



2022 EAST MIDLANDS OFFICE MARKET REVIEW BY THOMAS SZYMKIW

In contrast to some opinion in regards to the future of the office, the East Midlands market has witnessed good levels of activity in 2022 with FHP agreeing 105 deals, representing some 357,000 sq ft of space across the region.

It is apparent whilst delving into these figures in a bit more detail that in a continuation of the changing attitudes towards the sector as a result of the Covid 19 pandemic, downsizing and demand for quality have been the real key drivers in the market – with 75% of these deals agreed being below 4,000 sq ft and over 70% of those being of high quality. We would expect the proportion of occupiers taking ‘Grade A’ spaces to be higher still if the quality of office supply in the region was there to match occupier demand.

Additionally, a more flexible hybrid working model is also influencing occupiers’ locations and property preferences with some attracted to the accessible business parks on the periphery of the core towns and cities - whilst others are downsizing to smaller hubs in the city centres which act as a focal point destination for both employee collaboration and meetings.

Although decision making still remains slow in the larger end of the market, whilst occupiers continue to assess their occupational space requirements, there has pleasingly still been traction this year too - with 8 key deals completed by FHP on floorplates and buildings over 10,000 sq ft within both the city centres and business parks. There is also a real focus within this sector on environmental performance and adhering to MEES recommendations with many occupiers stipulating that their buildings must at the very least have a ‘B’ EPC rating.

Whatever the type of property or location, our advice to clients remains the same - occupiers are seeking ‘best in class’ opportunities and when quality is provided to the market, positive results generally follow. There is no better example of this than at CEG’s East West scheme in Nottingham City Centre where FHP have agreed over 45,000 sq ft of lettings in 2022, with the quality of the refurbishment which incorporates an onsite business lounge café being popular with occupiers seeking to improve the quality of their working environments and amenities provided to clients and staff.

This is also reflected in a noticeable uplift in both rents and capital values in these ‘high quality’ options providing the evidence that refurbishing and remodelling to suit what is fast becoming a more ‘life-style’ office market is the way forward.

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Successful refurbishments in this regard have understood the importance of providing a real sense of arrival with many incorporating feature reception / communal areas including welfare facilities such as a 'barista-style' café's, gyms and informal meeting spaces to add to their offering – which for occupiers, these added benefits have just as much significance to their decision making as the office space itself. These not only provide a fantastic working environment that encourage their staff into the office, but also a key sales tool in what is an ever-competitive recruitment market.

Looking into the new year, I would predict more of the same - with the activity in the market focusing on quality not quantity, with ESG credentials becoming ever more important due to the changes in EPC regulations - and I am, as always looking forward to assisting both clients and occupiers alike with their requirements moving forwards into 2023.

ENDS

Thomas Szymkiw

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