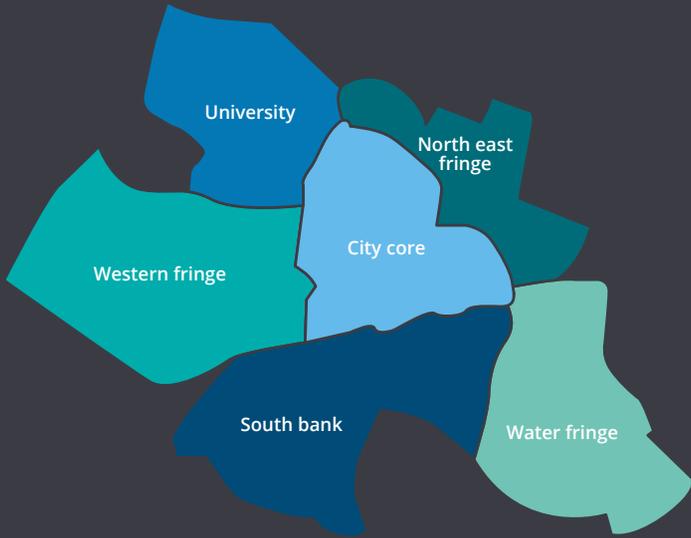




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<p>When? Data for the Crane Survey was recorded between 11 January 2019 and 13 December 2019.</p>	<p>Where? Leeds, covering the city core and city fringes.</p>	<p>What? Developers building new schemes or undertaking significant refurbishments exceeding any of the following sizes: office – 10,000 sq ft; retail and leisure 10,000 sq ft; residential property – 25 units; education, healthcare and research – 10,000 sq ft; hotel – 35 rooms.</p>
		
		<p>Why? A report that measures the volume of development taking place across Leeds City Centre and its impact. Property types include residential, office, hotel, retail and leisure, student accommodation, education and research facilities, and healthcare.</p> <p>How? The local Deloitte Real Estate team has monitored construction activity and planning permissions granted over a number of years, supplemented by rigorous field research. This research has been verified by industry contacts and in-house research teams.</p>

Foreword



Nolan Tucker
Director, Deloitte Real Estate

0113 292 1451

ntucker@deloitte.co.uk

Despite a climate of economic uncertainty in 2019, we have seen continued record breaking delivery in the number of units under construction in the residential and student accommodation sectors. City Centre living continues to develop at pace in Leeds and with a number of notable schemes in the pipeline we expect this trend to continue in 2020.

This year has seen a slow-down in new office starts, due to a combination of factors, including the national political uncertainty which has weighed down the economy. However, market evidence is showing that demand continues to outstrip supply, with pre-lets at exceptionally high levels. The pipeline will need to respond to ensure that sufficient quantum and quality of offices are built in the City Centre to meet this demand.

The City Centre is growing spatially, with residential delivery in South Bank, a growing concentration of student accommodation on the northern fringes, and an expanding concentration of leisure and hotel uses on the eastern fringe.

It has long been acknowledged that connectivity to the City Centre is in need of improvement and short term improvements such as the completion of works at the railway station are welcome. The delivery of a rapid transit system would make a significant difference to inter-city connectivity in the longer term.

Alongside connections to the City Centre, connectivity will need to be improved within an expanded City Centre to ensure that it continues to be a cohesive and legible place. Schemes, such as the improvements to the Headrow that are currently underway are a great starting point.

During 2019 we saw a significant rise in the prioritisation of the climate change agenda, in part due to the 'Thunberg' effect. We expect actions such as Leeds City Council's declaration of a Climate Change Emergency, and a number of the UK's leading property owners signing the Better Buildings Partnership commitment to deliver net zero real estate portfolios by 2050, will be followed by further commitments during 2020 and beyond.

In reviewing the pipeline of developments, and the sharp spike in CFO risk appetite shown in the January 2020 Deloitte CFO survey, it is evident that 2020 could be another strong year for construction.

Foreword



Stuart Cottee

Partner

0191 202 5251

scottee@deloitte.co.uk

There is a lot of change happening in Leeds City Centre. Construction in recent years has seen a change in the skyline, as the scale of buildings being delivered has grown. Confidence in investment in Leeds, and across the UK, has taken a hit during 2019,¹ but with the political certainty provided by the late 2019 general election, risk appetite and confidence is set to increase.

The arrival of Channel 4 in Leeds during 2019 has supported the role of Leeds as a hub for creative and technology industries, building support for innovative start-up businesses in the City Region. This is also supporting the growing role of culture in Leeds' development, with the legacy of the City Council's Capital of Culture aspirations, and the continued work of the Leeds BID creating a City where people want to live, work and play.

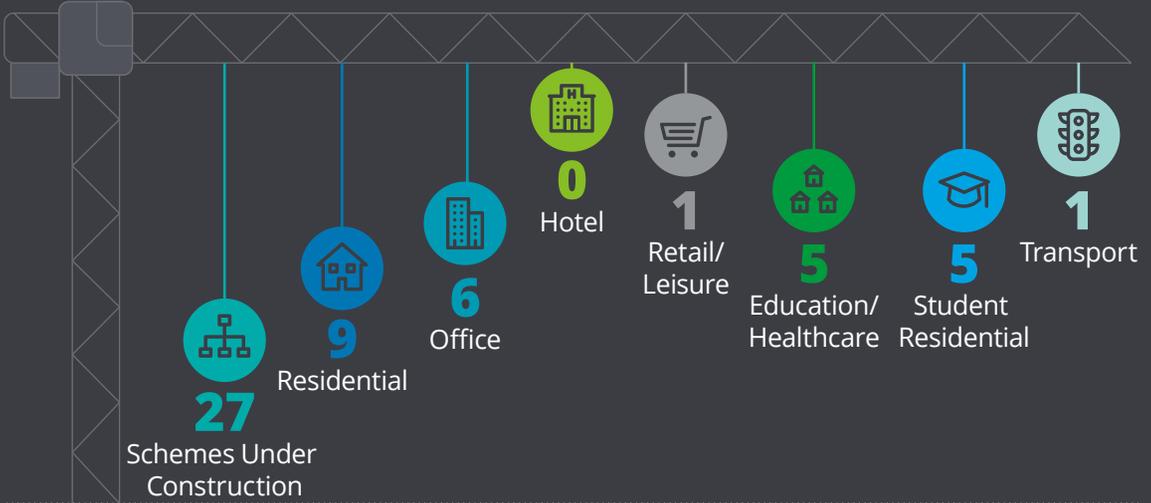
Technology will be a key factor in the future change of Leeds, as technology innovation affects the way we interact with our cities. Innovations in low and zero carbon technologies, communication technologies such as a 5G network and transport infrastructure are areas to watch in coming years. Other innovations, such as the work Deloitte business, Market Gravity are doing to develop technology to change the nature of high street retailing may also expand to influence the way technology is integrated into the physical fabric of our cities.

The change we have seen in recent years is set to continue, with more development expected in 2020 to support the City's growth aspirations.

1. Deloitte CFO Survey - January 2020. <https://www2.deloitte.com/uk/en/pages/finance/articles/deloitte-cfo-survey.html>

Development snapshot

Sectors under construction – total schemes



Residential units under construction:

2,832 units

second highest in Crane Survey history. Topped only by 2007 figures.

78% *Build to Rent (BTR)* – greatest amount of BTR recorded in the Leeds Crane Survey

Office space completed:

578,373 sq ft.

Compared to:

in 2016:

599,896 sq ft.

in 2007:

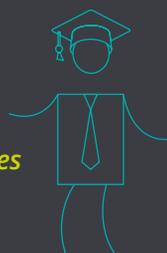
515,800 sq ft.

Student rooms under construction:

2,799 bedspaces

highest in Leeds Crane Survey history, beating 2018 figure of **2,768 bedspaces**.

376 bedspaces completed during 2019.



Education developments completed

6

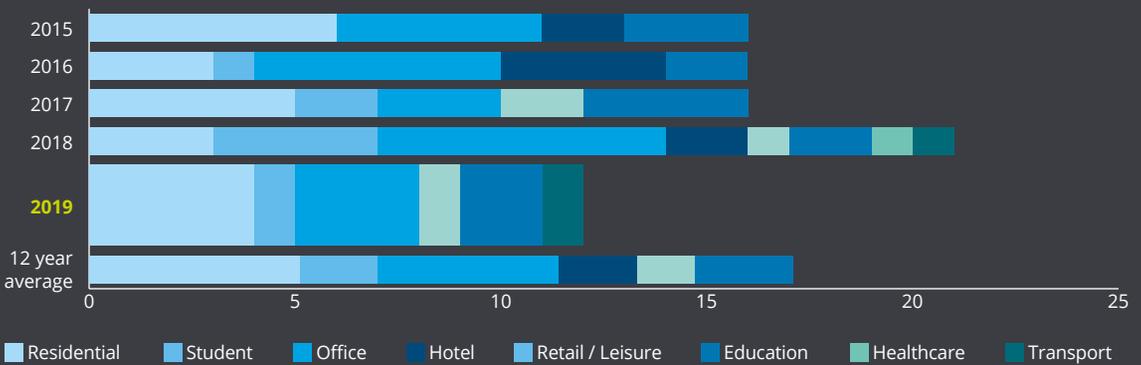
delivering over **419,758 sq ft** – the highest floor space delivered on record.

483,535

sq ft remains under construction – also the highest amount on record.

Key findings

The volume of construction remains strong and there have been some record breaking results in 2019 in the Residential sector and in Education and Research.



Education and research saw **419,758 sq ft** completed in 2019, the highest on record in Leeds Crane Survey history.

Still **483,535 sq ft** remains under construction so we expect delivery to continue to be strong in this sector in 2020.



2020 is likely to see the completion of **1,728 residential units**, **65%** of which will be for the Build to Rent (BTR) market. This would be greatest amount of BTR completion in Leeds Crane Survey history.



2019 was another record breaking year for student accommodation, with **2,799 beds** under construction, compared to **2,768** in 2018.



2,832 residential units under construction, the highest on record since 2007. Also a **21%** increase on the 2018 figure.



There is continued delivery of office floorspace, with **289,059 sq ft** under construction. Down by **64%** compared to the **804,257 sq ft** under construction in 2018.



86% of the completed office floorspace was pre-let – evidence of the high demand for office space still outstripping supply.



The development of the South Bank area is beginning to come forward and we expect this to increase in the coming years.



Leisure and Culture provision growing in importance for place-making in the new residential neighbourhoods being created.



Residential



Build to rent sector growth

Residential is the busiest sector in terms of new starts, with four in 2019, one up from 2018. This rise has continued since the 2017 Leeds Crane Survey which reported a resurgence in the delivery of residential development.

There are 2,832 units currently under construction. This is 600 units more than 2018 and is the second highest level of residential construction recorded since 2007, when there were 3,839 units under construction.

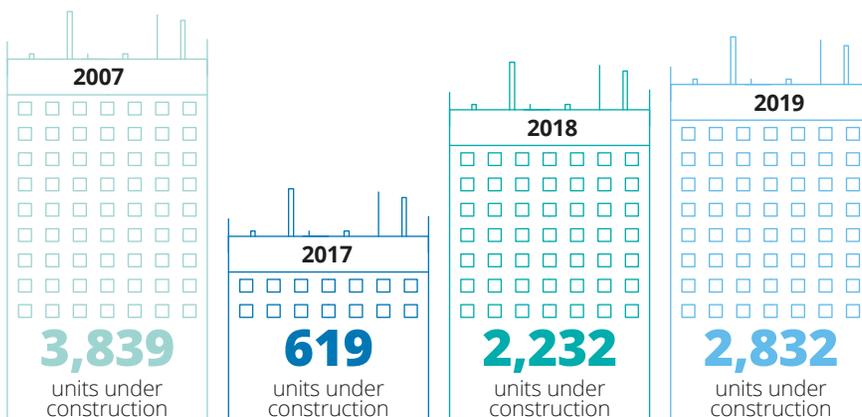
78% of residential developments under construction are for the BTR market, the highest proportion in Leeds Crane Survey history. This increase in BTR units follows the large amount of student accommodation delivered since 2016.

Half the new starts are new-build developments, including New York Square (SOYO) by Moda Living (515 BTR units) and Concord Street by Puma Properties Ltd (34 units).

This shows that investors are looking more to the long term, and values in the City Centre are increasing resulting in the delivery of more BTR and residential units. Developers are recognising the positive impact that big businesses moving to the City Centre could have on graduate retention and consequently on demand for high quality rental accommodation.

Advantage is still being taken of permitted development rights. Two of the new starts are office conversions; Athena Residence by St Albans Estates Limited (60 BTR units); and its sister building, Valletta Residence (60 BTR units).

Units under construction



The 2017 Leeds Crane Survey predicted a correlation between delivery of BTR accommodation and graduate retention rates. The continued delivery of high quality BTR will make Leeds a more attractive city for graduates, who are the predominant target market for this type of development. It will be interesting to see how the delivery of high quality City Centre living will influence Leeds' graduate retention in coming years.

Attracting more people to live in the City Centre is a critical issue for how the City functions, together with infrastructure investment such as the improvements to Leeds Railway Station. Leeds is making positive strides forward, and the pipeline for further residential development remains strong.

In 2020, we may see a greater range of retail and leisure services to support the growing residential population and contribute to placemaking in new neighbourhoods.

As forecast in our 2018 Leeds Crane Survey, new residential development has shifted to the city fringes; to the northern parts of the city where new student accommodation is being developed, and to the eastern fringes and the South Bank area. The wholesale regeneration projects such as New York Square (SOYO), Leodis Square and the Climate Innovation District presents an opportunity for placemaking and creating new neighbourhoods.

The delivery of Victoria Riverside and City's Climate Innovation District will bring more activity to the eastern fringe of the City Centre. As delivery continues we expect new neighbourhoods to emerge, complementing the existing resident population in the area, such as at Leeds Dock, and in the recently commenced SOYO development.

South Bank remains a key development area, with extensive plans for new resident populations, for example through the delivery of large scale developments such as by CEG and Vastint. Both are due to commence in 2020 and will include mixed use developments, with complementary uses by way of public realm, and ground floor retail and leisure uses to contribute to place making as well as delivering much-needed new homes.

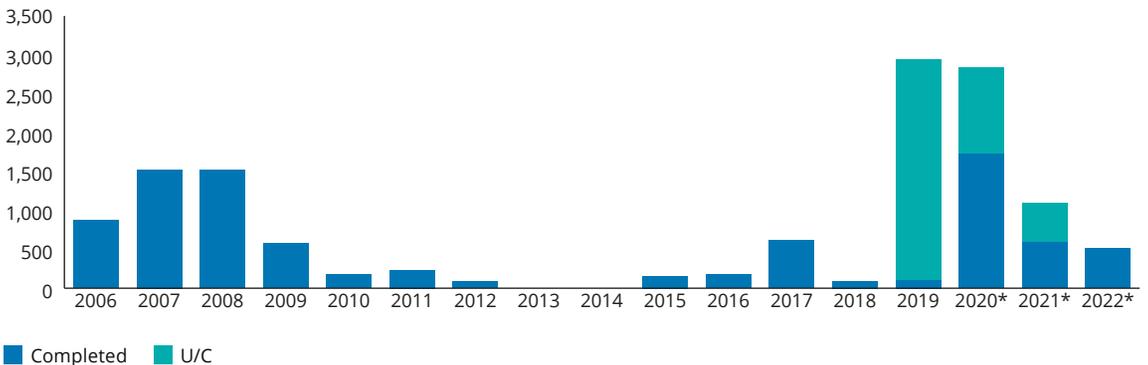


Key: ● Completed ● Under construction ○ New start

The Residential Development Pipeline Graph shows continued strong delivery of residential units in the coming years. The graph does not include pipeline schemes due to commence next year, so with the expected construction starts by CEG and Vastint in early 2020 strong delivery of residential development is expected to continue.

The high number of new starts in the residential sector has long been an indicator of confidence in the market. The continuing delivery of residential developments, including large scale new-build schemes, demonstrates that confidence remains strong, despite a slow-down in construction in other sectors, e.g. Office.

Chart 1. Residential development pipeline (No. of units)



*Future year figures are predicted based on current completion dates for under construction projects

Office



Office

578,373 sq ft office floorspace has been completed in 2019, just under the record levels completed in 2018. This has the potential to create approximately 4,000 jobs in Leeds City Centre.

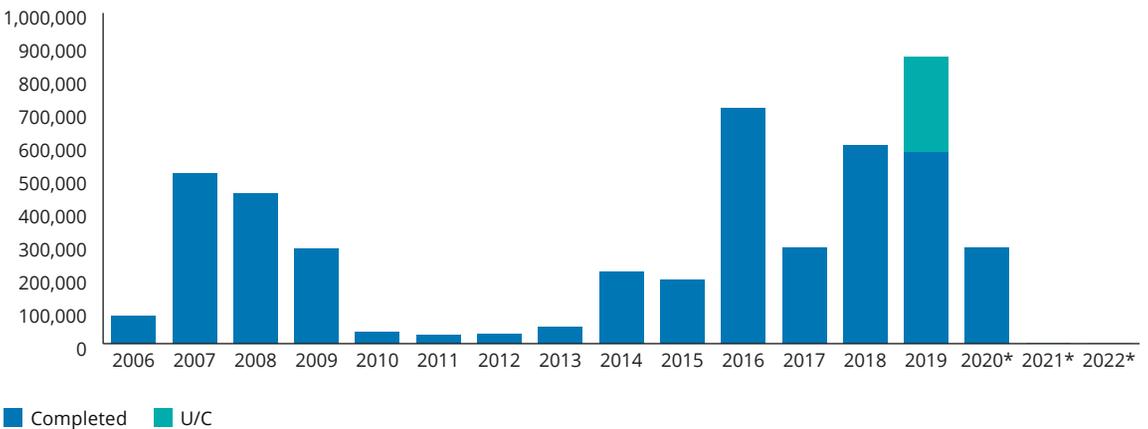
One of the completions was 7 and 8 Wellington Place by MEPC, providing 378,000 sq ft of Grade A office space, which has been pre-let to HMRC, the largest ever pre-let in Leeds. NHS Digital will also relocate to Wellington Place.

There has been a drop in the number of new starts with only three office developments commencing compared to seven in 2018. Six office developments remained under construction at the end of 2019.

Only 289,059 sq ft of office floorspace is under construction, a 64% decrease from last year. None of the new starts are new build, as the office developments which started in 2019 are refurbishments, with One Embankment including a rooftop extension.

The lack of new office buildings coming forward in comparison to previous years, set against record completions in the past two years, is not surprising given the domestic and international economic and political turbulence created by Brexit. The pipeline for 2020 office development currently remains limited with few planning permissions for new office buildings. We expect this pipeline to grow during 2020 to meet continued tenant demand.

Chart 2. Office development pipeline (Sq ft)



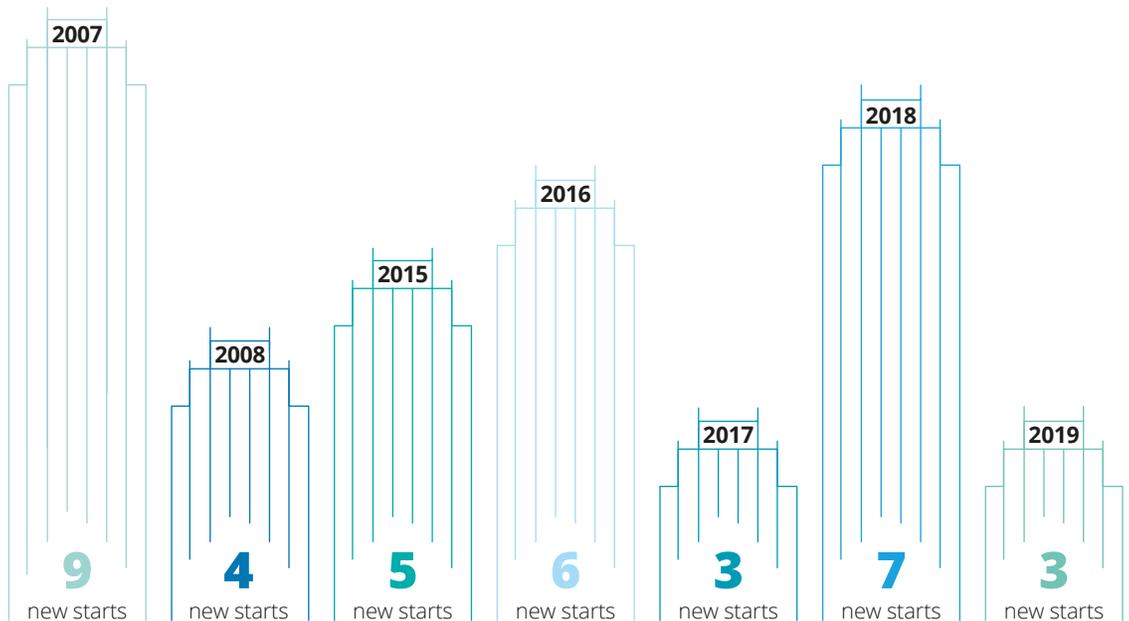
*Future year figures are predicted based on current completion dates for under construction projects

Changes in working practices may be affecting development in this sector. Agile working is being deployed increasingly by employers as technology and broadband services, such as the introduction of 5G, make it easier for people to work remotely.

Remote working is also being driven by climate change and air quality agendas, which encourage less travel to reduce emissions.

We therefore expect employers/tenants to require less traditional office floorspace and more flexible space. There has also been an increase in co-working space. Examples of this, include The Walk in Trinity Shopping Centre, Spaces on Park Row, Co-working at Platform and Nexus at the University of Leeds.

New starts



In total, 86% of the completed office floorspace was pre-let. According to the Leeds Office Agents' Forum (LOAF) the demand for Grade A office space still outstrips supply and office take up is strong. The four largest deals in Q3 2019 were from the Technology, Media and Telecoms (TMT) sector: BJSS (an IT and business consultancy) taking 30,492 sq ft at 1 Whitehall Quay; Versa Studios taking 26,000 sq ft at Kidd House, Whitehall Road; Red Kite Games Ltd taking 12,496 sq ft at Park Row; and Channel 4 temporarily taking 11,700 sq ft at Westgate until the refurbishment at the former Majestic is completed.

With Channel 4's move to the region there is continuing growth in the technology and creative industries. Channel 4 has highlighted strong support for independent and small start up businesses in the City Region, and we expect more growth in these sectors as Channel 4 becomes established.

The weaker pipeline could be attributed to the low levels of corporate risk appetite in Q3 2019 identified in the Deloitte CFO Survey, meaning developers and investors were less willing to take greater risk onto their balance sheets. The most recent Deloitte CFO Survey published in January 2020 found a spike in business confidence in Q4 2019 since the general election, so we expect increased activity in this sector in 2020 following this increase in confidence.²

As part of the development pipeline we are expecting the refurbishment of the former Polestart Petty Printworks on Whitehall Road for six film studios. The new studios will more than double the amount of TV and film space in the City Centre, demonstrating the start of the 'Channel 4 effect'.

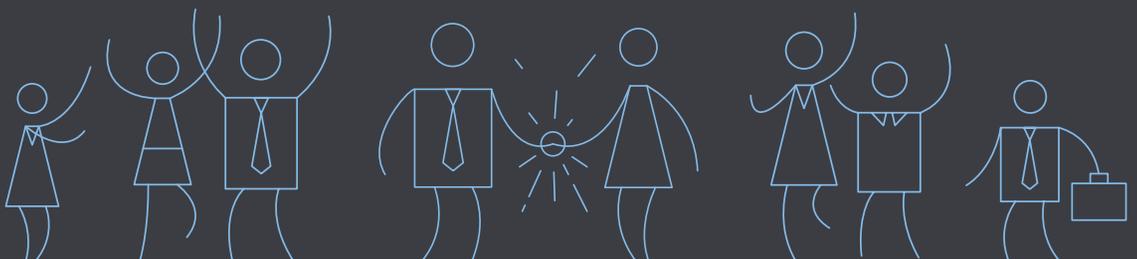
Chart 3. Corporate risk appetite²

% of CFOs who think this is a good time to take greater risk onto their balance sheets



2. Deloitte CFO Survey – January 2020. <https://www2.deloitte.com/uk/en/pages/finance/articles/deloitte-cfo-survey.html>

Student, education and research



Student accommodation

2019 was a record breaking year with 2,799 bedspaces under construction. There was one new start in this sector, the Refinery, delivering 407 bedspaces.

This follows record activity in 2018 in the student accommodation sector, with four new starts and 2,768 bedspaces under construction.

In addition to The Refinery, four other schemes remained under construction in 2019; Symons House by London & Scottish Student Housing (350 beds), Portland Crescent by Vita (312 beds), White Rose View by Unite (976 beds) and Hume House by Olympian Homes (754 beds). All the schemes are to be operated privately.

Vita Leeds by Select Property Group was the only student accommodation to complete in 2019, delivering 376 bedspaces.

Student housing has long been a very strong sector for Leeds, with substantial development, particularly in the northern part of the City Centre. This trend has continued in 2019, but the pipeline for future development is not as strong with only a couple of schemes currently in the pipeline.

Student residential



Key: ● Completed ● Under construction ○ New start

Education and research

In 2019 419,758 sq ft of educational floorspace completed, the largest amount in the history of the Leeds Crane Survey, and a further 483,535 sq ft under construction.

The developments are across a number of Higher Education institutions including, the University of Leeds, Leeds College of Building and Leeds College of Art.

In particular, there has been much investment in these under-construction schemes in facilities that support health, science and innovation. Leeds Children's Hospital also completed its new Heart Theatre in early 2019.

The growth of the 'Leeds Innovation District' is facilitating closer relationships with the private sector. For instance the new University of Leeds Nexus Building enables businesses to connect with the expertise, talent and facilities at the university, working together to accelerate and de-risk innovation and maximise commercial return. We expect this trend to continue as the Leeds Innovation District gathers pace.

We also expect the relationship between the universities and the private sector to inform the climate change agenda, which is growing in importance. The declaration by Leeds City Council of a Climate Change emergency has boosted further the importance of the relationship between property development and climate change.

The impact of climate change on future development proposals will need to become central to future planning and the relationships between knowledge institutions, the local planning authorities and the private sector will be fundamental to an effective Climate Change strategy for Leeds.

We are already seeing partnerships form, and we expect climate change to be a key influencing factor on development decisions in Leeds in the future. Developers and buildings that don't follow this trend risk becoming obsolete.

Brain gain

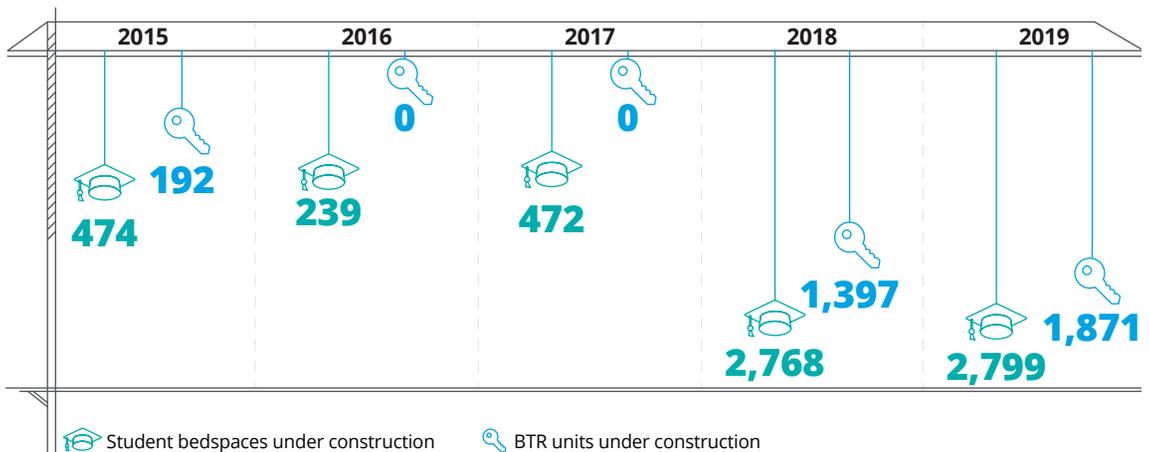
The 2018 Leeds Crane Survey confirmed that there was a 'brain gain' with more graduates staying in the city to work rather than moving to other cities such as Manchester and London.

At the end of 2018 there were 402,400 people with degrees or equivalent working in West Yorkshire, 38.5% of the workforce. 104,100 were working in Leeds, 44.2% of the Leeds workforce.³

Graduate retention rates in 2019 have not been publicised at the time of writing. However, given the increasing cost of living in London, we expect more graduates choosing to find work in regional cities instead. With businesses such as Channel 4, HMRC, Sky Betting, Burberry and NHS Digital moving to Leeds, it is clear employers are recognising that young talent can be found outside of London. We may see more big companies relocate or open offices in regional centres over the next couple of years.

The amount of student housing under construction and BTR units in recent years has an emerging correlation. Delivering high quality accommodation for both students and graduates will attract students to the city as well as adding to Leeds' offer to retain graduates in the City. We expect the amount of BTR to overtake the student housing numbers in the next few years.

Student housing under construction compared to BTR delivery



3. Head of HE Intelligence, Prospects/ HECSU Conference

Hotel, retail and leisure



Hotel

2019 saw the completion of the Hampton by Hilton hotel by Heeton Holdings, resulting in an increase over 2018 in the number of hotel beds completed. However, there were no new starts.

The new Hampton by Hilton, adjacent to New York Road, delivered 204 beds and completes the first phase of a larger proposal. Phase 2, which is currently being considered by the local planning authority, will deliver five residential buildings of 13 – 31 storeys providing 678 apartments, and amenity areas, and commercial units at ground level.

The pipeline in this sector appears to be growing and creating a cluster in the north east of the City Centre, with a hotel being proposed in the later phases of the SOYO development by Caddick and the proposed Victoria Gate Hotel by Hammerson adjacent to the Victoria Gate Car Park. This complements the emergence of this area of the City as a leisure quarter. Within the wider City Centre, there are two hotels proposed for the Leonardo and Thoresby buildings at Great George Street which we expect to commence construction in 2020.

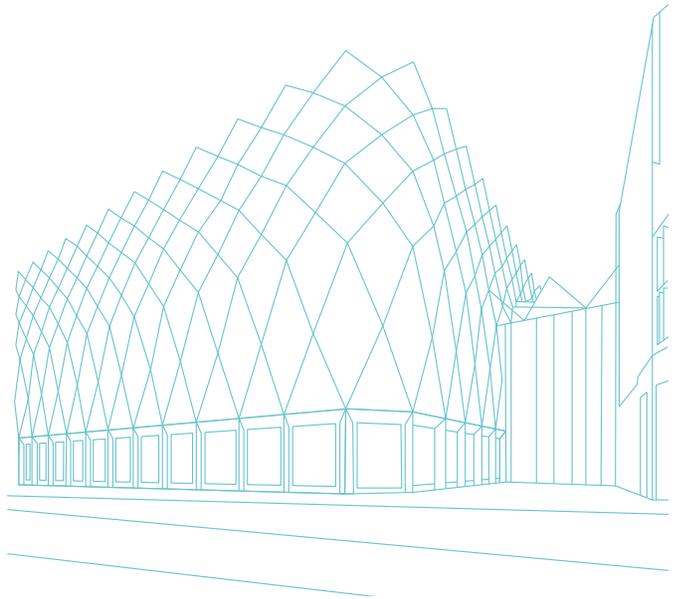
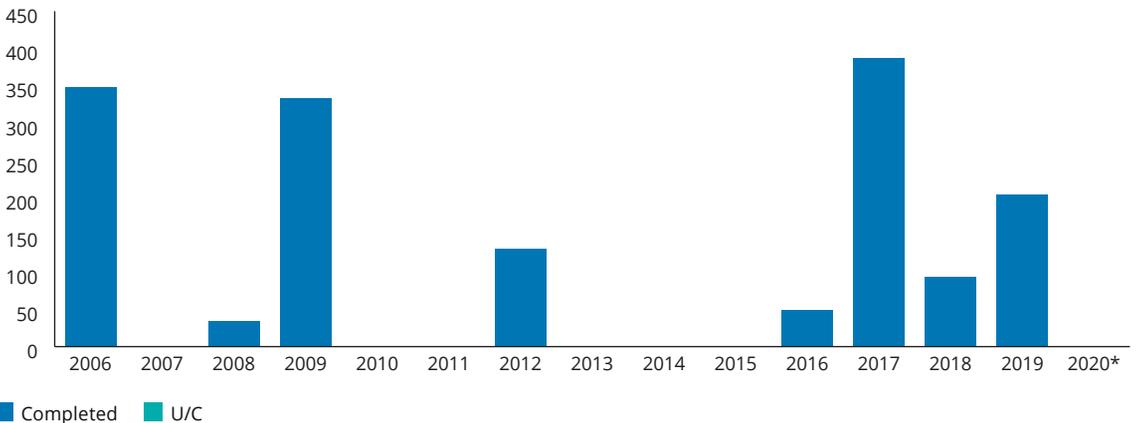


Chart 4. Hotel development pipeline (No. of units)



*Future year figures are predicted based on current completion dates for under construction projects

Leisure and retail

The leisure and cultural offering in the north east of the City Centre is growing, with the £15.8 million redevelopment of the West Yorkshire Playhouse completed in 2019. The works comprised the creation of a new entrance, more theatre and rehearsal space, improvements to existing facilities, and public realm upgrades.

There has been no activity in the retail sector in 2019 and very little in the pipeline. We are however seeing proposals that include smaller scale commercial space on the ground floors of buildings. This reflects the changing nature of shopping, with consumers seeking local, independent shopping.

In the coming years, we expect to see a higher level of retail and leisure floorspace under construction, to service the growing residential population in the City Centre, and contribute to place making for the new neighbourhoods being created.

There were no retail-only new starts in 2019. We have seen delivery of some small scale retail commercial space on the ground floor of bigger residential or commercial buildings, but no standalone retail developments.

It is well documented that high street retailing is undergoing extensive change, with continuing store closures alongside the growth in online retailing.

Retailers will need to work out how to respond to the impact on the high street of online retailing.

Market Gravity, a Deloitte Business, is working from its base at 'The Walk' in Leeds City Centre to develop a Shopalytics programme which analyses customer behaviour to influence the in-shop experience. Market Gravity believe that by creating the data sets, it can lead to better decision making in terms of what should be put in a store and where.

We expect to see high street retailers to begin adopting new technologies to improve the in-store experience demanded by consumers.

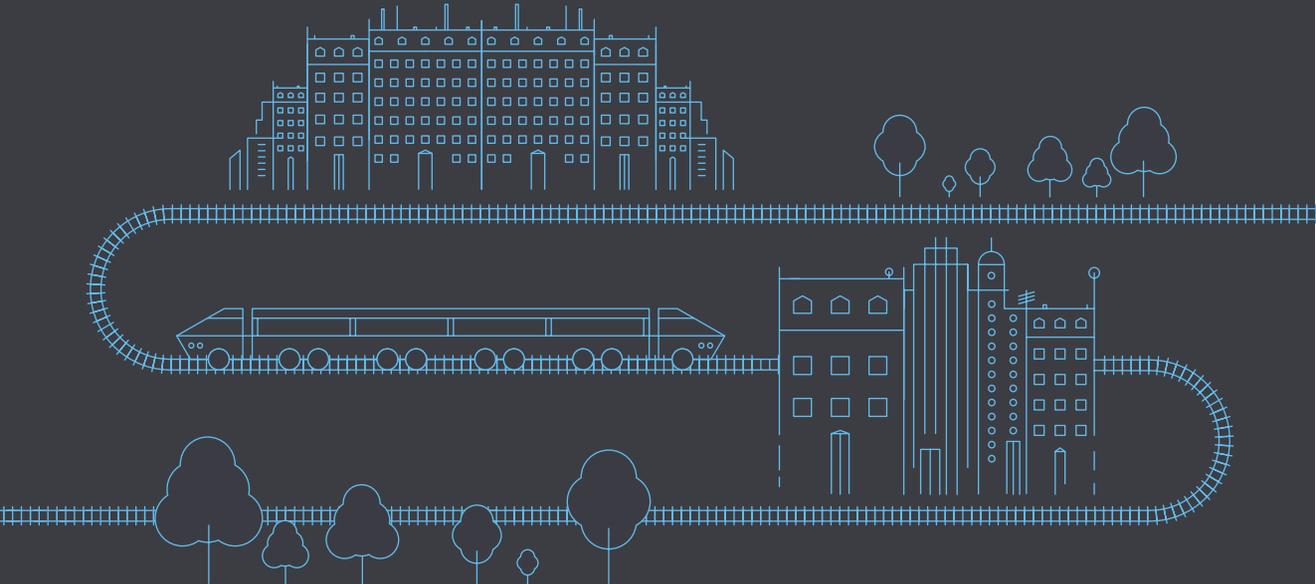
Using culture to connect

There is also an increase in meanwhile uses to facilitate activity in the City Centre and we expect this to continue as development areas provide temporary events and uses to develop interest and activity.

Leeds continues to use cultural events to promote the City internationally, such as the Leeds International Festival and the Yorkshire Sculpture International. The Leeds BID remains a strong player in this sector, promoting activity and tourism in the City Centre with events such as the Dinosaur Trail during the summer of 2019. Such events continue the legacy of the work undertaken for the Capital of Culture bid, and we expect this to continue.



Connectivity



Connectivity

The only development under construction in this sector is the Leeds Railway Station improvements. The new entrance has recently been unveiled and works are ongoing with wider station improvements, including the new Platform Zero.

The works undertaken to date have already had a significant impact on the arrival experience at the station, and the ambition is to continue improving transport infrastructure in Leeds to support the growth of the city.

Despite news of uncertainty around the delivery of the eastern arm of HS2, Leeds is continuing to prepare for rail improvements, whether HS2, Northern Powerhouse Rail, or both.

The Conservative General Election Manifesto 2019 set out a commitment to Northern Powerhouse Rail, beginning with the building of a new line between Leeds and Manchester.

As such, plans for the wholesale redevelopment of the station concourse remain on the agenda.

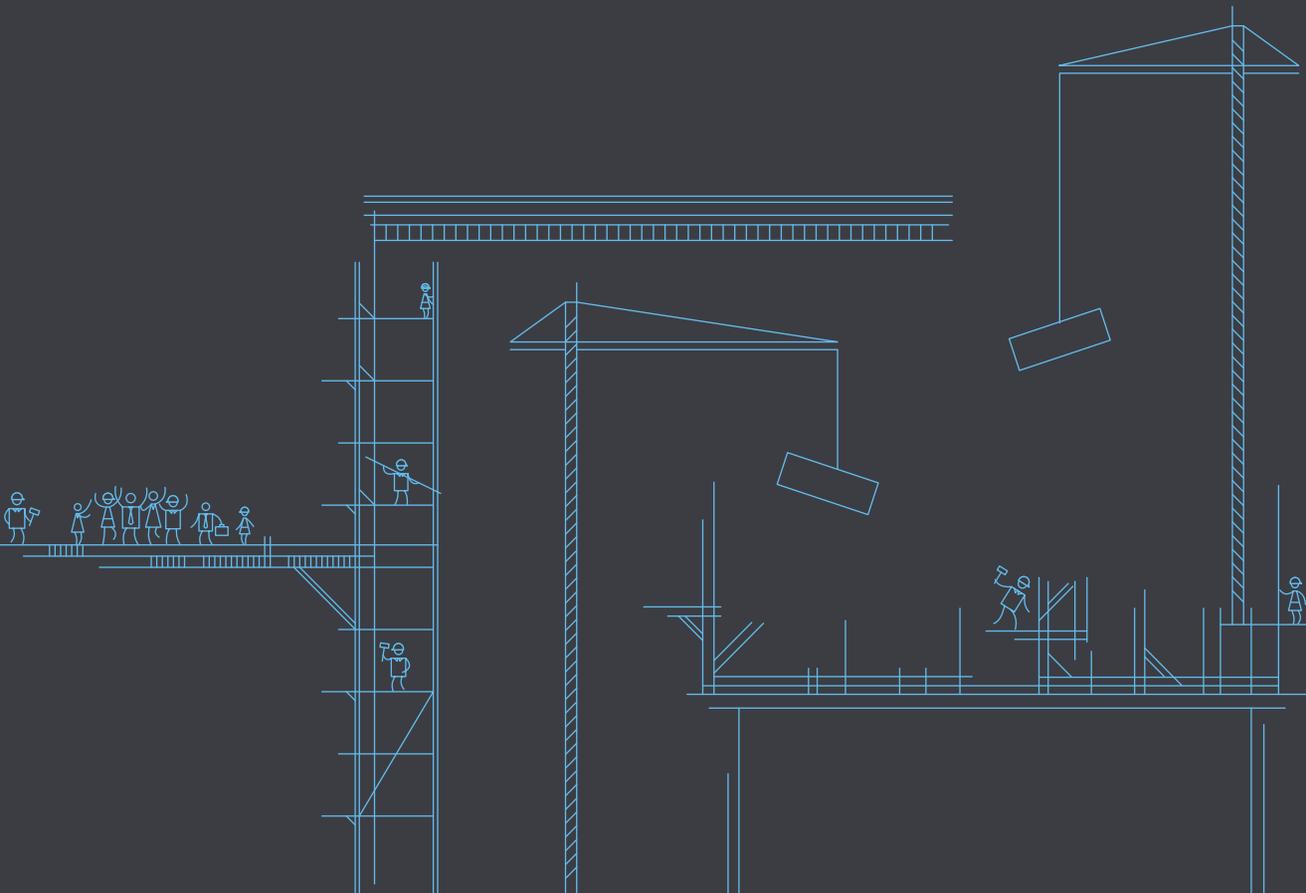
Within the region, the West Yorkshire Combined Authority consulted on plans for an Urban Transit system for the City Region between October and December 2019, and 2020 will bring further news in this area.

Leeds Bradford Airport currently serves four million passengers with an expectation this will rise to seven million by 2030. The airport already offers hub connectivity to Heathrow, Schiphol and Dublin with KLM and Air Lingus, and towards the end of 2019 announced enhanced connectivity to Schiphol and Dublin.

Leeds Bradford Airport is looking to undertake a major redevelopment of its facilities over the next few years. This will see it support in the region of 12,000 full time equivalent jobs, and create annual GVA of £820m. It will also provide an enhanced sustainability offer and will see new routes and airlines with some of the most environmentally friendly and quiet aircraft available on the market.

This expansion of the airport will coincide with the growing leisure and tourism offer of Leeds, which we expect to be a growing trend in future years.

Development map



Development map



For full results and the development table, please visit the Crane Survey webpage at:
www.deloitte.co.uk/cranesurvey

Contacts



Nolan Tucker
Director, Deloitte Real Estate
0113 292 1451
ntucker@deloitte.co.uk



Ellen Sanderson-Clark
Senior Planner, Deloitte Real Estate
0113 292 1119
esandersonclark@deloitte.co.uk



John Cooper
Partner, Deloitte Real Estate
0161 455 6512
johcooper@deloitte.co.uk



Simon Bedford
Partner, Deloitte Real Estate
0161 455 6484
sbedford@deloitte.co.uk



Richard Davis
Partner, Real Estate Tax
0113 292 1591
richarddavis@deloitte.co.uk



Clare Boardman
Partner, Restructuring Services
0113 292 1744
cboardman@deloitte.co.uk

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Further information

www.deloitte.co.uk/cranesurvey

Notes

Notes

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Real Estate

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