

# Press Release 2024



## NOTTINGHAM'S OFFICE MARKET OVERVIEW – SUB 5,000FT<sup>2</sup>

As we approach the end of 2024, it is a good time to reflect on the past year in the office market, particularly focusing on sub-5,000 sq. ft, current market trends and what to expect in 2025. Nottingham's office market has shown resilience and adaptability in 2024, despite facing various challenges throughout the year. From an initial market sweep, here are some early insights and key figures.

### Nottinghamshire office market overview

Office occupiers are taking longer with their decision making to secure their 'ideal' office space, with preferences continuing to evolve. Overall take up in Nottinghamshire is 359,000 sq. ft in 2024. This reflects a reduction of 5% from 2023, albeit the figure could slightly increase prior to the end of the year. This indicates, that while there is demand for offices, decision making is a critical element and many occupiers are taking a more cautious approach if all their specific requirements are not met.

The Government's 'Working From Home' scheme, whilst successful post Covid-19 may be shifting, as a preference for returning to the office emerges as a key drive for Q3/4 2024 and leading into 2025. The average letting size in Nottinghamshire is around 3,750 sq. ft a 7% increase from 2023, suggesting occupiers are rethinking their return-to-work policies and the extent of their rationalisations. This trend is expected to continue in 2025, increasing demand for office space as occupiers seek a healthy work-life balance.

The preference for quality over quantity is emphasised, with the main demand remaining in the sub-5,000 sq. ft market. Throughout 2024 73% of office deals were between 5,000 sq. ft and 59% below 3,000 sq. ft.

Out-of-town business parks in Nottinghamshire continue to experience robust demand. We have observed that office spaces in these locations remain on the market for only a limited duration, generating significant interest during the marketing periods. The inherent flexibility of business parks, including features such as proximity to natural surroundings, ample car parking and accessibility to public transport, makes them an attractive option for occupiers who do not require a city centre location.

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## City centre office market overview

In the city centre office sector, there has been a significant increase in floor space dedicated to amenities such as café, breakout space and more luxurious/comprehensive facilities. This trend, seen throughout 2024, is driven by operators aiming to bring workers back to the office and highlight a healthy work-life balance.

56% of city centre take-up was on Grade A spaces totalling 92,286 sq. ft, despite less than 4% of office supply is readily available Grade A space, further demonstrating the imbalance between supply and demand within the higher quality market. The current availability of office space is set below:

Grade A – 269,735 sq. ft

Grade B – 331,859 sq. ft

Grade C – 134,310 sq. ft

Of the Grade A figure above, only 32,000 sq. ft is readily available and occupiable now, the remainder, subject to refurbishment, expected to be ready by the latter of 2025. Refurbished office spaces highlights landlords' responsiveness to occupier needs for higher quality space, with some taking the risk to invest capital in their existing offices to increase take-up, a risk, no doubt, has paid off during 2024. City Centre take up has increased by just over 7% from 2023, currently standing at 164,650 sq. ft, demonstrating a continued drive towards the best quality product in the city centre. The average letting size for Grade A office space was just over 6,150 sq. ft further demonstrating demand for quality within the corporate sector. Prime rents for new supply refurbished office space now exceed £26.00 per sq. ft. highlighting the stark contrast between prime and secondary rents, the prime continuing to rise.

## Summary

There has been strong activity within 2024, demonstrating that the office market is not struggling as much as one might think. However, the current city centre office availability stands at 732,200 sq. ft with much of this space being Grade Band C which remains problematic due to prolonged vacancy periods. The key message to landlords/investors is to invest in their properties, as taking risks can yield rewards in this market. The demand for high quality office space is expected to continue rising as occupiers return to the workplace, with emphasis on excellent ESG credentials, EPC ratings and welfare. As well as focusing on more flexible lease structures for tenants and offering fitout options, allowing for easy adaptability for occupiers looking for a 'plug-in-and-play' approach.

In light of the trends observed in 2024, we anticipate a sustained or even increased demand for office space in 2025. Currently, we are already engagement in discussions with a strong level of potential occupiers. It is expected that occupiers will remain cautious and deliberate in their decision-making process until they identify the ideal property. However, with the introduction of Grade A refurbished spaces over the coming year, we are confident in our ability to meet their needs, in the hope to foster a more favourable market environment throughout 2025.

For further information, please feel free to contact me on 07887 787894, alternatively you can email me at [amy.howard@fhp.co.uk](mailto:amy.howard@fhp.co.uk).

ENDS

Amy Howard

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