



# LEEDS OFFICES

Market update Q4 2012

**Knight Frank**

## Key Highlights

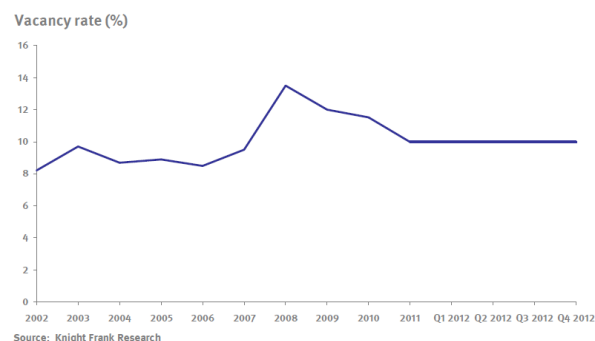
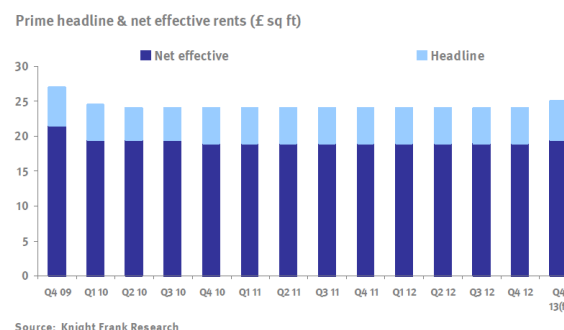
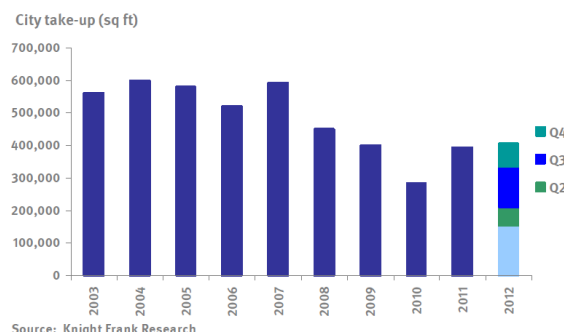
- While Leeds saw relatively subdued take-up of 70,361 sq ft in Q4 - some 43% down on Q3, the full-year total for 2012 reached a high of 405,648 sq ft and was up on the 2011 total by 3.2%.
- Both net effective and headline rents were unchanged on a quarterly and annual basis – ending the year at £19.00 and £24.00 per sq ft respectively.
- On a positive note, the vacancy rate stood at 10.0% in Q4, unchanged on Q3 although marginally lower than the end of last year.

## Office gossip

- No 1 Leeds (122,000 sq ft) is expected to be fully let by Q2 2013, one year on since its first letting.
- Active named requirements remained unchanged in Q4 at a healthy 390,000 sq ft. The key active requirements are being driven by legal firms such as Squire Sanders, Shulmans and Walker Morris, all of whom are considering whether to relocate by way of a pre-let or re-gear. A number of deals are expected to be signed by the end of the year.
- Town Centre Securities has acquired 6-7 Park Row, Leeds, occupied by Lloyds TSB Bank, and 880 Harrogate Road, Bradford, occupied by Barratts Trading for a reported £9.4m.

## Looking ahead

- KPMG has confirmed its new 60,000 sq ft headquarters at Sovereign Square, Sovereign Street Leeds which subject to planning should start on site in summer 2013.
- The only speculative activity in the city is at 21 Queen Street where two new floors will be added to create a new high quality refurbished office of approximately 37,471 sq ft with completion scheduled for autumn 2013.
- Falling Grade A supply will continue to put upward pressure on prime headline rents. We expect prime headline rents to potentially edge up to £25.00 per sq ft and net effective rents to increase to £19.50 per sq ft by the end of 2013.
- We expect the vacancy rate to remain broadly stable over the coming year.



## Agency contact

**Elizabeth Ridler, Partner,** Leeds

+44 (0)113 297 2427

[elizabeth.ridler@knightfrank.com](mailto:elizabeth.ridler@knightfrank.com)

**Edward Harrowsmith, Associate,** Leeds

+44 (0)113 297 1954

[edward.harrowsmith@knightfrank.com](mailto:edward.harrowsmith@knightfrank.com)

## Research contact

**Anthea To, Associate,** Commercial Research

+44 (0)20 7861 1236

[anthea.to@knightfrank.com](mailto:anthea.to@knightfrank.com)

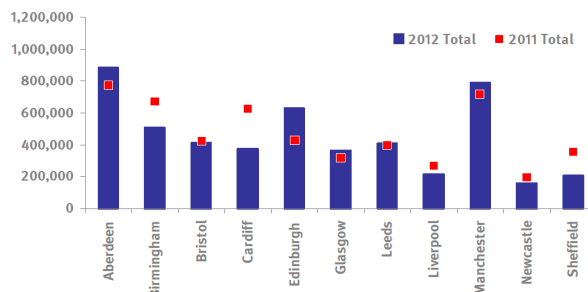
# UK REGIONAL OFFICES ROUND-UP

Q4 2012

## Occupier demand

- Take-up in the key regional office markets was generally resilient in Q4 2012. Across the 11 markets combined, total quarterly take-up of 1.22m sq ft was up 2% on Q3, although, 2012 as a whole was marginally lower than 2011.
- Annual take-up for 2012 totalled 4,930,430 sq ft - some 4% down on 2011 and 11% down on the 10-year annual average. A number of markets enjoyed stronger 2012 take-up compared with 2011 including Edinburgh (+47%), Glasgow (+15%), Aberdeen (+14%), Manchester (+10%) and Leeds (+3%).
- Transactions completed in 2012 comprised predominantly secondary space and relatively small lot sizes. However, the 'fight to quality' in most markets continued and we have seen renewed requirements from professional services firms prompted by forthcoming lease expiries.

City centre take-up, 2012 total vs 2011 total (sq ft)

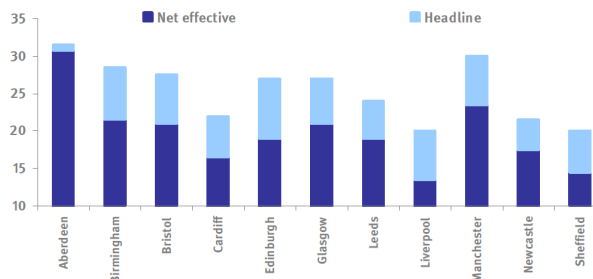


Source: Knight Frank Research

## Supply and rents

- While the speculative development pipeline remains generally limited, Q4 saw another quarterly increase from Q3's 661,431 sq ft to 734,545 sq ft. Despite the improved speculative activity, general sentiment remains cautious and developers will demand a significant pre-let before any large new-build scheme can progress.
- Supply continues on a downward trend in the absence of new completions. At the end of Q4 2012, Grade A supply across the 11 cities combined was down 18% on Q4 2011, with the largest falls seen in Edinburgh (-38%), Glasgow (-36%), Leeds (-30%) and Birmingham (-27%).
- Headline rents remained stable in Q4. However, more generally, incentive packages are either hardening or expected to harden across the regional cities, as a result of this steady erosion of Grade A supply.

Q4 2012 Prime headline & net effective rents (£ sq ft)



Source: Knight Frank Research

## Investment market

- The latest figures from Property Data reveal that Q4 investment turnover was c.£550m outside London and the South East, an improvement on Q3 but nevertheless 36% below the 10-year quarterly average.
- There remains strong investor interest in prime office stock, although a shortage of suitable product, namely prime and long-income assets, remains a major barrier to activity. In the secondary spectrum, investor interest is highly selective, confined to good quality secondary stock where there is potential to add value through asset management.
- Generally, prime yields were unchanged in the regional cities in Q4 albeit this is based largely on sentiment. Secondary office yields are under pressure and sentiments remains cautious.

Prime office yields

	2012				Yield sentiment
	Q1	Q2	Q3	Q4	
Aberdeen	6.25%	6.50%	6.50%	<b>6.50%</b>	◀ ▲
Birmingham	6.25%	6.50%	6.50%	<b>6.50%</b>	◀ ▲
Bristol	6.25%	6.50%	6.50%	<b>6.50%</b>	◀ ▲
Cardiff	6.25%	6.50%	6.50%	<b>6.50%</b>	◀ ▲
Edinburgh	6.25%	6.50%	6.50%	<b>6.50%</b>	◀ ▲
Glasgow	6.25%	6.50%	6.50%	<b>6.50%</b>	◀ ▲
Leeds	6.25%	6.50%	6.50%	<b>6.50%</b>	◀ ▲
Liverpool	7.00%	7.25%	7.50%	<b>7.50%</b>	◀ ▲
Manchester	6.00%	6.50%	6.50%	<b>6.50%</b>	◀ ▲
Newcastle	6.50%	6.75%	6.75%	<b>6.75%</b>	◀ ▲
Sheffield	7.00%	7.25%	7.25%	<b>7.25%</b>	◀ ▲

Source: Knight Frank Research

### © Knight Frank LLP 2013

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank LLP for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Research. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

[www.knightfrank.com](http://www.knightfrank.com)