Leeds City Centre Take-up
104,936 sq ft (Q1 2016: 121,908 sq ft)

Leeds Out of Town Take-up
55,743 sq ft (Q1 2016: 141,174 sq ft)

Grade A supply
C. 24 months take up

Prime Rents
£27.50 psf

Deal Size:
77% of deals <5,000 sq ft

Prime Yields:
5.50%
Overview

Total Leeds office market take up in Q1 stood at 160,679 sq ft which reflected a 22,055 sq ft / c.16% increase on the preceding quarter.

In the city centre, there were 22 deals in a take up of 104,936 sq ft. There were two significant lettings over 20,000 sq ft with the largest city centre transaction being the letting to Willis Towers Watson who signed for 25,968 sq ft at 5 Wellington Place. The other letting of note being BW Legal’s acquisition of 1 Apex View for their sole occupation.

In the out of town market, take up reached 55,743 sq ft across 20 separate transactions compared with just 28,942 sq ft in 21 deals during Q4 last year. The two principal transactions were the 10,200 sq ft letting to Bellway Homes at 2150 Century Way, Thorpe Park and the freehold acquisition by Clayton Holmes Naisbitt of 1 John Charles Way.

City Centre Grade A Take-up

[Bar chart showing total size sq ft and Grade A sq ft for Q1 2015 to Q1 2017]
Rents

Leeds prime office rents have remained stable in Q1 at £27.50 psf. However, many occupiers are choosing to trade-up their space to even better quality or for more characterful offices. As a result of this demand and a manageable supply of ready to occupy, new-build Grade A space we expect prime city centre rents to move on from current levels as the year progresses.

Prime Leeds Office Rents (per sq ft)

£22.00
£23.00
£24.00
£25.00
£26.00
£27.00
£28.00

Demand

There was a steady start to 2017 as inward investment related requirements, in particular, continue to appear to be affected by lingering Brexit-related uncertainty. There are however signs that the Leeds market will weather some of this inertia with some significant, and as-yet-unsatisfied, requirements due to sign later this year. The largest of these is the GPU "hub" (reportedly to house predominantly HMRC and the NHS) at c. 400,000 sq ft which is rumoured to be heading to MEPC’s Wellington Place development in the West End of the city albeit a formal announcement has not yet been issued.

As a consequence of the GPU requirement in particular we anticipate a boost to market activity and which will counter any on-going Brexit-related impact.

Key Transactions Q1

<table>
<thead>
<tr>
<th>Occupier</th>
<th>Area sq ft</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willis Towers Watson</td>
<td>25,968</td>
<td>3rd &amp; 4th floors, 5 Wellington Place</td>
</tr>
<tr>
<td>BW Legal</td>
<td>22,441</td>
<td>1 Apex View, Leeds</td>
</tr>
<tr>
<td>MPS</td>
<td>11,800</td>
<td>4 Victoria Place, Leeds</td>
</tr>
<tr>
<td>Bellway Homes</td>
<td>10,200</td>
<td>2150 Century Way, Thorpe Park</td>
</tr>
<tr>
<td>Infinity Software</td>
<td>10,000</td>
<td>3rd Floor, Apsley House, Wellington Street, Leeds</td>
</tr>
</tbody>
</table>
Supply

Occupiers continue to have a broad-spectrum of choice in terms of Grade A and refurbished office product although there is a relative lack of good quality, genuinely “characterful” space with occupational flexibility.

New build, Grade A standing stock currently totals c. 249,000 sq ft although a third of this is currently under offer. The remaining supply of around 157,000 sq ft represents only 7 months or so Grade A take-up and as such the completion of 3 Wellington Place at the end of 2017 will be timely.

The principal supply of completed new-build, Grade A accommodation is summarised below:

<table>
<thead>
<tr>
<th>Building</th>
<th>Availability (sq ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Square</td>
<td>128,500 (incl. 38,000 under offer)</td>
</tr>
<tr>
<td>6 Queen Street</td>
<td>70,800 (incl. 54,000 under offer)</td>
</tr>
<tr>
<td>5 Wellington Place</td>
<td>26,000</td>
</tr>
<tr>
<td>3 Sovereign Square</td>
<td>24,000</td>
</tr>
</tbody>
</table>

Further Grade A buildings in the pipeline include 3 Wellington Place of c. 116,000 sq ft and due to be delivered in Dec 2017 / Jan 2018 and Rushbond’s planned redevelopment of the former Majestic nightclub building on City Square /Wellington Street of c. 66,000 sq ft and probably available from late next year.
Outlook

There is an underlying resilience to the Leeds market and which will be more apparent once the deals that are in solicitors hands or now short-listing complete. In addition, the GPU requirement when it commits will be a year-changing deal in terms of take-up.

We therefore expect the market to be pretty busy over the rest of the year and be reflected by a positive upswing in take-up and further growth in prime rents.