



# LEEDS

## EXECUTIVE SUMMARY

- The pipeline of regeneration across the city is vast. Primarily Leeds' South Bank offers a huge opportunity for growth.
- There is no speculative new build office space currently under construction providing an opportunity for pre-letting and the refurbishment market in 2020.
- HMRC will move thousands of new employees to 7&8 Wellington Place next year and Channel 4's move to the city is expected to act as a catalyst to attracting further media occupiers.
- Supply levels have increased significantly in the wider Yorkshire big shed market as a number of speculative developments have completed. This is in response to the greater level of take-up over the past two years.
- Construction activity is buoyant in the 'build to rent' sector, with schemes such as Grainger's Yorkshire Post site on Wellington Street and Moda / Caddick's SOYO scheme.

**Substantial economic growth has been realised through major regeneration programmes in Leeds acting as a significant catalyst for further public and private sector investment. The city is the U.K.'s second financial centre and a leading centre for the knowledge economy, with world class universities and a wealth of digital and scientific expertise.**

The pipeline of regeneration across the city is vast with key mixed-use, placemaking developments which will eventually become new thriving districts of the city. Leeds' South Bank offers a huge opportunity for growth, with major mixed-use developments by landowners CEG and Vastint leading the way. CEG has recently confirmed its intent to progress the first phase of its Southbank development at Globe Point by the appointment of BAM and north of the train station, Hammerson's Eastgate Quarter is also in the final stages of planning.

In the office market, HMRC's new offices totalling 378,000 sq ft at 7&8 Wellington Place will open this year with thousands of new employees moving to the city. Channel 4 will also move to the refurbished former Majestic cinema, which is already acting as a catalyst to further media occupiers, particularly as SKY also have a strong presence in the city.

## KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019.

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	↑	↓	↑
Vacant Space	↓	↓	→
Construction Levels	↓↓	↓↓	↑
Leasing Volume	→	↓	→
Investment Volume (all sectors)		↓↓	

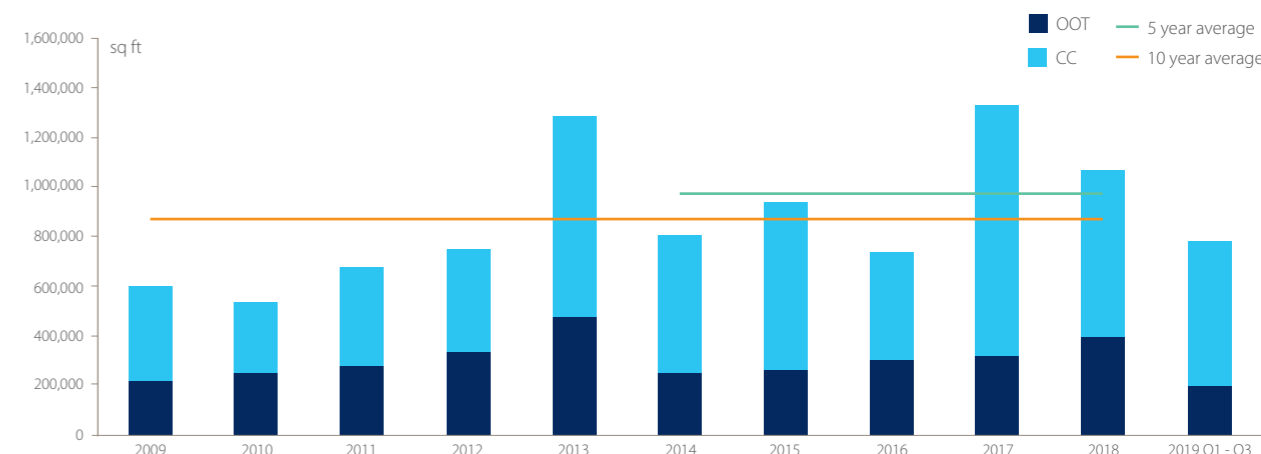
Requirements in the office market indicate that demand is robust for the year ahead. There are a handful of 30-40,000 sq ft requirements and possibly further activity from the Government Property Agency.

Large amounts of grade A speculative office space have been delivered at Wellington Place, Central Square and Sovereign Square in recent years. However, there is no speculative new build space currently under construction and there is an acute shortage of grade A supply.

This is providing opportunities for the refurbishment market, as evidenced by recent schemes at Majestic and Boar Lane, which is also prompting a tightening of secondary supply. Similarly the out-of-town market, which historically accounts for a third of activity, may also benefit, as evidenced by Munroe K's plans to expand White Rose Business Park.

**There is no speculative new build space currently under construction and there is an acute shortage of grade A supply. This is providing opportunities for the refurbishment market. With pre-letting currently the only new build option available for future occupiers, there are also significant opportunities for developers and investors in 2020.**

## LEEDS OFFICE TAKE UP



Source: Avison Young

With pre-letting currently the only new build option available for future occupiers, there are significant opportunities for developers and investors in 2020. As a result, we expect further growth in prime rents this year, from £30 psf, with quoting rents at Majestic currently £34 psf.

With the completion of the 1 million sq ft Trinity Leeds in 2013 and the 500,000 sq ft Victoria Gate in 2016, any future retail development in Leeds is expected to form part of the mixed use schemes, rather than large scale new developments. The changing space requirements of the retail sector is putting further pressure on the valuation of space to be better aligned to its use, particularly as the industry looks for greater fairness from business rates.

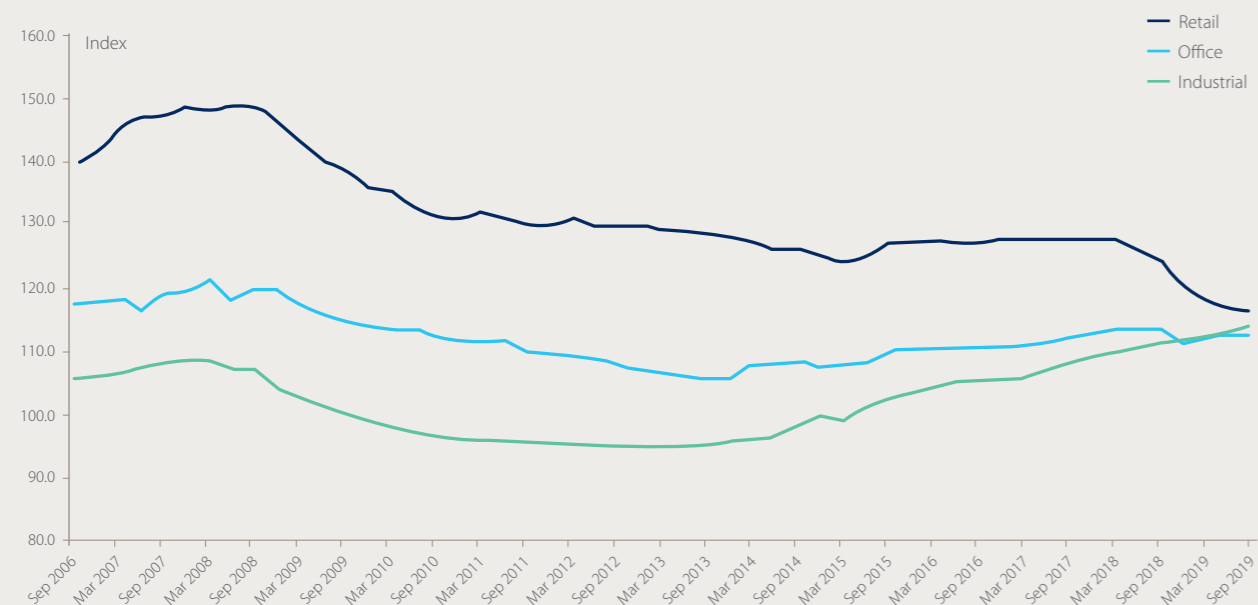
We expect planning policy will increasingly play a role in the revitalisation of the high street as the need to encourage activity in urban areas must remain.

However local plans are not being updated at the same rate as changing market trends and may not therefore have the necessary policies to support struggling high streets.

Construction activity is buoyant in the 'build to rent' sector. Apache Capital Partners and Moda recently received a development loan to fund the construction of New York Square, the first phase of Caddick Group's £300m SOYO neighbourhood, which will include 515 homes, a new hotel, bars and restaurants. The loan is one of the largest ever regional build-to-rent financing deals. Other schemes include Grainger's Yorkshire Post site on Wellington Street and Alpha Real Trust's Monk Bridge. All these schemes are trying to capitalise on the desire for greater communal facilities.

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**LEEDS RENTAL GROWTH BY SECTOR**



Source: MSCI

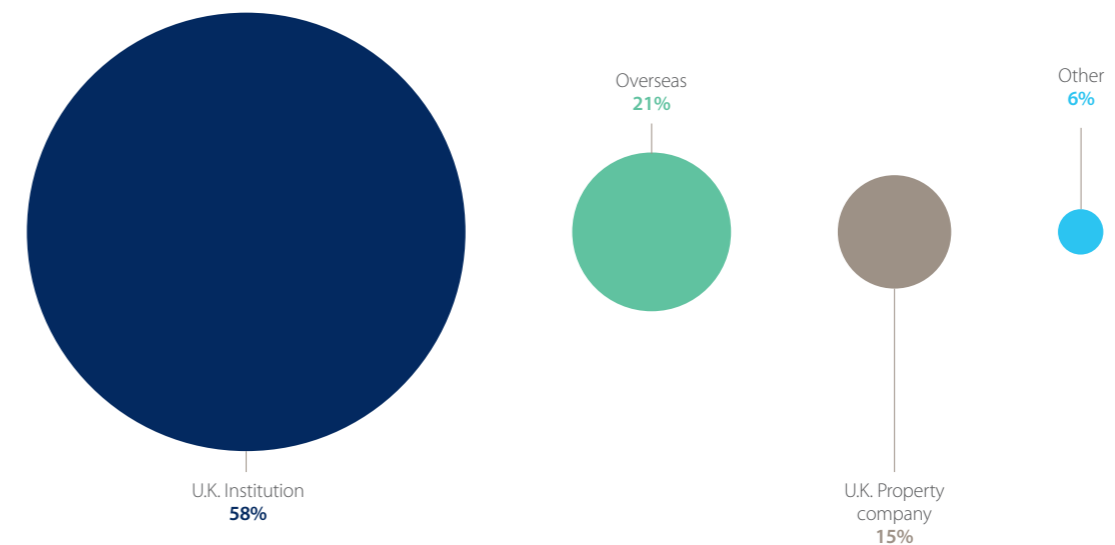
Supply levels have increased significantly in the wider Yorkshire big shed market, responding to the record levels of take-up in 2018. A number of speculative developments completed in 2019, and there have been announcements for further speculative units such as Caddick Group's 512,000 sq ft Wakefield 515, for AEW. However there was a slowdown in big shed demand last year, particularly from third party logistics and retailers. Mid-box demand is healthy and occupational freehold values steady, helped by severe stock shortage.

In the investment market we expect 'beds, sheds and meds' to remain the most popular sectors in 2020, particularly for prime stock with long dated indexed income.

U.K. institutions are currently holding back, which is presenting opportunities for overseas investors. Continuing political uncertainty is likely to keep the pound suppressed, increasing the appeal to overseas buyers, who are increasingly finding value outside London.

While industrial investments remain highly sought after, we do not expect further yield compression over the next few months. Conversely the pricing on some prime high street retail units, where tenants are not competing with online businesses are starting to look attractive to investors.

**LEEDS INVESTMENT VOLUMES 2019 BY PURCHASER**



Source: PropertyData

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