Leeds Offices Q2 2016
Market Update

Key data

Leeds City Centre Take-up
Q2: 73,103 sq ft
(Q2 2015: 213,126 sq ft)

Leeds Out of Town
Q2: 76,026 sq ft
(Q2 2015: 37,697 sq ft)

Grade A supply
c.8 months supply

Prime Rents
£27.00 psf

Transaction Size
82% of deals < 5,000 sq ft

Prime Yields:
5.25%

Agent’s Outlook

Leeds has some much-needed Grade A space reaching completion in Q3 and strong professional, financial services and TMT sectors which are all active in the office market.

In the wake of economic and political instability, there are reasons for optimism with a healthy level of indigenous demand across a number of business sectors and, as Leeds prime rents begin to move north, the city still compares favourably with the other key, regional cities.

As Matt Great of Sky, who recently launched their Technology hub in Leeds, following a global search said “Let’s not be modest about the fact that Leeds is a fantastic place to live and work”. Something the rest of us have known for years!
Overview

In the second quarter of 2016, the out of town market outperformed the city centre for the second successive quarter.

City Centre take-up was down 40% on Q1 with take-up of 73,103 sq ft across 25 deals, making it one of the quietest quarters since Q4 2012. The largest deal of the quarter saw Plexus Law take 14,743 sq ft at Joseph’s Well.

There is continued optimism for the out of town market, with take-up of 76,026 sq ft in Q2. Two transactions were in excess of 10,000 sq ft, namely NHS Property Services who took 10,826 sq ft at Wira Business Park in Horsforth, and Slater & Gordon, who took 10,860 sq ft in City West.

Rents

Prime rents are edging upwards, currently standing at £27.00 and we expect on-going demand for better quality space to continue to drive these rents higher both in the city centre and out of town, with rents forecasted to hit £28.00 psf by the end of the year.

Rents for the best refurbished buildings sit only £1 psf below this and typically offer much greater lease flexibility for occupiers.

Against this backdrop of rising rents, the gap between Prime London and Leeds rents continues to widen. In addition, the city still retains its competitive edge over the other principal Regional cities with the likes of Manchester (£34 psf), Birmingham (£32.50 psf), Bristol (£28.50 psf) and Glasgow (£30 psf) all comfortably higher than Leeds’ £27 psf per annum.

Supply

There are four city centre schemes reaching practical completion in Q3 and which total nearly 500,000 sq ft. This significantly increases Leeds’ offer in terms of quantity, quality and variety for occupiers. However, approx. 62% of the office content of these schemes is already pre-let or under offer and hence the quantity of space reaching the market this year will only represent approx. 1 year’s typical Grade A take-up and should be comfortably absorbed in due course.

Demand

We have experienced a temporary pause in the Grade A City Centre market in the run up to Brexit, which is likely to continue in the short term due to the economic uncertainty caused by the vote to leave the European Union (EU).

The decision for Britain to leave the EU has continued to slow down the corporate occupier market, but there are still a healthy number of requirements in the market including BDO, The proposed Government Hub, Willis Towers Watson and Dart Group/Jet2.

Whilst some questions remain over how long it will take the commercial property market in general to settle, short term instability has not mirrored that of 2008, and as banks continue to lend, there are encouraging noises about activity in Q4 for Leeds offices.

Key Transactions Q2 2016

<table>
<thead>
<tr>
<th>Occupier</th>
<th>Area</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plexus Law</td>
<td>14,743</td>
<td>Joseph’s Well, Hanover Way, Leeds</td>
</tr>
<tr>
<td>Slater &amp; Gordon</td>
<td>10,860</td>
<td>3rd Floor, Building 2, City West</td>
</tr>
<tr>
<td>NHS Property Services Ltd</td>
<td>10,826</td>
<td>Wira Business Park, Horsforth</td>
</tr>
<tr>
<td>Addleshaw Goddard</td>
<td>7,939</td>
<td>3 Sovereign Square, Leeds</td>
</tr>
<tr>
<td>William Merrit Disabled</td>
<td>7,370</td>
<td>Are House, Rodley</td>
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</tbody>
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* deals involving Sanderson Weatherall

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