

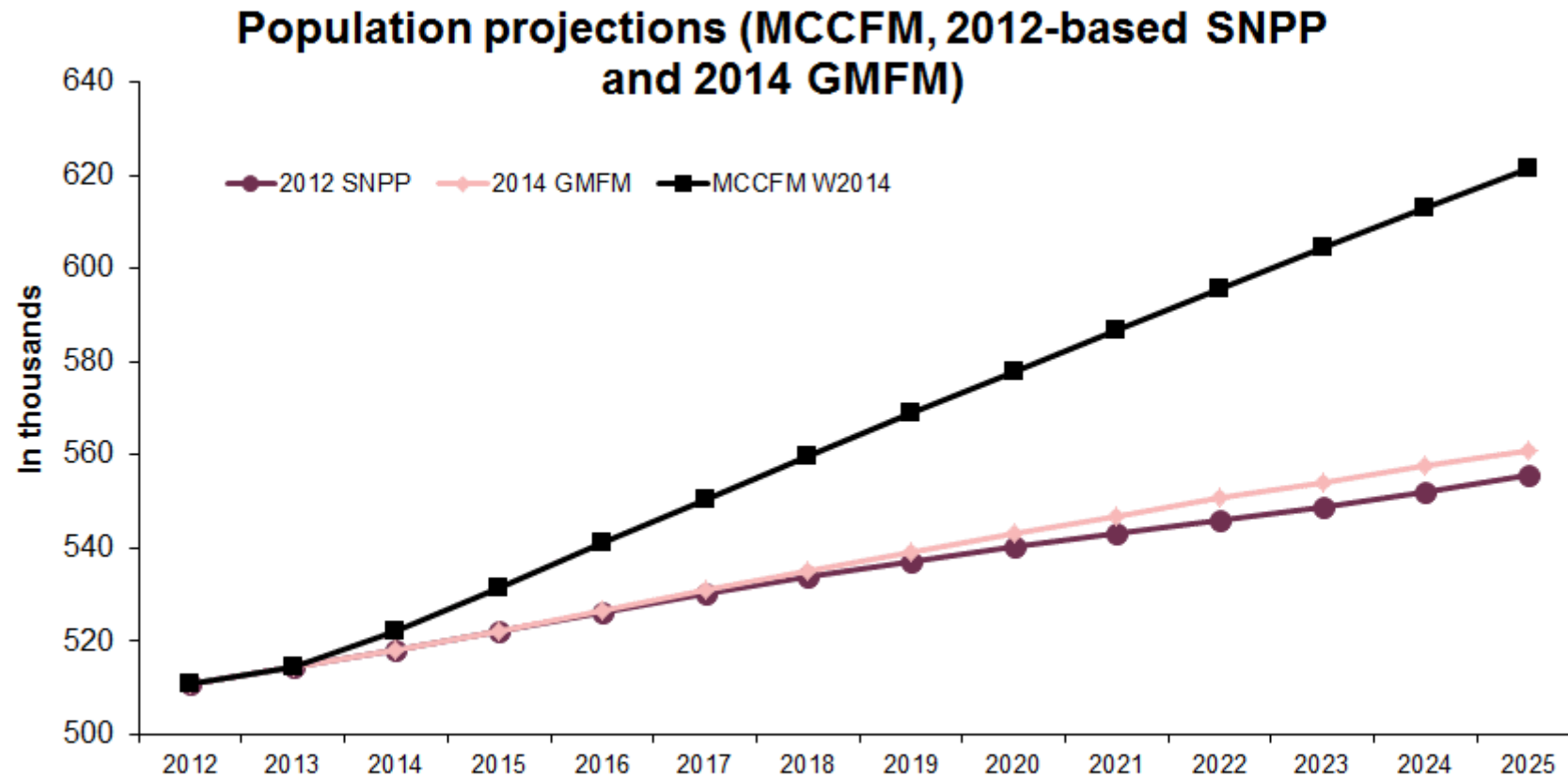


MANCHESTER
CITY COUNCIL

Manchester: Key challenges to unlock growth

Sir Howard Bernstein

Manchester's population will continue to grow



Sources: 2012-based SNPP, ONS, © Crown copyright; 2014 GMFM, © Copyright Oxford Economics Ltd; MCCFM, Public Intelligence; Analysis by Public Intelligence (PRI)

- Fastest growing city in the UK
- 40% increase in the 20-25 age group
- Driven by internal & international migration, increasing birth rates, new homes and graduate retention

Skills & the labour market

- Employment growth outperforming UK & other Core Cities
- Numbers of people employed in the city grew by 25,500 (8.1%) between 2011 and 2013
- Total out of work benefit claimants down 5,400 (9.6%) Nov 2013 – Nov 2014
- Key projected growth sectors 2015-2025
 - Construction (14.2% growth in jobs, 28.4% GVA)
 - Cultural & Creative (14.7% growth in jobs, 44% GVA)
 - Business, Financial & Professional Services (16.9% growth in jobs, 45.7% GVA)
 - Science, Research & Development (13.5% growth in jobs, 47.4% GVA)

Supporting growth: Northern Powerhouse

- Sustained investment in the long-term transport infrastructure to drive growth – Northern Hub, HS2 and HS3
- Ensuring a fully integrated transport network led by devolved responsibility for franchised bus services
- Developing the north-west as a global centre of outstanding scientific innovation:
 - Sir Henry Royce Institute for advanced materials research and innovation
 - Graphene Engineering Innovation Centre (GEIC)
 - Health North & £40m life sciences investment fund
- Transformation of the North's cultural offer
 - Manchester International Festival returning for a 5th year
 - Completion of HOME and funding commitment to the Factory
- Making the case for Fiscal Devolution

Supporting growth: Skills

- Ensuring businesses are at the heart of the skills system
 - Demand led education, skills and business support system
 - Using devolved powers over business support to engage employers to unlock the potential of their workforce
- Success driven by world class and home grown talent
 - Inspiring & equipping young people with the knowledge & skills to succeed
 - Creating jobs which attract new talent and retain graduates in the city
- Ensuring Mancunians can benefit from economic success
 - Developing a clear and coherent work & skills offer for people of all ages
 - Reducing the gap between resident and workplace wages
 - Connecting residents to the jobs being created in the city

Supporting growth: City Centre

- There is significant employment growth in key sectors
- Growth in city centre living driven by increase in younger population, growth in employment and graduate retention
- Increasing importance of residential development to city's growth objectives
- Increase in residential sales market
- Manchester Life partnership between MCC and Abu Dhabi United Group links strategy & investment capacity with central funding incentives driving the market
- Need to balance the requirements for both residential and commercial space in order to meet growth aspirations
- Transport infrastructure Metrolink Second City Crossing and Northern Hub

Development update and opportunities

- Housing
 - Providing housing close to the main employment centres
 - Ensuring developments are of high quality and contain the right tenure balance
- HS2 & HS3
 - Connecting people and businesses to regional, national and international markets
 - Regeneration of Piccadilly & Mayfield
- Science & Technology
 - Major investment in the Sir Henry Royce Institute for Advanced Materials, MSP expansion & GEIC
 - Creating an environment which harnesses research and capitalises on its commercial potential
 - Science, Research & Development at Alderley Park & MediPark
- Central Park
 - Strategic opportunity to provide flexible and connected commercial space close to the regional centre
- Airport City
 - Driving growth and revenues for the city
 - Airport City Enterprise Zone
- Civic Quarter
 - Opportunity for 10,000 new jobs in the wider area driven by the transformation of St Peter's Sq and its public realm
 - Bootle Street and Heron House/Brazenose House redevelopments

- **First Street North:**
 - Number One First St – 180,000 sq ft BREEAM office development
 - HOME opened on 21st May 2015 and incorporate 500 seat theatre, 150 seat flexible studio space, gallery space, 5 cinema screens
 - 9 retail, leisure and food units
 - Ininside by Melia 210 bed 4* hotel
 - Vita 279 room residential development
 - 700 space multi-storey car park

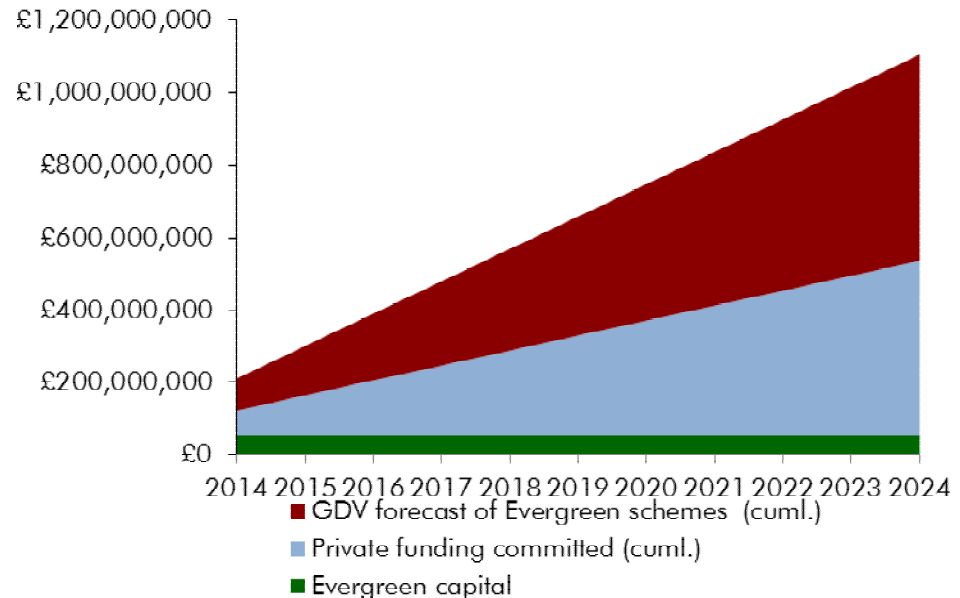
- **Northern Gateway/NOMA:**
 - Coop Head Office, 1 Angel Square – 350,000 sq ft, award winning, BREEAM outstanding
 - Refurbishment of Hanover House underway
 - ERDF funding contribution to public realm improvements
 - Planning permission granted for 458 apartments
 - £44m transformation of Victoria Station completing summer 2015
 - Former Boddington's Brewery mixed use SRF

- **St John's Quarter mixed use development**
 - £78 million government funding for 5,000 capacity Factory venue – permanent home for Manchester International Festival
 - Masterplan being developed which will include a mixed use village, residential towers, new hotel and commercial space

Investing in Growth: Evergreen fund

Fund Snapshot			
£'000	Total facility (Evergreen portion)	Other Public	Private
<u>Committed Transactions</u>			
Soapworks	6,000	-	6,023
Citylabs	4,709	7,500	9,150
Chester Cordis	4,780	1,420	6,203
The Hub	4,500	2,500	4,000
Outacre	7,000	3,000	8,000
The Cotton Building	10,000	5,000	10,000
Media City	6,250	-	7,500
One Spinningfields	12,000	-	75,000
sub-total	55,239	19,420	125,876

GDV and Private Capital Forecast to be delivered from Evergreen: the next 10 years



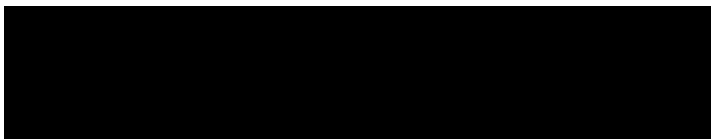
Highlights

- The Evergreen Fund has built on its successful track record and has received additional monies to increase its size from the original £30m to £60m.
- Cumulative investment stands at £55m of which £28m was committed in 2014. The first funds have already been recycled (c.£5m).
- Evergreen has been very successful in achieving high levels of complimentary finance. Evergreen has unlocked significant levels of capital from the private sector, including bank debt and property company equity. For every £1 of Evergreen funding, more than £2 of private capital has been leveraged for the region. In addition, the forecast GDV of Evergreen funded schemes is forecast to be over £1bn by the end of 2024.
- There is a significant pipeline at legal/ due diligence stage – this will more than absorb the £5m remaining plus the assumed recycled funds for this year.
- The Fund operates across both GM and the rest of the North West excluding Merseyside. Citylabs, the Hub, the Cotton Building and One Spinningfields are all Manchester schemes and Manchester represents c£31m or 56% of the existing portfolio by value.
- There is a significant opportunity for Manchester schemes within the recycled and future rounds of Evergreen. For example, specific projects have been identified around the Manchester Corridor, the Airport and within the City Centre.
- There is an opportunity to build on the success of Evergreen through the delivery of the next iteration of ERDF funds – GM has allocated £65m between an Evergreen 2 and a Low Carbon fund

Evergreen fund – One Spinningfields case study



- Near-speculative development (c. 15% pre-let to PwC)
- £12m mezzanine loan, to finance the gap in funding between the senior loan and equity
- Total development costs of £100m
- Senior debt from Lloyds, preferred equity from Pramerica
- On-site, due to complete 2016
- Significant match funding - c.£90m private sector investment
- >300,000 sq ft commercial floorspace
- BREEAM Excellent
- 0.5ha of brownfield land will be re-used
- The scheme will deliver in the region of 1,670 jobs



Borrower	Allied London
Nature of loan	Mezzanine Debt
Size of Loan	£12,000,000 Evergreen
Location	Spinningfields, Manchester

“Evergreen provided vital gap funding to complete the capitals tack to enable us to bring this scheme forward. No.1 Spinningfields is going to be one of the best commercial buildings in the UK regions, offering not just world-class work space but dynamic communal spaces.”

Michael Ingall, Chief Executive, Allied London.

Key challenges to unlock growth

- Improving resident skills to maximise local benefit from growth
- Need to stimulate and residential for sale market and provide a range of tenures
- Providing homes for working households
- Delivering further welfare reforms
- Progressing the work and skills plan
 - Using devolved powers to control or influence funding:
 - Outcome focused pathways into skills and employment, particularly for vocational learning
 - Embedding enterprise into the work & skills system
 - Increasing employer engagement