

TAKE-UP

- After a successful second half to 2017, the Leeds city centre office market experienced a record year of take-up with leasing activity totalling over 1m sq ft for the first time. The landmark 378,000 sq ft pre-let of 7 & 8 Wellington Place to GPU has strongly influenced total take-up figures for the year; however, even when excluding this deal from the analysis, total annual take-up ended positively at 636,615 sq ft, 19% above the 10-year average (see **Figure 1**). As a result of 2017's figures, five-year city centre average take-up currently stands at 693,581 sq ft (617,981 sq ft excluding the GPU deal).
- Occupier demand for Grade A accommodation was prevalent throughout 2017, accounting for 67% of all take-up. Even when discounting the GPU transaction, Grade A deals increased 16% from 2016. Some significant deals in 2017 are listed in **Figure 2**.
- When analysing 2017 transactions by size bracket, 68% of all deals (96 total) were between 0-3,000 sq ft, a 38% y-o-y increase. However, six deals were transacted within the 25,000 sq ft plus category, totalling 586,987 sq ft, accounting for 58% of total take-up (see **Figures 3 & 4**).
- Media & Tech, Financial Services and Business Services experienced the greatest increase in total space take-up compared to 2016 levels (see **Figure 5**). The three occupier types were together responsible for 60% of total take-up (84 out of 141 deals) in 2017. The GPU deal in Q3 resulted in Government/Public Sector occupiers accounting for the greatest share of total take-up; however, excluding the GPU transaction the Public Sector experienced a reduced level of take-up in 2017 compared to 2016.

Fig. 3 & 4: City Centre Take-up by Size Band

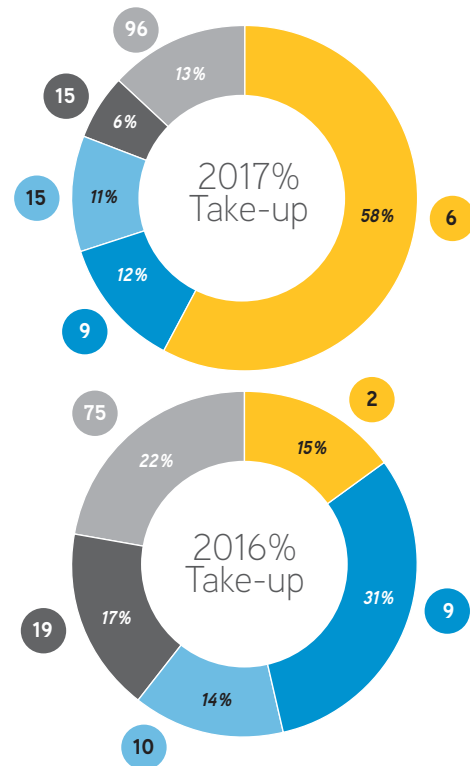
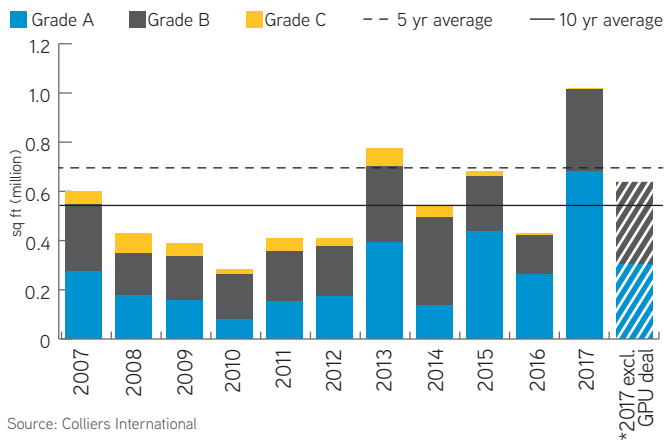
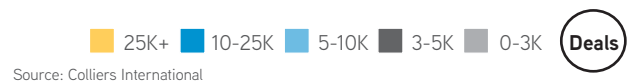


Fig. 1: Leeds City Core Take-up by Grade

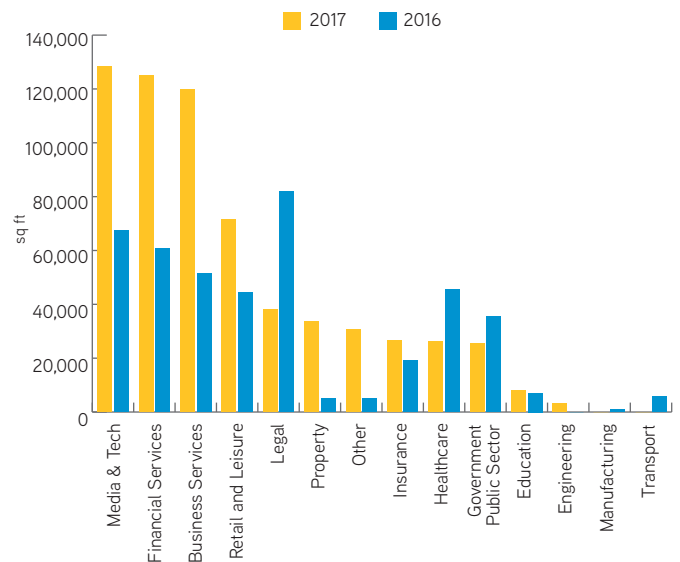


Source: Colliers International



Source: Colliers International

Fig. 5: Annual Take-up by Business Sector (excl. GPU)



Source: Colliers International

Fig. 2: Top City Centre 2017 Transactions

ADDRESS	SIZE (SQ FT)	TENANT
No's 7 & 8 Wellington Place	378,000	GPU / HMRC
Sovereign House, Sovereign Street	80,654	Leeds Building Society
2-5th Floors, 6 Queen Street	46,058	Burberry
3rd & 4th floors, 5 Wellington Place	25,968	Willis Towers Watson
4th Floor, Central Square	25,740	Sky Subscription Services
1 Apex View	22,441	BW Legal

Source: Colliers International

SUPPLY

- 2017 saw 235,880 sq ft of new and refurbished Grade A accommodation enter the Leeds city centre market. Completions at Platform (Bruntswood)/120,000 sq ft and 3 Wellington Street (MEPC & Hermes)/115,880 sq ft bolstered existing Grade A supply (see **Figure 6**).
- At present, only 40,861 sq ft of new Grade A (refurbished) space is scheduled to complete in Q1 2018 at 7 Park Row (CBREGi). Excluding 7 Wellington Place, which is 100% pre-committed by GPU, only one other office scheme is currently under construction, The Majestic. The 65,000 sq ft landmark building, which is being re-developed by Leeds-based Rusbbond is not expected to complete until H2 2019 (see **Figure 7**).
- Grade A vacancy currently sits at sub 4% of total stock. A significant level of current existing Grade A availability is known to be 'under offer' at the time of this publication. Given continuing buoyant demand for prime office accommodation within the city centre and limited supply, we expect Grade A availability to significantly reduce throughout 2018 (see **Figure 8**).
- Longer term, key city centre development sites move closer to being realised. Vastint's Former Tetley Brewery Site, CEG:Southbank and Caddick Development's SOYO are moving forward with outline and detailed consents. The schemes will deliver large scale mixed-use development and much needed regeneration to key city centre brownfield sites.

RENTS

- 2017 saw headline rents in Leeds reach a new high of £30.00 psf. With continued healthy levels of occupier demand and lack of Grade A supply going forward, we expect further upwards rental pressure to result in additional rental growth being achieved during 2019 (see **Figure 9**).

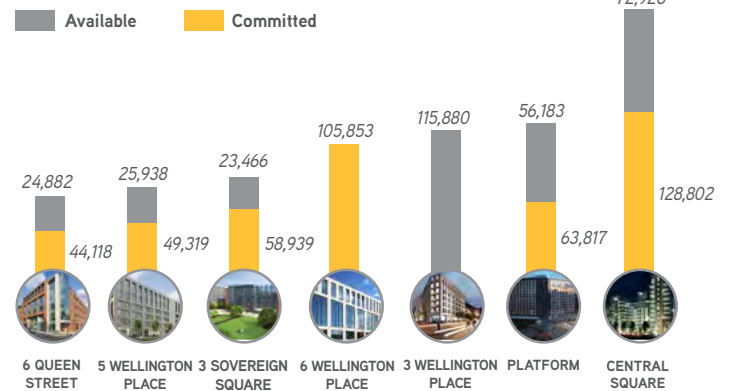
INVESTMENT

- Investment activity was more subdued in 2017, with £98 million transacted comprising of 17 deals. 2017 investment levels are 31% below the 10-year average, mostly due to the absence of available prime assets for purchase. In the largest deal, JP Morgan Asset Management purchased Toronto Square for £22.2 million (see **Figure 10**).
- 2018 investment levels look set to improve on a subdued 2017 with Mayfair Capital purchasing 6 Queen Street for £37.2 million from Rockspring Property Investment Managers. Rockspring speculatively developed the 70,940 sq ft building in July 2016, securing Burberry as a tenant soon after in a landmark 46,000 sq ft letting.
- Overseas Investors were the most active in 2017, accounting for 52% of investment volumes, which has doubled since 2016 (**Figure 11**).



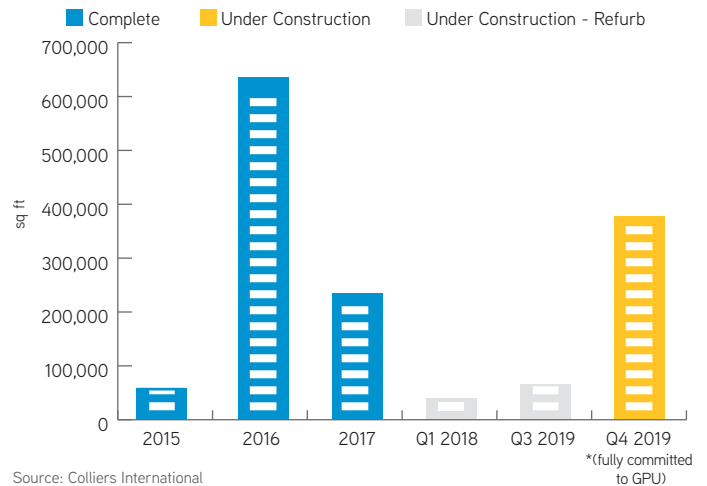
Fig. 6: City Centre Office Completions (sq ft)

654,245 SQ FT OF NEW GRADE A SPACE ENTERED THE MARKET IN 2016/2017, WITH 70% OF SPACE COMMITTED TO



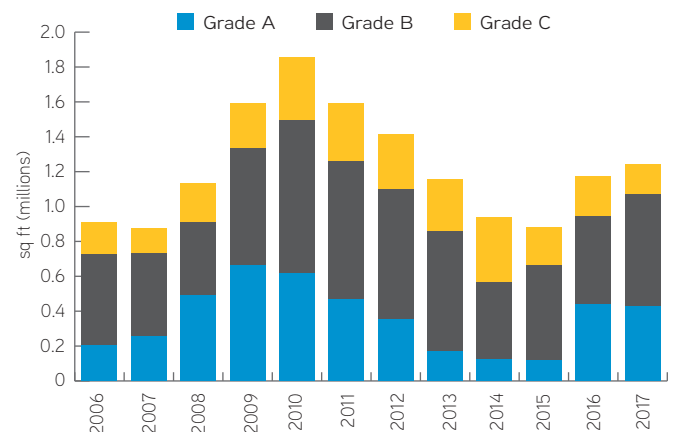
Source: Colliers International

Fig. 7: Office Development Pipeline 2015-2019



Source: Colliers International

Fig. 8: Central Leeds Availability by Grade



Source: Colliers International

OUTLOOK

- Market sentiment leading into 2018 is extremely positive with Leeds experiencing a record year of city centre take-up combined with a new headline rent of £30.00 per sq ft.
- There remain a healthy number of live requirements within the market place, and as such we expect favourable take-up to continue into 2018 with Q1 figures expected to exceed the 5-year quarterly average.
- The current development pipeline of new build or refurbished Grade A office accommodation during 2018 is sparse. Aside from 7 Park Row (45,000 sq ft) which is expected to complete early Q1, there are no other speculative office schemes currently due to complete during 2018.
- Grade A availability will continue to strain under enduring demand for prime office accommodation. These favourable market conditions will trigger landlords to commit to speculative refurbishment and development of new Grade A office accommodation during H2 2018.
- Key city centre development schemes such as Vastint's Former Tetley Brewery Site will continue to move forwards, with outline planning consents achieved in October 2017, further progress regarding detailed planning and design for Phase 1 of the site to be advanced during 2018. Other notable city centre schemes, such as CEG:Southbank and Caddick Development's SOYO, will also progress as Leeds city centre enters an exciting chapter of expansion, regeneration and development.
- Leeds will remain attractive to both 'north-shoring' initiatives and 'footloose' occupier requirements as the cost of real estate and employment remain extremely competitive when benchmarked against other major regional cities.

Fig. 10: Leeds Office Investment Volumes

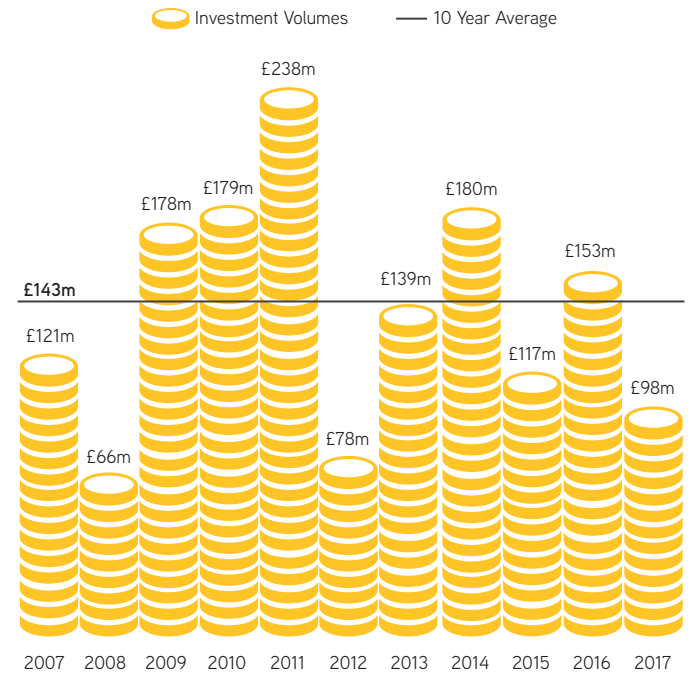


Fig. 9: Leeds City Centre Rents

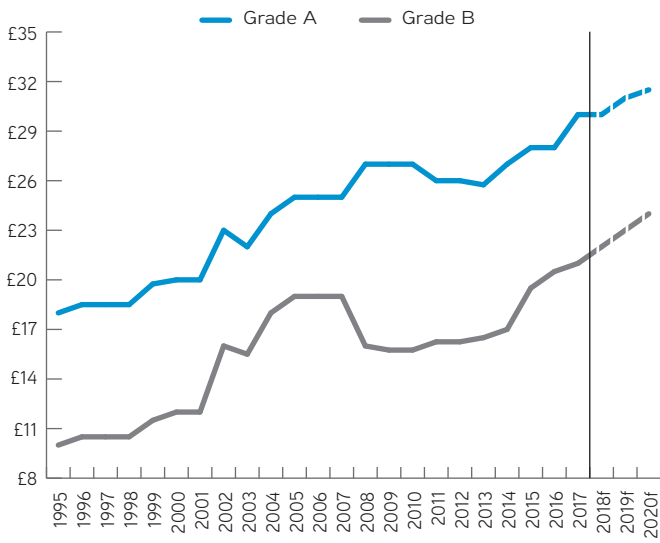
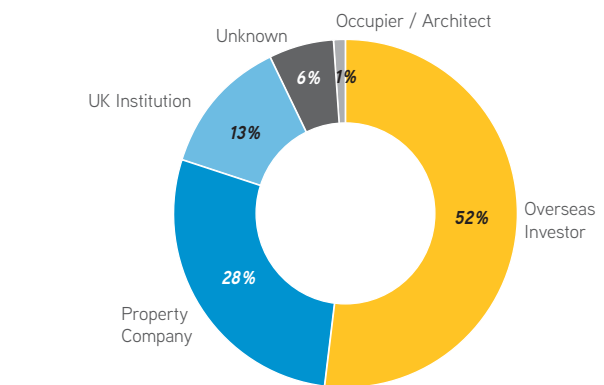


Fig. 11: 2017 Investor Volumes By Investor Type





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