Office snapshot Leeds city centre Q2 2020

Key takeaways

- Activity in the Leeds office market slowed significantly in Q2 due to Covid-19 lockdown restrictions, with take-up of 15,900 sq ft.
- As lockdown restrictions are eased market activity is resuming, albeit occupiers are taking longer to consider their options.
- The level of vacancy is slowly increasing and this trend is expected to continue during the second half of the year.

Top leasing deals

Tenant/ Purchaser	Transaction type	Area (sq ft)	Address
ISIO	Lease	6,213	34 Boar Lane
SY4	Lease	3,521	Marshalls Mill
Rivendell	Lease	3,135	Building 3, Central Park
NJP Selection (Aston Chambers)	Lease	2,250	Ambler House, Trevelyan Square

Demand

15,900 sq ft
Q2 take-up

Average deal size
3,183 sq ft

8,500 sq ft
Grade A take-up

Dominant sectors
61%
Service Industries

39%
Banking & Finance

Largest city centre deal
ISIO
34 Boar Lane,
6,213 sq ft

5 — Total number of deals

1 — Number of deals above 5,000 sq ft

0 — Number of deals above 10,000 sq ft

Supply

13.1m sq ft
Total stock

735,100 sq ft
Currently available

312,500 sq ft
Total Grade A supply

5.6%
Vacancy rate

208,500 sq ft
Speculative under construction

Prime rents

£32.00 per sq ft

Year-on-year rental growth

6.7%

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Market overview

Demand

Summary statistics	Q2 2020	Change Y-o-Y	12-month outlook
Take-up	15,900	↓	↑
Prime rent (£ psf)	£32.00	↑	↑

Historic take-up (sq ft)

Year	2017	2018	2019	2020 H1
Total	1.0m	663,200	744,800	160,100
No. of deals	138	136	130	27

Source: JLL, 2020

The Leeds office market slowed significantly in Q2 due to the Covid-19 lockdown restrictions in place. Q2 take-up comprised just 15,900 sq ft in five deals and the H1 total stands at 160,100 sq ft. As lockdown restrictions started to ease in the latter part of Q2, market activity resumed; smaller enquiries in particular are more active while larger, longer term requirements are typically progressing more slowly as tenants consider how they will utilise office space.

Headline prime rents remained at £32.00 psf in Q2 with typical rent free periods in the range of 18-21 months' rent free on a 10-year term*.

Supply

Summary statistics	Q2 2020	Change Y-o-Y	12-month outlook
Vacancy rate (%)	5.6%	↑	↓
U/C spec	208,500	↓	↓

Source: JLL, 2020

Overall vacancy increased slightly during Q2 and stands at 5.6%. The Grade A vacancy rate also increased to 2.4% during Q2. The level of supply is expected to increase during the second half of the year as some tenant-released grey space comes back to the market.

There are a number of new build and refurbishment schemes currently underway and scheduled to deliver good quality space to the market over the next 12 months. With some construction activity pausing or undergoing delays due to Covid-19 restrictions, completion dates for schemes already underway may be impacted by three to six months.

Investment

Investment market	Q2 2020	Change Y-o-Y	12-month outlook
Investment vol (£m)	£20m	↓	→
Prime yield	5.00%	→	→

Source: JLL, 2020

2020 total
£62m

5.00%
Prime yield
Q2

Activity in the Leeds office investment market slowed during H1, in line with the wider UK market, due to a combination of Brexit, Covid-19 and a general lack of stock. During Q2 the only deal of note was Yorkshire Water purchasing Livingstone House for £20m. There are signs of activity returning to the UK regional investment market and a stronger H2 is expected.

Prime yields were held at 5.00%*.

*The Covid-19 pandemic has created a material uncertainty in real estate investment market performance. Across Europe, there is considerable variation in the extent of the human tragedy implications unfolding and its impact on economic activity, including the trajectory, duration and extent of these impacts on all real estate sectors. Varying recent and ongoing policy responses across the region and mitigating implications will differ by market and sector.

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