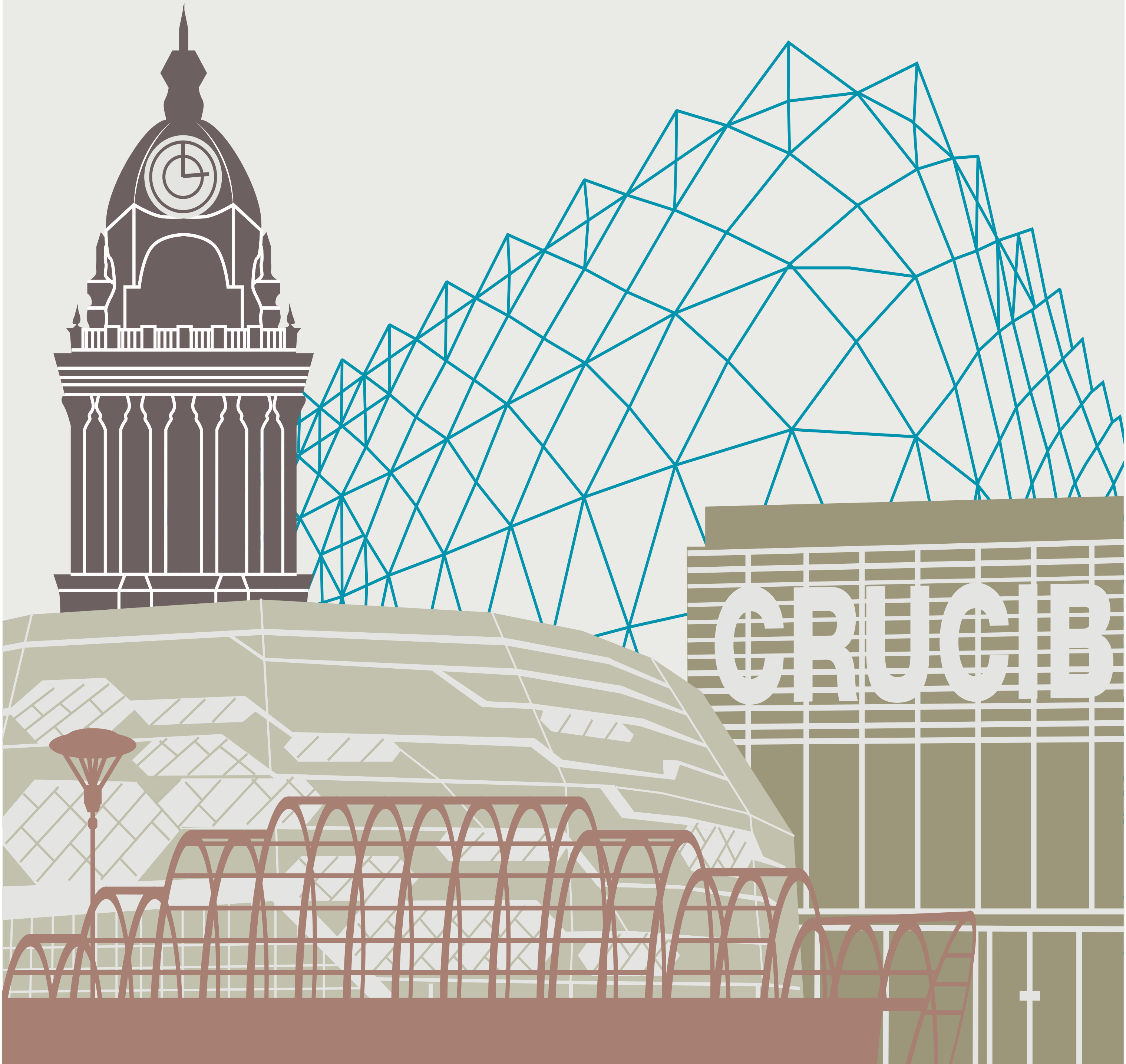
RESEARCH

YORKSHIRE

OFFICE MARKET REVIEW

2017



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FOREWORD

ROGER MARSH OBE
CHAIR OF LEEDS CITY REGION ENTERPRISE PARTNERSHIP

I was very pleased to be asked to write this foreword, as I consider myself fortunate to have spent my adult life living in Yorkshire and after almost half a century here consider myself an honouree Yorkshireman. In fact, despite time working in both Canada and London during my time at PwC, Yorkshire and in my case, Leeds was always my home.

It has been fantastic to witness the renaissance the region is undergoing with the resilient performance of both the built and business environments. In particular, it has been amazing to see the region recognised nationally and internationally as the FinTech Capital of the North and for international brands such as McLaren, Boeing and Burberry to locate new investments here.

The secret behind our region's success is a unique mix of elements; the first our talent pipeline, with more than 10 universities including The Times' University of the Year 2017 based here, we produce around 65,000 graduates a year and importantly keep them here too. Alongside this are our mature sectors that have world leading skills within financial and professional services, healthcare and life sciences, advanced manufacturing and digital technologies. Finally and the piece of the puzzle that is truly inimitable is the DNA of the region, which possesses an entrepreneurial streak with a desire to create and develop solutions. This has ensured that throughout history our businesses and people have changed and challenged the way "things" are done, from the creation of soda water and stainless steel to the UK first double hand transplant, Yorkshire has attracted those people with a spark.

However, as part of a global economy, now more than ever it is crucial for Yorkshire to remain a key location for innovation, invention and industry. To do this we must ensure our environment is fit for purpose. Therefore, I was pleased to see a number of the themes highlighted in this report recognising our transition from traditional base to a knowledge led economy and that offices are no longer simply places with desks but now need to offer much more to their tenants.

I also found the future predictions made in this report very interesting, firstly because I pondered whether my younger self could have predicted the changes that have already happened to our region. Secondly because I know some of these predictions to be fast becoming a reality, particularly with Bradford, Leeds, Sheffield, York and other key cities and towns seeing growing international investment interest, which means there are real opportunities for clever investors.

I've been fortunate enough during my career to have some tremendous opportunities, but I can say truthfully, one of my greatest achievements has been to play a small part in the renaissance of a region which I'm not only passionate about but that I believe is key to not just UK Plc but also a dynamic and vibrant global economy.

LEEDS

OCCUPIER

Despite political turbulence disrupting the occupier market in 2016, active demand is at a historic high with new trends developing, particularly regarding the growth of the creative industries.

The market in numbers

When studied in relation to overall market numbers, transactional activity has proved slower over the past 15 months, hindered by political events. Take-up for 2016 reached 435,000 sq ft across 116 deals, which compares to 682,000 sq ft across 160 deals in 2015. Although the first quarter of 2017 delivered results on a similar scale, Q2 2017 will represent a return to an upward trajectory. Analysis of deals already completed in Q2 indicates that take-up could reach 160,000 sq ft for the quarter, 29% above the 10-year quarterly average. Significantly, around 750,000 sq ft of active demand remains unfulfilled, the highest single total on record. This means that take-up in 2017 could rise to a level significantly above trend.

Is occupier demand diversifying?

Research beneath the numbers discovers that the city is in a transitional stage with the emergence of a more diversified occupier base. Whilst professional services remains the dominant sector – accounting for 29% take-up in 2016 – companies from a technology, media or telecoms (TMT) background in particular, have become increasingly prevalent. In 2016, TMT occupiers accounted for 25% of take-up. In the first quarter of 2017, occupiers from this business group accounted for 21% of transacted space but tellingly, 31% of deals done. This highlights the smaller scale of initial deals completed by the sector but masks the growth potential.

Key leasing transactions

In March 2016, Sky Bet agreed terms on 39,000 sq ft at Number Six Wellington Place which supported the rise in TMT demand. Notably, this is the only deal completed above 30,000 sq ft between Q1 2016 and Q1 2017. Other deals agreed by TMT occupiers include Dentsu Aegis Network taking 13,900 sq ft at 6 East Parade and Infinity Software leasing 10,000 sq ft at Apsley House.

The public sector is also active. In August 2016, the Department of Health leased 23,760 sq ft at APAM's Whitehall II building whilst in October 2016, the Medical Protection Society (MPS) acquired 22,685 sq ft at 1 Victoria Place. Significantly, the 450,000 sq ft GPU requirement remains outstanding, with MEPC's Wellington Place tipped to secure the contract.

The acquisitions by BW Legal and BDO LLP reaffirm the concentration of the professional services in Leeds however. BW legal leased 22,500 sq ft at One Apex View in Q1 2017, whilst BDO LLP took 12,800 sq ft at Central Square agreeing terms at the then prime rent of £27.50 per sq ft. The lease of 46,000 sq ft at 6 Queen Street to a FTSE 100 firm has since established £30 per sq ft as prime rent on new space.

The supply landscape

In Q1 2017, Grade A availability increased to 563,800 sq ft, the highest total since Q3 2010. The rise follows the completion of 280,000 sq ft of new Grade A accommodation in 2016. A further 277,700 sq ft of speculative space across four schemes is due to complete within the next 12 months. As at May 2017, the overall market vacancy rate is 9%.

Rents

Supported by recent transactions, prime rents will increase in Q2 2017 from £27.50 per sq ft to £28 per sq ft for prime Grade A space and up to £30 per sq ft for exceptional space. This movement re-establishes the gap between good quality secondary and prime space, with rents on good quality secondary space having increased to £26 per sq ft in recent months.

FIGURE 1
Take-up (sq ft)

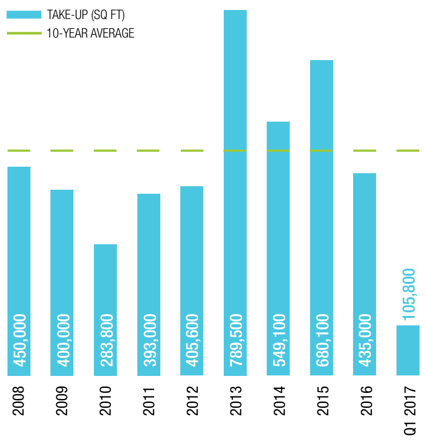


FIGURE 2
Grade A Supply (sq ft)

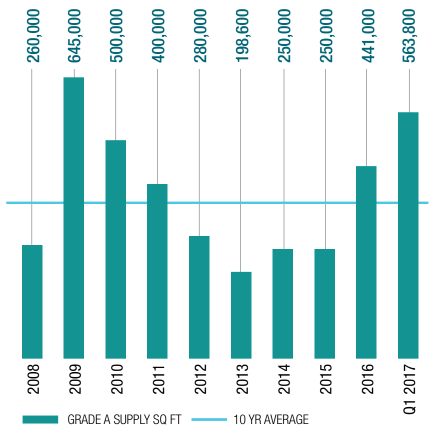
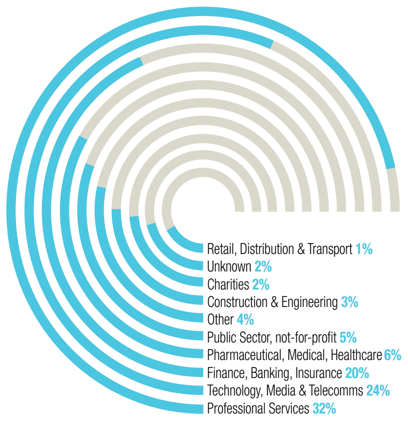


FIGURE 3
Take-up by Sector (Jan 2016 to Mar 2017)



Other business segments accounted for 1%

Source: Knight Frank, Property Data

FIGURE 4
Investment Volumes (£m)

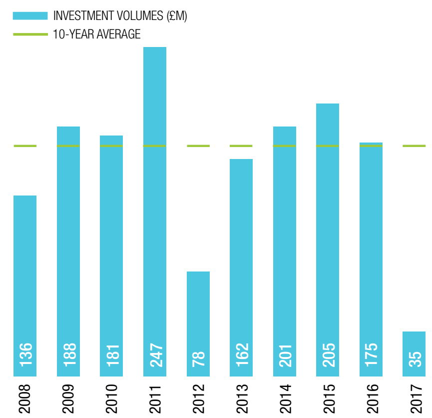


FIGURE 5
Prime Yields %

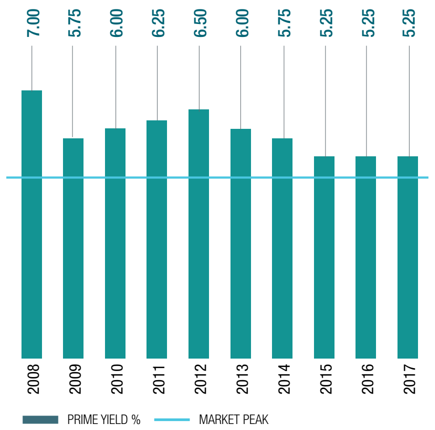
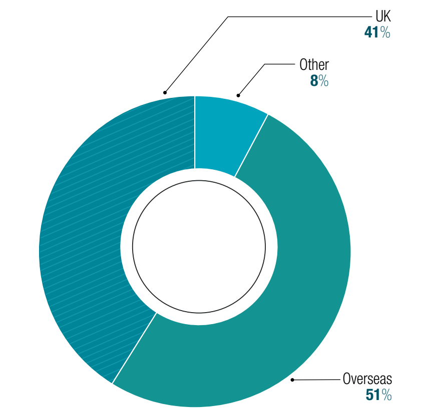


FIGURE 6
Investment by Purchaser
(Jan 2016 - Mar 2017)



Source: Knight Frank, Property Data

INVESTMENT

Transaction volumes remain consistent with the long-term average with overseas investors most active. Yields are at their lowest level since 2007 supported by increasing demand from both prime and secondary assets.

Low supply restricting investment activity

Investment volumes remained on par with the long-term trend in 2016 reaching £175m by year-end. A further £34.7m of office stock sold in the first quarter of 2017, consistent with the 10-year quarterly average. Although the recent level of investment suggests steady levels of activity, volumes have largely been limited by a lack of opportunity in the market, particularly for prime assets. As such, secondary assets are gaining greater attention, predominantly where active management adds value.

Key investment transactions

Despite fewer high value sales completing, the acquisition of 3 Sovereign Square by Leeds City Council for £43.75m represents the largest office sale in Leeds since 2011. The building, a new development bought from a Bruntwood Estates and Kier Group JV, is the new HQ of law firm Addleshaw Goddard. This was one of four sales above £20m to complete between January 2016 and March 2017.

In May 2016, Credit Suisse bought Number One Leeds on Whitehall Road for £34.2m, the third acquisition in Leeds by the investor in recent years. Tenants at Number One Leeds include the Yorkshire Post newspaper and energy firm GDF Suez. Preceding this, in March 2016, EPIC UK Ltd acquired St. Paul's House from Boultbee Brooks Real Estate for £23.7m at a net initial yield of 6.00%. Most recently, JP Morgan Asset Management bought Toronto Square for £22.2m in March 2017. Tenants in the building include, CBRE, Bevan Brittan, Gateley LLP and Capsticks.

Foreign investment increasing?

Overseas demand, particularly for prime assets, remains strong in Leeds driven by both the relative value when compared to other UK centres and a favourable exchange rate. Foreign investment represented 51% of total investment between January 2016 and March 2017. Tellingly, an overseas buyer bought three of the four higher value sales over this period. Domestic investors accounted for 41% of turnover, with UK buyers responsible for nine of the 20 deals completed.

Pricing holding firm despite uncertainty

Prime city core yields are unchanged at 5.25% for the past two years. At this level, prime yields are 50 basis points above the market peak of 4.75% recorded in 2007. Further yield compression is conceivable on the best buildings, due to high demand and the limited number of buying opportunities. For secondary assets, purchaser demand is increasing as prime opportunities have become scarce. In particular, refurbishment opportunities are highly sought in order to re-institutionalise assets and thus make a profit. Yields for good quality, well located secondary range between 6.50% and 7.00% although these levels will be tested moving forward should interest continue to increase.

6 Queen Street where a FTSE 100 firm took 46,000 sq ft

TRENDING IN YORKSHIRE

01

CREATIVE YORKSHIRE

While better known for an industrial past, the growing reputation of Yorkshire as a destination of choice for the creative industries may surprise. Last year, firms from the technology, media and telecoms (TMT) sector based in the region contributed close to £4bn to the UK economy. The influx of digital firms to Yorkshire now supports approximately 60,000 jobs, with the number of TMT firms in Leeds and Sheffield specifically rising by almost one third in the past five years alone.

From a property market perspective, the rise of the TMT sector is supporting demand for office space. In Sheffield and Leeds, TMT firms account for 20% – 25% of space let between January 2016 and March 2017. Well-known brands such as SkyBet, WANdisco, Rockstar Gaming and Plus-net all have offices in either Leeds or Sheffield. However, the smaller, fast growth companies have been most active with 27% of TMT deals across the two major cities below 5,000 sq ft.

Furthermore, the tech umbrella is broadening. Organisations whose principal business is not within the technology realm are taking space to support a growing digital arm. The emergence of 'digital transformation teams' is increasing aimed at aligning operations with the digital age. Global and national firms such as Asda Wallmart, DLA Piper, Lloyds, BAE Systems and the NHS all have technology operations within the region.

With both primary and secondary technology streams growing, office demand to support digitally based activities will continue to rise in tandem.

1

2

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02

IT'S NOT ALL ABOUT DESKS!

Although every occupier will have individual preferences, creating the right offer beyond a traditional office has become critical for landlords. Modern offices need to accommodate a widening range of occupier types and importantly offer flexibility to align with changing working practices. For example, breakout and collaborative space is now a prerequisite, as is high-speed connectivity, which enables hot-desking or movable desks.

The office fulfils a much greater role today however, than offering just a suitable floor plate. The office is now also an extension of brand and a significant means by which to attract and retain talent.

Location of course remains paramount, encompassing transport connectivity, the surrounding business community and the external amenity offer. In addition, the provision of services inside the building is a significant factor in location choice. The range is extensive but typically includes reception, security and housekeeping to more personalised requirements such as a gym, changing facilities and concierge.

With the correct combination integral to both brand growth and the lifestyle offer to employees, it is evident that landlords who provide a holistic package are gaining the advantage.

4

03

YORKSHIRE'S GOT TALENT

For many businesses, finding and retaining staff with the right skills is a perpetual challenge. Attracting the right talent from the outset has quickly become a principal objective for companies through the realisation that the cost of losing and replacing staff far outweighs any other running cost. A factor of occupier decision making is now inclusive of the locality and quality of the immediate or surrounding student population. With the principal aim to enable access to the future generation of talent in order to gain a competitive edge.

In Yorkshire, the latest student census conducted by the Higher Education Statistics Agency (HESA) indicates that 11 main universities within our region with a student population of almost 200,000 in the academic year 2015/16. This is one of the highest regional concentrations in England. For Leeds and Sheffield specifically, the average student population at higher education level for each is 60,000 – 65,000, producing between 20,000 – 40,000 graduates each year. Notably, the two cities combined produce 27,000 graduates from a STEAM subject (Science, Technology, Engineering, Arts and Maths).

Perhaps most importantly, both cities record some of the highest net student inflow rates in the UK. This means that students once graduated, are staying local. As such, both cities therefore have the solid student foundation to support the future needs of business.

04

YORKSHIRE – OFFERING A LIFESTYLE CHOICE

With the ability for businesses to be able to sell a lifestyle to employees becoming obligatory, the viability and appeal of a location has never been more important.

Fundamentally, the cost of living in both Sheffield and Leeds is favourable. In Leeds, the average house price of £157,200 is 25% below the national average. In Sheffield, the discount is greater with an average house price of £131,600, 37% below the national average. Notably, the differential to London is significant with average house prices in London at least four times more expensive. This will be of importance to businesses considering 'North Shoring'.

Supporting the cost benefit is a growing amenity offer in the region. Recent examples of new retail and leisure space include the Broadway scheme in Bradford, Wakefield Trinity Walk, Vangarde Shopping Park and Hammerson's Victoria Gate. The £480m Retail Quarter scheme in Sheffield is also underway, the site of the new HSBC headquarters. The first phase will deliver approximately 140,000 sq ft of office space and 57,000 sq ft of retail units. Each scheme adds benefit on both an employment and social level.

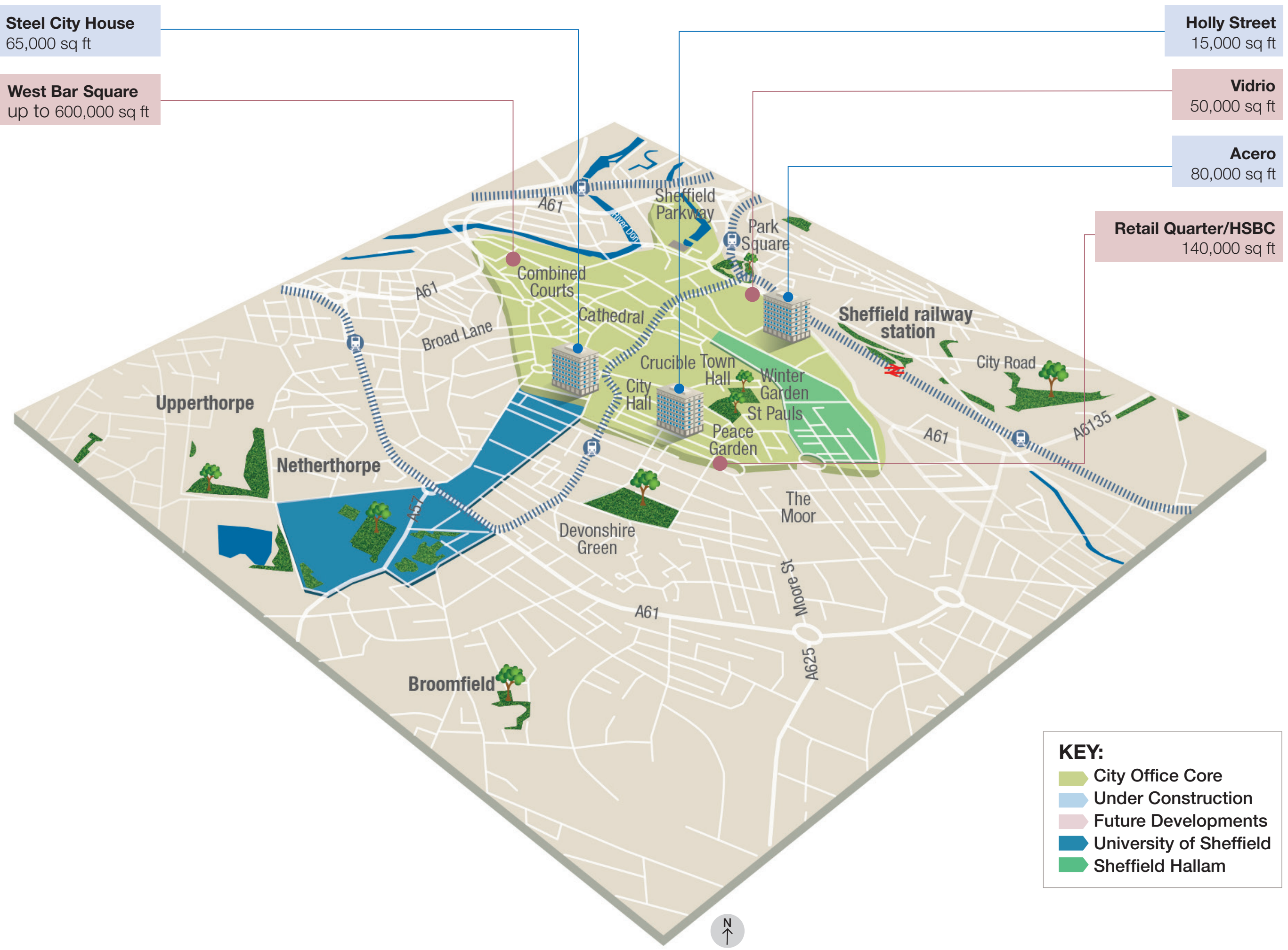
Furthermore, a proven catalyst to widen appeal and support continued regeneration is infrastructure. Importantly, plans for HS2 include links to both Sheffield and Leeds. Once built, the high-speed rail link will not only serve to open new areas of each city, but also importantly widen its accessibility to future residents and business alike.

While cost and development of the built environment are at the forefront of growth, heritage and natural resources supplement the case for Yorkshire. In essence, the region is embracing its past while building its future in order to create an all-round offer.

THE DEVELOPMENT LANDSCAPE 2017/18

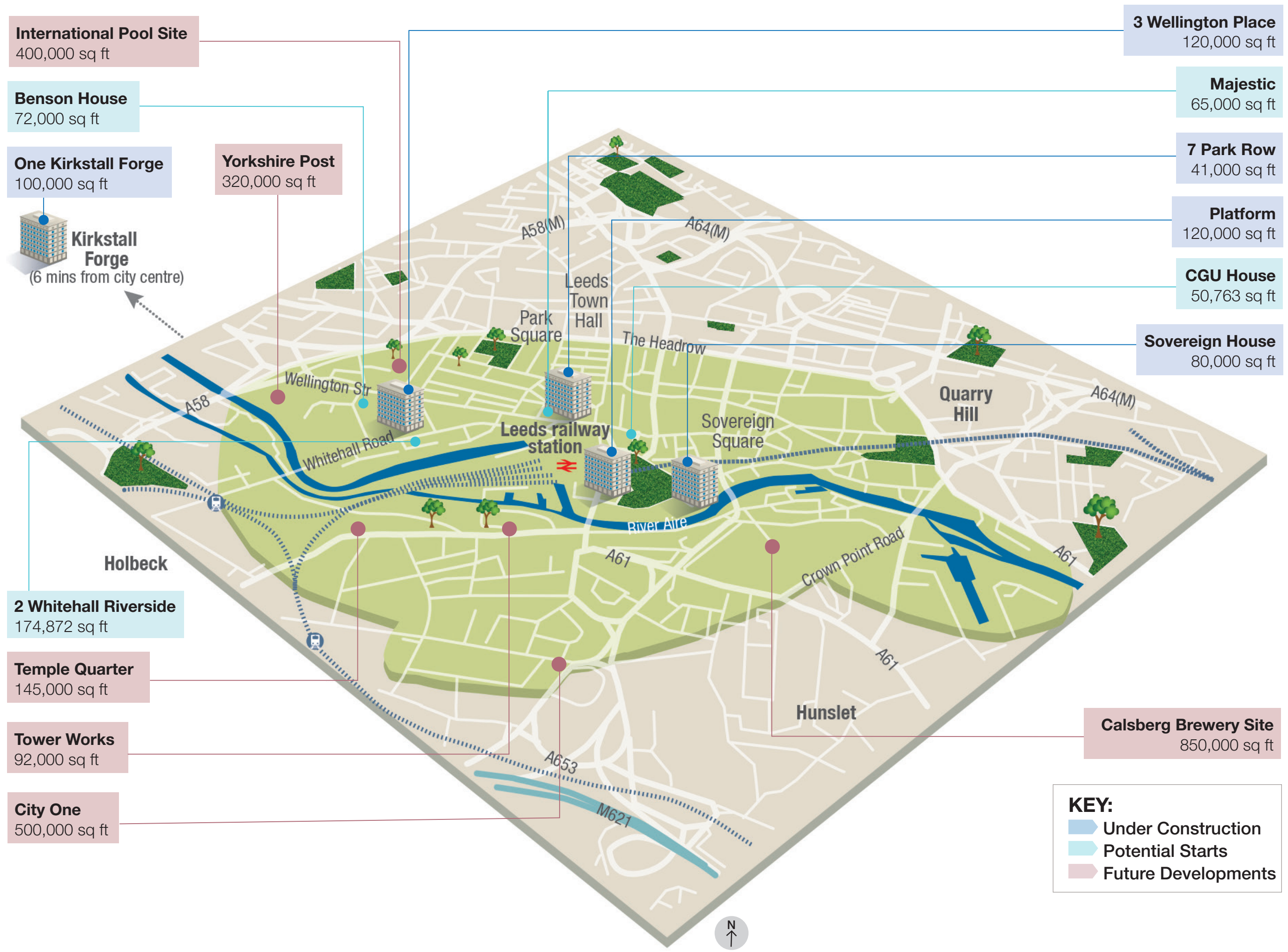
Sheffield

Office development in Sheffield has not kept pace with demand creating a market imbalance. Rising occupier interest most recently has initiated a development response that will deliver both, high quality space in 2017 and provide significant growth potential further ahead.



Leeds

The extensive list of office development schemes targeting Leeds is testament to the potential of the city. While principally focussed on the city centre, a redefined market boundary is emerging particularly to the south, where proposed schemes equate to 50% of the development pipeline after 2018.



PIPELINE IN NUMBERS

SHEFFIELD

Under construction (sq ft) 2017	Under construction (sq ft) 2019	Proposed (sq ft) Next five years
161,000	140,000	650,000

LEEDS

Under construction (sq ft) 2017	Under construction (sq ft) 2018	Proposed (sq ft) 2018	Proposed (sq ft) Next five years
380,700	80,000	187,100	3.2m

The statistics on this page represent office space known to be under construction and proposed schemes where work is yet to begin. Both new and comprehensive refurbishment schemes are included in the development pipeline.

Shaded area of buildings under construction show space already leased.

WHY PROPERTY MATTERS IN AN AGE OF DISRUPTION

An age of great disruption

There has never been a more disruptive time for business. Economic and geo-political uncertainties have combined with the rapid onset of new transformative technologies to create the most challenging of operating environments. These pressures are transforming the how, where and why of all businesses. They are re-defining working processes; increasing the need for speed to market; decreasing the margin of competitive advantage; and, more positively, have the potential to improve business productivity.

But perhaps most fundamentally, technological disruption has reshaped the very quantum and quality of skills required by modern office occupiers. Businesses from across all industry sectors are engaged daily in what has become termed 'the war for talent'. This war reflects both the limited options deriving from tight labour market conditions and particularly from the acute shortage of the technical and creative skills required to transform businesses into modern, digital enterprises. These skills shortages are pitching prospective employers against one another and are strengthening the negotiating position of highly skilled employees.

The new business landscape therefore sees occupiers responding to three disruptive forces at work (figure 7). Competitive businesses must restructure to mitigate the effects of a changeable economic environment but must also respond strongly to the twin challenges of technology and talent. It is against this backdrop that occupier's real estate decisions are made and market demand for office space emerges.

In the age of disruption we maintain that occupier decision making is:

- More complex and has far greater strategic significance attached to it than ever before.
- Increasingly predicated by the supply of talent, and in particular digital and creative talent.
- Leading to new patterns of occupancy and new attitudes to space usage.
- Heavily focused upon locations and buildings which offer an amenity or service rich working environment.

FIGURE 7
The effects of disruption on future occupier demand

Source: Knight Frank Research

Challenging the real estate cost equation

As well as being the number one challenge facing business, staffing is undoubtedly its primary cost. In fact, people costs have been shown to constitute 55% of the total operating costs of a business (figure 8). Tellingly, real estate represents no more than 15% of the same cost equation. Yet in reality the equation is more complex with the relationship between staff and property costs becoming increasingly inter-connected.

Savvy occupiers are realising that their real estate spend can actually serve to mitigate exposure to inflating staff costs. This is particularly true in the management of the enormous costs of staff churn. Recent studies have shown that average annual churn rates in UK businesses stand at around 15%. Furthermore, studies have also shown that the total cost of losing an employee from a business is 150% of their salary.

Let's quantify that with some local market perspective. According to Government data, the average gross annual salary in Leeds stands at £28,200. On that basis the cost of replacing a single member of staff in Leeds is on average £42,300. If one relates this to the typical annual cost of a workstation – priced at £5,115 in Leeds – we find that losing staff is 8 times more expensive than actually accommodating them. It is little wonder therefore that an increasing number of occupiers are recognising that paying slightly more for leasing and fitting out a high quality workplace in order to increase workplace satisfaction, and hence significantly reduce churn rates, makes strong economic sense. Despite a challenging macro-economic environment, occupiers are increasingly willing to pay for the best quality space so as to positively influence the lion's share of their operating cost – people.

Concordia Works

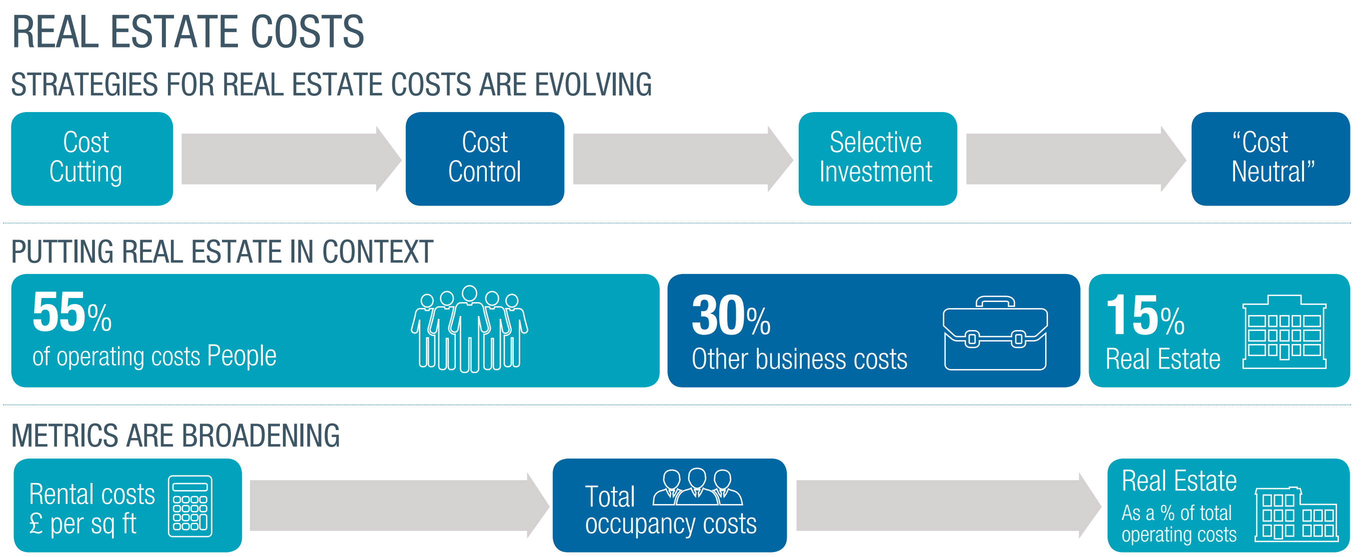
TOWARDS TALENT MAGNETS

From an occupier's perspective, a successful office location is therefore one which supports both the attraction, and crucially, the retention of highly skilled staff. They are talent magnets. We believe there are five key features of successful talent magnets:

1. **A richness of amenity and service** – access to a vibrant mix of retail, F&B and leisure uses as well as highly serviced facilities.
2. **A strong sense of place and community** – talent wants to feel part of something bigger and the collaborative power of community brings innovation and creativity to the fore.
3. **Complete connectivity** – physical multi-modal transport connectivity, coupled with resilient and powerful digital connectivity.
4. **Support for health and well-being** – addressing the increased worker desire for workplaces that support healthier lifestyles.
5. **Strong brand and identity** – strong branding and visual identity, but one which has authenticity and substance, is paramount.

Locations that embody these features have the greatest chance of attracting occupiers in this age of great disruption.

FIGURE 8
Real estate cost considerations



Source: : Knight Frank Research; British Council for Offices

SHEFFIELD

OCCUPIER

Occupier activity increased sharply in the first quarter of 2017 as several large transactions completed. The development pipeline remains limited, meaning low supply will continue to be a feature of the market.

The market in numbers

With 33 occupier deals completing, Q1 2017 recorded the highest level of occupier take-up for two years. A total of 170,000 sq ft transacted during the first quarter, more than double the 10-year quarterly average for the city. The upturn follows a slower period of occupier activity in 2016, with take-up 36% below the long-term annual average at 201,500 sq ft. The 140,000 sq ft agreement to lease by HSBC is yet to be included however, albeit its inclusion would mask a more subdued period of activity last year.

Key leasing deals

Aside from HSBC, the largest occupier deal to complete between January 2016 and March 2017 was the 19,600 sq ft letting to SDL Plc at Derwent House. This was one of two significant deals completed at the recently refurbished building in Q1 2017. The other was to engineering firm Mott MacDonald who took 16,400 sq ft.

Also in Q1 2017, Graysons Solicitors took 17,000 sq ft at the refurbished Courtwood House. Similarly, marketing and digital media agency firm Jaywing opened its 16,000 sq ft new HQ at Albert Works on Sydney Street. The Jaywing move follows a major redevelopment of the former forge site. Another notable deal exceeding 10,000 sq ft was engineering consultant Arup taking 16,000 sq ft at 3 St Pauls Place in 2016. The building is part of the £130m Heart of the City project. The ten-storey speculative, office development was the first speculative build to complete post the recession.

Technology firms growing

Similar to Leeds, Sheffield is also recording an increase in demand from occupiers from a technology, media or telecoms (TMT) background. Between January 2016 and March 2017, the TMT sector represented 22% of total take-up. Aside from Jaywing and SDL Plc, the most notable deal from a tech occupier was the 7,840 sq ft letting to Zoo Digital at City Gate. The media and production services firm will move from Furnival Tower on Furnival Gate. Supported by the Graysons Solicitor letting, the professional services remain the dominant sector however, representing 24% of take-up over the past 15 months.

Supply decreases further

Prime city centre Grade A availability fell to just 150,000 sq ft in Q1 2017, the lowest level on record for the city. This total is 46% below the long-term average. However, a further 240,000 sq ft of good quality city centre secondary space and Grade A on the city fringe is available. The development pipeline remains limited with 161,000 sq ft of office space due for delivery in the coming 12 months, half of which is comprehensive refurbishment schemes such as Steel City House, which will deliver 65,000 sq ft of much needed Grade A space. Located close to the main railway station, the only new scheme currently under construction is Acero Works Digital Campus, which will deliver 80,000 sq ft over six floors. Completion is scheduled for 2017.

Prime rents increase marginally

Prime rents moved to £23.50 per sq ft in the first quarter, an increase of 2.2%. Further growth is expected in 2017 as prime stock is increasingly squeezed. Forecasts indicate a prime rent of £24 per sq ft by year-end rising to £25.00 per sq ft by the end of 2018/2019. We anticipate that the lack of supply at the top end will also support a rise in other Grade A offices, with rents currently £15-£21 per sq ft. As at Q1, secondary rents are at £12.50 with some poorer quality stock lost to alternative use.

FIGURE 9
Take-up (sq ft)

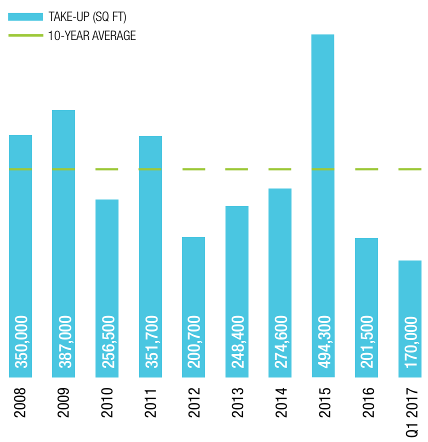


FIGURE 10
Grade A Supply (sq ft)

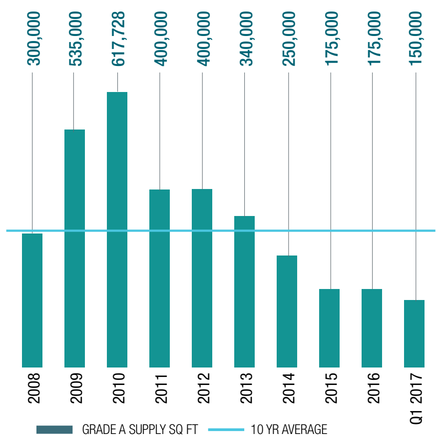
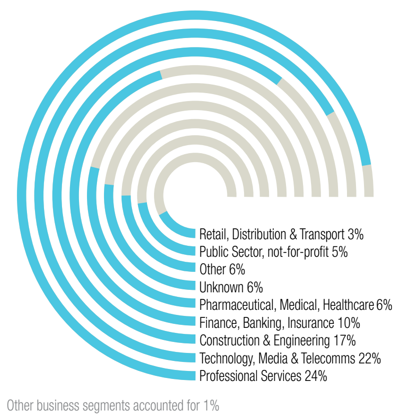


FIGURE 11
Take-up by Sector (Jan 2016 to Mar 2017)



Source: Knight Frank, Property Data

FIGURE 12
Investment Volumes (£m)

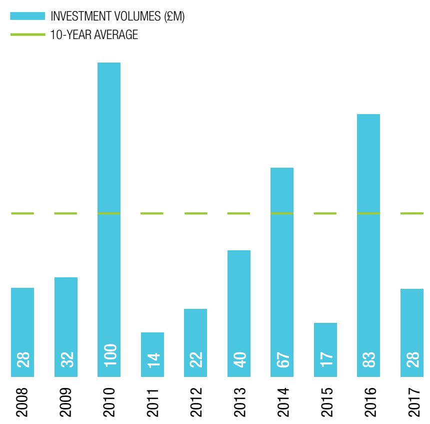


FIGURE 13
Prime Yields %

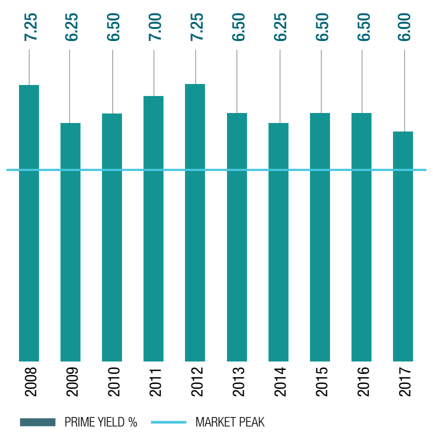
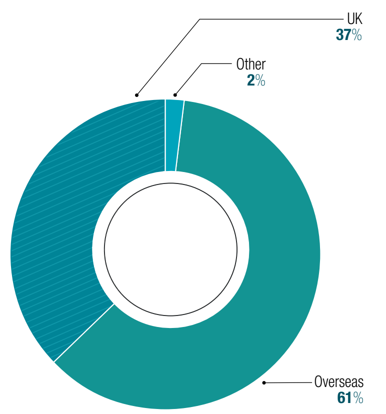


FIGURE 14
Investment by Purchaser
Investment by Purchaser (Jan 2016 - Mar 2017)



Source: Knight Frank, Property Data

INVESTMENT

Demand for office investment opportunities in Sheffield has carried through from last year, with several deals completed already in 2017. The prospect of rental growth, coupled with a relative discounted yield, means Sheffield remains an attractive place to invest.

Investor interest continues

In 2016, total investment volumes increased fourfold to reach £83m by year-end, a total 60% above the 10-year average. This represented the highest level of office investment in Sheffield for six years. Investor interest has continued into 2017, although Q1 was without a transaction of note as a number of assets were being prepared for sale. As a result, the second quarter has seen £28m of stock sold across four deals, with a number of others imminent. This total is almost double the long-term quarterly average.

Key investment transactions

The largest investment deal of the past 18 months was the acquisition of Vulcan House at J2 Riverside Exchange by Spanish investor Trinova Real Estate. The purchase price of £30.9m reflected an initial yield of 6.78%, illustrating the yield gap to other regional centres. This was one of two sales over £10m during 2016.

The sale of the Riverside East office building for £23.4m was the other, a deal, which reflected a net initial yield of 6.73%. Bought by 90 North Real Estate on behalf of Arzan Wealth and Sidra Capital, the 75,600 sq ft office building is let to UK law firm Irwin Mitchell until 2027.

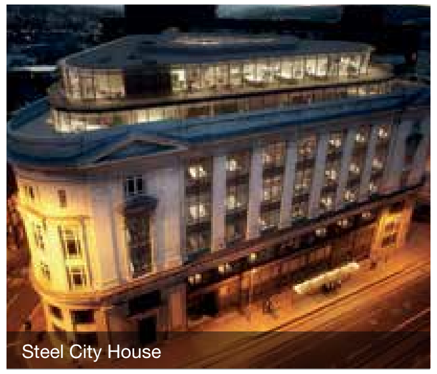
The acquisition of 2 Cutlers Gate by UK CPT Ltd for £20.16m represents the largest office sale in 2017. The 61,000 sq ft building is let to Capita Business Services. Other notable deals to complete have been the purchase of Westfield House by MCR Property for £3.5m and the acquisition of Telegraph House for £3.6m by Tosca Commercial, where a change of use is expected.

Overseas buyers see value in Sheffield

With overseas buyers behind the two largest deals of the past 18 months, foreign investment accounted for the largest percentage of turnover, 61%. The £68 million spent is the highest level of overseas investment into Sheffield offices on record. Supported by the CPT Ltd deal, domestic investors represent 37% on investment turnover. In terms of deal number however, UK investors were the most active accounting for eight of the 14 deals completed.

Yield compression supported by continued interest

Prime office yields in Sheffield have hardened to 6.00% in 2017. At this level, prime yields are 100 basis points above the market peak of 5.00% recorded in 2007. When compared to the other major regional UK cities, Sheffield continues to offer considerable discount, albeit erosion of the gap may result as continued interest and a diminishing level of supply leads to aggressive bidding. In addition, secondary assets are gaining interest in order to pursue both, value-add refurbishment projects supported by the strengthening leasing market, and a continuing trend of conversion to residential / student accommodation.


Steel City House

PREDICTIONS

LEEDS

EAMON FOX
PARTNER

"With 3,500 businesses already located in the city, the technology sector will continue to grow at pace. This existing concentration of tech firms will serve to attract new entrants to the city, with the interaction of businesses proven to support growth and enable product or service development. In addition, the 'tech' umbrella is broadening with an increasing number of firms where technology is not their principal business, developing a digital capability. Importantly, the universities in the city lend further weight to the case for Leeds, with access to fledgling talent being the very foundation to tech firm growth."

ELIZABETH RIDLER
PARTNER

"The advent of new technology has revolutionised the way we live and work. This transformation has moved away from the 9-5 office culture, toward the creation of a lifestyle encompassing both work and social life. Further innovation of the office environment will develop this concept moving forward, as the intensity around recruiting increases and employers use property as one of the ways to attract top talent to their company. Landlords will win by creating aesthetically inviting buildings and we see demand for innovative offices in Yorkshire increasing sharply."

HENRIE WESTLAKE
PARTNER – HEAD OF THE NORTH

"With limited new development committed in the traditional core, we identify a pinch point for supply in late 2017/18. This will lead to upward pressure on rents, particularly for better quality space. This in turn, will appeal to investors attracted by the performance prospects. Rents in Leeds currently lag behind those in comparable cities, with growth forecasts indicating the highest rate of the big six regional centres. Whilst low rents can appear attractive for the city, the proportion of rent to business cost has never been lower. With an onus on businesses to attract and retain the best staff, any increase in rent to obtain or retain the best space is therefore vindicated by the higher cost of staff replacement."

GRAHAM FOXTON
PARTNER

"There is currently a great depth of buyers in the national investment market, with Institutions, Property Companies, Private Equity, Foreign Investors and High Net Worth individuals, vying for product. We predict a resurgence of demand in Leeds from institutional investors as they identify the strong market fundamentals, which will lead to increased pricing. We are already seeing more astute investors focussing on the city to achieve 'first mover' position by purchasing in advance of this. This dynamic will develop further in the coming 12 months."

SHEFFIELD

PETER WHITELEY
PARTNER

"The mix of occupiers considering Sheffield as a business location will continue to diversify. The city is moving away from being a destination for the back office, with frontline operations gaining a foothold. The professional services and TMT firms are most active currently with new demand serving to develop a future business generative community within the city. Encouraging technology growth is particularly important with the creative industries the fastest growing sector globally. Sheffield has already made progress in this goal and we expect the city's 'tech hub' status to continue to develop in 2017."

BEN WHITE
ASSOCIATE

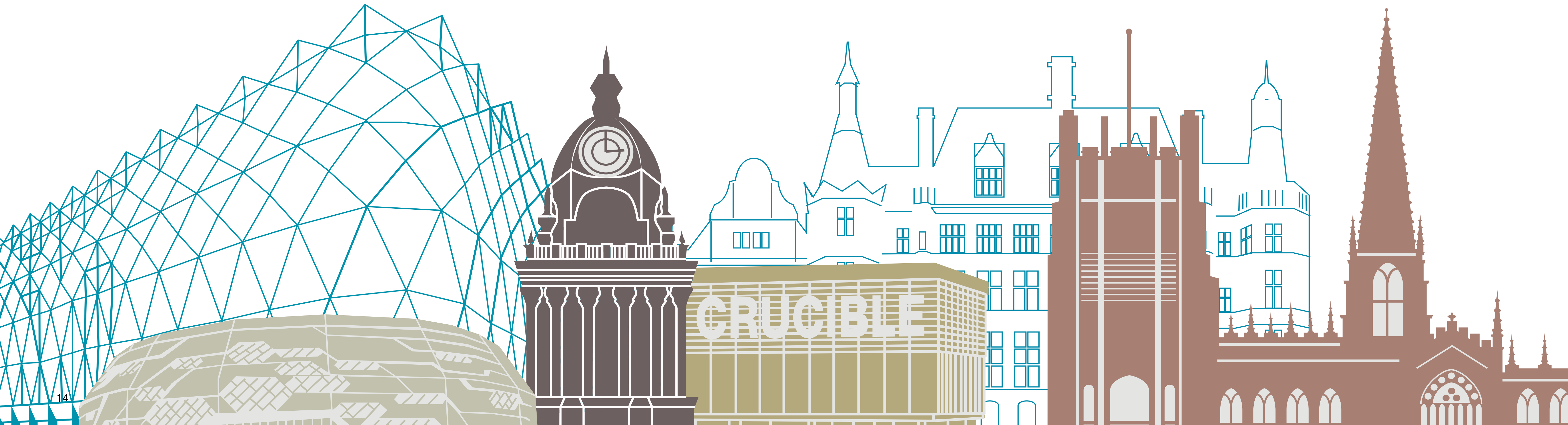
"With corporate image increasingly scrutinised, occupier requirements will continue to change at a fast pace in accordance. Green credentials remain firmly on the relocation itinery, meaning landlords need to ensure the right offering is available to satisfy discerning companies. A good recent example of this in play is Arup choosing to dispense with car parking, instead opting to offer a number of additional bike spaces. We anticipate that the 'Green' agenda will increasingly be a factor in occupier decisions moving forward, supporting both corporate responsibility and a comprehensive offer to staff."

NICK WALES
PARTNER

"As vacancy levels erode and demand continues to rise, the market imbalance will fuel rental growth. 2017 has already seen an uplift in prime rent with Knight Frank's forecasts indicating that values could rise further to £25.00 per sq ft by the end of 2018. The case for investment therefore is strengthening, which coupled with the relative discount on yield to other major regional cities, should support a rise in investment activity."

REBECCA SCHOFIELD
PARTNER

"With the ambition of modern firms predicated on the availability of a flexible and highly skilled workforce, the importance of the student resource in Sheffield will become imperative to its growth. The graduate schemes through the University of Sheffield and Sheffield Hallam University are already supporting this ethos. The success of the Advanced Manufacturing Park and the Advanced Manufacturing Research Centre is well founded, with graduates placed at global brands such as Boeing, Rolls-Royce and McLaren. The knowledge economy will broaden in the future. As such, Sheffield is well placed to develop as a centre of excellence."



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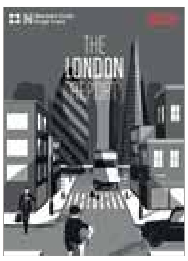

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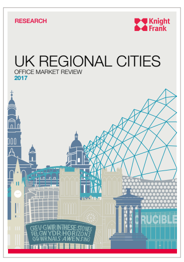

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