



Sanderson
Weatherall

MAJESTIC

Majestic
Letting to Knights PLC

QUEBEC ST

Q3 2020

Leeds office market update

— Q3 2020 Snap Shot

88,507 sq ft

Leeds City Centre take-up
(Q3 2019: 142,915 sq ft)

62,117 sq ft

Leeds Out of Town take-up
(Q3 2019: 91,010 sq ft)

18

Leeds City Centre deals
(Q3 2019: 33)

Key Transactions

Occupier	Size (sq ft)	Property (Landlord)
Knights PLC	22,166	Majestic, LS1
NHS	21,804	2 Park Lane, LS1
Carlsberg UK*	13,134	Unit 9, Temple Point, LS15
Schroders	9,921	1 City Square, LS1
Reed Recruitment	8,850	Gallery House

*deal by SW



Key Data

Q3 2020

418,558 sq ft

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

£32.00 psf

Prime Rents

288,000 sq ft

Grade A supply

197,185 sq ft

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

72%

of all deals < 5,000 sq ft

5.25%

Prime Yields

Demand

Q3 Leeds office market take-up totalled 150,624 sq ft across 46 deals.

There were 18 deals in the city centre totalling 88, 507 sq ft. The most significant deal saw Knights PLC take 22,166 sq ft on floors 1 and 2 at Majestic. The NHS also completed a substantial letting by acquiring 21,804 sq ft at 2 Park Lane.

Currently Leeds city centre office market take-up is 58% lower than this time last year, with Q2 suffering the most due to the national lockdown pausing many acquisitions. Encouragingly, market activity resumed as restrictions were lifted and continued occupier demand resulted in a steady increase in take-up over Q3.

The out of town market also had an encouraging performance with 62,117 sq ft of take up across 28 deals. The largest transaction of the quarter saw Carlsberg UK take 13,134 sq ft of offices at Temple Point in Colton Mill.

During the pandemic, there has been an upswing in interest in out of town offices as some occupiers look for ways to move to a less public transport dependent location and also shorten the commute of key staff.

Supply

The Leeds office market continues to suffer from a lack of quality Grade A space; however, supply is expected to increase with a number of new builds and refurbishments in the pipeline which are due for completion in 2021. These include new refurbishments at Taylors Corner on Wellington Street and 12 King Street. We also expect to see an increasing element of "grey-space" return to the market as occupiers seek to offload surplus accommodation to mitigate overheads.

Rents

Prime rents have remained at £32.00 psf during 2020 albeit quoting rents are now £34.00psf on the best space. The relative lack of Grade A supply will continue to underpin prime headline rents.

Out of town prime rents stand at £24.75psf.





Rose Wharf
Letting to Barhale

Outlook

As we enter the final quarter of an extraordinary year, there is still a level of uncertainty about the long-term impact that the Covid-19 pandemic will have on our economy, and indeed on the way we live and work. A large majority of office workers have been home based since March 2020, leading to much debate around the future of the office.

Remote working is not a new concept for 2020. Over the past decade we have seen businesses edging towards greater flexibility for employees, largely enabled by technology and driven by the wellbeing agenda. The rising demand for co-working spaces, serviced offices and flexible floorplates are testament to that. But Covid-19 has accelerated that change in a way no one could have planned for. Overnight, office workers were home based and businesses operating almost entirely remotely, leaving occupiers to question whether they really need an office at all.

Now, nine months into the pandemic and remote working, it's clear the answer is not a simple 'yes' or 'no'. Whilst many businesses have operated successfully away from the office, the lack of face to face contact makes it difficult for employees to effectively collaborate or feel connected to the company. We're likely to see occupiers return to the office, but with a new understanding of what the space means to the business. Offices will probably become more flexible, providing a hub for employees to work together and feel a part of something, rather than a place to sit at a desk all day, every day.

Although the Leeds office market has expectedly suffered this year, there has been encouraging activity during Q3 demonstrating that occupier demand remains, and deals are still completing.

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