

7.6%
Vacancy Rate



146,503 sq ft
Take-Up

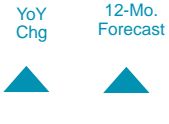


£34.00 psf
Prime rent



KEY INDICATORS Q4 2021

32.5 M
UK Employment



4.1%
UK Unemployment Rate



0.25%
Interest rate



Source: ONS

ECONOMY: Continued positive growth but interest rates on the rise

The UK economy surpassed its pre-pandemic level for the first time in November. GDP rose by 0.9% during the month, taking the economy to 0.7% above the February 2020 level. This is clearly a positive for the UK real estate market and demonstrates a clear direction of travel, but we should expect weaker data for December once the effects of Omicron are felt. The biggest gain was in the construction sector, which expanded by 3.5%, largely reflecting an easing of the supply issues that have restricted growth for the last two years. The base rate rose for the first time since 2018 in response to rising inflation rates driven by the price of fuel and energy.

The recovery in the labour market continued in the three months to November 2021. The UK employment rate was 75.5%, 0.2% higher than the previous quarter, but still 1.1% below the pre-pandemic level. Forecasts suggest jobs growth in office-using industries will continue through the next 12 months and beyond.

OCCUPIER FOCUS: Solid leasing activity with constrained supply of quality space

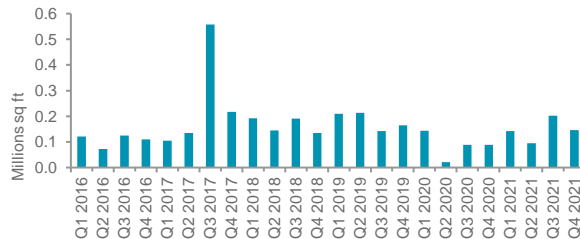
After a particularly strong third quarter, leasing activity fell bank in the final quarter although sentiment remains healthy. Take-up in Q4 2021 totalled 145,506 sq ft, a 28% fall quarter-on-quarter but still 65% above the same quarter last year. Take-up for the year totalled 624,192 sq ft, an 82% improvement on 2020 but still below the five-year average of 675,000 sq ft. The largest deal of the quarter was co-working provider Cubo's acquisition of 19,821 sq ft at 6 Wellington Place.

Availability in Leeds rose in the final quarter of the year as a glut of second-hand space came to the market. Supply is now 959,932 sq ft, 11% higher than the previous quarter although comfortably below the five-year average of 1.1 m sq ft. The availability of new and refurbished space remained particularly tight at a vacancy rate of just 0.8%. The prime headline rent remained stable for the sixth consecutive quarter at £34.00 per sq ft; we expect the lack of quality space in the market to prime rental growth as we move through 2022.

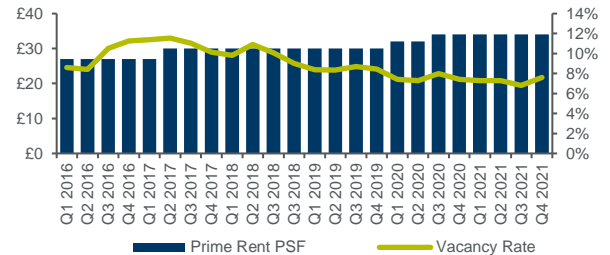
INVESTMENT FOCUS: Lack of supply continues to suppress sales volumes

Investment turnover in Leeds totalled £85.5 m in the fourth quarter. There were four transactions, the largest of which was Grosvenor's purchase of Toronto Square for £35.0 m. The Leeds market saw £267.9 m of investment sales in 2021, a 14% improvement on the previous year. The ongoing lack of stock continued to weigh on activity. Although investor demand remains strong, driven in part by the particularly tight occupier market, lack of speculative development and turnover will continue to reflect stock availability. The prime yield remained stable at 5.00%.

TAKE-UP



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

LEEDS	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	% CHANGE Q-O-Q	% CHANGE Y-O-Y
Stock (Sq ft)	12,535,195	12,700,000	12,700,000	12,700,000	12,700,000	0.0%	1.3%
Take-up (Sq ft)	142,779	168,996	106,150	202,543	146,503	-27.7%	65.0%
Supply (Sq ft)	930,135	921,571	921,571	862,789	959,932	11.3%	3.4%
Vacancy Rate	7.3%	7.3%	7.3%	6.8%	7.6%	-	-
Spec Construction (Sq ft)	71,224	289,577	328,577	328,577	383,577	16.7%	438.6%
Prime Rent (per sq ft)	£34.00	£34.00	£34.00	£34.00	£34.00	0.0%	0.0%
Investment Turnover (Millions)	£151.60	£54.33	£93.00	£35.12	£85.50	143.5%	-43.6%
Prime Net Initial Yield	5.25%	5.25%	5.25%	5.00%	5.00%	-	-

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
6 Wellington Place	Leeds	Cubo	19,821	Lease
3 Wellington Place	Leeds	WSP	19,417	Lease
1 LCOP	Leeds	Conduent	19,174	Lease

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KEY DEVELOPMENTS Q4 2021

PROPERTY	MARKET	DEVELOPER/TENANT	SF	COMPLETION
12 King Street	Leeds	Opus North & Fiera Real Estate	47,698	Q1 2022
11 Wellington Place	Leeds	MEPC	139,086	Q1 2023
12 Wellington Place	Leeds	MEPC	102,793	Q1 2023

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	MARKET	SELLER / BUYER	SF	PRICE
Toronto Square	Leeds	JP Morgan / Grosvenor	88,200	£35.0 m
1-3 Trevelyan Square	Leeds	TBC / Kinrise	73,578	£25.0 m
Westbank, Water Lane	Leeds	Lloyds / Stamford & Shelborne	128,533	£20.0 m

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