

**8.0%**

Vacancy Rate



**88,507 sq ft**

Take-Up



**£34.00 psf**

Prime rent



**KEY INDICATORS Q3 2020**

**32.6 M**

UK Employment



**4.5%**

UK Unemployment Rate



**0.10%**

Interest rate



Source: ONS

**ECONOMY: Recovery underway but rate of growth uncertain**

UK GDP rose by 2.1% month-on-month in August, which represented the fourth consecutive monthly increase. The economy is now well out of recession territory but the recovery has been slowing down, and expectations are for even flatter growth once September's data is released. However, the economy is slowly regaining the initial losses caused by lockdown; GDP for August was estimated to be 9% below its February level compared to 25% below in April.

It would now seem that the recovery will not be as sharp as had previously been thought, particularly given the likelihood of increasing local lockdowns as we move into the fourth quarter. However, the growth forecast for office-based jobs remains stronger than that for total jobs, with some sectors such as technology proving their counter-cyclical credentials.

**OCCUPIER FOCUS: Take-up recovering while supply of new space remains particularly low**

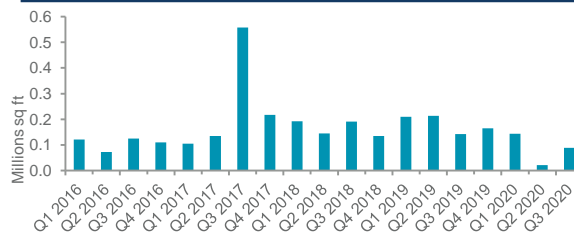
Take-up quadrupled in the third quarter to 88,507 sq ft, although levels remain low by historic standards. Third quarter take-up was 46% below the five-year quarterly average of 166,000 sq ft. Restrictions related to the ongoing Covid-19 pandemic have continued to limit physical viewings, which we expect to continue until at least the end of the year. The largest transaction of the quarter was Knights Plc's acquisition of 22,166 sq ft at Majestic, City Square.

Availability in Leeds rose by 10% to 999,555 sq ft during the third quarter, reflecting a vacancy rate of 8.0%. Despite this rise, levels remain comfortably below the five-year quarterly average of 1.2 m sq ft. The rise can be attributed to an increase in the volume of second-hand space to the market; the availability of new and refurbished space remained particularly tight at a vacancy rate of just 0.8%. The prime headline rent is currently £34.00 per sq ft; we expect the lack of quality space in the market to support the prime headline rent as we move towards the year-end..

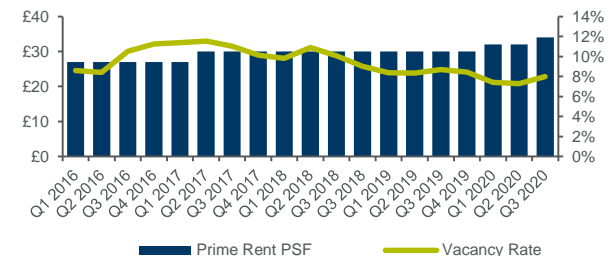
**INVESTMENT FOCUS: Lack of supply continues to suppress sales volumes**

There were no investment transactions in the Leeds market in the third quarter. 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 be a reflection of stock availability. The prime yield softened to 5.25% reflecting the disruption caused by the ongoing lockdown restrictions.

**TAKE-UP**



**OVERALL VACANCY & PRIME RENT**



## MARKET STATISTICS

LEEDS	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	% CHANGE Q-O-Q	% CHANGE Y-O-Y
Stock (Sq ft)	12,449,126	12,513,223	12,491,323	12,469,195	12,535,195	0.5%	0.7%
Take-up (Sq ft)	142,915	164,398	144,231	15,915	88,507	300.0%	-38.1%
Supply (Sq ft)	1,083,622	1,054,092	927,829	905,278	999,555	10.4%	-7.8%
Vacancy Rate	8.7%	8.4%	7.4%	7.3%	8.0%	-	-
Spec Construction (Sq ft)	89,526	111,634	95,835	95,835	23,526	-75.5%	-73.7%
Prime Rent (per sq ft)	£30.00	£30.00	£32.00	£32.00	£34.00	6.3%	13.3%
Investment Turnover (Millions)	£231.60	£9.30	£84.08	£20.00	£0.00	-	-
Prime Net Initial Yield	5.00%	5.00%	5.00%	5.00%	5.25%	-	-

## KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
Majestic, City Square	Leeds	Knights Plc	22,166	Lease
2 Park Lane	Leeds	NHS	21,804	Lease
1 City Square	Leeds	Schroders	9,921	Lease

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## KEY DEVELOPMENTS Q3 2020

PROPERTY	MARKET	DEVELOPER/TENANT	SF	COMPLETION
Majestic, City Square	Leeds	Rushbond Plc	60,000	Q4 2020

## KEY RECENT SALES TRANSACTIONS

PROPERTY	MARKET	SELLER / BUYER	SF	PRICE
Yorkshire House, Greek Street	Leeds	FORE Partnership / Castleforge Partners	83,628	£22.1 m
3-4 The Embankment	Leeds	Harbert & XLB Properties / Adapt Real Estate	70,387	£20.5 m
Livingstone House	Leeds	Herbert & XLB Properties / Yorkshire Water	71,572	£20.0 m

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