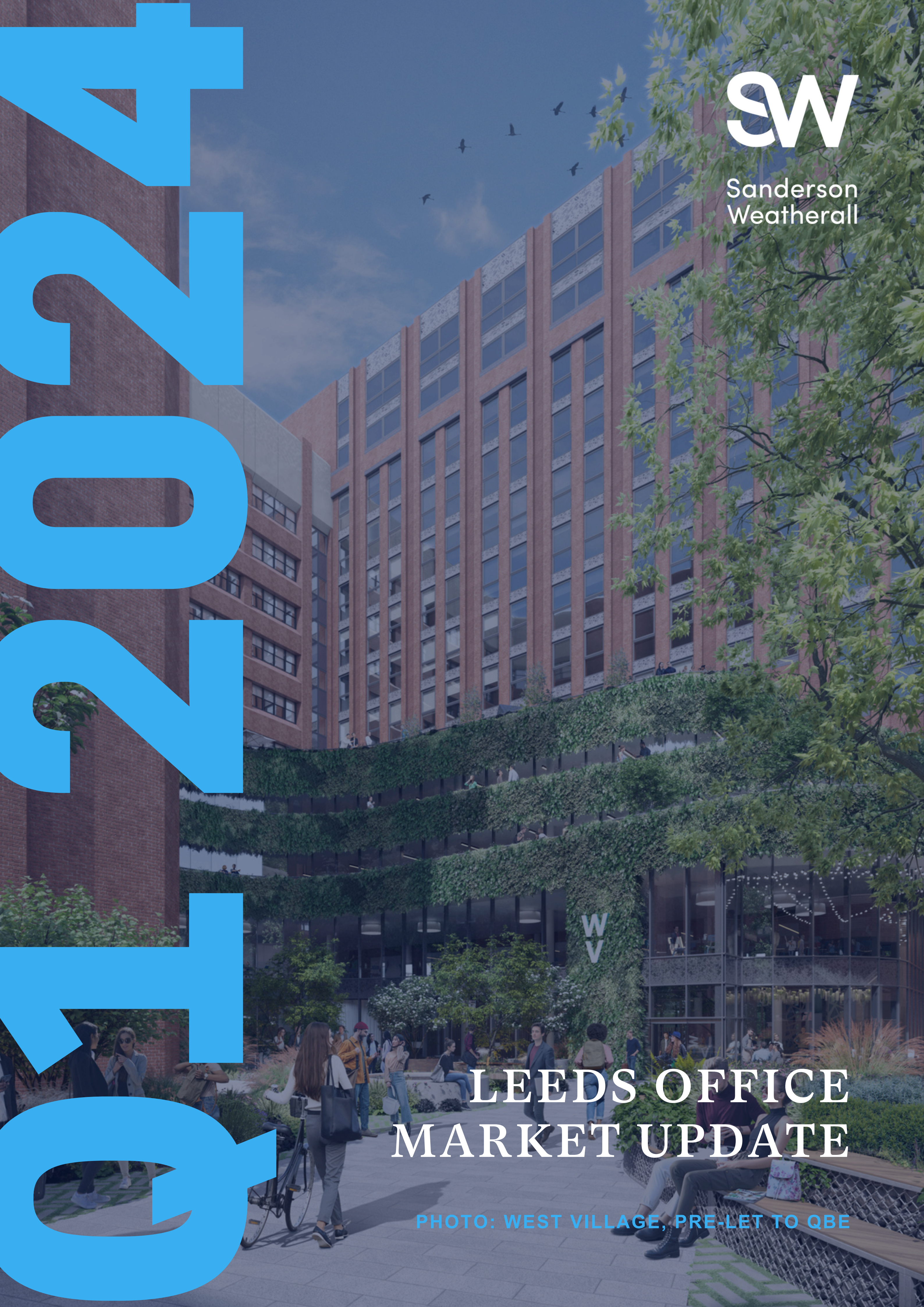


Q1 2024

Sanderson Weatherall

LEEDS OFFICE MARKET UPDATE

PHOTO: WEST VILLAGE, PRE-LET TO QBE

Q1 2024 IN BRIEF

249,984 SQ FT

Leeds City Centre Take Up

(Q1 2023: 266,714 sq ft)

39,540 SQ FT

Leeds Out of Town Take Up

(Q1 2023: 60,231 sq ft)

30 DEALS

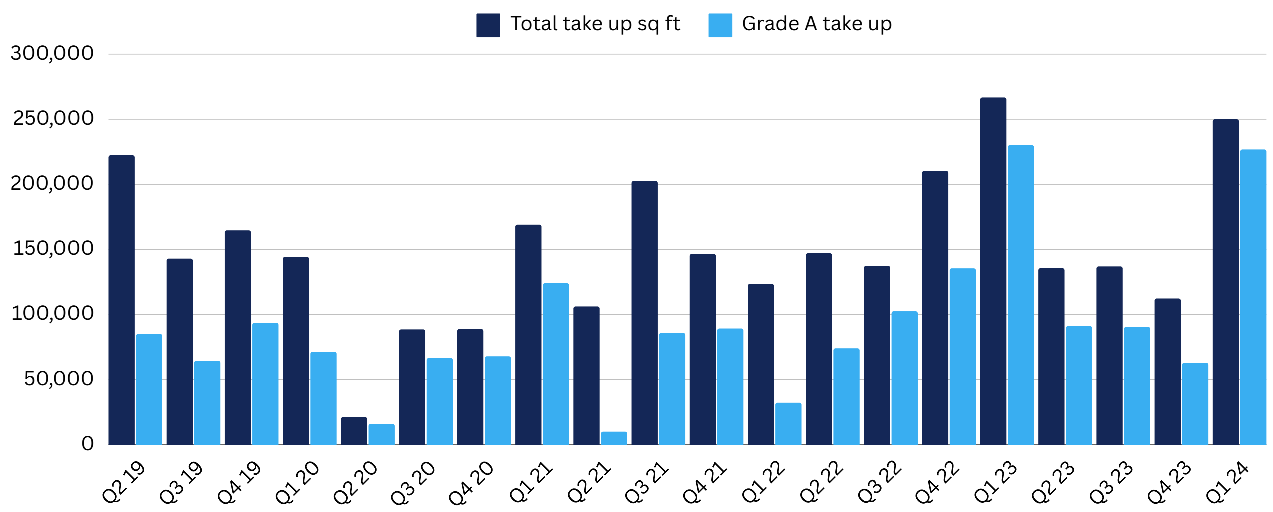
(Q1 2023: 34 deals)

KEY TRANSACTIONS

Occupier	Size (Sq Ft)	Property
QBE Management Services	37,865	West Village, LS1
Global Banking School	29,407	1 Wellington Place, LS1
UK Infrastructure Bank	28,729	2 Whitehall Quay, LS1
Orega Ltd	25,758	Broadgate, LS1
EY	25,303	12 Wellington Place, LS1
Lloyds Bank PLC	14,061	12 Wellington Place, LS1
Torsion Care	11,563	Tomlinson House, Capitol Park
Wizu Ltd	9,959	55 St Paul's Street, LS1*

*deal involving SW

FIVE YEAR LEEDS CITY CENTRE TAKE UP



KEY DATA

634,731 sq ft

Leeds City Centre
Rolling 12 months

238,355 sq ft

Leeds Out of Town
Rolling 12 months

£38.00 psf
city centre

£25.00 psf
out of town

PRIME RENTS

457,000 sq ft

Grade A Supply

60%

of all deals
<5,000 sq ft

Demand

A total of 289,524 sq ft of office space was transacted in the Leeds market during the first quarter of 2024.

In the city centre, the first three months of the year saw 30 transactions complete, totalling 249,984 sq ft. This reflected an average deal size of 8,333 sq ft and a 123% increase in space taken compared to the last quarter of 2023. Whilst the total level of space transacted was lower than the equivalent quarter in 2023, there was a healthier spread of good-sized deals than Q1 2023 where the large pre-let to Lloyds Bank of c. 125,000 sq ft dominated the take-up.

The largest deal saw QBE sign a pre-let at Bruntwood's West Village for c. 38,000 sq ft and there were seven transactions in excess of 10,000 sq ft. The other notable deals in the quarter were Global Banking School taking 29,407 sq ft being the whole of 1 Wellington Place and the UK Infrastructure Bank signing for 28,729 sq ft at 2 Whitehall Quay.

Demand for city centre workspace came from a range of sectors including Banking, Insurance, Professional services and the public sector. The flex operators were also active as Orega took a floor of 25,758 sq ft at Broadgate and Wizu took a lease of the whole at 55 St Paul's Street in the traditional core.

Out of Town, the market was much quieter, and this subdued activity reflects the lack of superior quality office stock now available. The largest transaction saw Torsion Group acquire the freehold of Tomlinson House at Capitol Park in an 11,153 sq ft deal.

Occupiers want the best quality & most sustainable space – almost 91% of all city centre office accommodation transacted in Q1 was for Grade A space.

Supply

Grade A supply currently stands at approx. 457,000 sq ft, which includes approx. 232,000 sq ft of space that is currently under construction. All this Grade A space currently under construction will PC later this year. The principal location of new supply will be at Aire Park on Leeds' South Bank. This redevelopment of the former Tetley Brewery site by Vastint, has a first phase of new office space due to complete in Q2. Arranged in two buildings of approx. 63,000 sq ft and 147,000 sq ft respectively, 1 & 3 South Brook Street make up the vast majority of the new build space due to hit the market.

In terms of pipeline supply, the refurbishment and extension of Wellington Plaza will deliver up to 77,000 sq ft of Grade A space. Work is rumoured to be starting on site during 2024 on the back of c. 20,000 sq ft being placed under offer.

Rents

Prime rents are established at £38.00 per sq ft and quoting rents are now as high as £40.00 per sq ft on new-build Grade A space being delivered this year. With supply constraints and healthy levels of demand we expect an increase in prime rents during the course of 2024.

Outlook

With Q1 city centre office take up nudging 250,000 sq ft, this is an encouraging result for owners, investors and developers. The levels of activity underline the confidence being shown by businesses in the city of Leeds with twelve deals in excess of 5,000 sq ft, up from seven in Q4 last year.

Supply across both the city centre and out of town markets continues to be a pressing issue and with little new construction expected to commence in 2024, the pipeline of new or improved space looks unlikely to change before 2026. Hence, organisations with larger requirements and seeking Grade A space will need to commit to space sooner rather than later or adjust their timing and enter into a pre-let to satisfy a future relocation.

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