A look back at 2016

430,014 sq ft
Leeds City Centre Take-up
(2015: 680,105 sq ft)

312,086 sq ft
Leeds Out of Town Take-up
(2015: 268,041 sq ft)

115
Leeds City Centre Deals
(2015: 160 deals)

Key transactions in 2016

- Lowell Group 45,647 sq ft
  Darwin House, Leeds Valley Park

- Zenith 45,079 sq ft
  4th, 5th & 6th floors, Building 1, Kirkstall Forge

- Sky Bet 39,605 sq ft
  2nd & 3rd floor, 6 Wellington Place

- RSM 25,539 sq ft
  5th floor, Central Square

- The Dept. of Health 23,762 sq ft
  5th & 6th floors, Whitehall II
Key data

Q4

Leeds City Centre Take-up
Q4: 109,682 sq ft (Q4 2015: 267,187 sq ft)

Leeds Out of Town Take-up
Q4: 28,942 sq ft (Q4 2015: 98,490 sq ft)

Grade A supply
c.29 months supply

Prime Rents
£27.50 psf

Prime Yields:
5.50%
Overview

The Leeds office market tabled total take-up of 138,624 sq ft in Q4.

Leeds City Centre take-up totalled 109,682 sq ft across 30 transactions. The largest transactions of the quarter saw Medical Protection Society acquire 22,685 sq ft at 1 Victoria Place, and BDO LLP take 12,755 sq ft at Central Square.

Out of Town take-up totalled just 28,942 sq ft (Q4 2015: 98,490 sq ft), in what continues to be a challenging period for the out of town market. Across the 21 out of town transactions, the largest saw SD Taylor Ltd take 6,105 sq ft at Turnberry Business Park in Morley.

City Centre Grade A Take-up

[Bar chart showing the total size and grade A take-up for the period Q4 2014 to Q4 2016]
Rents

Prime Leeds office rents now stand at £27.50psf as confirmed in the recent letting to BDO at Central Square. Occupiers are increasingly being drawn towards new-build, high quality office accommodation and as a result we anticipate further rental growth in the coming months.

Rents on good quality refurbished buildings are typically in the region of £25psf although given the increasing preference for new-build space over refurbished accommodation we forecast a widening gap in rental terms between the two.

City Centre Q4 Take-up by Sector

- 17% Banking and Finance
- 7% Business Services
- 6% Professional Services
- 7% Public Sector/Charities
- 70%
Demand

Although take-up slowed through Q3 & Q4 as the market adjusted to the fall-out from Brexit, the figures were broadly in line with expectations after some larger mooted transactions slipped into 2017.

The professional services sector was again particularly active in the market. Looking ahead there are over 500,000 sq ft of live city centre office requirements including a FTSE 100 occupier in addition to the significant HMRC-led GPU requirement.

Key Transactions Q4

<table>
<thead>
<tr>
<th>Occupier</th>
<th>Area sq ft</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Protection Society</td>
<td>22,685</td>
<td>1 Victoria Place, Leeds</td>
</tr>
<tr>
<td>*BDO LLP</td>
<td>12,755</td>
<td>Part 6th Floor, Central Square</td>
</tr>
<tr>
<td>*Blacks Solicitors LLP</td>
<td>11,346</td>
<td>2nd Floor, City Point</td>
</tr>
<tr>
<td>Shoosmiths</td>
<td>9,720</td>
<td>9th Floor, Platform, Leeds</td>
</tr>
<tr>
<td>SD Taylor Limited</td>
<td>6,105</td>
<td>Unit 7 Turnberry Business Park, Morley</td>
</tr>
</tbody>
</table>

* transaction involving Sanderson Weatherall
Supply

There is currently a wide variety of choice for occupiers seeking Grade A space. New-build, standing stock totals approx. 282,000 sq ft although a sizeable portion of this is expected to be placed under offer in the near future. In terms of Grade A quality refurbishments, there is a similar total of around 290,000 sq ft currently available but again with a reasonable amount under offer at the end of Q4.

The principal new, build Grade A supply is summarised below:

<table>
<thead>
<tr>
<th>Building</th>
<th>Availability (sq ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contracted</strong></td>
<td></td>
</tr>
<tr>
<td>Central Square</td>
<td>128,600</td>
</tr>
<tr>
<td>6 Queen Street</td>
<td>70,800</td>
</tr>
<tr>
<td>5 Wellington Place</td>
<td>58,700</td>
</tr>
<tr>
<td>3 Sovereign Square</td>
<td>24,000</td>
</tr>
<tr>
<td><strong>Under Construction</strong></td>
<td></td>
</tr>
<tr>
<td>Platform</td>
<td>120,000</td>
</tr>
<tr>
<td>3 Wellington Place</td>
<td>116,000</td>
</tr>
</tbody>
</table>
Outlook

Although take-up in 2016 was below the 10 year average, against the backdrop of the decision to leave the EU, this was not unexpected.

Looking forward to 2017, Brexit may lead to an increased emphasis on reducing costs for UK businesses which could manifest itself in further “northshoring” of back-office functions to Leeds’ benefit.

In addition, transactional levels will be boosted by the deals which slipped from Q4 together with the planned GPU “hub” & forthcoming lease events.

We therefore expect the market to be busy over the next six months with a positive upswing in take-up and further growth in prime rents.