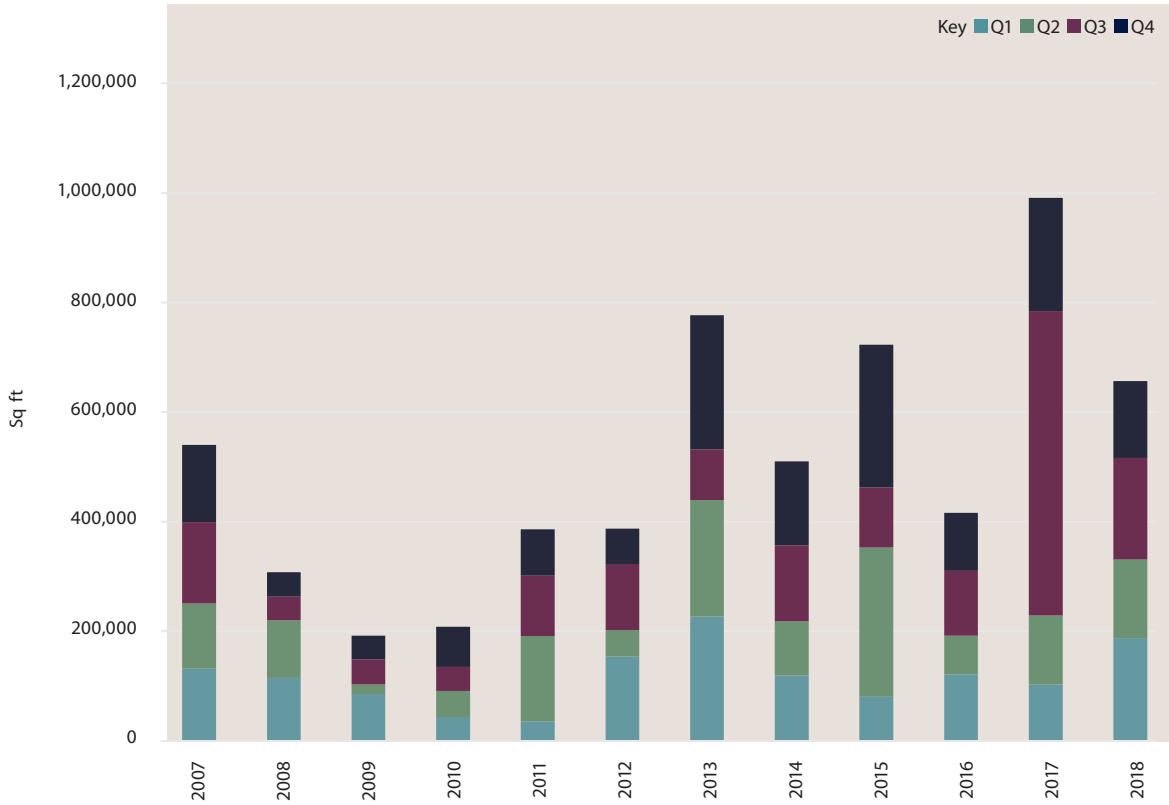


Leeds Offices

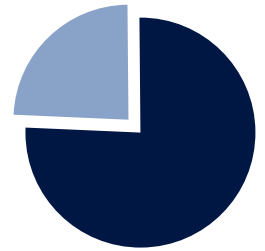


Following a spate of lettings at the year end, new build stock is at its lowest level on record. Refurbished space will now provide an attractive option for tenants.



Source Savills Research

Take-up, supply and rental performance and investment
Key data points



Grade A space accounted for 67% of take-up in 2018. The highest proportion on record.



Supply fell by 31% from 2017 and is at its lowest level since 2006.

North-shoring drives a strong performance

Yorkshire is on a roll. The region's economy is expected to accelerate by 8.3% over the next five years (5.7% over the last five), making Leeds one of the UK's fastest growing cities and a leading business location within Europe.

Private sector office based employment within Leeds city region has grown by 15% over the last five years and is forecast to grow by a further 7.9% over the next five.

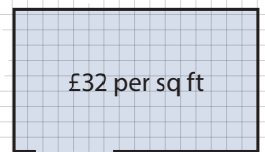
Take-up reached 657,000 sq ft during 2018, exceeding the 10 year average of 490,000 sq ft by 34%. There was a bias towards Grade A space in 2018 accounting for 67% of take-up.

Leeds supply currently stands at 826,000 sq ft and this has been gradually falling since 2015, with 2018 seeing a fall of 31% in total office supply and a 9% decrease in Grade A supply. There is no Grade A space available for requirements over 40,000 sq ft, until the refurbishment at the Majestic completes at the end of the year. MEPC's 4 Wellington place

will also provide 155,000 sq ft of new space in Q4 2020.

Top rents remained at £30 per sq ft in 2018, but we expect rents to increase to £32 per sq ft in 2019 with further growth during 2020. However, Leeds still offers the lowest rents among the big six regional cities. Leeds has the potential to attract large scale relocations but will need the right product, in the form of new Grade A buildings, if it is to compete.

£326m of office investments transacted in 2018, 109% up on the 10-year average, as investors seek enhanced returns underpinned by rental growth and the demand/supply dynamic within the city. 47% of this investment was by overseas investors who are increasingly looking outside of Manchester and Birmingham as they become more comfortable with the UK regional office markets. Prime Yields remain at 4.75%.



A new record rent for 2019 is expected



£326 million of office investment, 109% up on the 10-year average.

2019 will see the paucity of new build stock leading to more significant pre-let activity both in the city centre and out of town

Paul Fairhurst - Head of Leeds office

The impact of the tech sector on Leeds

After the Government Hub announced its move in 2017, Leeds’ successful bid to bring the Channel 4 headquarters to the city has had an effect similar to the ‘Tour de France’ had on the city back in 2014.

The city, who beat Birmingham and Manchester, will see Channel 4 move 200-plus staff to the region, with the headquarters and studio expected to be fully operational by 2023. The new site will house ‘key creative decision-makers’, and will be home to a ‘digital creative unit’ to make material for online platforms and social media.

So why Leeds?

Leeds already has the highest concentration of digital, data and technology innovators in the UK and according to Tech Nation 2018, Leeds is positioning itself as a tech and creative hub which already has nearly 35,000 digital technology jobs within this sector. The tech sector is expected to grow by 10.7% over the next five years, with digital jobs in the region predicted to grow at 10 times the rate of non-digital. The digital economy is seen as a key focus for the Northern Powerhouse and Leeds City Region will drive this. The city has seen a huge drive to expand



this sector and with property developer Bruntwood having been awarded £2 million to establish a tech hub at its new Platform scheme by the railway station, this can only be a positive for the city’s tech scene. The city has already seen a rush of tech-based firms move south of the river over the last few years, particularly around the Holbeck area. Tower Works, Globe Place and Grove Square will also provide 262,600 sq ft of space to meet the needs of this sector.

There has also been signs of the South Bank stretching eastwards, including Sky expanding their technology hub around the lively Leeds Dock. Developer Vastint is tasked with bringing to life the former Tetley Brewery site, which could start on site this year. They’re creating 850,000 sq ft of employment space, which will include a dedicated capacity for creative industries, as well as 150,000 sq ft of retail, cultural, educational and leisure.

Whilst Channel 4 and Sky Bet may not directly work together, the expansion of these two businesses could result in an increased talent pool in the creative and technology industries. Having two key technology occupiers within the city, will also help see the formation of a collaborative energised environment, creating a community of occupiers to cluster.

Channel 4 also works with a variety of production companies who are based in the UK regional cities, with a growth innovation fund aimed at supporting independent production companies. It Given Channel 4’s decision to move to Leeds, these production companies will utilise the existing creative and television production base that is based in the city. True North Productions, who are based at Marshall Mills, have already expanded their footprint to 11,000 sq ft and see Channel 4’s move as a catalyst for future opportunities.

Key statistics

The tables below detail key statistics relating to the Leeds’ office market

	Data (sq ft)	Year on year change
2018 supply	826,000	-31%
Grade A supply	526,000	-9%
New build supply	13,000	-72%
2018 take-up	657,000	-34%
2018 Grade A take-up	469,000	6%
Development pipeline	269,000	0%

Source Savills Research

Savills team

Please contact us for further information

Paul Fairhurst
Head of Office Agency
0113 220 1207
pfairhurst@savills.com

Patrick Carter
Director Office Agency
0113 220 1203
pcarter@savills.com

Simon Lister
Director Investment
0113 220 1208
slister@savills.com

Mark Wilson
Director Investment
0113 220 1254
mwilson@savills.com

Clare Bailey
Associate Director Commercial Research
020 7409 8863
cbailey@savills.com

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