



### Market Overview & General Information

- Leeds is the UK's employment hot spot with a healthy infrastructure in place to support economic and demographic growth
- The city has a major service sector economy with nearly 30% of the region's financial and business services jobs, 35% of legal services but just 14% of manufacturing employment
- Leeds was recently voted as Britain's Best City for Business by Omis Research
- It is also regarded as one of the fastest growing city in the UK and has a diverse economy with the service sector now dominating over the city's manufacturing industries.



- There are 300,000 square feet of office space in the pipeline for development for the rest of 2006, which is likely to be insufficient to meet demand.
- In 2005, 47% of the office market transactions were done by companies in the financial and business sectors, who continue to drive demand for office space in the city.

### Office Market

- Leeds experienced its highest annual take-up since 2001, totaling 587,000 square feet.
- As of 3Q 2006, the total stock for the office market stands at about 939,000 square feet, 32% of which is Class A.
- The "Southern Gateway" area of Leeds has a large proportion of office space with the aim of appealing to knowledge-sector occupiers. In fact, the region contains a significant 43% of the available Class A office space.

Office Rental Rates (US\$/Sq. ft./Month)		
City Center Office	Low	High
Class A (Prime)	\$2.30	\$3.85
Class B (Secondary)	\$1.50	\$2.30
Suburban Office	Low	High
Class A (Prime)	\$2.30	\$2.93
Class B (Secondary)	\$0.95	\$2.30

<b>Retail Rental Rates</b> (US\$/Sq. ft./Month)		
<b>Location</b>	<b>Low</b>	<b>High</b>
City Center	\$35.34	\$45.66
Retail Units in Parks	N/A	\$4.71

## Retail Market

- With over 1,000 shops in the city center, Leeds is one of the largest retail centers in the country and is listed as one of the top shopping destinations in the UK
- The diverse range of shopping, from individual one-off boutiques to large department stores, including Harvey Nichols, has greatly expanded the Leeds retail base
- The city has 4.3 million square feet of retail space within five miles of shopping streets
- Some of Leeds's shopping attractions include the Corn Exchange, Victoria Quarter, The Light, Leeds Kirkgate Market, Granary Wharf, Leeds Shopping Plaza, Headrow Shopping Center, St. Johns Center and Crown Point

<b>Industrial Rental Rates</b> (US\$/Sq. ft./Month)		
<b>Type</b>	<b>Low</b>	<b>High</b>
Bulk Warehouse	\$0.22	\$0.33
Manufacturing	\$0.44	\$0.55

## Industrial Market

- Much of the industrial take-up was by freeholds due to the favorable borrowing rates
- Flagship industrial/distribution parks are clustered along the M62 corridor, the main east-west route in the region
- The industrial market has seen increased activity due to a rising demand for larger distribution centers

## Some Multinationals in Leeds

- Accenture
- Canon UK
- Cisco Systems
- Dell Computers
- Fujitsu Consulting
- HSBC
- Hyperion Solutions
- PricewaterhouseCoopers
- Toyota Motor
- Volvo



One of Leeds's most frequented shopping centers-  
Victoria Quarter

## Typical Leases

- **Standard Lease Term:** Historically leases in the UK have been long in length from 20 to 25 years. In the past 10 years, a greater level of flexibility can be obtained with normal lease lengths being between 5 and 15 years and with "options to break" built in.
- **Options to Break:** These are likely to be at five yearly intervals and will be subject to notice period of between 6-12 months. In certain circumstances, depending upon the market conditions, some breaks will be subject to a penalty clause of between 6 and 12 months' rent and may affect the incentives that can be negotiated.
- **Review / Indexation:** Rents are normally reviewed at 5 yearly intervals and are based upon open market rent. Rents rarely reduce at rent review dates due to tight clauses within the lease.
- **How rental information is expressed:** Rent per square foot per annum.
- **Method of measurement:** Space is expressed in terms of net internal floor area, excluding common parts, lifts, toilets, etc. This needs to be accounted for when calculating a tenant's spaces needs.
- **Rent Payment:** Typically, quarterly payments in advance.
- **Bank Deposit / Guarantee:** 3-12 months is normally requested, depending on the lease terms and the specific tenant. Alternative forms of guarantees are also considered such as parent and bank guarantees.

## Typical Leases continued

- **Services included in the rent:** Landlord is responsible for the structural repairs to the building, which will be recharged to the tenants through the service charge together with costs related to the management and maintenance of the common areas in multi-occupied buildings.
- **Additional Charges to Tenants:** Tenants are responsible for internal repairs, utilities, cleaning, etc.
- **Self Contained Buildings:** In the event that a company leases an entire building then the lease will be a “full repairing and insuring”, requiring the tenant to take full responsibility for the structure and services of the building.
- **Dilapidation / Restoration:** UK leases contain stringent dilapidation / restoration clauses requiring a tenant to return the accommodation to the initial leased condition.

## Additional Costs

- **Service Charges:** Typically they run between \$1 and \$1.50 per sq ft per month. This will include a contribution to the costs of the overall maintenance of the building.
- **Taxes:** As a guide, property taxes (known locally as “Rates”) will equate to 40% of the rental value. These tend to be re-valued by the Government every 5 years.
- **VAT:** All the aforementioned costs will be subject to VAT at the prevailing rate which is presently 17.5%.
- **Legal Fees:** Charged on an hourly basis or fixed by agreement.

## Short Term Outlook

Rental Rates	
Office	↑
Industrial/ Warehousing	→
Retail	↑

## Office Accommodation

- Office accommodation is typically handed over in a “Class A” finish.
- The office accommodation will be finished with the following:
  - Suspended Ceilings
  - Light Fittings
  - Raised Floor
  - Carpet
  - Computer Floor Boxes
- The common areas, reception, toilets, staircases, etc. will be completed throughout and the services to the office areas “tapped” off at the entrance to the office accommodation. The exact configuration will depend on the size and layout of the floor plates.

## Labor Market

- Leeds has two universities as well as various higher education colleges that help the city attract the largest student population in the country
  - Leeds Metropolitan University and the University of Leeds
- Approximately 2.2 million people live within 30 minutes driving time of Leeds City Center, making it a major employment provider for adjacent districts.
- As of 2005, the unemployment rate in Leeds was 5.2%

## Logistics

- Leeds City Station, with more than 900 trains, is one of the busiest in the UK outside of London.
- Leeds Bradford International Airport is located to the north-west of the city and has daily flights to major destinations within the U.K and Europe.
- Leeds is connected to other parts of the UK by an extensive network of rail services
- Around a third of the UK's internet traffic passes through Leeds and one of the biggest internet server farms in Europe is located in the city
- The Transport Secretary has initiated the development of the first ever car share lane to be built on a UK motorway. This £2.5 million project is expected to help improve congestion for drivers using the M606 and M62 between Bradford and Leeds.