

## Leeds Office Market Update Q2 2011

Recovering market posts  
improved take-up

### Demand and Take Up

In line with expectations, the Leeds office market recovered strongly in Q2 with the City Centre showing a four fold increase in take-up on the previous quarter. City Centre take-up stood at 150,277 sq ft. Out of town, the market saw more activity than in Q1 but with a broadly similar total; recorded space taken stood at 54,436 sq ft.

The true market position is probably best reflected by comparing H1 2011 with H1 2010. At the end of H1 total City Centre take-up was 187,036 sq ft which is some 53,737 sq ft or 40% up on the comparative period last year.

There were a greater number of deals done in Q2 (29) and tellingly five deals were in excess of 10,000 sq ft including one pre-let. These 5 deals accounted for over 60% of the space let, with the largest being for 38,000 sq ft to Asda, and there was a notable increase in activity from occupiers in the professional services sector.

### Key Office Transactions

Occupier	Area sq ft	Address
Asda Limited	38,039	The Mint, Holbeck Urban Village
Clarion Solicitors	15,000	Elizabeth House, LS1 (pre-let)
i2 Offices	14,500	No 1 Leeds, One Whitehall
Redmayne Bentley	13,930	Bond Court, LS1
Laing O'Rourke	10,200	West Riding House, LS1

Consequently, over half of all deals involved Grade A accommodation. Smaller lettings continue to make up a sizeable chunk of market take-up with 79% of all deals being for < 5,000 sq ft.

The increased activity from professional companies, the welcome presence of a pre-let and nearly 500,000 sq ft of requirements in the market paints an improving outlook for the second half of the year.



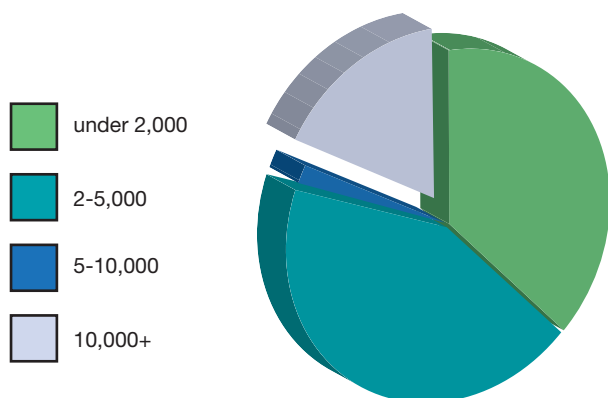
## Supply

The standing stock of Grade A office space is steadily being eroded and in the City Centre now stands around 775,000 sq ft or c. 37 months average take-up. Occupiers are however still adding surplus space to the supply, a notable recent example being BT's decision to market 133,000 sq ft at No1 Sovereign Street.

Otherwise, there is little new Grade A supply to come on stream in the near future.

Whilst conditions continue to favour the occupier, we feel that the market is now steadily moving towards an equilibrium as improved demand meets a reducing level of existing stock.

## Leeds City Centre Take Up By Deal Size (sq ft)



## Rents

Headline rents have remained static during the quarter, with Grade A rents typically £24-£25 per sq ft.

The highest rent paid during the quarter was £25 on a small suite at 1 City Square. However, despite a good number of Grade A deals in the quarter approximately half of all transactions were at headline rents of under £15 per sq ft.

Out of town, rents were more modest still, with all deals being at £14 per sq ft or less.

## Q2 2011 Snap Shot

- **City Centre Take Up:** 150,277 sq ft (Q2 2010 : 48,552 sq ft)
- **Out of Town Take Up:** 54,436 sq ft (Q2 2010 : 74,409 sq ft)
- **Grade A Supply:** c.37 months average take-up
- **Prime Rents:** £25.00 psf
- **Transaction Size:** 79% of deals < 5,000 sq ft

Incentives remain generous with packages typically equal to 2 years rent-free or greater in relation to a 10 year unbroken lease albeit deals remain heavily building, covenant & lease length specific.

## Investment Comment

The market both nationally and within the regions continues to show steady improvement and appetite within the office investment sector is particularly strong. Market monitor property data, reports year to date investments in the office sector of c.£6.5bn. However to a certain extent activity is restrained by a lack of stock and finance for larger transactions which are not ultra secure.

## H1 Leeds Office Investment Transactions

Address	Lot Size	Initial Yield	Purchaser
Duke House	c.£1.6m	7.5%	Helmsley Group
West Riding House	£48m	8.1%	Moorfield Group

## Summary

The position at the end of Q2 2011 is much more encouraging than the comparative period last year. Increased enquiry levels, potential requirements totalling up to 500,000 sq ft and renewed activity from the professional sector will be encouraging for landlords and developers especially those with holdings in the prime core area.

For more information on the competitive advantages of Leeds as an office location please call us or visit [www.think-leeds.co.uk](http://www.think-leeds.co.uk).

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