

# Central Nottingham

Property market activity report • 2007

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EastsideCity Nottingham

## Executive summary

- Nottingham is an expanding city, both physically and economically. As well as retaining its prominent position in the UK retail rankings the city is experiencing significant economic growth, specifically in the high value added business services sector.
- Development in edge of centre locations have been the prominent form of office activity in the city in recent years. However several major office schemes are in the pipeline for the city; an estimated 2.2 million sq ft of floor space will be provided over the next five to ten years which will transform the central Nottingham office market.
- Nottingham has secured a massive redevelopment and expansion of the Broadmarsh shopping centre by Westfield that will secure and enhance Nottingham's status as the UK's fifth largest retail destination.
- In the year to September 2006 over 900 dwellings were completed in central Nottingham. A total central Nottingham pipeline of over 3,500 dwellings is an indication of the confidence developers have in the growing city centre market.
- Nottingham has a higher than average percentage of its workforce employed in knowledge intensive industries. The designation of Nottingham as one of six Science Cities recognises the city's existing strengths and pre-eminence in research and its potential for growth in science and emerging technologies sector.



The Arc, NG2 Business Park

## Economic overview

Nottingham is a significant force in the UK economy. It is identified by the Government as one of England's eight core cities, along with Manchester, Liverpool, Leeds, Sheffield, Bristol, Newcastle and Birmingham. The city is seen as one of the drivers for regional and national growth and competitiveness.

Over 50 regional and national companies have chosen Nottingham as their headquarters base and major employers include Boots, Capital One, Experian, and the Inland Revenue. The City also houses the offices of the East Midlands Development Agency (emda), the Government Office for the East Midlands, and Nottingham City Council.

Nottingham's designation by the Treasury as a UK 'Science City' in 2005 recognises the outstanding nature of its past achievements and present strengths in the wider science sector. This inheritance coupled with recent investment has led to the identification of science and technology as one of Nottingham's key growth sectors.

The city's two universities are central to Nottingham's scientific base attracting £90 m in research grants. Furthermore the continued investment in developments such as BioCity, a new healthcare and bioscience innovation and incubation centre, ensure that high technology employers and employees are attracted to and retained in the city. BioCity provides 129,000 sq ft of state-of-the-art facilities and has attracted a variety of high technology firms, including Critical Pharmaceuticals, a venture capital funded, bio-technology company. In addition, a further 45,000 sq ft of laboratory and office space will be completed by Autumn 2007.

Nottingham's investment in science and technology includes a range of initiatives. The Nottingham Science Park expansion and the proposed Innovation Park at the University of Nottingham Jubilee Campus are developments which will attract additional investment and contribute to Nottingham's employment growth in knowledge intensive industries. The city already has a high percentage of its workforce employed in knowledge-intensive industries due to the growth and expansion of new, high value added business sectors.

Other sectors forecast to provide substantial employment growth are business and professional services, the public sector and creative industries. These knowledge intensive sectors will underpin Nottingham's future growth and economic success. The number of jobs in Greater Nottingham increased by 5.9% between 2000 and 2005, above the national average of 4.7%. The net increase in jobs in the service sector has been 12.5%, with large gains in the public services and banking and professional sectors.

In 2005 nearly 85% of employment was based in the service sector, noticeably above the national average. This dominance of services will grow. In line with national trends there was a 27% decrease in manufacturing observed over the five year period to 2005. This shift towards the service sector has been more pronounced in Nottingham than in the UK as a whole.

Nottingham has also continued to perform well in other economic areas and has maintained its position as a top retail and leisure destination. The city has retained its strong position in UK retail rankings, sitting in fifth place above both Leeds and Liverpool, and below only London's West End, Birmingham, Glasgow and Manchester, according to CACI's Retail Footprint survey 2006. The city contains over 1,100 retail units with a strong emphasis upon comparison goods.

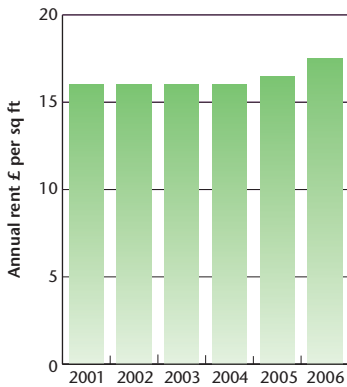
Nottingham is enjoying a particularly prosperous period; in terms of wealth creation (GVA), Nottingham is currently ranked fifth in England, higher than both Bristol and Leeds, recording a figure of £24,902 per head.

## Office market

The average level of take-up in Nottingham city centre over the last five years is around 150,000 sq ft per annum. Demand for space is strong but take-up has been constrained by a lack of good quality Grade A space. However an estimated 250,000 sq ft of active requirements currently exists in the market. In recent years development and take-up of office space in Nottingham has been focused in out-of-town locations. However, the central Nottingham office market is set to be transformed over the next five years with several major schemes in the pipeline, amounting to an estimated 2.2 m sq ft of floorspace.

**“Nottingham is enjoying a particularly prosperous period; in terms of wealth creation, Nottingham is currently ranked fifth in England, higher than both Bristol and Leeds.”**

Figure 1  
Nottingham prime office rents



Source: Knight Frank Research

**“A record headline rent of £20.00 per sq ft has been achieved this year at NG2, with further spaces likely to be taken at £20.00 plus per sq ft in the coming year in the final phase of The Triangle, also at NG2.”**



Experian, NG2 Business Park

Chapel Quarter, developed by Royal London Asset Management and located in the city centre, is a mixed-use scheme comprising hotel, A3 uses and 45,000 sq ft of Grade A offices. The scheme was completed last year with office lettings to Trent FM and Reuters. Only 15,000 sq ft remains available.

Located to the south-western edge of the city centre, NG2 is a one million sq ft mixed-use scheme which will include 370,000 sq ft of offices when completed. The scheme, developed by Miller Birch, is the current focus of Nottingham's office development, with the 32,000 sq ft Cirrus Building due to complete in Autumn 2007. Plans for the 130,000 sq ft Rotunda building, the city's largest ever speculative development are expected to be submitted shortly. A record headline rent of £20.00 per sq ft was achieved at NG2 last year with the letting of 4,000 sq ft to Nations Healthcare, which is higher than the existing prime office rents in the city centre which are typically £17.00 per sq ft. Only 10,000 sq ft remains available at The Triangle, NG2.

Other office developments are also set for imminent completion. 45,000 sq ft is under offer to The Driving Standards Agency at The Axis, Upper Parliament Street, with a further 33,000 sq ft of Grade A space available. 74,000 sq ft of office space will be completed this year at Waterside Plaza, adjacent to London Road. This flagship 360,000 sq ft mixed-use nine storey building is being developed by McAleer & Rushe, with 28,000 sq ft of office space under offer to law firm Shoosmiths, at a rent of £17.00 per sq ft.

There are two further major office schemes in the pipeline. Eastside & City's £900 m EastsideCity development, located on the edge of the city centre, will provide 1.4 million sq ft of office floorspace along with 1.3 million sq ft residential and 170,600 sq ft of leisure and retail uses. Castle College are developing their Maid Marian Way campus to provide 100,000 sq ft of new college facilities and a 250,000 sq ft speculative office development in the heart of the city.

### Knight Frank's view:

- The introduction of the early phases of NG2 has already lifted the Nottingham office market, demonstrating that when good quality modern accommodation is brought forward it is met with strong demand from occupiers whose requirements have previously been unfulfilled.
- The NG2 scheme has set a new prime rent for the city, breaking the £20.00 per sq ft barrier, and there is clear evidence that the delivery of new product such as the Cirrus building and the EastsideCity Quarter offers good prospects for strong, future rental growth.
- Looking even further ahead, the city has a significant development pipeline of high quality office accommodation which, if appropriately phased, should transform the Nottingham's offer and secure its position as a key business location.

## Retail and leisure markets

Nottingham, one of the UK's top five retail locations by spending is the primary shopping destination for over 600,000 people. Prime retail rents have increased steadily over the last three years to a level of £245 per sq ft Zone A. The prime pitch includes the southern part of Victoria Centre's mall, offering destination stores including John Lewis, Gap and Next. The traditional prime pitch is located on Clumber Street and includes a range of mass market multiples. Retailer demand for the area around Bridlesmith Gate, Nottingham's principal fashion location, is very strong. Recently completed Bridlesmith Walk provides small retail units in this popular location. Sir Paul Smith's iconic flagship store in Nottingham is in nearby Middle Pavement.



Bridlesmith Gate

Helical Bar and Overton's Trinity Square, next to the Victoria Centre, will complete in Autumn 2007. The £100 m scheme comprises 188,000 sq ft of retail space with four leisure units sited around a new public square. Several pre-lets have been agreed, including 56,000 sq ft to TK Maxx, 25,000 sq ft to Currys Digital and 27,000 sq ft to Borders. The Axis, a £50 m development by Henry Boot on the site of the former Co-op store on Upper Parliament Street consists of offices, a casino, retail units and 19 penthouse apartments. The 70,000 sq ft casino has been let to London Clubs International while lettings to the Curry Lounge and Big Wok have also been secured.

The most significant scheme in the pipeline is Westfield's £400 m redevelopment of the Broadmarsh Centre. It will effectively double from its current size, providing 1.3 million sq ft of retail space with 300 shops, two new department stores and a 1,200 seat food hall. The scheme will benefit from a new bus station, transport interchange and 3,000 car parking spaces. Construction is likely to start in 2008 and be phased over three years.

In line with its position as a major retail destination, Nottingham has recently witnessed a significant improvement in the quality and diversity of its leisure offer. The award-winning boutique hotels, Hart's Hotel and The Lace Market Hotel demonstrate confidence in Nottingham's widening appeal. A 142 bedroom Ibis hotel is underway at The Pod, a mixed-use retail and leisure complex being developed by Bildurn Properties. Similarly, Nottingham is witnessing a notable enhancement in the quality and variety of its restaurant offer: Lace Market Square, a mixed-use development by Bildurn Properties, will include three restaurants.

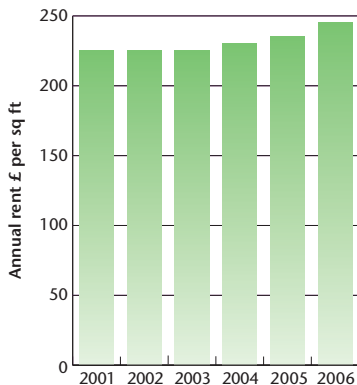
Public areas have been targeted for redevelopment in the city, with the recent reopening of Old Market Square. Internationally renowned architects Gustafson Porter, have designed an attractive civic space with new pedestrian walkways and water terraces in the heart of the city centre.

Close to Trinity Square, The Cornerhouse provides a major leisure destination including a 14 screen cinema, bars, restaurants and a casino. The independent Broadway cinema has a national and international reputation for film exhibition, production and festivals. A £5.7 m refurbishment has created a revamped 4 screen cinema and Media Centre, including cafes and bars, establishing it as the East Midlands flagship independent cinema and production house.

The Royal Centre and Nottingham Playhouse offer a wide variety of award winning productions. The Nottingham Ice Arena has established itself as a Nottingham's largest concert venue, attracting names as diverse as Justin Timberlake, Beyonce and Lionel Richie. Building on Nottingham's established cultural resources the Centre for Contemporary Arts, Nottingham (CCAN), under construction and due to open in 2008 will provide a platform for local artists and attract work from overseas. CCAN will be one of only two non-London galleries able to house such large scale exhibitions as the British Art Show.

**“Westfield's £400 million development of the Broadmarsh centre will see it effectively double in size over the next three years.”**

Figure 2  
Prime retail rents Zone A

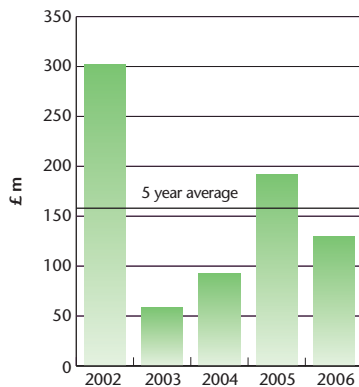


Source: Knight Frank Research

### Knight Frank's view

- Westfield's significant investment in Nottingham through the redevelopment of the Broadmarsh Centre is evidence of developer confidence in the strength of the city's retail market, and will also enhance the ongoing regeneration of the Southside area which has the potential to be a thriving mixed-use extension to the city centre.
- Looking to the future, it is vital that Nottingham continues to compete with other cities which have already sought to improve their offer, such as Birmingham. The Broadmarsh redevelopment will be key to ensuring Nottingham retains its position as one of the UK's leading retail destinations.
- Complimenting the city's established and growing retail offer, Nottingham's cultural and leisure markets are also growing, with significant schemes such as CCAN and The Pod mixed-use, retail and leisure scheme indicative of the appetite for the expanding leisure market in the city.

Figure 3  
Annual commercial property investment activity in Nottingham



Source: Knight Frank Research

## Commercial investment market

Investment activity in Nottingham's commercial property totalled £130 m in 2006 which is broadly in line with the medium-term average. Investment activity has fluctuated to some extent over the years, although this is a reflection of the occurrence of one or two major transactions. For example, a notable peak of £300 m of transactions occurred in 2002, but this was largely accounted for by Liberty international's £204 million purchase of the Victoria Centre. If this single transaction is excluded from the analysis, investment activity in Nottingham for 2006 would actually be above trend.

Exchange Arcade, generating an annual rent of £1.1 m, has recently been sold for £23.65 m, representing a net initial yield of 4.64%. Prime yields in the retail sector have been pushed down to only 4.25% reflecting the strong demand for good quality retail property, while prime office yields are also very low at around 5.25%. In the office sector, one notable transaction has already occurred this year, with Apia Regional Office Fund's purchase of New Castle House, Castle Boulevard for £51.3 m at an initial yield at 5.6%.

### Knight Frank's view

- Having already experienced significant yield compression due to a highly active market, the strength of investor demand for commercial property in Nottingham is expected to underpin secondary yields and hold them stable in the coming 18 months, while there remains potential for further compression at the prime end of the market.
- Strengthening occupier demand and healthy rental growth are opportunities offered by the good quality schemes now in the city's development pipeline. The potential of Nottingham as an investment location is expected to prove very attractive to investors as the city's reputation is enhanced through the delivery of these schemes.

## City living in Nottingham

Nottingham has seen significant redevelopment and regeneration over recent years. Residential led development has been a key catalyst for the central Nottingham renewal process, and has been crucial in creating the 'buzz' which has helped attract other investment.

Early residential redevelopment took place in the Lace Market area, an area of attractive, former mills, warehouses and office buildings, which have proved highly adaptable for new uses as living spaces. In recent years development has expanded to other areas including The Ropewalk/Derby Road area and the city's three regeneration zones: Eastside, Southside and Waterside. The regeneration areas surround much of the southern and eastern approaches to the city centre and offer the next opportunity for redevelopment.

Mixed-use developments have been a significant element of recent central Nottingham schemes. Completing this year, Trinity Square is one of the country's largest mixed-use city centre developments providing 190,000 sq ft of retail accommodation, a 462 space car park and 700 student flats.

Hopkins Architects with Eastside & City Developments have master planned a considerable development in the Eastside regeneration zone, including an 18 storey residential tower in a new mixed-use quarter. McAleer and Rushe's Waterfront Plaza development in the Southside regeneration area of the city is another major scheme which is beginning to transform the southern approaches to the city. The development will provide 109 contemporary apartments, 74,000 sq ft of office space, a 264 bedroom hotel and a mix of bars and restaurants.

The upper Eastside area has seen much development in recent years including residential and mixed-use schemes at The Glasshouse and Marco Island. Lace Market Properties development of the Litmus Building, is the largest new build apartment block in Nottingham with nearly 300 units.

"Investment activity in Nottingham's commercial property totalled £130 m in 2006."



Saltwater, The Cornerhouse



Lace Market Property's Litmus Building

### Knight Frank's View

- The development of the three regeneration zones, Eastside, Southside and Waterside will effectively enlarge the city centre to the south and east. Being mixed-use in nature we anticipate that these developments will see both an increase in the central Nottingham population and also the amenities on offer to it. The mixed-use aspect will also help in creating sustainable communities within Nottingham over the coming decades.
- City living will become a more significant factor in Nottingham over coming years, due both to the increasing number of central mixed-use schemes and the enlargement of the city centre due to investment in the three regeneration zones.
- Nottingham has a large proportion of 'educated urbanites' and 'aspiring singles', according to CACI analysis. This indicates a young and prosperous population in the city's central areas, rich in students and young professionals.

Trent Park Developments River Crescent is the first development within the Waterside regeneration area. A mixture of apartments, leisure and business facilities it will set the standard for environmentally-sensitive developments planned at Waterside by including on-site renewable energy as part of the building design. An outline application for a new mixed-use residential led community at Trent Basin was submitted by ISIS and English Partnerships in November 2006, this includes family housing and seeks to diversify the residential offer.

In the year to September 2006 over 900 dwellings were completed, excluding housing specifically for students. Among these were the sizeable schemes of Marco Island (342 dwellings), the Hicking Building (329 dwellings), Castle Exchange (118 dwellings) and Waterfront Plaza (109 dwellings).

Underlining developer confidence in the city, the supply pipeline is growing with a large number of dwellings currently under construction (1,054 at September 2006). In addition, there are 2,470 dwellings with planning permission which are not yet under construction. This indicates a total pipeline for central Nottingham of over 3,500 dwellings. Major schemes that have been granted planning permission or are currently under construction are listed in Table 1.

**Table 1 – Central Nottingham pipeline**

| Development                           | Type      | Dwellings | Status               |
|---------------------------------------|-----------|-----------|----------------------|
| EastsideCity Link                     | New build | 1,750     | Awaiting Section 106 |
| Queen's Road (Hicking Pentecost Site) | New build | 350       | Under construction   |
| Huntingdon Street                     | New build | 294       | Under construction   |
| 120-158 Canal Street                  | New build | 232       | Planning permission  |
| Hargreaves House, Wollaton Street     | New build | 164       | Under construction   |

Sources: Greater Nottingham; Notts County Council, 2001-based. England; Government Actuary's Department 2004-based

The effect of these new developments is to enlarge the city centre, effectively extending it to the south and east. The result of this increased level of investment is reflected in the increasing number of units supplied in the city centre over recent years (Table 3), which then begins the virtuous circle of attracting more investment in retail and leisure to satisfy the demands of the growing city population, further driving demand for housing.

Nottingham has seen substantial price rises over the past few years that reflect the increase in demand for city centre housing. Since Q4 2001 average prices in the city centre have increased by 34% from £118,000 to £159,000. Similarly there has been a marked rise in activity within the city centre housing market. Between Q4 2001 and Q4 2006 there was a 77% increase in sales recorded in the city centre.

Both the rise in activity and prices in the central Nottingham market are indicative a healthy and growing market. This would seem to be a result of both increased demand, as well as higher levels of investor and developer activity in central Nottingham.

### Central Nottingham population analysis

The population of Greater Nottingham stands at 637,000 and is forecast to grow by over 32,000 in the years to 2021. During this time demographic changes will see strong growth in the over 50 years old age group and a decline in the population of younger age groups in the city. (See Table 2).

**Table 2 – Population projections 2006 - 2021**

| Age group | Greater Nottingham |          | Nottinghamshire |          | UK       |
|-----------|--------------------|----------|-----------------|----------|----------|
|           | Change (000's)     | % change | Change (000's)  | % change | % change |
| All ages  | 32.3               | 5.1      | 70.6            | 8.5      | 7.4      |
| 0 - 19    | -3.1               | -2.0     | -7.1            | -3.9     | -3.1     |
| 20 - 39   | -2.3               | -1.3     | 10.0            | 5.3      | 3.8      |
| 40 - 69   | 18.7               | 8.3      | 10.5            | 3.4      | 5.7      |
| 70 +      | 19.0               | 26.9     | 36.3            | 38.3     | 30.9     |

Sources: Greater Nottingham; Notts County Council, 2001-based. England; Government Actuary's Department 2004-based

**Table 3 – Housing completions in the city centre**

| Year              | Dwellings completed |
|-------------------|---------------------|
| 2002 - 03         | 313                 |
| 2003 - 04         | 241                 |
| 2004 - 05         | 475                 |
| 2005 - 06         | 665                 |
| April - Sept 2006 | 535                 |

Source: NCC

CACI data suggests that Nottingham city centre has a high percentage of ‘educated urbanites’ and ‘aspiring singles’ with the percentage of ‘aspiring singles’ alone nearly three times the national average. This socio-economic grouping comprises well-educated and often affluent persons, possessing a cosmopolitan outlook and who enjoy an urban lifestyle. Concentrations of these groups are an indicator of urban prosperity, commonly associated with large centres of employment and cultural and leisure amenities.

CACI data also highlights a private rented sector proportionally 50% larger than found in the UK generally. This indicates large numbers of students and prosperous urban groups, generally with higher levels of disposable income with which to take advantage of the city’s offer of shops, bars and restaurants.

The student population in Nottingham is the sixth highest in the UK, with over 59,000 students currently enrolled at the city’s universities. Nottingham’s student population has grown by an average of over 4% per annum since 2000. With the exception of Birmingham, this is the highest rate of growth experienced by the other five most populous student cities.

### Knight Frank’s View: Nottingham in 2020 – The Vision

- Nottingham is a city with more residents and many more households. An 18% increase in the number of single person households over the past 15 years has reduced the average household size. Many of these new smaller households are accommodated in the burgeoning city living sector, with residential developments now established from the Lace Market all the way through to the newer regeneration zones of Southside, Eastside and Waterside. Many of these households are employed in the growing knowledge intensive industries sector, which has seen exponential growth in recent years.
- Nottingham’s retail offer has grown and its appeal now reaches a wider area and more people. Coupled with investment in the city centre, this has enabled Nottingham to increase its status in the national retail rankings. The expansion of the city centre through the regeneration zones has also helped expand the city’s commercial offer, creating vibrant mixed-use communities in central Nottingham, stimulating further, above trend growth in Nottingham’s economy.
- The city’s leisure and cultural offer has improved greatly, with the completion of the CCAN in 2008 the beginning of the expansion in cultural amenities. Public spaces are also more abundant, both in the city centre with additions such as the Gustafson Porter designed Old Market Square, as well as in the surrounding regeneration areas. The Waterside regeneration zone offers Nottingham’s residents the Trent River Park, running along 13 kilometres of waterfront. Added to this is Nottingham’s wealth of other leisure and cultural amenities – restaurants, bars, hotels and cultural venues – making it one of the most popular and influential national cultural and leisure destination.
- For local residents looking further a field, the expansion of EMA has seen it serving more passengers than ever, flying them to more destinations around the world. In addition, a high speed rail link with London St Pancras has brought Nottingham within four hours of continental European destinations.
- Nottingham in 2020 is a prosperous city, enhanced by investment and growth in commercial, retail, residential, cultural and the leisure sectors. More people than ever work and live in Nottingham, enjoying a lifestyle that affords easy access to employment, retail and leisure in a city that has embraced the concept of city living.

“Over the coming years we will see both an increase in the central Nottingham population as well as the amenities on offer to it.”



EastsideCity Nottingham

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