutions that cater for a broad range of budgets and tastes.

Over the last few years occupiers' expectations from their workspace have increased, with many seeking greater leasing flexibility, service that is aligned to the best practices from the hospitality sector, access to a variety of work settings and spaces that support health and well-being.

Managed workspace operators have reacted most quickly to these changing needs, setting the new standard for the level on onsite amenity coupled with aspirational workspace settings.

Communal Roof Terrace

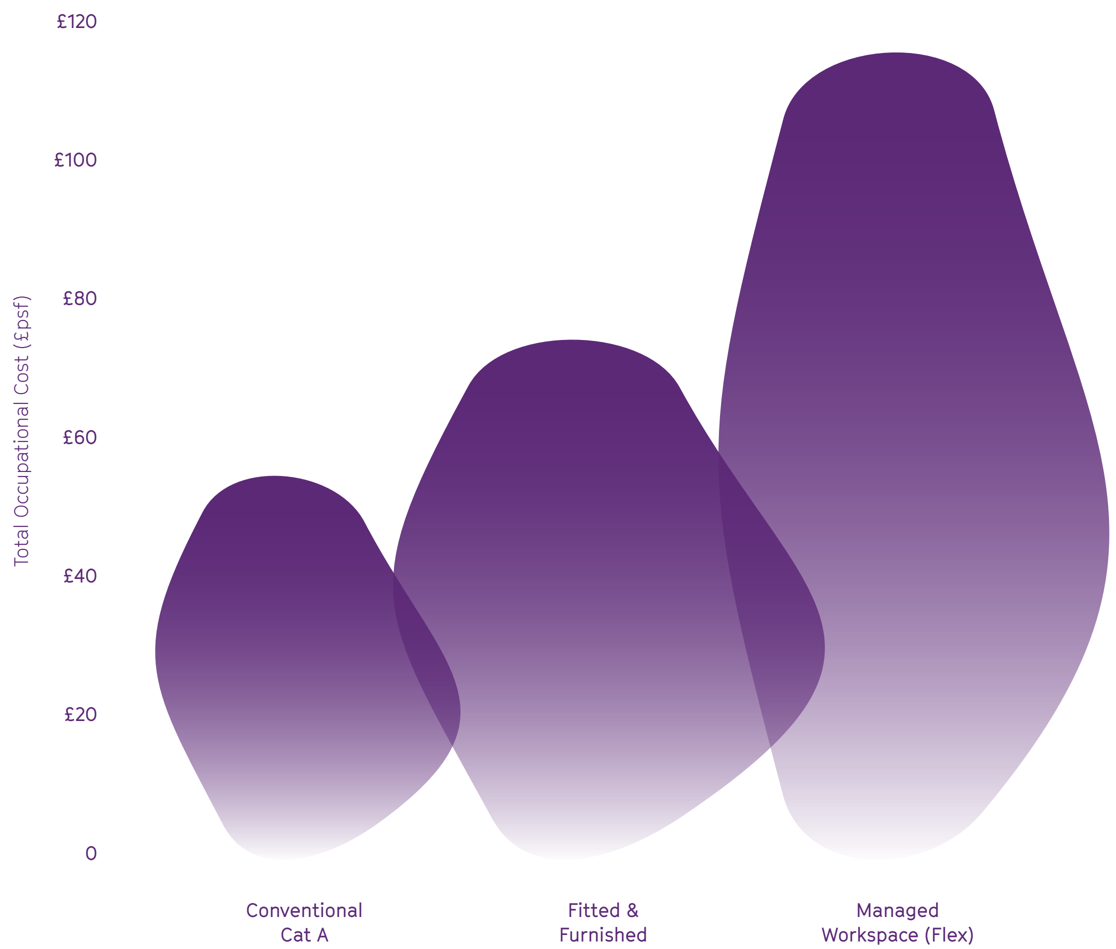
Fitness Studio

Breakout space

Event Space

As illustrated below, the costs associated with choosing a managed workspace over a fitted & furnished, or conventional solution are high. However, the drop in the number of transactions concluded in 2024 illustrates that occupiers are willing to pay these premium rents to secure flexibility, transparency on cost, speed of occupation and access to amenity.

Total Occupational Cost Comparison



The Rise in Landlord Fitted & Furnished Workspace

To compete with managed workspace operators, landlords have had to adapt. Those landlord's that chose not to partner with a managed workspace operator, reacted to a change in occupier requirements by delivering fitted & furnished workspace.

This product is positioned between managed workspace and a conventional leasing approach, with suites typically taken on leases of two to five years and at a premium rent of 20-25% above conventional rents, to offset the capital required to deliver the CAT B fit out.

The first fitted & furnished solutions emerged in Manchester during 2020 and initially focused on suites of 1,000 to 2,500 sq ft, as it was easier to anticipate how a business may occupy smaller spaces from a layout perspective.

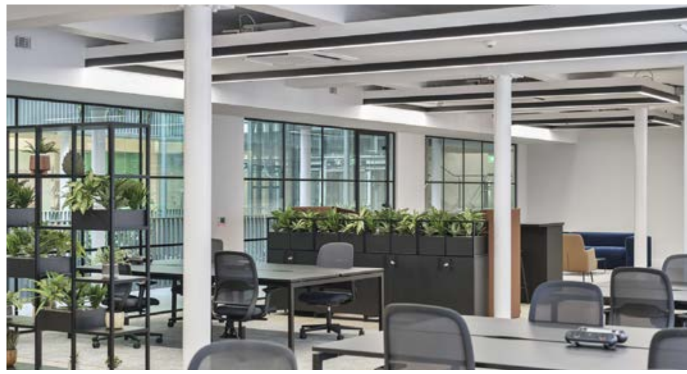
Over the last few years this market has matured as landlords have had to improve their offering to compete with the new influx of managed workspace operators.

The specification, quality of furniture and finishes and diversity of product has increased since its introduction to the market five years ago.

The images below of best-in-class schemes delivered at Annex, Hyphen and Sevendale House illustrate the quality of the product now on offer.

Hyphen

Sevendale House



Annex

These schemes have been successful in attracting occupiers, minimising void periods and securing premium rents when compared to a conventional leasing approach.

Fitted & furnished suites are properly dressed, well-presented and strike the right balance between design and functionality for an occupier. This solution avoids occupiers having to commit to the capital expenditure typically associated with an office relocation and minimise exit costs at lease expiry

As the quality of service and amenity offered by managed workspace operators has been enhanced, landlords have made further investment in their assets to deliver complimentary building amenity.

The amenities include wellness studios, roof terraces, event spaces, business lounges, coffee concessions and end of journey facilities. There is a clear trend that the buildings with good quality fitted and furnished workspace, with the largest building inventory have had the greatest leasing success and are achieving the highest rental values.

Service levels and onsite management have also improved, with community managers building a much stronger relationship between landlord and tenant than would have been the norm five to ten years ago.

Sevendale House ↙

Quoin ↙

Annex ↙

Conclusion

The demand dynamics of the market are changing, with managed workspace now absorbing an increasing share of transactions.

Leases agreed with managed workspace operators are recorded in city centre take-up, hence the reason we have seen no drop in overall demand. However, once operational, this new managed workspace will result in a continued reduction in conventional transactions, as predominantly smaller occupiers opt for this type of leasing solution.

It is evident that despite the premium occupational costs associated with fitted & furnished and managed workspace, occupiers are willing to focus on those solutions that offer ease of occupation, lease flexibility, minimal upfront capital expenditure typically associated with fitting out and furnishing their office.

Moving through 2025, the consideration for landlord's is whether to partner with a managed workspace operator or deliver fitted and furnished workspace, with wider building amenity and enhanced service levels to ensure their building remains relevant to evolving occupier needs.

For those landlords that can deliver fitted and furnished workspace, on a larger scale and in highly activated buildings, there is opportunity to drive rental growth.

The landlord fitted and furnished solutions are currently offered at a discount to managed workspace, but as landlords elevate their offering the boundaries between managed workspace and fitted and furnished will become blurred and the rental gap will be bridged.

The market is changing but it is creating opportunity for those asset owners willing to take a more hands on approach, or find a trusted partner for managed workspace.

Capital Markets – 2024 Review

2024 Investment Volume	vs 2023	Volumes vs 5-year average	Number of deals
205m	-31%	-53%	21

Key indicators:

— A continued widening gap between prime and secondary yields.

— An increase in value-add deals as investors seek to take advantage of over-corrected pricing / valuations for buildings requiring significant capex to improve the quality of offering and ESG accreditations.

— Most owners are well capitalised with limited forced selling pressure. This has reduced investment volumes with less assets coming to the market, particularly prime buildings, with owners holding out for improved market conditions.

— Investment volumes are dominated by domestic debut purchasers and private family offices.

— The average deal size is down due to lack of large or prime transactions.

Volume

The investment market has remained in a state of flux throughout 2024 due to uncertainty over pricing, high interest rates, change in buyer profiles and wider geopolitical events.

The Bank of England (BofE) Base Rate remained at 5.25% from August 2023 until July 2024. In August 2024, the rates dropped 25bps to 5.00% and a further 25bps in November to 4.75%, where rates will remain until the next review on 6th February 2025. This has resulted in continued expensive debt markets, which has made funding investment deals challenging.

The base rate is expected to be cut gradually through 2025 to circa 4.00 — 4.25%.

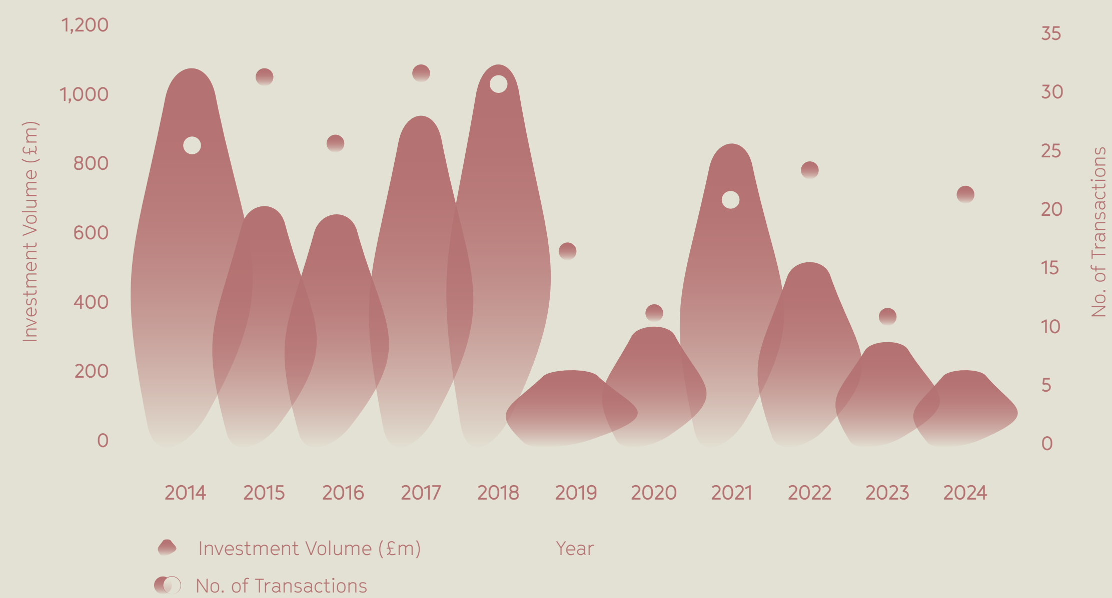
Manchester City Centre office investment volume totaled £205m for 2024. This was 31% down from 2023 and 53% down from the 5-year average of £433m.

The total number of transactions was 21, reflecting 10 transactions above the 11 deals recorded in 2023 and above the 5-year average of 17 transactions.

2024 got off to a slower start in H1 with just £67m of deals transacting. The second half of the year picked up with £137m registering across 13 transactions. The average deal size was £10m, which is below the long-term average. We did experience an uptick in investor sentiment towards the end of the year and expect this to carry through during 2025.

A key deal, and also the largest deal, for the city was the sale of 82 King Street, an iconic 82,000 sq ft office building in the heart of Manchester's Central Core district. The building was purchased by Priory Real Estate in July from Colombia Threadneedle for £23m, 100% let with a contracted rent of £2,275,689 per annum (£26.35 per sq ft). Occupiers include Rothschild, LDC and Zeus Capital.

Manchester City Centre Investment Volume



Summary of Key Investment Transactions

PROPERTY	PRICE (£M)	YIELD	SIZE (sq ft)	£PSF	PURCHASER
82 King Street	£23.00	9.00%	81,805	£281	Priory Real Estate
55 Spring Gardens*	£13.28	11.55%	55,385	£240	Tri 7 / Pears
Trinity Bridge House	£18.00	16.69%	205,718	£87	Israeli Family Office
81 Fountain Street	£12.00	9.10%	37,323	£322	Kier Construction
81 Fountain Street	£6.00	VP	37,323	£161	M20 Property
Northern Assurance Buildings*	£8.50	7.46%	28,070	£303	Threesmith Group
Victoria Buildings*	£5.80	8.08%	18,856	£308	Threesmith Group
86 Deansgate	£6.30	13.60%	48,967	£129	Axia
19 Spring Gardens*	£6.50	N/A	36,586	£178	Northern Group
55 Princess Street	£15.00	9.23%	54,899	£273	Seneca Property
Citygate	£14.00	8.15%	47,500	£295	XLB
4 Hardman Street	£13.00	10.88%	50,633	£257	Private
76 King Street	£7.25	N/A	41,141	£176	Northern Group

**OBI ADVISED ON THE INVESTMENT TRANSACTION*

There has been a continued widening gap between prime and secondary yields, with an increase in investors seeking value add opportunities, looking to take advantage of over-corrected valuations. Most owners are well-capitalised without forced selling pressure, which has reduced the number of assets coming to market and therefore reduced the total investment volume, particularly for better quality buildings. As such, we have not noticed any notable levels of distress in the market.

If a best-in-class office building became available in Manchester, ticking all the boxes including strong sustainability credentials, we consider that current market sentiment would experience significant yield compression.

The average net initial yield across all city centre office investment deals was 10.67% compared to 7.06% in 2023, representing a 51% increase for transaction yields in 2024!

Long-term average prime yields for Manchester offices have softened marginally, with the average prime yield over the last 20 years now standing at 5.34%, as summarised in the table below:

AVERAGE MANCHESTER PRIME YIELDS	
20yr	5.34%
15yr	5.48%
10yr	5.28%
5yr	5.55%

AVERAGE MANCHESTER SECONDARY YIELDS	
20yr	6.48%
15yr	6.60%
10yr	6.01%
5yr	6.20%

82 King Street

Albert Estate

Why are transactions down 60%?

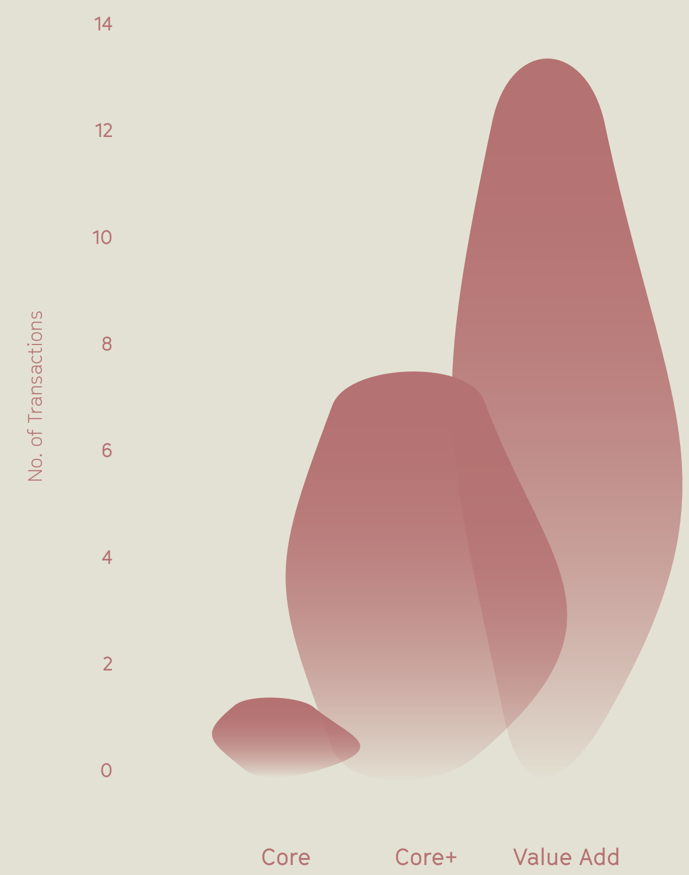
	January 2022	January 2025	
10Y Bond Yields	1.20%	4.80%	10Y Bond Yields up 300%, more return for less risk
BofE Rates	0.25%	4.75%	Inconsistant forecast with a volitile outlook, amid a complex economic landscape
Unlev. IRR's	8.00%	15.00%	88% higher hurdle rates for core investors
Prime Cap Rates	5.00%	6.50%+	30% increase in implied cap rates

Sellers Aspirations

Buyers Aspirations

Deal Profile

Deal Profile 2024



UK institutions and funds continued to be the net sellers in 2024, exiting from assets which require ESG repositioning and/or significant CapEx. The graph above shows that 'Value Add' deals represented 62% of all transactions and Core+ deals representing 30% of all transactions.

This is a significant increase when compared to 2023, where there was a greater percentage of 'Core' deals as investors favoured security of income, taking advantage of discounted pricing with less competition from UK Institutions and debt buyers.

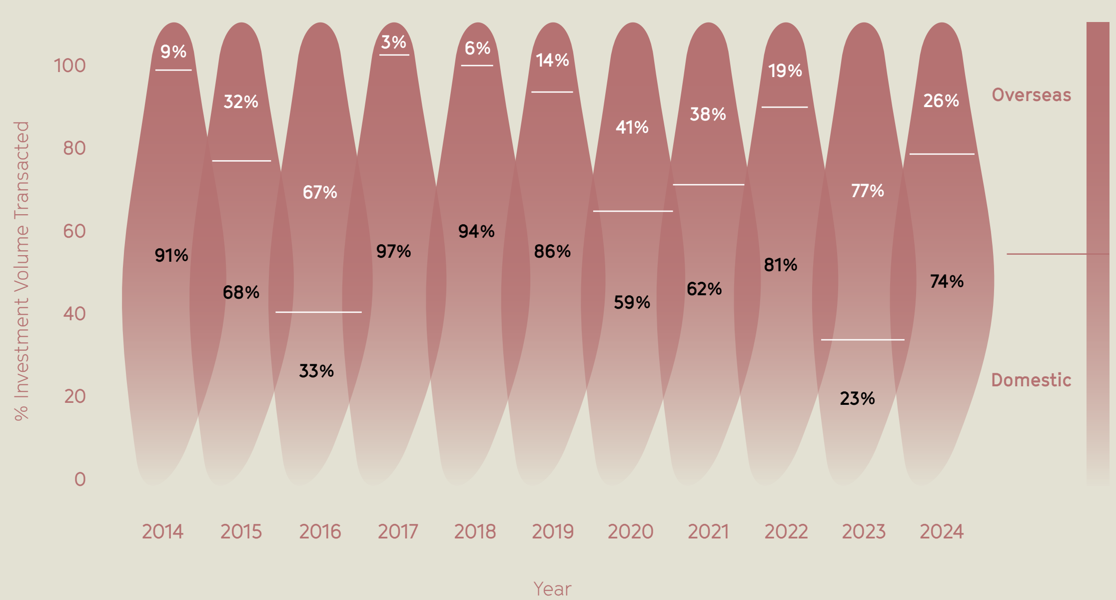
Buyers & Sellers

The key theme for 2024 was the continued lack of buying from the UK institutions and funds, with no transactions since PIC's purchase of No. 9a, First Street in September 2022. In the absence of UK institutions and funds, PE backed investment platforms and private family offices are taking advantage, sensing a window of opportunity while pricing looks attractive.

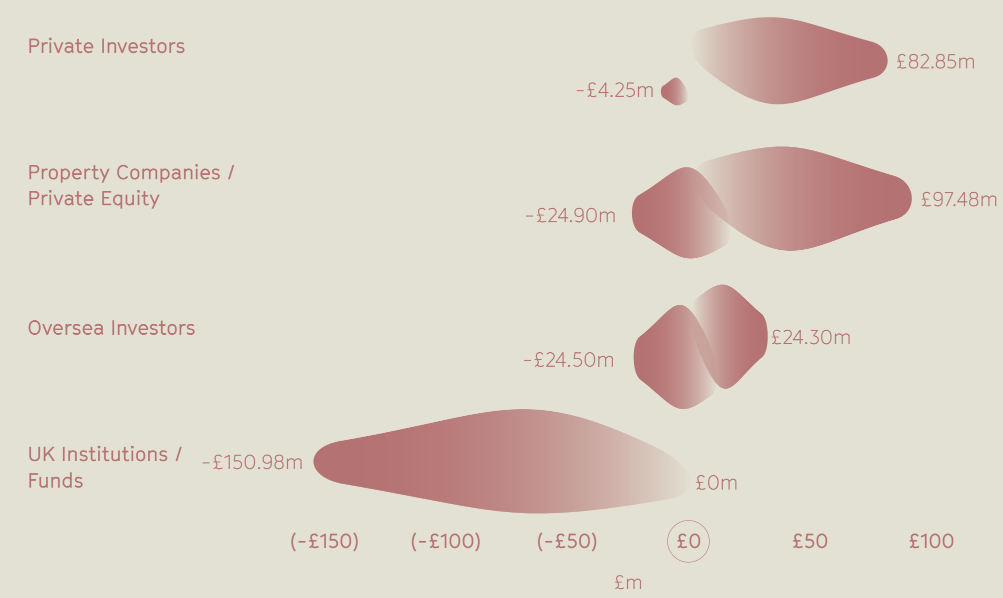
Debut purchasers represented 71% of all investment volume. Key new entrants to the city centre market in 2024 included Northern Group who purchased 19 Spring Gardens and 76 King Street, Tri7 who purchased 55 Spring Gardens and Threesmith Group who purchased Northern Assurance Buildings and Victoria Buildings. This represents Manchester's continued ability to attract new investment in challenging market conditions.

Unlike 2023, which was dominated by overseas investors, 2024 saw a major turnaround with domestic purchasers accounting for 74% of all transactions. Property companies, private equity backed asset managers and family offices continued to be amongst the most active. UK institutions and funds continued to be the net sellers, accounting for 62% of sales.

Domestic VS Overseas Capital (Investment volume)

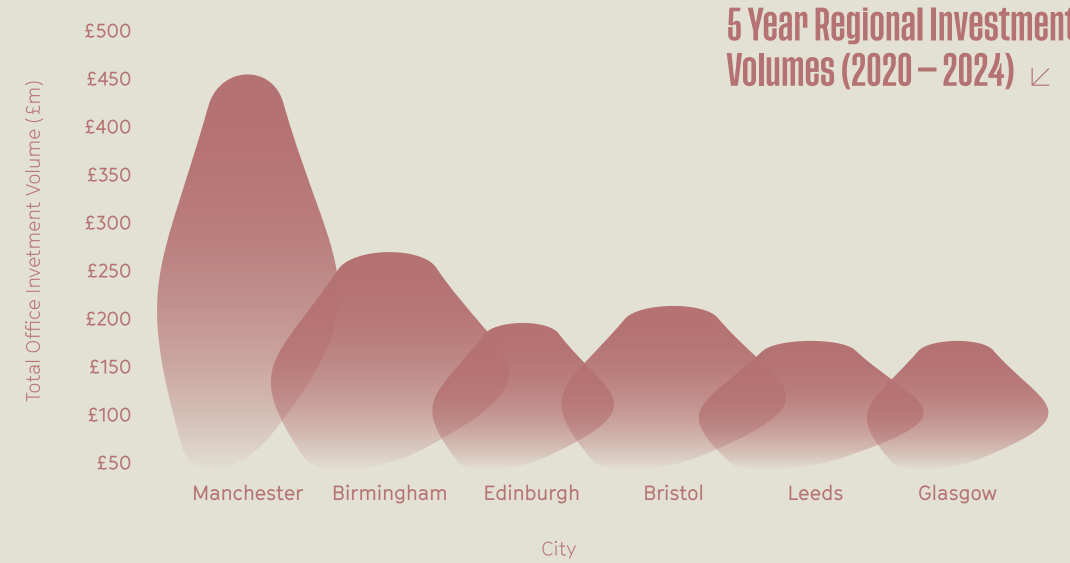


2024 Sellers & Buyers



Regional Comparison

5 Year Regional Investment Volumes (2020 – 2024)



High Profile Regional Deals

Property	Price (£m)	Yield	Size (sq ft)	£psf	Purchaser
Central Square, Leeds	£78.00	7.93%	230,769	£338	Ashtrom Properties
EQ, Bristol	£103.00	7.08%	194,426	£535	Melford Capital
Halo, Bristol	£70.16	5.77%	116,024	£605	CBRE IM
The Mint Building, Edinburgh	£42.50	5.85%	70,467	£603	Pontegadea
122 Waterloo Street, Glasgow	£50.40	8.23%	150,980	£334	Iroko Zen
1 West Regent Street, Glasgow	£45.80	8.70%	143,797	£319	M&G

2025 – OBI Predictions

We are confident that 2025 will continue to see the occupational market flourish and there will be a steady return to larger investment transactions. During Q4 2024, there was a notable improvement towards investment sentiment in the office sector and we believe this will continue throughout the year.

Amid mounting concern over government finances and question marks surrounding the sustainability of Chancellor Reeves economic plan, the UK 10-year gilt now stands at its highest level since 2008 (4.80%) and has led to revised predictions in future rate cuts in 2025.

However, there are more factors in play – real estate fundamentals will continue to initiate investment activity in the year ahead, driven by factors like falling interest rates (albeit not as low as we expected) and increased investor confidence, helping to stabilise pricing, improve debt facilities and accelerate liquidity.

There remains significant capital targeting regional offices, with supply of workspace diminishing further in 2025, which in turn is forcing upward pressure on rental growth — buyers' conviction will return.

While interest rate fluctuations and inflation shape the investment decisions of institutional investors, private investors, exploring countercyclical buying opportunities, accounted for the most active buyer profile in 2024, and we expect this appetite to continue, particularly in sectors deemed to have experienced an overcorrection in pricing and valuations.

Appetite from high-net-worth individuals and family offices for real estate that presents long-term growth will continue to underpin sectors impacted by economic uncertainty, such as regional offices, where prime yield sentiment (6.50%) is currently 21.7% higher than the 20-year average (5.34%), thus highlighting good value at current pricing levels.

The flight to quality experienced in 2024 is set to continue with poor secondary assets being most at risk – there is no room for the “passive” investor in the office sector.

For secondary assets, a robust business plan with hands on asset management is key to mitigating yield erosion. Although, this is the heartbeat of the market and presents significant opportunity to unlock value.

Markets are cyclical, and so we are confident that an interest-rate driven downturn in real estate capital markets will, at some point, give way to an interest-rate driven recovery. There is a renewed sense of optimism that we are moving off the bottom and a new cycle is about to begin.

2025 is set to make a strong start on the leasing front with a letting to Autotrader (130,000 sq ft) already committed in early January and Softcat (35,000 sq ft) set to complete in Q1.

New build speculative development will remain a challenge due to development economics and there is an acceptance that we are set to see rents on new schemes jump to circa £55.00 per sq ft for the next development cycle. Due to the lack of new build supply, the first schemes brought forward will certainly attract leasing success. The nervousness remains around long-term cap rates for prime assets.

Due to the lack of new build starts, the refurbishment pipeline will play a key role in plugging the obvious shortage in new build supply. We are confident that rental growth will exceed 5% for the best in class product.

In terms of the flex market, we expect to see a widening two-tier market where the operators opening new centres commanding desk rates of £450+ per workstation pcm and the old centres (in need of capital investment) beginning to fall behind.

OBI Acquire BE Group’s Agency Services Business in Strategic Move to Grow Regional Presence

During 2024 we were delighted to confirm the acquisition of BE Group's agency business, an independent property consultancy in Warrington.

BE Group, is the driving force behind the Warrington office market and strengthens our coverage across the North-West.

"BE Group has built a remarkably strong brand and loyal client base over the years and are the stand-out advisors in their respective market,"

said Will Lewis, co-founder of OBI.

"It been great supporting Simon and the team with the infrastructure to continue the success of the business and we will integrate the brand into OBI during 2025. There are obvious synergies from a culture and client perspective, and a clear opportunity for other OBI disciplines to further support the success of the transaction services already being provided."

Simon Roddam, director at BE Group said the two firms are aligned in their approach.

"We see this as a great fit for the BE agency business," he said. "Finding a company with a similar outlook and ethos to ours was always a priority and we are already delighted with the results of the combined teams."

OBI and BE Group can offer leasehold disposal and asset management expertise in addition to the following services:

BUILDING CONSULTANCY

- Dilapidations
- Project management of refurbishments / fit outs
- Building surveys (technical due diligence) services
- Cost consultancy

CAPITAL MARKETS

Investment sales and acquisition services across commercial, industrial, retail and leisure sectors.

WORKPLACE CONSULTANCY

A specialist team of space planners, interior designers and architectural technicians who design transformational workspaces and common area enhancement works.

PROFESSIONAL WORK

Lease renewal, rent reviews, lease regears and valuation expertise.

STUDIO

Creative story tellers and brand experts delivering high impact branding, marketing collateral, video and animation.

DRONE EXPERTISE

Licensed drone experts that we commonly utilise for marketing projects and building consultancy (roof surveys etc)

If you would like to discuss any of the above in further detail, then please do not hesitate to contact OBI.

Manchester City Centre League Tables 2024

Manchester's most active agent for the 7th year running.

Responsible for 50% of the commercial workspace transacted in the city during 2024 and 40% of transactions.

Set a new record rent for the city centre on three separate occasions during 2024.

#	Agent	sq ft Transacted	No. Transactions
1	OBI	606,998	78
2	CBRE	479,143	44
3	JLL	347,698	25
4	Colliers	314,268	23
5	Savills	231,885	39
6	Cushman & Wakefield	149,117	26
7	Canning O'Neill	93,592	40
8	Knight Frank	81,839	14
9	Edwards	64,796	26
10	Sixteen	54,953	24

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