Sanderson Weatherall

Darwin,
Leeds Valley Park

Q1 2022

Leeds office market update

Q1 2022 Snap Shot

123,463 sq ft

Leeds City Centre take-up
(Q1 2021: 168,996 sq ft)

105,434 sq ft

Leeds Out of Town take-up
(Q1 2021: 209,512 sq ft)

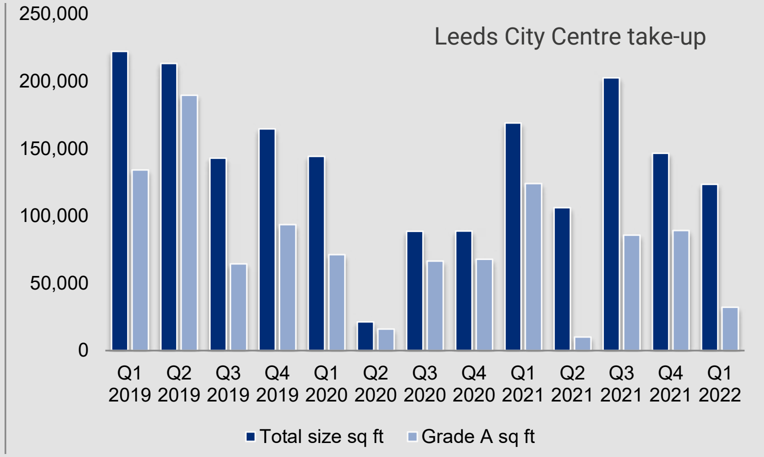
32

Leeds City Centre deals
(Q1 2021: 18)

Key Transactions

Occupier	Size (sq ft)	Property (Landlord)
Williams Lea	16,617	Darwin, Leeds Valley Park, LS10
HG Construction	14,126	Belgrave Hall, LS2 *
2Work	13,551	Bank House, LS1
Lupton Fawcett	11,510	2 The Embankment, LS1

*deal involving SW



Key Data
Q1 2022

579,659 sq ft

Leeds City Centre Take-Up
(rolling 12 months basis)

£34.00 psf
Prime City Centre Rents

£24.75 psf
Prime Out of Town Rents

803,000 sq ft

Grade A supply
531,000 sq ft of this total is under construction

370,406 sq ft

Leeds Out of Town Office Take-Up
(rolling 12 months basis)

67%

of all deals < 5,000 sq ft

5.25%

Prime Yields

Demand

Office take-up for the first quarter of 2022 reached a total of 228,897 sq ft across Leeds. Total activity was healthy in both the city centre and out of town markets and with demand from a broad spectrum of business sectors including professional services, flex/serviced operators and business support/outsourcing.

In Leeds city centre 123,463 sq ft of take-up across thirty-two deals was recorded in the first three months of 2022, a 27% decrease compared to the same period last year. However, the first quarter last year benefited from the major pre-let to DLA Piper and overall market activity was better in the start to this year than Q1 last year with 32 deals concluded as opposed to 19 in Q1 2021.

The largest city centre deal was to HG Construction, who leased 14,126 sq ft at Belgrave Hall. Two other deals over 10,000 sq ft were completed in this period. Flexible workspace operator, 2Work, who opened in Leeds last year took an additional 13,551 sq ft at Bank House, and Yorkshire law firm, Lupton Fawcett, acquired 11,510 sq ft at 2 The Embankment.

The Out of Town market transacted a total of 105,434 sq ft of office space across 31 deals. The largest deal was to Williams Lea at Leeds Valley Park who took 16,617 sq ft. Cennox, the ATM and security support firm, completed the second largest, acquiring 10,620 sq ft at City West Office Park. As with the city centre, take-up was down on the equivalent period last year when the largest-ever out of town pre-let was recorded (the letting to Lowell). If this is stripped out of the figures, activity in Q1 2022 is healthier than that posted in the equivalent period in 2021.

Supply

Figures recently collated by the Leeds Office Agents Forum (LOAF) placed Grade A supply at approx. 803,000 sq ft with circa 531,000 sq ft of this total currently under construction and due to complete over the next 24 months. This is a mixture of new-build and new refurbishments and equates to roughly 32 months average, Grade A take-up.

Significant new-build schemes that are presently on site include MEPC's 11/12 Wellington Place (c. 245,000 sq ft), McAleer & Rushe's City Square House (c. 55,000 sq ft unlet) and CEG's Globe Point (c. 38,000 sq ft) and which are located in differing locations within the city centre.

Prime Rents

Good levels of transactions over the past two quarters, coupled with a manageable supply of current and future Grade A stock have created an environment where we expect to see further prime rent growth in 2022. In addition, Leeds still offers real value for money versus its principal regional peers where Bristol, Birmingham and Manchester are all forecasted to breach the £40 per sq ft barrier this calendar year

29 King Street

Q1 2022

29 King Street

Outlook

We saw a healthy level of leasing activity in the first three months of 2022. While the market didn't witness the bumper-sized pre-lets which buoyed Q1 2021, leasing performance so far this year has come from a broad range of business sectors. We've also seen the expansion of another serviced office provider, positive signs that flexible workspace operators are starting to be more active again.

The outlook for the rest of 2022 is encouraging with a strong pipeline of identifiable demand from a range of sectors including professional services, serviced offices, and financial services.

We anticipate further rental growth as new Grade A buildings are completed and businesses put their ESG requirements at the core of their real estate strategies, Leeds will however remain the most cost-effective of the larger regional office markets and is therefore positioned well to take advantage of footloose national inquiries

New build space, especially buildings with high sustainability, wellness, and a focus on smart technology will continue to set the tone for further upward movement in prime rents, which currently stand at £34 per sq ft.

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