Q1 2023

Sanderson Weatherall

LEEDS OFFICE MARKET UPDATE

PHOTO: 11/12 WELLINGTON PLACE
LETTING TO LLOYDS BANKING GROUP

Q1 2023 SNAPSHOT

266,714 SQ FT

Leeds City Centre Take Up
(Q1 2022: 123,463 sq ft)

60,238 SQ FT

Leeds Out of Town Take Up
(Q1 2022: 105,434 sq ft)

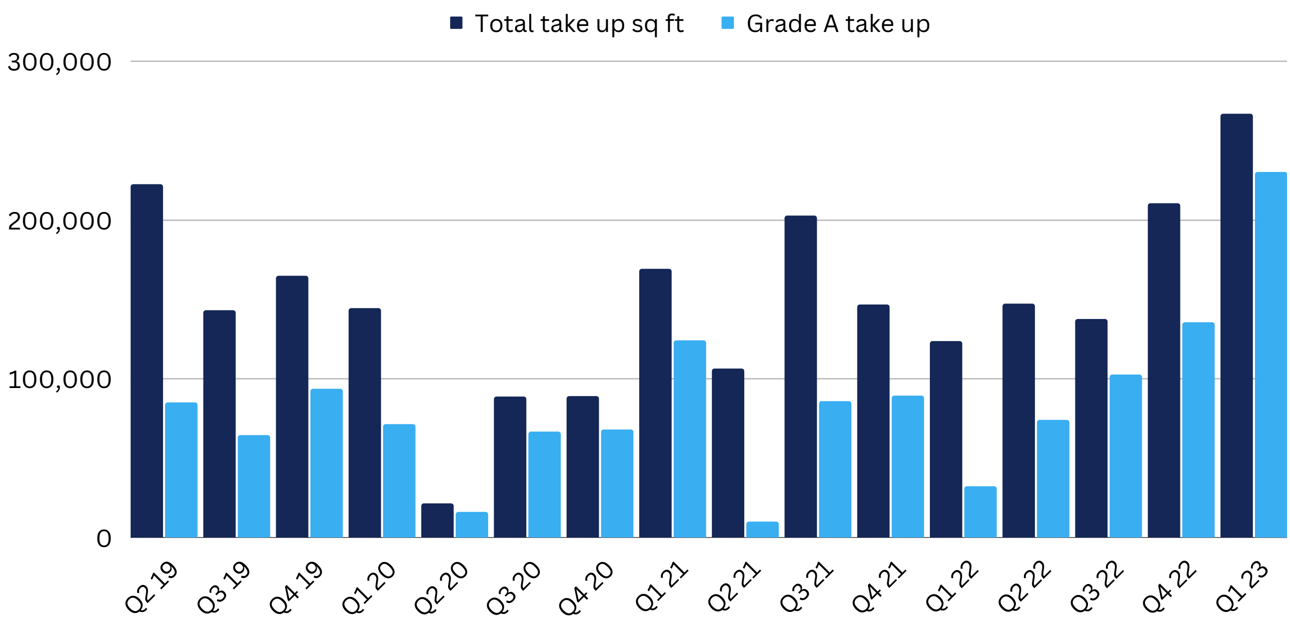
34 DEALS

(Q1 2022: 32 deals)

KEY TRANSACTIONS

Lloyds Banking Group	124,400 sq ft	11/12 Wellington Place, LS1
Markel Insurance	19,956 sq ft	City Square House, LS1
W Denis Insurance	16,500 sq ft	8 St Pauls Street, LS1
Hi-Sense	12,414 sq ft	1 Munroe Court, LS11
KnowB4	9,013 sq ft	1 Leeds City Office Park, LS11
First Bus	7,445 sq ft	1 Victoria Place, LS11 *

*deal involving SW



KEY DATA

Q1 2023

761,458 SQ FT

Leeds City Centre
Rolling 12 months

226,478 SQ FT

Leeds Out of Town
Rolling 12 months

£37.00 PSF

Prime Rents
Leeds City Centre

£24.75 PSF

Prime Rents
Leeds Out of Town

68%

Deals <5,000 sq ft

642,000 SQ FT

Grade A Supply

DEMAND

Office take-up for the first quarter of 2023 reached a total of 326,997 sq ft across Leeds. Activity was particularly healthy in the city centre market with demand from the financial & insurance services sector underpinning a strong set of figures.

In Leeds city centre 266,714 sq ft of take up across 34 deals was recorded in the first 3 months of the year, a 116% increase compared to the same period in 2022. The largest city centre deal was to Lloyds Banking Group who took 124,400 sq ft at MEPC's 11/12 Wellington Place where construction was completed in January. The other notable deals in the city centre were Markel Insurance's pre-let of almost 20,000 sq ft at McAleer & Rushe's City Square House and the Freehold acquisition of the 16,500 sq ft 8 St Paul's Street by W Denis for their own occupation.

Out of town, the market was quieter with a total of 60,283 sq ft transacted in 18 deals, which was approx. 40% down on the corresponding quarter last year. The largest lettings were the single-let of Cast House at 19,827 sq ft and the 12,414 sq ft letting to Hi-sense at White Rose Park.

Occupier demand continues to be largely focussed on Grade A space delivering the highest quality and most sustainable environment. This is demonstrated by the success of the latest, prime city centre developments. Only 19,000 sq ft out of a total of nearly 210,000 sq ft of office space remained available on PC at 11/12 Wellington Place with the balance either pre-let or under offer. This building was designed to be BREEAM Outstanding, EPC "A", net zero carbon in operation and NABERS 5 star and has attracted occupiers such as Lloyds Banking Group and Arup.
City Square House, which is c. 140,000 sq ft and due to PC in Q3 this year is designed to be BREEAM Excellent and EPC "A" and is now over 75% pre-let following commitments by DLA Piper and Markel.

1 Victoria Place

SW Letting to First Bus

SUPPLY

At the end of Q1, there were the following Grade A office developments available or due to PC this year and which together form the principal city centre supply.

Building	Date of PC	Available (sq ft)	Total Size	Comments
12 King St	June 22	24,176	54,000	Lettings to Endless, Rothschilds, & Arcadis,
Globe Point	August 22	31,789	40,430	Lettings to Jaywing & Butlers
One South Brook Street, Aire Park	Q4 2023	63,167	63,167	Vastint development of ex-Tetley Brewery site
Three South Brook Street, Aire Park	Q4 2023	147,109	147,109	
11/12 Wellington Place	Jan 2023	19,000	210,000	Lettings to Lloyds Bank Group and Arup
4 Wellington Place	Jan 2021	56,000	133,907	Occupier sub-letting surplus space. On market August 2022
City Square House	Q4 2023	37,000	140,000	Pre-lets to DLA Piper and Markel
Total		**378,241**		

Out of town, there continues to be a shortage of new build, Grade A accommodation although the availability of high quality refurbished space at White Rose Park and Leeds Valley Park has been a welcome boost for the market.

RENTS

Prime rents have increased to £37.00 per sq ft, driven by occupier demand for the best quality space and corporate policies in ESG and towards Carbon Zero.

With Grade A office availability / choice in the city centre being relatively limited, especially for larger occupiers and most demand being for Grade A space we anticipate that prime rents will increase to £38psf by the end of the year.

Outlook

Grade A rents will increase as demand for the best space continues and from a national perspective, there does appear to be further headroom for growth as Leeds remains at a discount to other major UK cities.

By the time City Square House and One and Three South Brook Street PC at the end of the calendar year we expect that most of the space in the other, principal competing buildings in the city centre will have been mopped up, leaving these developments well placed for letting success.

The Out of Town market will take heart from the high demand for new space and rising prime rents in the city centre and which might lead to some new-developments at the most prestigious Leeds business parks to complement the high quality refurbished accommodation recently brought to market.

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