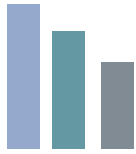


Leeds Offices



Image: 11/12 Wellington Place
which is now under construction

Occupational • Investment • Tech



744,625 sq ft

of take-up in Leeds city centre during 2019



59%

of take-up was Grade A



Top sectors

TMT (46%), Insurance & Financial Services (17%), Business & Consumer Services (13%).



£34

To rent forecast by year end.

What Workers Want

Savills What Workers Want survey investigates the wants and needs from the workplace across 14 UK cities. To retain the best staff, it's no longer simply personal desk space that's important; businesses need to be considering how supporting their employees' wider wellbeing will have the knock-on effect on productivity.

So, what makes a workplace special? How do you build a sense of engagement and pride in the workplace? These are the kinds of questions that underlie the workplace for today's workforce. The workplace is increasingly seen as a "brand" that conveys not only a place, but also the values of the company.

Workers prefer spaces that are comfortable, clean and functional. Workspaces that capitalise on design that enhances wellbeing – such as the incorporation of biophilia, increased natural light and green spaces – can assist with staff recruitment and retention.

Wellington Place in Leeds is a great example of a scheme incorporating an extensive public realm into its offering as a way to maximise wellbeing. The scheme also hosts an array of seasonal events throughout the year and is surrounded by a number of amenities.

However, what really makes the scheme stand out is its community focus for employees. From beekeeping to history talks, a book club or the workplace choir. The scheme hosts a range of talks, clubs, classes and groups for everyone. It provides the perfect opportunity to meet and engage with others within the scheme.



Occupational overview

Leeds still offers the lowest rents among the big six regional cities

2019 saw Leeds continue to go from strength to strength. The announcement of Channel 4's relocation of its national HQ to Leeds has been one of the key highlights for the city. Although Channel 4 is not particularly significant in terms of size, it is an endorsement of Leeds as a major creative hub, with the move expected to be a catalyst for other creative companies to cluster within the city.

Take-up in Leeds city centre reached 744,625 sq ft, 13% above 2018. There has been a continued bias for Grade A space with 59% of take-up being Grade A.

Leeds has had the largest financial sector growth outside London and has seen faster job creation than both Manchester and Bristol since 2014. Leeds is also due to see steady growth of its

financial sector over the next five years (8%), ahead of its competing cities.

The growth of the tech sector has added a further source of demand for the city with the sector expected to grow by 9% over the next five years.

Unsurprisingly, TMT was the most active sector in 2019, accounting for 46% of take-up. This was driven by Sky and Sky Betting and Gaming, who signed for a combined 167,000 sq ft of space at 4 Wellington Place and 26 Whitehall Road.

Already within the first quarter of 2020, Leeds has experienced rental growth of 3% with top rents currently sitting at £31 per sq ft. We expect this will reach an impressive £34 per sq ft by the end of the year.

However, Leeds still offers the lowest rents among the big six regional cities with overall operating costs 30% lower than London and the South East

Therefore, it 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. Although Grade A supply currently sits at only 195,000 sq ft, MEPC have now started the speculative development of their next phase, 11/12 Wellington Place comprising of 245,000 sq ft of offices, completing in Q1 2022- while on the south side of the city, CEG are starting on site with Globe Point comprising of 38,600 sq ft. Going forward, Leeds will have a lot to offer potential occupiers.



1.2

Years of Grade A supply

295,000

sq ft of pipeline on-site available to be let during construction

4%

Grade A vacancy rate

“ Digital tech companies turned over nearly £4bn in Yorkshire and the Humber last year, and they currently employ over 53,000 people. ”

INVESTMENT OVERVIEW

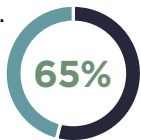
Leeds has seen total commercial investment volumes of £901 million, a 52% increase on 2018, and an impressive 140% increase on the long-term average. These exceptionally high volumes were driven by a number of large office deals which accounted for 65% of total volumes.

After a slow first half, Leeds office investment volumes surged in Q3 with end of year figures totalling £590 million. UK institutions were the most active investor type accounting for 77% of volumes, totalling £454 million.

While the overall investment volumes and level of institutional investment in Leeds offices were positive, the numbers are somewhat skewed by the two very large transactions by Legal & General. Taking these transactions out of the overall transaction numbers, the underlying office investment market was clearly subdued as a result of Brexit and government uncertainty, as investors adopted a wait and see approach. The remaining transactions, which totalled £136 million, were well below the long term average of circa £180 million per annum.

Positive sentiment has returned since the New Year and a number of transactions which were timed out in 2019 have now completed. We are aware of circa £150m of transactions which have either completed or are in solicitors hands since January 2020, with a further circa £100 million of assets currently being marketed. Key transactions since the New Year include the purchase of 3-4 The Embankment for £20.50 million by UKRO, and the purchase of Vantage House by Investream for £6.55m.

Prime yield currently stands at 4.75%, but with limited transactional evidence to back this up.



Office investment has accounted for 65% of Leeds' commercial investment volumes.

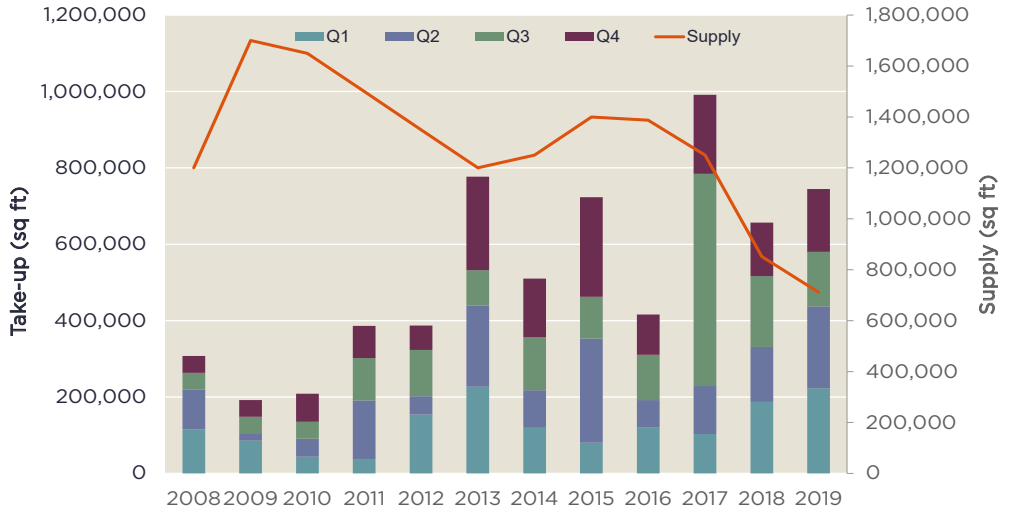
77%

of office investment has been from **Institutional Investors**, the most active investor type in 2019

4.75%

Current prime office yields in Leeds have remained stable throughout the year.

Leeds city centre take-up by quarter



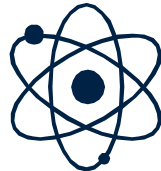
Source Savills Research

Between now and 2024 Leeds is forecast to see...



6.6%

Total office-based employment growth.



9.2%

Employment growth within the Tech sector.



9.1%

Total office-based GVA growth.



15.7%

GVA growth from the Information and Communication sector.

Source: Oxford Economics

The rise of tech and its talent

The technology sector in Leeds has grown massively in recent years. There are now around 3,500 digital businesses in the city, including big names like Sky, NHS Digital, and Rockstar Games with the city attracting software engineers, designers, and data scientists to name a few.

The city has the highest number of 'scale-up' digital companies outside the South East, and workers in this sector in Leeds are amongst the highest paid in the UK, being paid an average of 9% more than non-tech jobs.

Highly successful tech hubs, such as Bruntwood's Platform building continue to attract and support the expansion of digital technology businesses. Sky Betting and Gaming has continued

to invest in the area, creating 230 more jobs in 2017/18. The firm is one of two Yorkshire-based tech firms classed as 'Unicorns'.

However, vacancy numbers are increasing, and there is a danger that demand from employers will outstrip supply. Digital tech companies turned over nearly £4 billion in Yorkshire and the Humber last year and they currently employ over 53,000 people. Yet last year there were 88,000 tech job vacancies in Leeds alone, according to Tech Nation. The city needs to retain, attract and develop graduate talent if it is to continue to attract and retain tech companies to the city.

Encouragingly, Leeds is an attractive place to live and work and possesses a strong amenity

offer compared to many other regional cities. There are reasons to be confident about the city's offering and the depth of the talent pool. Leeds benefits from a strong student population and according to Centre for Cities, the city is very good at retaining graduate talent from its three universities.

Its overall net gain in graduates places it third of all UK cities, behind London and Manchester. As businesses urgently seek employees with skills for the future, this is brilliant news for Leeds. Furthermore, with Leeds possessing a strong reputation in the knowledge-intensive industries, this will also help to drive future talent.

“Leeds has the highest number of 'scale-ups' outside the South East”



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