RESEARCH & FORECASTING UK

LEEDS SNAPSHOT

Colliers INTERNATIONAL

Overview

• Leeds has continued to see strong absorption of Grade A and B office product throughout the first six months of 2012. Total absorption reached 120,633 sq ft across the Leeds market in H1 2012 which is 47% up on the previous six month period (see **Figure 2**). Grade B occupation levels increased by 89,452 sq ft which is the highest half yearly increase for over five years. Absorption in the city core was strong once again with 265,134 sq ft being absorbed over the past 18 months.

• While absorption levels remain resilient, take-up of office space in Q2 2012 was down on Q1. Nevertheless, half yearly take-up still showed an improvement on H2 2011 (see **Figure 3**), up by 6%. Grade A units made up 32% of take-up in H1 2012 but the majority of activity was for Grade B space, dominated by the sale of 2-3 Victoria Place, LS11 (63,552 sq ft) to the Medical Protection Society. Grade C take-up was modest with just 10 deals totalling 12,191 sq ft compared to 23,253 sq ft in H2 2011. Accordingly, Grade C absorption fell by 18,886 sq ft.

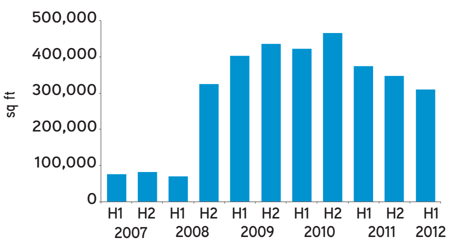
• Leeds availability has now fallen from 1.85 million sq ft in December 2010 to its current level of 1.49 million sq ft, a drop of close to 20%. Reduction of Grade A space is even more pronounced, falling by 32% over the same period and now at a four-year low. Speculative construction, while increasing, still remains substantially below the 10-year average of 227,000 sq ft. Currently there is just under 80,000 sq ft under construction in three schemes.

• Prime rents remain at £26 psf but there is no expectation of significant uplift in the city core during the remainder of 2012 (see **Figure 5**).

LEEDS	
AVAILABILITY	↓
TAKE-UP	↑
RENTS	→
CITY CORE	
AVAILABILITY	↓
TAKE-UP	↑
RENTS	→
SOUTHERN GATEWAY	
AVAILABILITY	↓
TAKE-UP	↑
RENTS	→

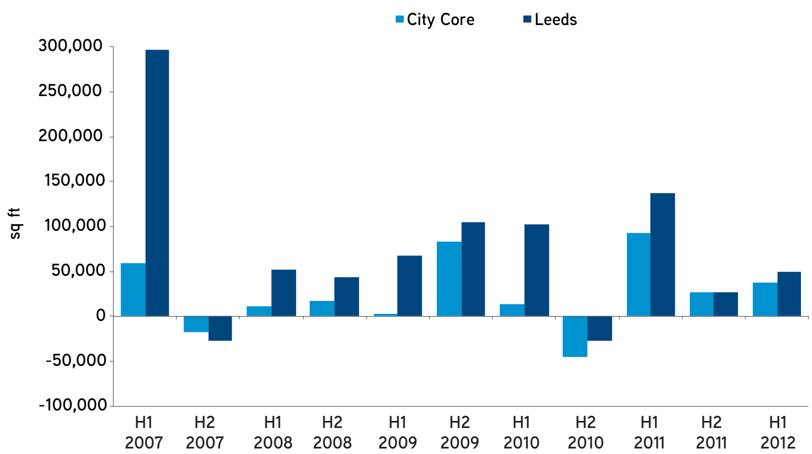
"Given the amount of space under negotiation and the shortage of new stock coming to market, we anticipate further rise in Grade A absorption in H2 2012."

FIGURE 1: CITY CORE GRADE A AVAILABILITY



Source: Colliers International

FIGURE 2: LEEDS GRADE A NET STOCK ABSORPTION BY LOCATION



Source: Colliers International

Occupier Markets

- There are a number of significant active requirements currently in the market (see **Figure 6**). The larger searches are all looking at potential pre-letting agreements with current stock unsuitable either in terms of size or location. Leeds City College finalised its search by signing for 50,000 sq ft of office space on the edge of town at the Printworks. Suez GDF are under offer on 35,000 sq ft at BAM Properties' No 1 Leeds. There are also rumours that a further 30,000 sq ft is under offer to another potential occupier, leaving just 25,000 sq ft left at the 121,000 sq ft scheme.
- Q3 figures will include the 60,000 sq ft pre-let to KPMG at Leeds City Council's Sovereign Street site and although the deal is now funded by Muse Developments and has exchanged, it still remains conditional until detailed planning consent is secured. Given the amount of space under negotiation and the shortage of new stock coming to market, we anticipate further rises in Grade A absorption in H2 2012.

FIGURE 6: LEEDS CURRENT KEY REQUIREMENTS

Company	Size	Timescale
Minster Law	40,000	Q4 2012
Suez Gaz De France (Under/Offer)	35,000	Q4 2012
Equifax	20,000	Q4 2012
Lowell Group	40,000	Q4 2013
Allianz	30-50,000	Q3 2012
Call Credit	45-50,000	2012
Walker Morris	90,000	Pre-let and occupation by 2015
KPMG (Under/Offer)	65,000	Pre-let and occupation by 2015
PWC	50-70,000	Pre-let occupation late 2015
Shulmans Solicitors	35-40,000	Pre-let occupation late 2015

Source: Colliers International

FIGURE 7: LEEDS OFFICE MARKET SUMMARY

Submarket	Availability (sq ft) H1 2012	Grade A NSA (sq ft) H1 2012	Take-up (sq ft) H2 2011	Take-up (sq ft) H1 2012
City Core	971,217	37,445	128,523	129,829
Southern Gateway	260,123	12,622	35,827	75,252
Outer Core	91,282	0	21,449	5,673
Eastbank Quarter	174,399	0	15,213	1,533
City Total	**1,497,021**	**50,067**	**201,012**	**212,287**

Source: Colliers International

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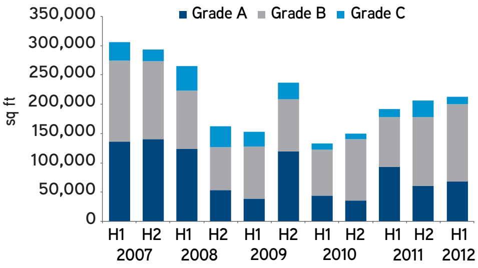
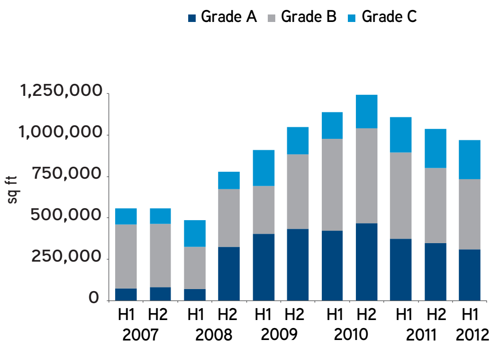
FIGURE 3: LEEDS TAKE-UP BY GRADE



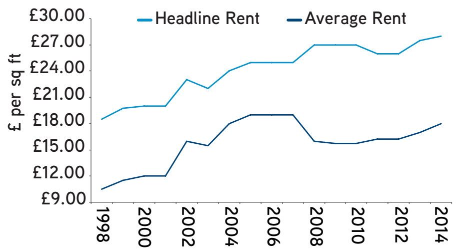
Source: Colliers International

FIGURE 4: CITY CORE AVAILABILITY BY GRADE



Source: Colliers International

FIGURE 5: LEEDS RENTS & FORECASTS



Source: Colliers International

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