

NH

NORFOLK HOUSE

NORFOLK STREET,
MANCHESTER



Office Investment with Excellent
Repositioning Potential



INVESTMENT SUMMARY

- Manchester is considered the **UK's Second City** and the **economic and cultural capital of the North of England**.
- Multi-let office investment opportunity offering **significant repositioning or redevelopment potential** both in its current use, or for an alternative use.
- Norfolk House comprises a **54,127 sq ft** office building, arranged over ground and 4 upper floors, with a two-storey basement car park accommodating 48 parking spaces.
- Occupying a prominent position in the heart of Manchester's Central Business District, totalling **0.31 acres**.
- The existing building forms a key strategic site, occupied at a low density, providing the opportunity to substantially **increase the massing in the future**.
- Multi-let to 3 tenants, generating a **total income of £365,235 per annum** (reflecting a low average rent of £20.51 psf).
- No guarantees are to be provided on the vacant space, allowing the possibility to **immediately improve the running yield**.
- There are **numerous opportunities to add value** and drive both the income and the capital value via;
 - Repositioning of existing – Undertake a phased refurbishment to **reposition the existing office space to meet current occupier expectations**.
 - Redevelopment – The prime location combined with robust cross-sector demand, would support an **office, residential or hotel redevelopment**.
- Freehold.

Offers are invited in excess of **£8,500,000 (Eight Million Five Hundred Thousand Pounds)** subject to contract and exclusive of VAT. A purchase at this level reflects an attractive low capital value of **£157 psf**, substantially below replacement cost.



WHY MANCHESTER?



Manchester is the UK's Second City and the main driver of the UK Government's Northern Powerhouse initiative.



The Manchester economy is expected to see an annual average growth of 2.5% between 2024 and 2026, the third fastest in the UK behind Reading (2.7%) and London (2.6%).



The City is recognised as the economic and cultural capital of the North of England



Major employers investing in the city include Roku, HMRC, GCHQ, BT, Amazon and Cloud Imperium.



Manchester was named the 'UK's leading city for attracting FDI outside London' by EY's 2023 UK Attractiveness Survey.



Greater Manchester has one of the largest student populations in Europe, and one of the highest graduate retention rates in the UK.



Manchester has the largest millennial population of the UK regional cities, with over 500,000 residents aged between 20-34.



AERIAL





MANCHESTER – A GLOBAL CITY



£74.85 BILLION

Manchester is the largest city region outside London with a gross value added (GVA) of £74.85 billion



5 UNIVERSITIES

One of the largest student populations in Europe and one of the highest graduate retention rates



KEY SECTORS

include Digital & Technology, Financial Professional and Business Services, Life Sciences, Advanced Manufacturing, Net Zero and Creative & Media



30% BY 2027

The Science, R&D, Cultural, Creative and Digital sectors are expected to experience the most rapid levels of growth, expanding by over 30% by 2027



HOME

to 5 Unicorn Tech Companies



32% INCREASE

in registered businesses since 2020



FTSE 100

Over 80 of the FTSE 100 have a presence including: Google, Amazon, Kellogg's, Jaguar Land Rover, Bank of New York, Talk Talk, The Cooperative Group, JD Sports, Autotrader and Adidas



40% LOWER

occupational cost than London



2.8 MILLION

Greater Manchester population



FASTEST GROWING

city centre population in the UK



FASTEST RATE OF EMPLOYMENT

The city is forecast to record the fastest rate of employment growth of any UK town or city



77% OF POPULATION

is between 16-44 years old



HIGHEST LEVELS

Forecast to have the highest levels of regional office-based employment growth over next 5 years.



CONNECTIVITY



AIRPORT

Manchester Airport, located 20 minutes from the city centre, is the UK's third largest, offering flights to over 200 destinations - more than any other airport in the UK. It carries approximately 29 million passengers annually, with plans to expand capacity over the next 15 years. The Airport is currently partway through a 10-year refurbishment programme at a cost of £1.5 Billion, with the most recent phase including an extension and refurbishment of Terminal 2. Direct services to the Airport are available from St Peters Square, which is a 5-minute walk from the building.



RAIL

There are now 5 mainline railway stations surrounding the city centre, providing excellent connectivity to the regional and national UK rail network, with 3 trains an hour to London. Manchester's main train station at Piccadilly is a 15-minute walk from the building.



METROLINK

The Metrolink is one of the most successful light rail systems in the UK and now has 7 lines providing access around the city centre and out to the nearby conurbations. The system now provides circa 40 million passenger journeys per year, across its 93 stations. The nearest station to the property is St Peters Square which is within a 10-minute walk of the building. This station is one of only 3 that provides direct access to all conurbations.



ROAD

Manchester is well served by one of the largest motorway networks in the UK. This has helped establish itself as the largest travel-to-work conurbation outside of London. The M60 arterial motorway provides direct connections to the M62, M56, M61, M58 motorways, enabling convenient national motorway access to all areas of the conurbation.



DOUBLE HEIGHT
Entrance Reception



SHOWER
Facilities



FULL ACCESS
Raised Floors



48
Car Parking Spaces



AIR-CONDITIONING



THREE
Passenger Lifts



CYCLE HUB



DESCRIPTION

Norfolk House provides high quality office accommodation arranged over ground and four upper floors, with a two-storey basement car park providing 48 secure car parking spaces.

The building provides efficient high-quality workspace arranged across a flexible floorplate, capable of subdivision to provide a range of suite sizes.

The property benefits from an attractive, large double height entrance reception, which was comprehensively remodelled and refurbished in 2018.



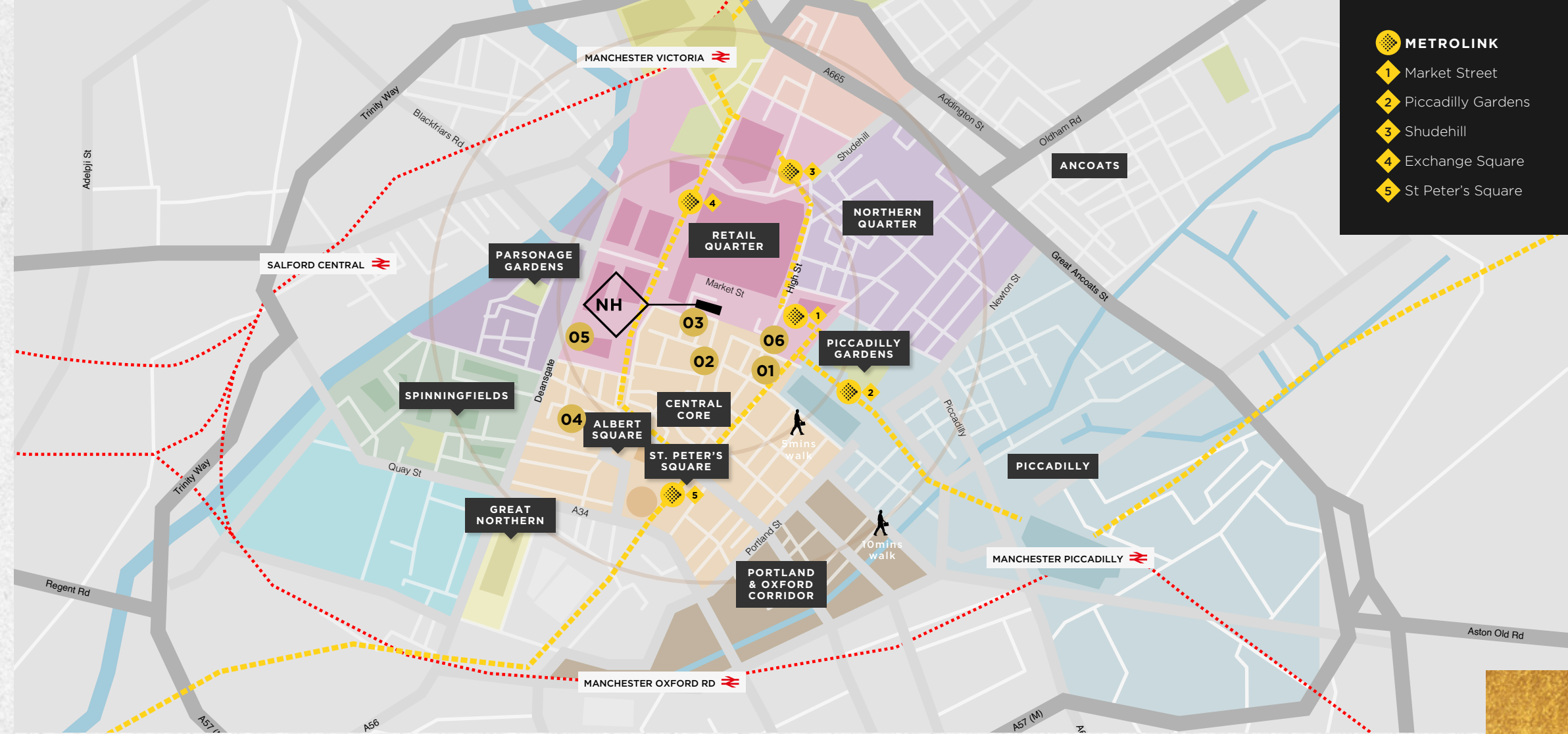


SITUATION

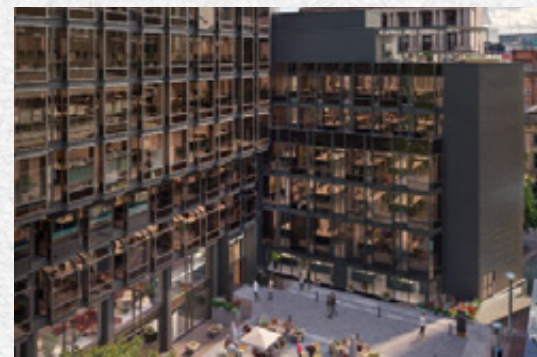
Norfolk House occupies a prime position in the heart of Manchester's Central Business District, and directly adjacent to Market Street, Manchester's busiest retail destination.

Over the last decade, the Central Business District has benefited from major investment and redevelopment. As a result, the submarket is now home to some of Manchester's most successful office developments, and some of the City's most popular hotel's, bars and restaurants.

There are a number of successful examples within the Central Business District, of office buildings repositioned as offices, or redeveloped for an alternative use.



- METROLINK
- Market Street
- Piccadilly Gardens
- Shudehill
- Exchange Square
- St Peter's Square



01 BLOC

- Bruntwood undertook a comprehensive refurbishment in 2021
- The building was repositioned and rebranded from 'Lowry House' to 'Bloc'
- 88,000 sq ft of refurbished office space
- £36.00 psf achieved

02 PALL MALL

- £25m refurbishment of a Grade II building
- Retaining the original structure
- 90,000 sq ft of office and hospitality space
- Net zero carbon in operation
- PC 2025

03 STOCK EXCHANGE

- 1906 Grade II building refurbished in 2019 and extended to create a hotel and restaurant
- Offers 40 rooms, two suites, and a penthouse residence
- Awarded 'Best hotel in the North of England' by Times Travel in 2020

04 ST MICHAELS

- New office and hotel development, providing 180,000 sq ft of office space, residential accommodation a 5 star hotel
- £150m joint venture between KKR, Salboy and Relentless Group
- Tower contains 216 room W hotel and 81 residential units
- Net zero carbon
- £43.00 psf achieved
- PC Q4 2024

05 ISLAND

- £66m joint venture between Henry Boot and Greater Manchester Pension Fund
- 100,000 sq ft of new build office space
- Net zero carbon
- Quoting c. £42- £44 psf
- Speculative development due to PC Q4 2024

06 11 YORK STREET

- 86,000 sq ft of speculative new build office space completed in 2022
- Fully let building
- Blue chip tenants like Rolls Royce and Avison Young
- £38.50 psf achieved
- Existing building was demolished and rebuilt

TENANCY INFORMATION

UNIT	TENANT NAME	AREA (SQ SFT)	LEASE START	LEASE EXPIRY	NEXT RENT REVIEW	BREAK OPTION DATE	PASSING RENT (£ PA)	PASSING RENT (PSF)	REFURBISHED ERV (£ PA)	ERV (PSF)	COMMENTS
Ground Floor - Part 1 car space	Secretary of State for Health	3,390	02/12/2016	01/12/2026	02/12/2021		£79,565	£22.59	£101,700	£30.00	Right to use 1 car space
Ground Floor - Part Suite 1	Vacant	1,910							£73,535	£38.50	Vacated by previous tenant Q2 2023
Ground Floor - Part Suite 2	Caval Ltd	1,109	12/04/2023	11/04/2028		Rolling mutual break on 4 months notice	£22,180	£20.00	£42,697	£38.50	Rolling mutual break on 4 months notice
Ground Floor - Part Suite 3	Vacant	913							£35,151	£38.50	Vacated by previous tenant Q2 2023
1st Floor - part	Vacant	7,093							£273,081	£38.50	
1st Floor - Part	Vacant	3,528							£135,828	£38.50	
2nd Floor, offices 9 car spaces	Zurich Insurance Limited	11,072	31/03/2015	30/03/2025			£247,500	£19.92	£441,272	£38.50	Right to use 9 car space
3rd Floor - Part	Vacant	4,431							£170,594	£38.50	Vacated by previous tenant Q2 2022.
3rd Floor - part	Vacant	6,553							£252,291	£38.50	
4th Floor	Vacant	11,085							£426,773	£38.50	Vacated by previous tenant Q2 2022.
Basement - Storage	Vacant	877							£33,765	£38.50	
Basement - storage	Vacant	1,078							£41,503	£38.50	Vacated by previous tenant Q2 2022.
Car Parking - 5 spaces	Caspian Assured Limited						£4,990		£15,000	£3,000.00	Occupied under licence agreement.
Car Parking 1 space	Caval Limited						£3,000		£3,000	£3,000.00	Occupied under licence agreement.
Car Parking - 2 Spaces	Finest Day Limited						£8,000		£6,000	£3,000.00	Occupied under licence agreement.
Car Parking - 31 spaces	Vacant								£93,000	£3,000.00	
Substation	Electricity North West Limited		25/09/2002	24/09/2032			£50		£50		
TOTAL		53,039					£365,235		£2,145,237		

ACCOMMODATION

The property has been measured in accordance with the RICS code of measurement practice (6th edition) and we have summarised the Net Internal Area below:

FLOOR	SQ FT	SQ M
4th Floor	11,085	1,030
3rd Floor - part	6,564	610
3rd Floor - Part	4,421	411
2nd Floor, offices	11,039	1,026
1st Floor - part	7,102	660
1st Floor - part	3,519	327
Ground Floor - Part Suite 3	916	85
Ground Floor - Part Suite 2	1,109	103
Ground Floor - Part Suite 1	1,917	178
Ground Floor - Common Area	1,110	103
Ground Floor - Part	3,390	315
Basement Storage	1,955	182
TOTAL	54,127	5,029

*These areas include the common area at ground floor.

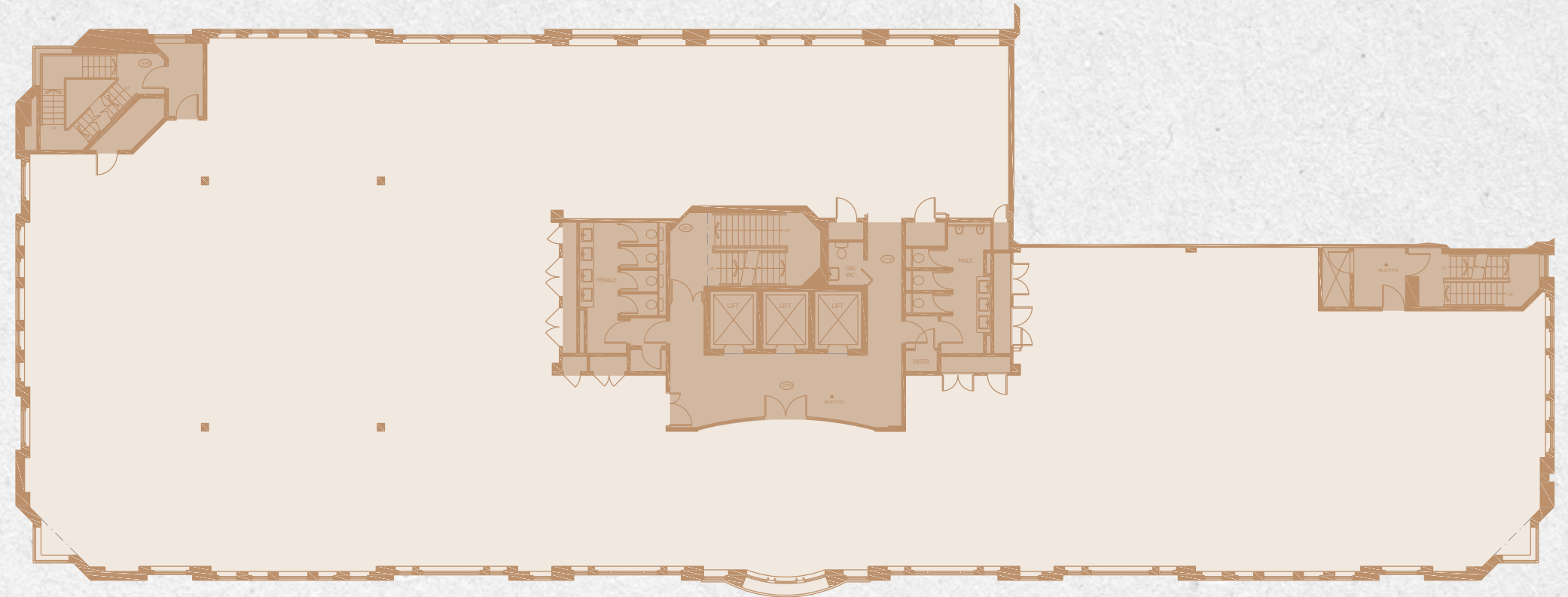
TITLE

The property is held Freehold under title numbers LA13922 and LA28673.

SITE PLAN



TYPICAL FLOOR PLAN





“Take-up in 2022 was over 75% higher than Birmingham & Edinburgh”
(the closest comparable markets)

MANCHESTER OFFICE LEASING MARKET

As a result of Manchester’s strong economic and employment dynamics, the City’s office market has achieved consistently high levels of take-up in recent years.

For the previous decade, Manchester accounted for the largest amount of take-up across the major UK regional cities.

Take up consistently exceeds 1 million sq ft per annum, with 2018 a record year of 1.7 million sq ft of take-up - the highest ever recorded take-up out of any UK regional city.

The high levels of take-up have been supported by both indigenous occupier relocations, such as those of PwC, EY and Eversheds, in addition to new entrants and inward investors into the market.

Indeed, the City has benefited from the highest levels of inward investment of any of the major UK regional cities, accounting for 35% of the inward investor take-up over the last 5 years, ahead of Birmingham at 29%, with the rest of the regional cities recording between 7% and 11%.

The significant increase in inward investment can be attributed partly to companies looking to attract

new talent and embrace new methods of working. Particularly but not solely from the tech sector, this has meant companies who have historically had regional bases, are now looking to take space in the Manchester City Centre as they battle to attract skilled graduates from the cities universities.

Manchester once again recorded the highest annual take-up among the UK regional cities in 2023, with 952,000 sq ft transacted which is in line with the 5 year average.

Grade A accommodation take-up for 2023 was 481,000 sq ft reflects approx 50% of total take-up. This demonstrates a continued flight to quality as tenants seek to increase the standard of their accommodation.

Headline rents increased to £43.00 per sq ft reflecting 7.5% rental growth over the last year with the highest quoting rents for Grade A workspace in the city centre now at £45.00 sq ft.

OFFICE MARKET



GRADE A

supply forecast to be severely constrained from 2025 onwards

£43.00 PSF

Prime Rent

7.5%

Y-o-Y rental growth

5 YEAR

Average Take-Up - c.1.1 Million Sq Ft

2.1%

New build Grade A vacancy rate

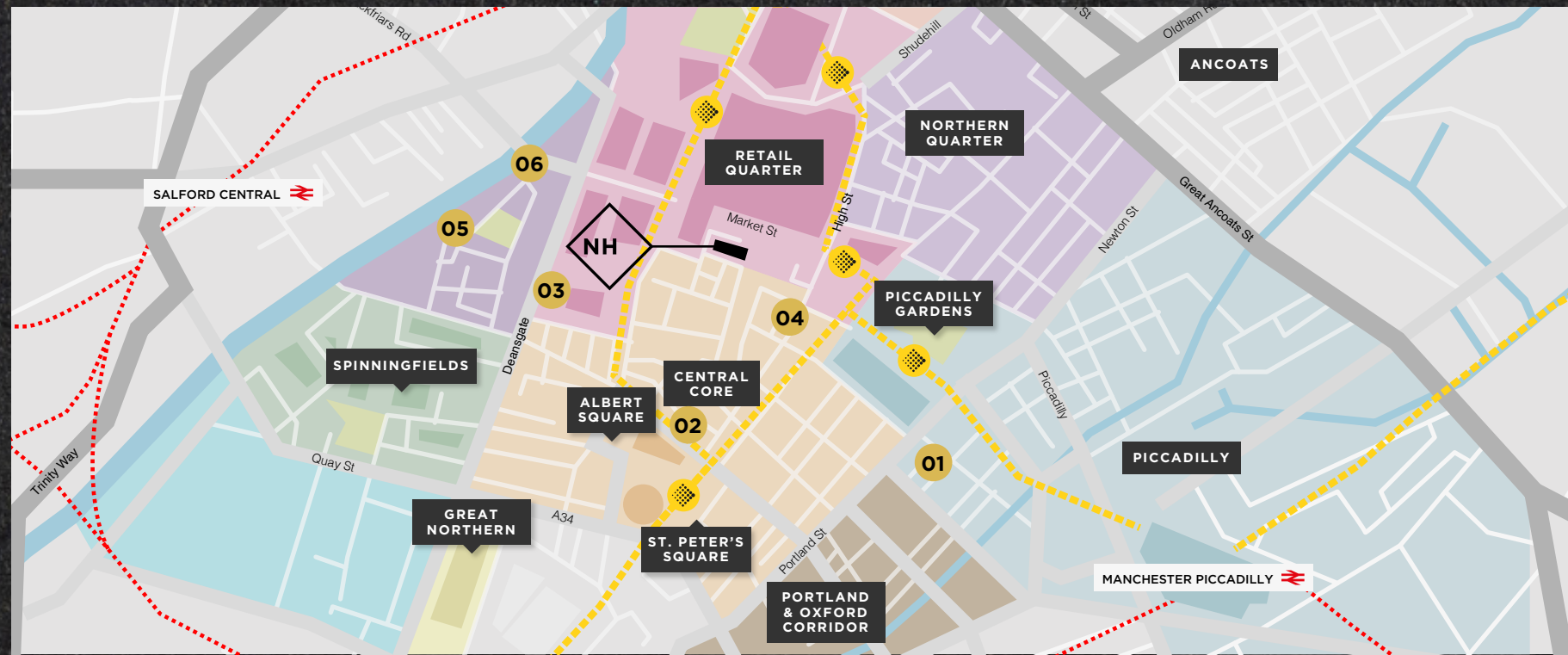
£50.00 PSF

Rents forecast to be achieved by 2027

Key	Date	Property	Area (Sq Ft)	Headline Rent	Tenant	Comments
1	December 2023	11 York Street (Aviva)	6,578	£38.50	Ecclesiastical Insurance	Grade A/ New Build
2	November 2023	The Lincoln (M&G)	14,160	£41.00	Alvarez & Marsal	Grade A/ New Build
3	July 2023	St Michaels (KKR/Relentless)	26,842	£43.00	Pinsent Mason	Grade A/ New Build
4	December 2023	Bloc (Bruntwood)	4,768	£35.00	Medius	Grade A/ Refurbished
5	November 2023	One New York Street	5,694	£37.50	Turley's	Grade A/ Refurbished
6	May 2023	Chancery Place	3,860	£36.50	LHV Bank	Grade A/ Refurbished



INVESTMENT MARKET OVERVIEW



MANCHESTER OFFICE INVESTMENT MARKET

Manchester continues to represent the most active and liquid regional Big 6 office market in the UK with a 5-year average of £479 Million transacted per annum, 40% ahead of the second most active market regional market in Birmingham.

This trend continued in 2023, with £307 million of transactions recorded for the total year, with Manchester once again recording the highest level of office investment activity.

Manchester benefits from exceptional fundamental characteristics, with investors attracted by the City's strong occupational market, limited development pipeline, and a favourable supply and demand imbalance, which has led to consistent rental growth over the last decade.

The most recent transactions to complete were acquired by Middle Eastern and European capital, demonstrating that quality assets in the city attract capital from around the world, with Manchester seen as a secure investment location which performs resiliently in the face of wider economic and political events.

Prime office yields are now at 6.5% and offer an attractive yield gap when compared to similar size cities across UK and Europe.

Interest rates are forecast to fall during 2024 and it is anticipated that these yields will fall back to long term average figures.

INVESTMENT

The most liquid office investment market in the UK regional market

6.50%

Current Prime Yield

MOST ACTIVE

Remained the most active Big 6 market in 2023

5.50% NIY

Average 20-Year Prime Yield

£2BN

Investment Volume - Over £2bn over the last 5 years

9 NEW

entrants acquired in the market in 2023

Key	Date	Property	Size (Sq Ft)	Price (CV/PSF)	WAULT	Comments
1	U/O	Boulton House	76,739	Quoting - £11,900,000 (£155 psf)	1.03 Years	Vacant possession could be achieved by 2025
2	Feb 24	55 Princess Street	54,862	£15,000,000 (£273 psf)	4.9 years	Multilet with 8% vacant
3	Feb 24	86 Deansgate	48,967	£6,700,000 (£137 psf)	3.9 Years	Multi-let but with 40% vacant
4	Dec 23	35 Fountain Street	47,500	£6,300,000 (£130 psf)	Vacant	Unrefurbished
5	Aug 23	Cardinal House	55,739	£11,000,000 (£197 psf)	Vacant	Unrefurbished
6	Mar 23	Maybrook House	68,175	£11,600,000 (£170 psf)	3.2 Years	Mutli-let to 7 tenants with 22% vacant

ASSET MANAGEMENT

There have been several successful nearby office refurbishments including:

- Bloc
- Core
- Zenith
- 31 Booth Street
- Hyphen
- Windmill Green

The existing building could be retained, remodelled and potentially extended to increase the Net Internal Area. These proposals could include:

- Reposition the entrance to create a double height feature on the more prominent position at grade level on the corner of Norfolk Street and Brown Street.

- Enhance the facade.
- Reconfigure the ground floor to provide a business lounge or cafe.
- Create best in class end of journey shower and changing facilities within the extensive basement.
- Provide a wellness and gym suite.
- Form soft spots in the slabs to link the end of journey, ground floor and first floor levels.
- Create new circa 3,000 sq ft unit within lower ground floor on the corner of Pall Mall and Norfolk Street.
- Large accessible roof area with potential for a roof terrace with club facilities.

- Alternatively, there is an opportunity to add additional floors with minimal impact on townscape or heritage.
- There are numerous buildings nearby over 15 storeys high.
- These options would allow for the office to be sustainably redeveloped retaining and reusing the high embodied carbon elements of the building fabric whilst extending the life and appeal of the building.
- There are two large basement areas that could allow the creation of best in class wellness facilities.
- More information is available upon request.



Potential New Entrance



Example of proposed roof terraces



Example of proposed wellness facilities

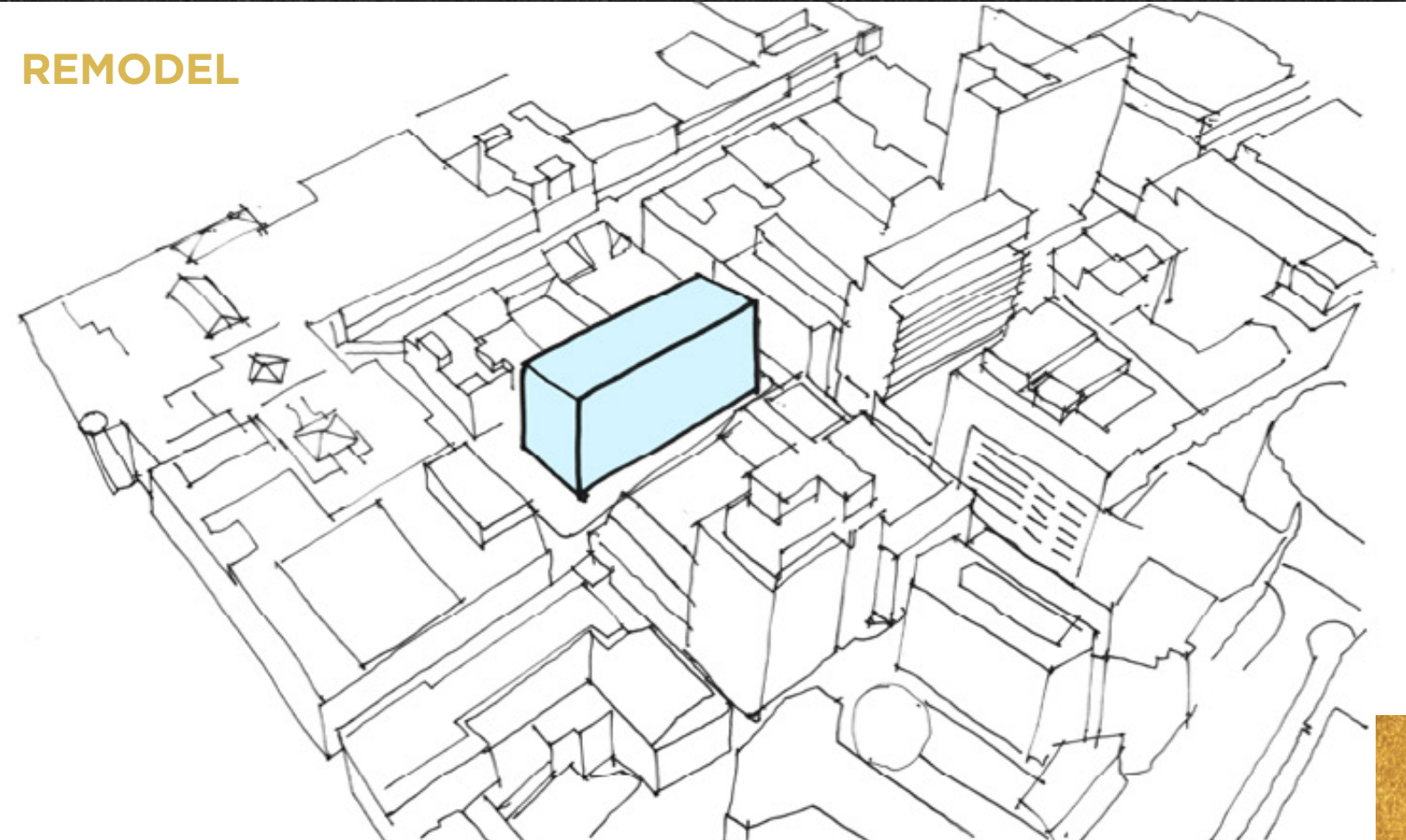
ALTERNATIVE USES

Norfolk House is situated within the Upper King Street conservation area which forms part of the prime core of Manchester city centre. It sits adjacent to Office, Hotel, Retail and Residential uses. Therefore, it offers an outstanding opportunity to be repositioned or redeveloped for a variety of uses.

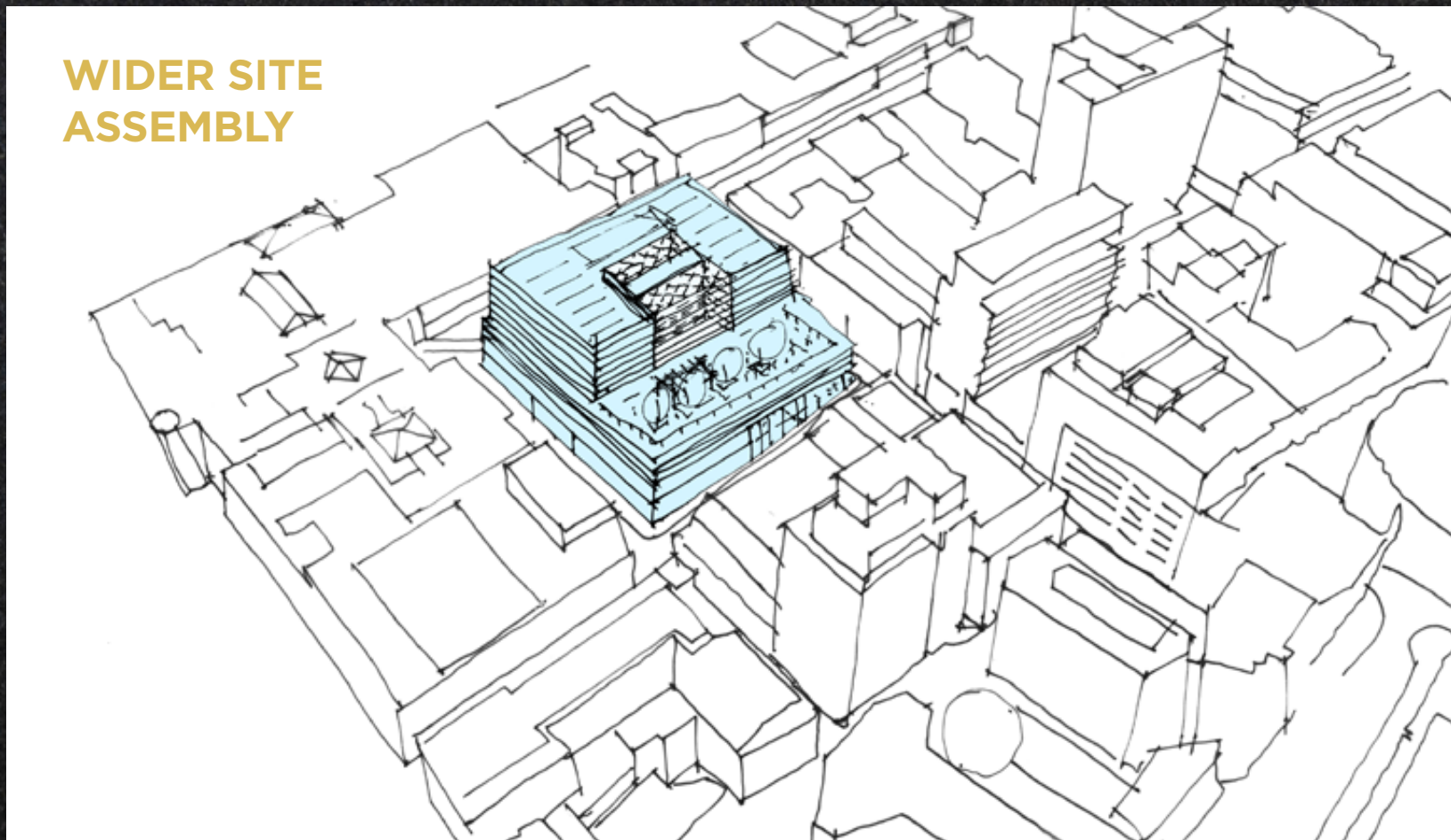
The current building density would be considered to be low and the dominant scale immediately surrounding the site is 5-8 storeys.

There are some even taller buildings nearby including some over 25 stories in height, however these do not dominate the skyline visually given the close and compact nature of the streets. The asset offers an excellent opportunity to increase the massing and density of what could be delivered.

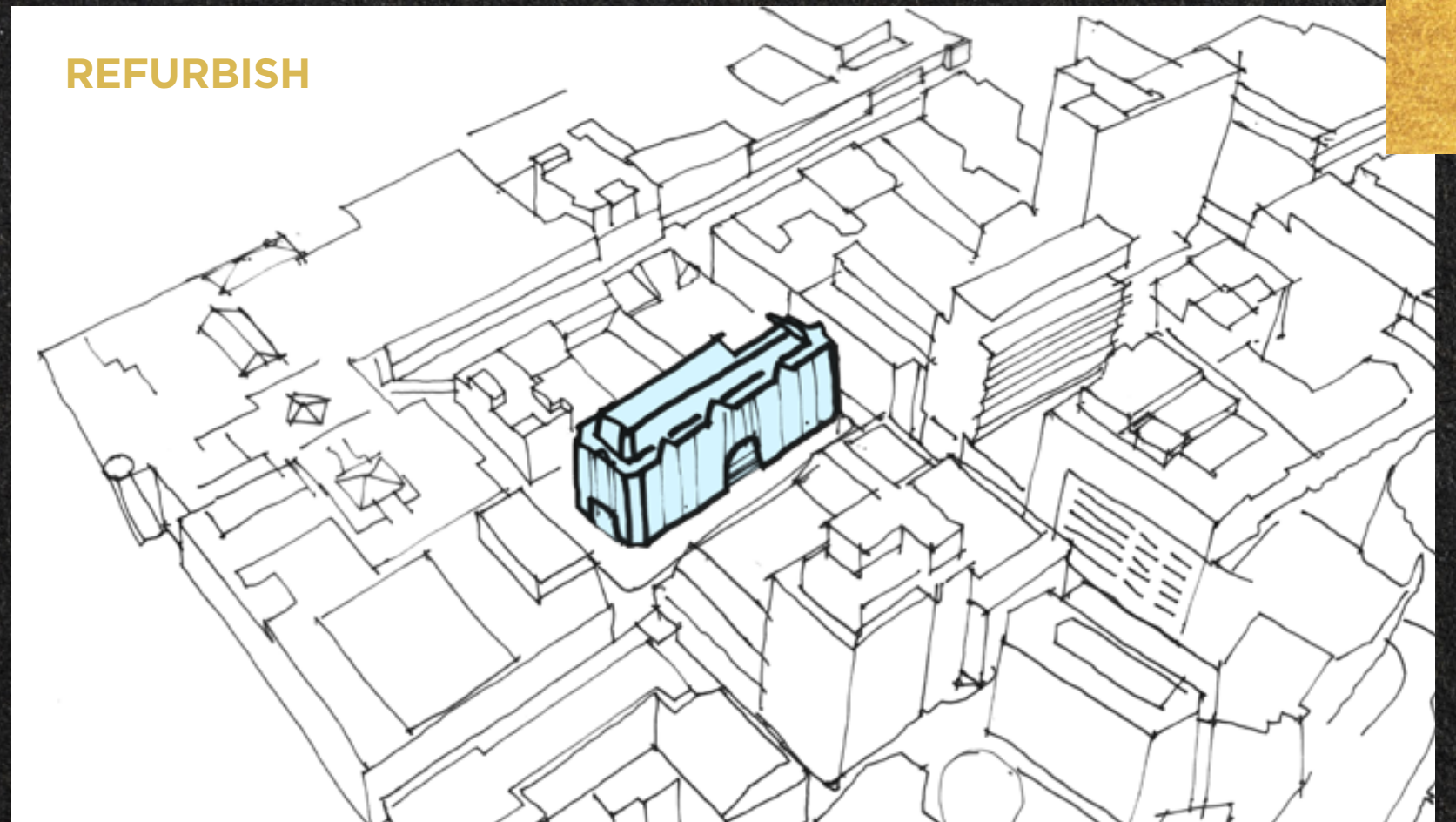
REMODEL

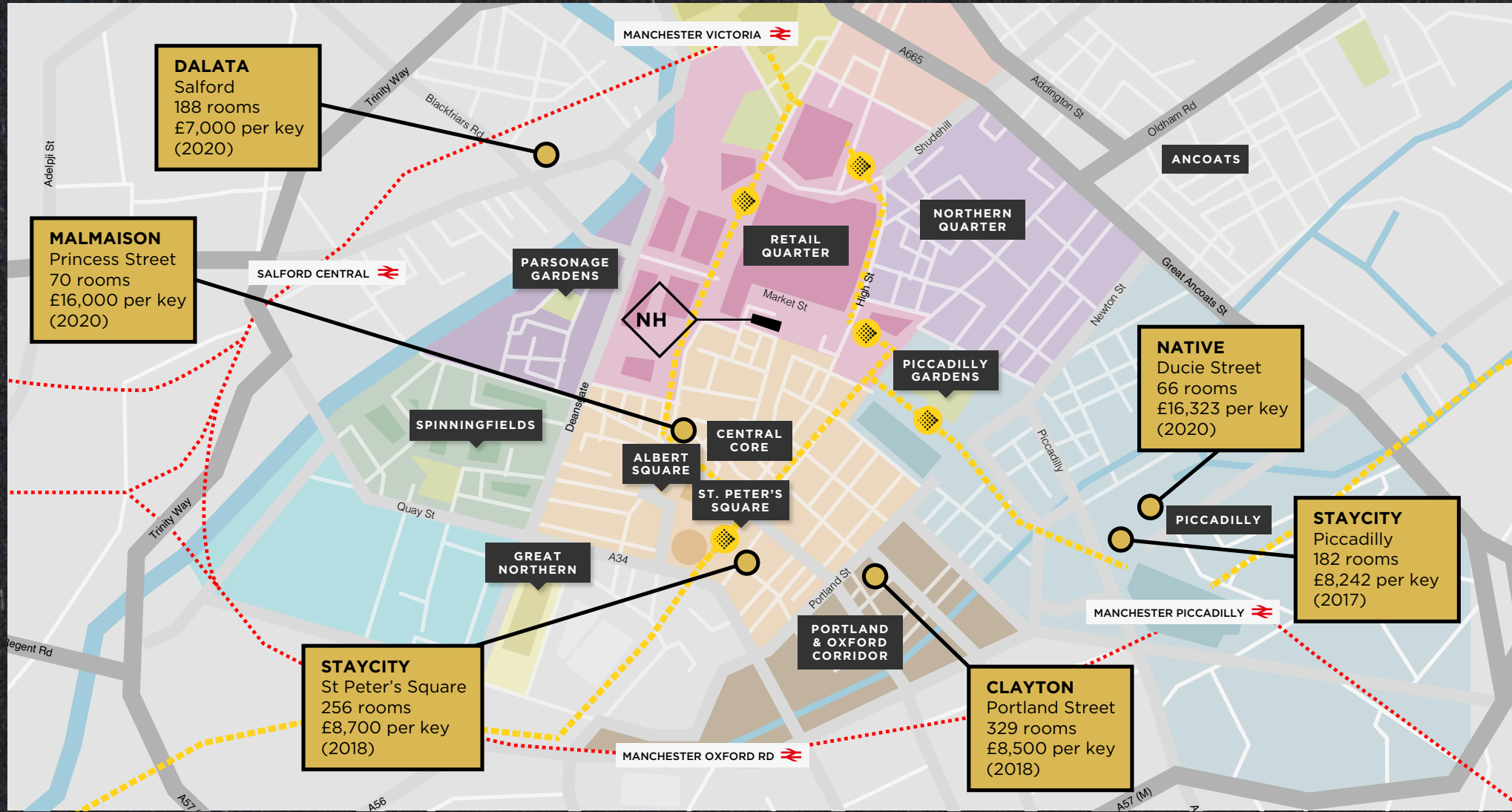


WIDER SITE ASSEMBLY

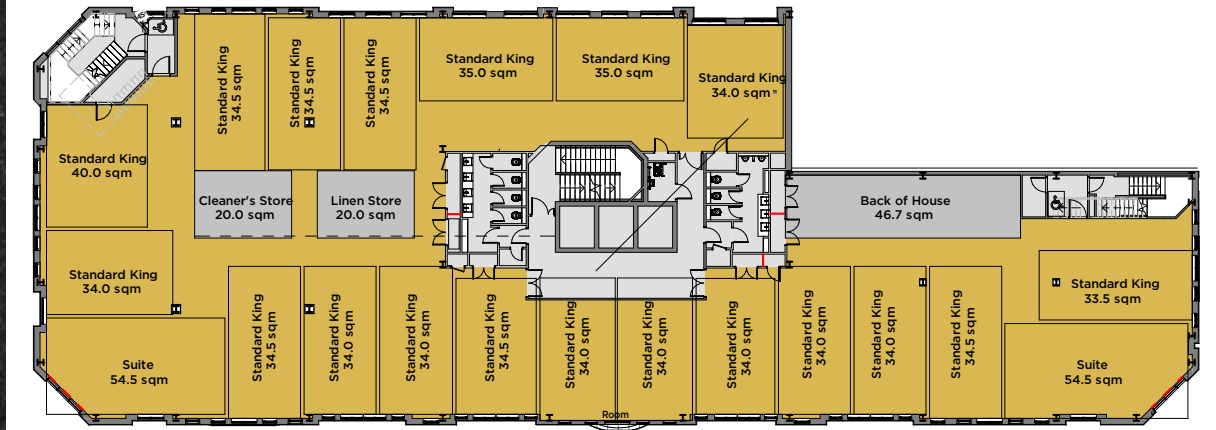


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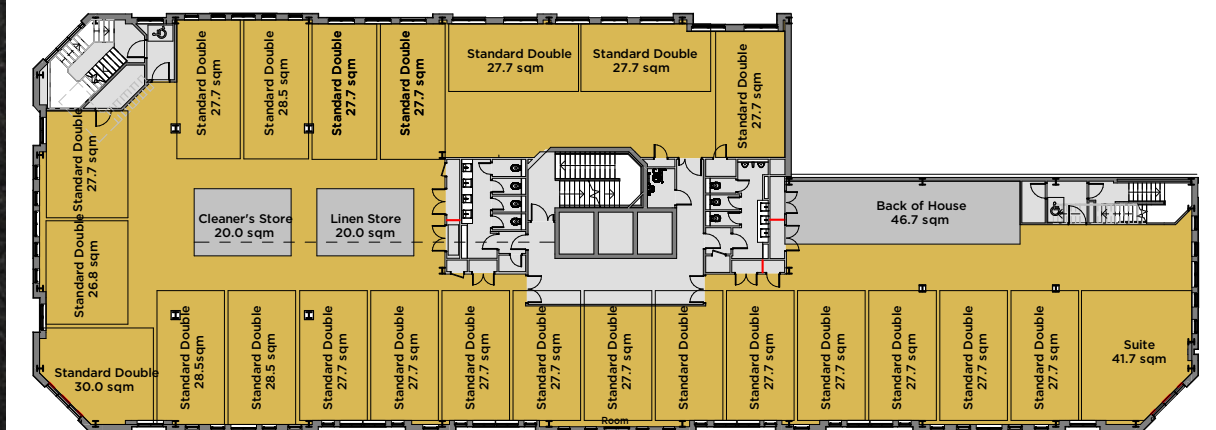




OPTION ONE



OPTION TWO



HOTEL MARKET

Manchester City Centre has a strong performing hotel market that is underpinned by a mix of commercial and leisure demand drivers that support high levels of annual occupancy. As the UK's premier regional city, Manchester benefits from strong year round demand. In 2023 occupancy levels increased 11.34% year on year with the majority of city centre hotels achieving annual occupancy levels in excess of c.80%.

Hotel supply in Manchester comprises circa 14,360 bedrooms in 101 hotels. The majority of the market is within the Economy class (31%) followed by upper midscale class hotels (29%). Currently Manchester's Luxury market is undersupplied with only 480 bedrooms representing only 2% of the supply.

Approximately 61% of all rooms are affiliated with international brands or hotel chains.

Norfolk House occupies a prime location in heart of Manchester City Centre and is therefore well positioned to benefit from the city's exceptional leisure demand drivers.

Key recent lettings in Manchester City Centre are highlighted on the map. The existing building floor plate could be configured to provide approximately 21 keys per floor with a mix of Standard King rooms, Suites and Accessible King rooms or 24 keys per floor with a mix of Standard Double rooms, suites and Accessible King Rooms.

More information is available upon request.

RESIDENTIAL MARKET

Since housing targets were introduced in the UK in the mid-2000s, there has been a cumulative undersupply of circa 1.5m homes.

Over the next five years, JLL predicts the rate of undersupply will worsen further with a cumulative shortfall of 720,000 homes between 2023 and 2028.

Manchester is the largest and most mature Built to Rent market in the UK outside London. The market has gone through a period of significant growth over the last 5 years driven by strong population growth and an ever-improving city centre economy.

There are approximately 10,500 operational BTR units currently in Manchester city centre across 33 schemes. Current expected supply for 2024 is 1,179 units with four schemes due to complete.

There is a growing weight of capital seeking to be deployed into the Living sector however there is a limited supply of city centre stock to meet this demand. Significant annual increases in the number of new residents means both starts and completions have failed to keep pace with household growth for more than a decade. As a result Manchester city centre is predicted to see one of the strongest increases in prices and rents in the UK.

Typical apartment values in the city centre are currently between £500 - £550 per sq ft. House prices are forecast to increase by 16.9% between 2024 - 2028.

The current typical rental levels in the city centre are:

1 bed apartment £1,250 per month

2 bed apartment £1,700 per month

3 bed apartment £2,150 per month

Rents are forecast to increase by 25.8% between 2024 - 2028.

Norfolk House provides a rare development opportunity within a highly desirable core location to allow a purchaser to capitalise on this growing sector of the market. We are of the opinion that the completed residential development could suit both the build to rent market along with owner occupiers.

Recent sales comparables include:

VIADUX — 375 Apartments

1 Bed £260k - £330k (c £550 psf)

2 Bed £340k - £460k (c £515 psf)

ONE PORT STREET — 477 Apartments

1 Bed £310k - £355k (c £550 psf)

2 Bed £421k - £520k (c £515 psf)

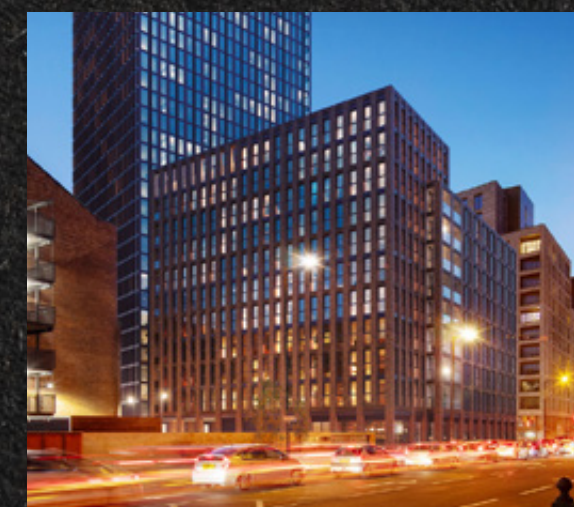
VISION — 327 Apartments

1 Bed £260k - £330k (c £550 psf)

2 Bed £340k - £460k (c £515 psf)



Viadux



One Port Street



Vision

FURTHER INFORMATION

DATAROOM

A data room has been created for the purpose of this disposal. Access can be arranged by request

EPC / NET ZERO CARBON

The property has a current EPC rating of D93 with a clear pathway to achieve an EPC of B or higher and put the building on a Net Zero Carbon in operation pathway. More information is available upon request.

SERVICE CHARGE

There is a service charge in operation for the building. The current service charge budget is £563,384 which includes a sum for the future replacement of the M&E plant.

Further information on the Service Charge are available in the data room.

CAPITAL ALLOWANCES

More information is available upon request.

VAT

The property is elected for VAT and the intention is to treat this sale as a Transfer of a Going Concern (TOGC).

ANTI-MONEY LAUNDERING

In accordance with anti-money laundering regulations identification and confirmation of the source of funding will be required from the successful purchaser.

PROPOSAL

Our client is seeking offers in excess of **£8,500,000 (Eight Million and Five Hundred Thousand Pounds)** subject to contract and exclusive of VAT.

A purchase at this level reflects a reversionary yield of 23.6%, after the deduction of purchaser's costs of 6.8%, with a capital value of **£157 psf**.



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