

Leeds, England, United Kingdom



Over the past 10 years the Leeds economy has undergone a huge transformation. The rapid growth in the financial, legal and business service industries has seen employment growth increase by 42.5%. The size of the financial and business services sector is second only to London and accounts for 31% of output. In terms of economic growth, Leeds has increased 3.2% in the past 10 years, compared to 2.8% nationally. The strong employment rates of the city have helped the economic growth increase.

The short-term outlook for Leeds predicts steady GDP growth of 1.9% and 2.4% in the next two years respectively. In this period, employment growth is set to be marginally negative, before increasing in the following years. However, looking into the medium term, GDP should be growing at close to 3% and is likely to grow above the UK rate. Employment growth will rise to match UK levels, with the city itself generating 24% of Yorkshire and the Humber's employment growth in the next decade.

Supply remains limited in the city center, particularly the availability of prime class A space. At mid-year, supply stood at 200,000 square feet, which was a slight decrease on availability from the end of 2006. Supply of class B space rose slightly from around 600,000 square feet at the end of 2006 to 675,000 square feet.

The only class A buildings developed in Leeds City center were Bridgewater Place, with 35,000 square feet available after pre-lease, and Clarence Dock, comprising the 72,000-square-foot Livingstone House and the 26,000-square-foot Stanley House. The largest class A building available at the mid-year point was 2 Wellington Place, with 100,000 square feet available. Leasing volume for the first half of 2007 totaled 297,000 square feet. It is anticipated that the ten year average of 525,000 square feet will be met by the end of the year despite a slight down turn in market confidence and limited supply.

Demand for space remains consistent, but there is a lack of large pre-leases that have boosted the market in previous years. Although underlying market conditions generally remain healthy, there will not be a comparable level of leases to some of the stronger years without significant relocations or inward investment.

The most significant leases in the first half of the year were the acquisition of the fourth floor in Bridgewater Place by Ernst and Young at a rent of £23.50 per square foot. The next largest lease was BDO Stoy Hayward occupying the ninth floor in the same building at £23 per square foot. These key deals during the first half of the year support the Professional and Business Services dominated take up in the city center, which has been a consistent theme in recent years. Prime city center rents remain stable at £25 per square foot, and despite the ever present possibility of under supply rental growth, prospects are limited.

The Leeds investment market has seen limited activity during the first half of 2007 with only £42 million of capital transactions due to shifting investor sentiment and lack of product. Activity in the market reflects the wider national picture of a slowing market. Prime office investment yields have moved out to 4.75%, which is in line with market sentiment.

Contact

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Country Data

Area (KM ²)	244,100
Population (Millions)	60.8
GDP 2006 (US\$ B)	2755.9
GDP Growth (%)	3.3
GDP/Capita (US\$)	45301.06
Inflation Rate (%)	2.4
Interest Rate (%)	5.75
Unemployment Rate (%)	5.4

Leeds At A Glance

Conversion: .49 £ = 1 US\$

CITY CENTRE OFFICE

	NET RENT/SF/YEAR		US\$ NET RENT/SF/YEAR		Vacancy
	Low	High	Low	High	
New Construction (AAA)	N/A	N/A	N/A	N/A	N/A
Grade A (Prime)	£ 20	£ 25	\$ 40.82	\$ 51.02	N/A
Grade B (Secondary)	£ 10	£ 16	\$ 20.41	\$ 32.65	N/A

SUBURBAN OFFICE

New Construction (AAA)	N/A	N/A	N/A	N/A	N/A
Grade A (Prime)	£ 17	£ 20	\$ 34.69	\$ 40.82	N/A
Grade B (Secondary)	£ 8	£ 14	\$ 16.33	\$ 28.57	N/A

INDUSTRIAL

Warehouse	£ 4	£ 5	\$ 8.16	\$ 10.20	N/A
Manufacturing	£ 5	£ 6	\$ 9.18	\$ 12.24	N/A
High Tech/R&D	N/A	N/A	N/A	N/A	N/A

RETAIL

City Centre	£ 150	£ 350	\$ 306.12	\$ 714.29	N/A
Neighborhood Service Centers	£ 35	£ 150	\$ 71.43	\$ 306.12	N/A
Community Power Center (Big Box)	N/A	N/A	N/A	N/A	N/A
Regional Shopping Centres/Malls	£ 100	£ 200	\$ 204.08	\$ 408.16	N/A
Solus Food Stores	N/A	N/A	N/A	N/A	N/A

DEVELOPMENT LAND

	Low/Acre	High/Acre	Low/Acre	High/Acre
Office in CBD	£1,000,000	£ 3,000,000	\$ 2,040,816	\$ 6,122,449
Land in Office Parks	£ 250,000	£ 500,000	\$ 510,204	\$ 1,020,408
Land in Industrial Parks	£ 200,000	£ 400,000	\$ 408,163	\$ 816,327
Office/Industrial Land - Non-park	£ 250,000	£ 500,000	\$ 510,204	\$ 1,020,408
Retail/Commercial Land	£ 500,000	£ 1,500,000	\$ 1,020,408	\$ 3,061,224
Residential	£ 500,000	£ 1,500,000	\$ 1,020,408	\$ 3,061,224