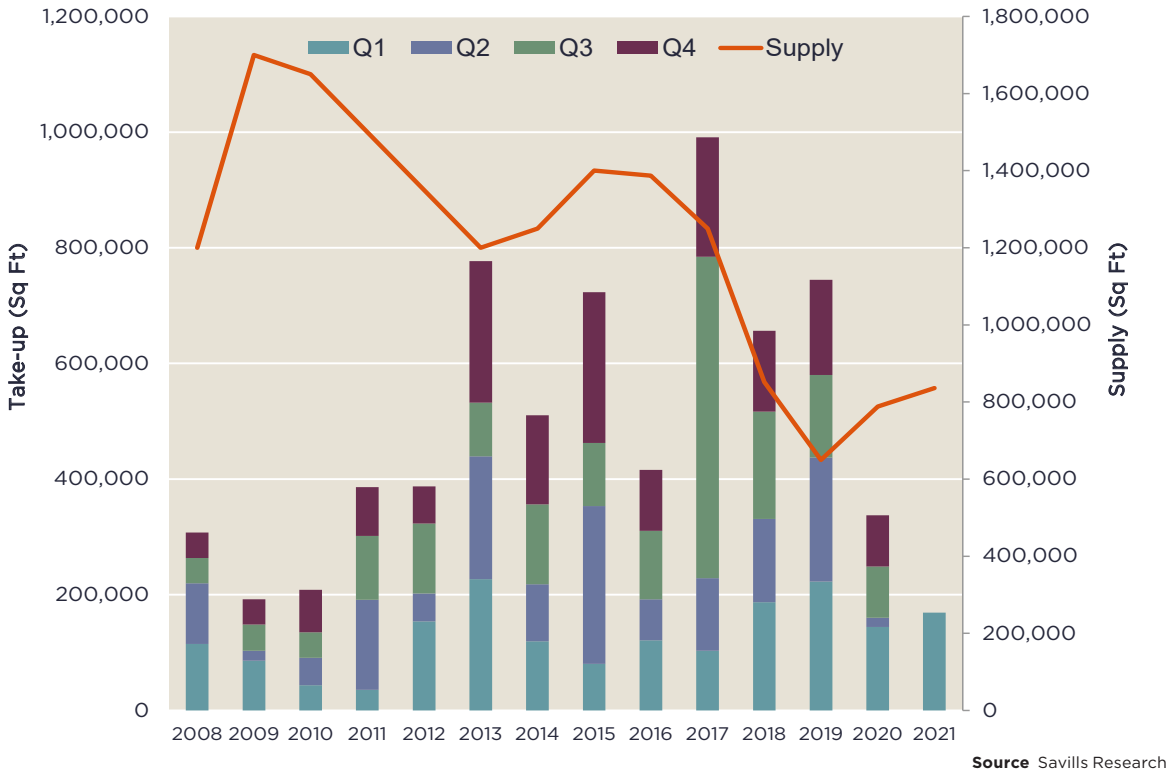


Leeds Offices



Total supply is down 25% on the five-year average. Grade A supply continues to be limited in the Leeds market and equates to just under one year of take-up, totalling 335,000 sq ft.



Activity rebounded in the first quarter of 2021

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

HMRC, NHS Digital and Channel 4 have all created new hubs in Leeds and the strong cluster of technology, health and creative professionals who work in Leeds will help in attracting footloose occupiers.

Demand for office space in Leeds city centre rebounded in the first quarter of 2021, with a 17% increase in take-up compared with Q1 2020, and 8% above the Q1 five-year average, with 168,996 sq ft of take-up across 18 deals recorded. Grade A space continues to be the occupier preference, with 73% of space let in Q1 2021 being classified as Grade A quality.

There were five deals over 10,000 sq ft in the first three months of 2021, with the largest being the 89,000 sq ft pre-let to law firm DLA Piper – a considerable show of confidence with the company making a commitment to Leeds with their pre-let at City Square House.

Serviced office providers – incpaces, Instant Offices and 2-Work – signed to over 50,000 sq ft of space in Leeds city centre illustrating the relevance of the serviced office sector as businesses seek more flexible ways of working.

Supply began to increase at the end of 2020, after falling every year since 2015, and currently totals 335,882 sq ft, reflecting a 6% increase since the end of 2020. However, this is still 25% below the five-year average level.

When using the five-year average take-up, there is currently just under a years' worth of Grade A supply available, which is considered to be an undersupply. The vacancy rate in Leeds currently stands at 6.4%, which is significantly below the 10-year average of 10.2%. Grade A vacancy rate stands at just 2.9%, compared with Manchester at 6.1% and Birmingham at 1.7%.

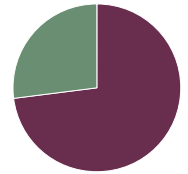
With supply constraints evident in the Leeds office market, the 482,450 sq ft of Grade A space under construction – including 11/12 Wellington Place and City Square House – is welcomed and will help to relieve this pressure in the short term.

Prime rents in Leeds city centre are currently £32.50 per sq ft, reflecting 8% rental growth since the end of 2019. Leeds is one of the few markets within the big six that saw rental growth during Q1 (along with Manchester) experiencing 2% growth during this period, moving from £32 psf to £32.50 psf.

During Q1, commercial investment in Leeds totalled £112.8 million with offices accounting for £26.4 million (21%). Office investment has been limited, with Q1 falling 43% below the Q1 average. During the first quarter, 76% of office investment came from private investors. Prime office yields in Leeds have moved out by 25 basis points to 5% in response to the Covid-19 pandemic.

Take-up, supply and rental performance

Key data points



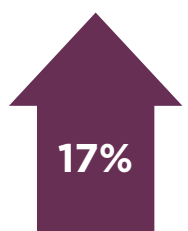
Grade A space accounted for 73% of Q1 take-up



Supply is currently 25% below the five-year annual average level

£32.50 per sq ft

Top rents increased by 2% during Q1 and are currently £32.50 per sq ft



Q1 2021 take-up showed a significant uplift on Q1 2020, increasing by 17%

There were five deals over 10,000 sq ft in the first three months of 2021, with the largest being the 89,000 sq ft pre-let to law firm DLA Piper at City Square House.

North-shoring - a 'shore' thing for Leeds

Post-Brexit, in the midst of general economic uncertainty, there is a strong case for a resurgence of north-shoring within key regional cities – tapping into the pool of talent from the universities and associated labour market.

Post-Covid, a desire for more non-core office locations could lead to a more hub-and-spoke approach, allowing businesses to retain a basis of power in London, while also dipping their toes into a burgeoning northern city like Leeds, pushing companies into a strategy of smaller regional offices.

Leeds is in a good position to attract inward movers. It was named as the best city in Britain for quality of life, ranking 26th out of 100 cities around the world. The city also scored the highest in the country in Arcadis' Sustainable Cities report and was named as the best city to live and work, in the North East, by Demos-PWC Good Growth for cities Index.

Leeds has already attracted businesses such as the BBC, Channel 4, Amazon and HMRC to either relocate or add a 'northern-offering' to their operations. In the

case of Channel 4, their new national headquarters is in Leeds whilst retaining a presence in London – it is likely other companies will follow in Channel 4's footsteps by moving premises to Leeds during 2021. Luxury fashion brand, Burberry, moved 300 jobs to Leeds, saving them £100m as well as a new hub for HM Revenue and Customs, with 6,000 employees which is based in Wellington Place.

Looking forward, the BBC is to move key jobs and programmes out of London and is preparing to relocate many high-profile roles to Leeds. The Bank of England has also recently unveiled plans to open a new hub in Leeds. Parts of the Bank will quit its historic home on Threadneedle Street in the heart of the City of London and relocate to Leeds. To coincide with this, the government last month also announced plans to open a UK infrastructure bank in Leeds.



Image: Wellington Place

Key statistics

The table below details key statistics relating to the Leeds' office market

	Data (sq ft)	Change from Q4 2020
Q1 2021 supply	835,882	6%
Grade A supply	355,489	13%
Top rent (£ per sq ft)	£32.50	2%
Q1 2021 take-up	168,996	90%
Q1 2021 Grade A take-up	124,013	83%
Development pipeline (New space under construction)	482,450	13%

Source Savills Research

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