Q4 2023

Sanderson Weatherall

LEEDS OFFICE MARKET UPDATE

PHOTO: CITY SQUARE HOUSE
PC DUE 2024

A LOOK BACK AT 2023

651,461 sq ft
Leeds City Centre take-up

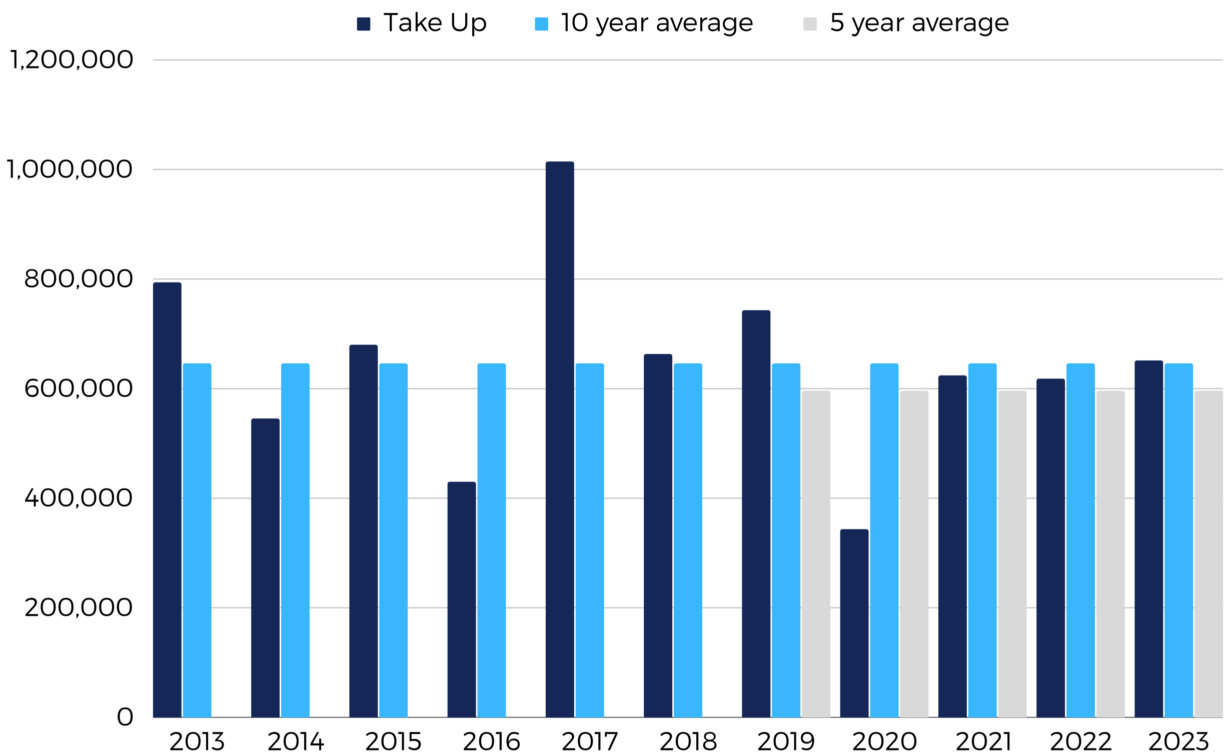
126
Leeds City Centre deals

259,098 sq ft
Leeds Out of Town take-up

Key Transactions

Occupier	Size (sq ft)	Property
Lloyds Banking Group	124,400	11/12 Wellington Place, LS1
Irwin Mitchell	27,470	4 Wellington Place, LS1*
HM Courts Service	26,328	West Gate, LS1
Markel Insurance	19, 956	City Square House, LS1
NHS	18,836	3 White Rose Park, LS11

*deal involving SW



Q4 2023 SNAPSHOT

112,272 SQ FT

Leeds City Centre Take Up
(Q4 2022: 210,321 sq ft)

73,379 SQ FT

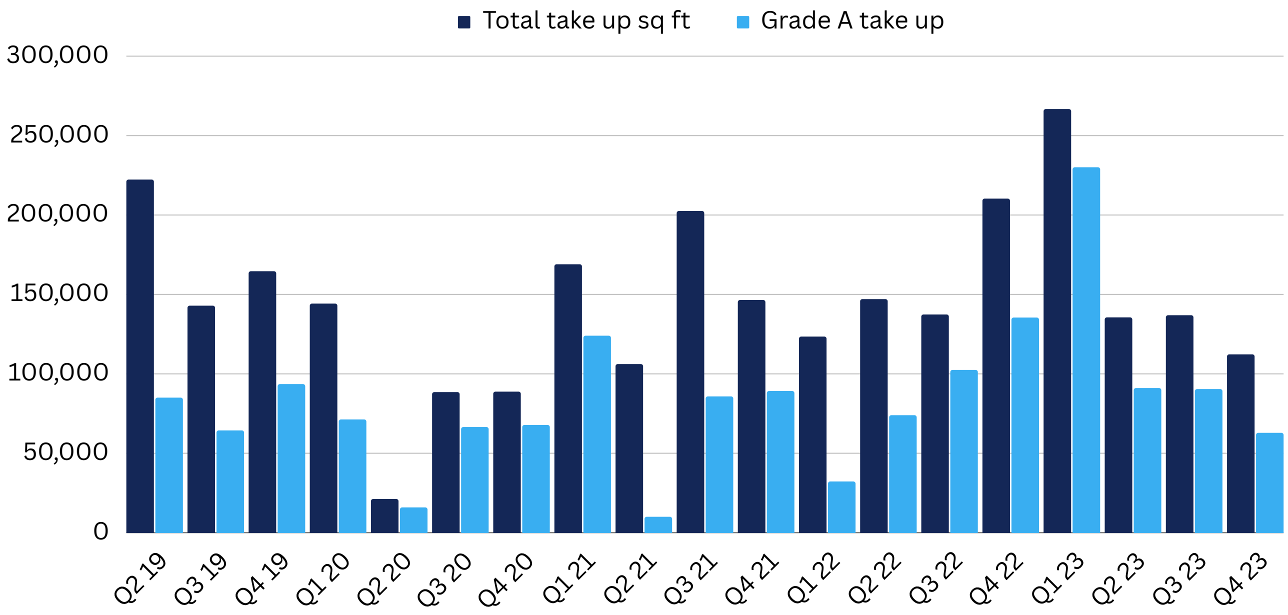
Leeds Out of Town Take Up
(Q4 2022: 60,631 sq ft)

32 DEALS

(Q4 2022: 36 deals)

KEY TRANSACTIONS

Occupier	Size (Sq Ft)	Property
Barnett Waddingham	13,466	City Square House, LS1.
Quiba	12,298	Temple Point, Colton Mill, LS15.
Advisory Insurance Brokers	11,384	West Village, LS1.
Freeths	11,270	Central Square, LS1.
Northpoint Wellbeing	10,730	The Small Mill, LS10.



Q4 2023 Key Data

4 Wellington Place: SW Joint Leasing Agent

651,461 sq ft
Leeds City Centre take-up

Rolling 12 months basis

£38.00 psf
Prime City Centre Rents
£25.00 psf
Prime Out of Town Rents

259,098 sq ft
Leeds Out of Town take-up

Rolling 12 months basis

467,000 sq ft
Grade A Supply

78%
of all deals <5,000 sq ft

3 White Rose Office Park: SW Joint Leasing Agent

Demand

Total office take-up in the final quarter was 185,651 sq ft, of which 112,272 sq ft was transacted in the city centre across 32 deals.

Four city centre deals in excess of 10,000 sq ft occurred in the final quarter, the largest being Barnett Waddingham's pre-let of 13,466 sq ftg at City Square House. Other notable deals included Freeths at Central Square and Northpoint Wellbeing at the Small Mill.

End of year take up in the city centre reached 651,461 sq ft, which is the highest annual total since 2019 and with an average deal size of 5,195 sq ft. Grade A space continues to make up the majority of space taken accounting for 73% of all space transacted.

Out of Town take up in Q4 stood at 73,379 sq ft which was on a par with the previous quarter and approx. 21% up on the corresponding period last year. There were three deals in excess of 10,000 sq ft including Quiba's purchase of the 12,298 sq ft unit 4 Temple Point at J46 of the M1. The year end figure for 2023 in the Out of Town market stood at 259,098 sq ft.

Demand from businesses in the Professional Services sector was the strongest, accounting for 30% of total city centre take-up, and the Banking and Financial Services sector contributed to 29%. We are however seeing occupiers downsizing their requirements when moving premises, typically by between roughly 20-30%, as the effect of more flexible ways of working are addressed. Occupiers are however trading up when it comes to quality and price with a healthy level of demand from a broad church of end users who are focused on the best quality, most sustainable, flexible and conveniently located work space.

Supply

City centre Grade A supply currently stands at approx. 467,000 sq ft and with approx. 232,000 sq ft of this total under construction and due to PC within the first half of 2024.

With the viability of new schemes being impacted by a combination of finance costs, investment yields and increased construction costs for the latest, enhanced specifications we are in a pre-let driven market for the development of new buildings.

Rents

Prime rents have increased to £38.00psf and with limited choice of city centre Grade A options, we expect further rental growth during the course of 2024. Leeds continues to represent good value compared to regional peers such as Birmingham (£41.00psf), Bristol (£42.50spf) and Manchester (£43.00psf) and this headroom will be attractive to footloose requirements.

Outlook

The outlook for prime office locations in the city centre and out of town market looks positive with good levels of occupier demand. The sustainability credentials of buildings is being interrogated by occupiers who are increasingly focussed on electric-only options. Whilst carbon in operation is where most occupier attention is currently focussed, we do expect more emphasis on embodied carbon in due course. This along with the speed-to-market advantage will mean that the retro-fit of well-located existing buildings will become an increasingly attractive option for developers as prime rents creep upwards.

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