

	YoY Chg	12-Mo. Forecast
<b>14.9%</b> Vacancy Rate	▲	▼
<b>347,141 sq ft</b> Take-Up	▼	▲
<b>£38.50 psf</b> Prime rent	▲	▬

**KEY INDICATORS Q4 2021**

	YoY Chg	12-Mo. Forecast
<b>32.5 M</b> UK Employment	▲	▲
<b>4.1%</b> UK Unemployment Rate	▼	▼
<b>0.25%</b> Interest rate	▲	▲

Source: ONS

**ECONOMY: Continued positive growth but interest rates on the rise**

The UK economy surpassed its pre-pandemic level for the first time in November. GDP rose by 0.9% during the month, taking the economy to 0.7% above the February 2020 level. This is clearly a positive for the UK real estate market and demonstrates a clear direction of travel, but we should expect weaker data for December once the effects of Omicron are felt. The biggest gain was in the construction sector, which expanded by 3.5%, largely reflecting an easing of the supply issues that have restricted growth for the last two years. The base rate rose for the first time since 2018 in response to rising inflation rates driven by the price of fuel and energy.

The recovery in the labour market continued in the three months to November 2021. The UK employment rate was 75.5%, 0.2% higher than the previous quarter, but still 1.1% below the pre-pandemic level. Forecasts suggest jobs growth in office-using industries will continue through the next 12 months and beyond.

**OCCUPIER FOCUS: Take-up strengthening but supply remains high**

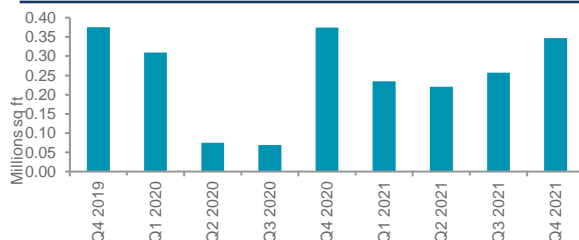
Take-up rose to 347,141 sq ft in the final quarter, the highest since Q4 2020. Sentiment continued to improve, which was reflected in the market's strong end to the year. Inward investment continues to play an important role in Manchester's city centre office market, accounting for 33% of total take-up in 2021. Total take-up for 2021 was 1.1 m sq ft, 28% higher than the previous year and only 11% below the 10-year average. There remain some large requirements in the market, which should help support leasing activity during 2022. The largest transaction of the quarter was Roku's acquisition of 115,066 sq ft at Circle Square.

Availability fell slightly to 3.06 m sq ft, 3% below the previous quarter's level and 16% above the 10-year average level. The volume of space under construction speculatively rose to 313,818 sq ft; there are two schemes currently under construction at 4 Angel Square, NOMA and Eden, New Bailey. The prime rent remained stable at £38.50 per sq ft, a record level for this market; we expect the prime rent to remain stable in 2022 as the market works through the new and refurbished supply currently available.

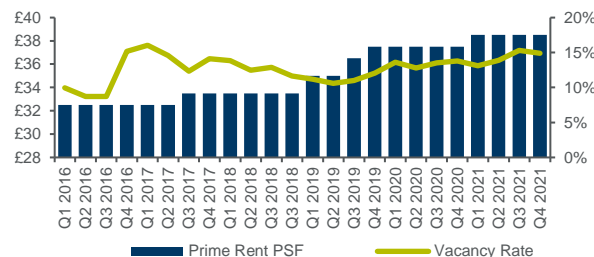
**INVESTMENT FOCUS: Highest turnover for seven years**

Investment turnover totalled £325.0 m in the final quarter of the year, the highest quarterly total since Q3 2014 and 36% higher than the same quarter last year. Total turnover for the year was £761.2 m, the highest since 2017 and more than 2.5 times higher than 2020. The largest transaction of the quarter was RBS Group's purchase of 1 Hardman Boulevard from M&G Real Estate on behalf of the Pension Protection Fund for its own occupation at £292 m. This is the largest transaction in the city centre since the building last traded in 2014. The prime net initial yield remained stable at 4.50% reflecting the continued lack of supply.

**TAKE-UP**



**OVERALL VACANCY & PRIMERENT**



## MARKET STATISTICS

MANCHESTER	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	% CHANGE Q-O-Q	% CHANGE Y-O-Y
Stock (Sq ft)	20,544,089	20,544,089	20,544,089	20,544,089	20,544,089	0.0%	0.0%
Take-up (Sq ft)	374,650	234,258	220,183	257,164	347,141	35.0%	-7.3%
Supply (Sq ft)	2,833,461	2,699,056	2,859,104	3,148,062	3,061,634	-2.8%	8.0%
Vacancy Rate	13.8%	13.1%	13.9%	15.3%	14.9%	-	-
Spec Construction (Sq ft)	538,171	308,171	308,171	186,132	313,818	68.6%	-41.7%
Prime Rent (per sq ft)	£37.50	£38.50	£38.50	£38.50	£38.50	0.0%	2.7%
Investment Turnover (Millions)	£238.10	£82.00	£160.09	£194.09	£325.00	67.4%	36.5%
Prime Net Initial Yield	5.00%	5.00%	5.00%	4.50%	4.50%	-	-

## KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
Circle Square	Manchester	Roku	115,066	Lease
Circle Square	Manchester	Octopus Energy	38,114	Lease
Bauhaus	Manchester	Connex One	17,805	Lease

## KEY DEVELOPMENTS Q4 2021

PROPERTY	MARKET	DEVELOPER/TENANT	SF	COMPLETION
4 Angel Square, NOMA	Manchester	Hermes	198,818	Q1 2023
Eden, New Bailey	Manchester	English Cities Fund	115,000	Q2 2023

## KEY SALES TRANSACTIONS Q4 2021

PROPERTY	MARKET	SELLER/BUYER	SF	PRICE
1 Hardman Boulevard	Manchester	M&G Real Estate OBO PPF / RBS Group	500,538	£292.0 m
Pall Mall Court, 61-67 King Street	Manchester	Ardstone Capital & CBRE IM / Bruntwood	85,460	£25.0 m

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