OXFORDSHIRE COMMERCIAL PROPERTY SURVEY REPORT

VSL & PARTNERS
Commercial Property Consultants

Review of 2004

Seacourt Tower, Botley.
Lettings to Clydesdale Bank and Grant Thornton in 2004. Additional 20,000 sq ft to be refurbished in 2005. Developed by Hartwell plc.

Summary

Demand

- Total office take up has been similar to 2003
- Grade A office lettings decreased 15% with only one major pre-letting
- Industrial take up decreased with stronger pre-letting transactions for larger units
- Rental levels remained static for both office and industrial markets
- Increased level of take up in the science and technology sector

Supply

- Grade A office supply reduced by 20%, but little speculative development planned for 2005
- Total office supply has remained static with 2003
- Industrial supply increase by 36%, concentrated around Bicester/ Banbury and Abingdon/ Didcot
- Grade A industrial supply very limited and little speculative development planned for 2005
- Supply of development land continues to be very restricted

issue three · spring 2005

Top Rents

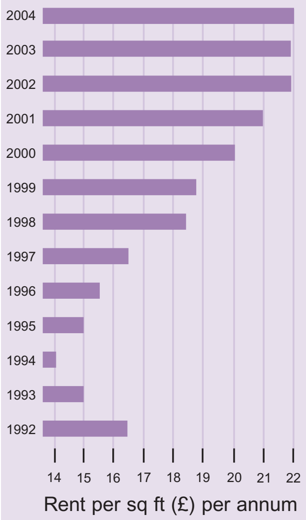
Grade A rentals continue to be in the order of £21.00 - £22.00 per sq ft.

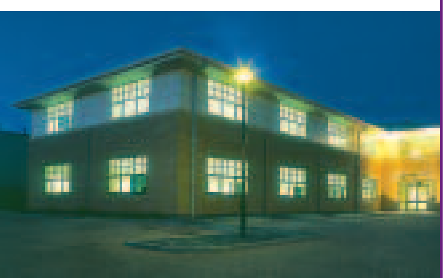
Rent incentives are still being offered by Landlords in the order of 12-18 months rent free in respect of the letting of Grade A offices over 10,000 sq ft on institutional lease terms. Very competitive terms can be achieved on larger office buildings.

We anticipate that current rent levels and incentives offered to tenants will remain stable at this level for the foreseeable future.

Oxford 10 Year Rental Graph

Grade A office headline rents, 1992 -2004





Roundham Court, Kidlington.
10,600 sq ft air conditioned modern office building available leasehold or freehold. Developed by Ashe Construction Ltd.

Office Market in 2004

The level of take up in the office market has been similar to the previous year. Total office take up in 2004 was 522,000 sq ft compared with 503,000 sq ft in 2003. There was an even spread of activity throughout the year.

Grade A office take up reached 152,000 sq ft over the year, a 15% decline from 175,000 sq ft in 2003. The average size of Grade A office space let was 9,500 sq ft compared with 35,000 sq ft in 2003. There was only one large office pre-let in 2004.

Oxford Ring Road lettings decreased 25% from 266,000 sq ft in 2003 to 200,000 sq ft in 2004 whilst City Centre lettings increased slightly to 52,000 sq ft.

The science and technology sector accounted for 180,000 sq ft (35% of total transactions) taking advantage of the surplus stock made available by consolidation in the market in 2003. There was also strong demand from the public sector and publishers.

Major office deals in 2004 - Over 10,000 sq ft

Fountain Forestry	Blenheim Court, Banbury	10,500 sq ft
Weatherbeeta	Beaumont House, Banbury	11,490 sq ft
OXERA	Park Central, Oxford	12,100 sq ft
Remploy	Blenheim Court, Banbury	13,000 sq ft
Oxfordshire County Council	Clarendon House, Oxford	15,800 sq ft
Blackwell Science	Oxford Business Park	16,500 sq ft
Chroma Therapeutics	93-94 Milton Park	22,000 sq ft
Oxfordshire County Council	Foxcombe Ct, Abingdon Bus. Park	24,000 sq ft
Taylor & Francis	2 Park Square, Milton Park	24,500 sq ft
Environment Agency	Howberry Park, Wallingford	25,000 sq ft
Forensic Alliance	Culham Science Park	46,000 sq ft

Current Office Market Conditions

The current supply of Grade A stock is 190,000 sq ft in the County, a decrease of 20% from 2003. There has been little recent speculative office development taking place and as a result there is only 100,000 sq ft of new office stock planned to complete in 2005 at 127 Milton Park, Park Central (Oxford), Harwell International Business Centre and Oxford Office Village (Kidlington). These new schemes are predominately aimed at small office occupiers. For the second year no new speculative development is planned to complete around the Ring Road.

Second hand stock has risen over the last twelve months by 13 % to 955,000 sq ft. There has been a rise of 18% in the availability of second hand buildings on the Oxford Ring Road with 272,000 sq ft now available.

The supply of City Centre offices remains limited, with only 75,000 sq ft of offices available to let.

There is strong demand for small freehold office units but a shortage of satisfactory stock, with the majority of offices only available on a leasehold basis.

Industrial Market in 2004

The industrial market has performed relatively well over the last year with total take up of 786,000 sq ft. Although this is a 40% decrease from 2003 this figure was inflated by a 450,000 sq ft letting to Asda in Didcot, without which the annual difference would only be 6%.

Bicester has seen good levels of activity with 130,000 sq ft of pre-letting in 3 buildings and total transactions of 212,000 sq ft.

The largest transaction was a 86,000 sq ft pre-let to Oasis Stores who expanded within Stanton Harcourt Industrial Estate.

Major industrial deals in 2004 - Over 10,000 sq ft

Oxford & Cherwell College	**Telford Road, Bicester**	**28,900 sq ft**
Target Parcels	**Bicester Park**	**29,000 sq ft**
Crystallox	**174a Milton Park**	**31,647 sq ft**
Chiltern Railways	**Tramway Industrial Est, Banbury**	**36,000 sq ft**
SCA	**Axis Point, Oxford**	**37,952 sq ft**
Stonebridge	**Network 9, Bicester**	**46,000 sq ft**
Cooper Callas	**Network 9, Bicester**	**55,000 sq ft**
Oasis Stores	**Stanton Harcourt Industrial Est**	**86,000 sq ft**

Current Industrial Market Conditions

Available industrial floor space has increased by 36% over the 12 months to 2,322,000 sq ft which is almost entirely secondary accommodation. A single unit of 265,000 sq ft in Didcot has significantly added to these figures.

Availability around Oxford Ring Road has increased from 44,000 sq ft to 177,000 sq ft but supply is still concentrated around Banbury (307,000 sq ft), Bicester (212,000 sq ft) and Abingdon/ Didcot (1,100,000 sq ft).

There are only two new speculative schemes under construction at Abingdon Business Park (25,000 sq ft) and Didcot (160,000 sq ft). Future development is restricted by land supply availability. Developers are preferring to redevelop or refurbish existing schemes.

Demand for smaller units remains strong for both freehold and leasehold units but with short term leases of 5 years or less becoming a regular feature of lettings.

Office and **Industrial** supply and take up 2003/2004

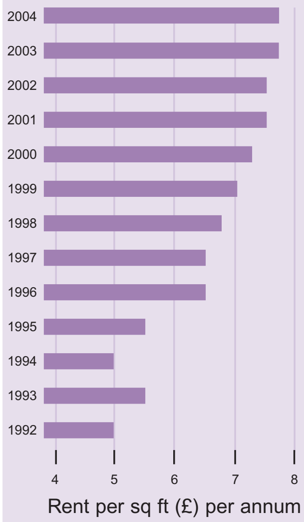
Top Rents

Prime rental levels have remained static in 2004 at around £7.75 per sq ft.

We continue to forecast that rental levels will remain stable for the foreseeable future.

Oxford 10 Year Rental Graph

Grade A industrial headline rents, 1992 -2004



Oxonian Park, Kidlington.
The only new industrial accommodation available around Oxford with units from 5,900 - 19,000 sq ft. Owned by Slough Estates plc.

Oxfordshire Fact File

- The value of the Oxfordshire economy measured by Gross Value Added per head is 5% higher than the UK average but lower than some of the neighbouring counties
- Over 75% of businesses employ less than 10 people, although the 1% of employers with over 200 staff employ 33% of all employees
- Oxfordshire has a higher qualified workforce than both England and the South East
- Over 1,400 high-tech companies employ over 37,000 people in Oxfordshire
- 27% of the County's total workforce of 344,000 are employed in the public sector
- Current unemployment is around 1% compared to the UK average of 3.4%

(Source: Oxfordshire County Council, 2005)

Development Land & Investment Market

There were no significant land sales in 2004, primarily due to lack of opportunities. Owner occupiers seeking freehold plots are forced to consider more peripheral locations around the County.

Developers are still prepared to bid strongly for well located plots and look to exploit demand from the freehold sector for both small office and industrial units.

The investment market is still strong, with plenty of prospective purchasers chasing a very limited number of opportuntities.

Commercial Property Forecast for 2005

The level of take up for office and industrial property is likely to remain static for the forthcoming year, but there will be limited new speculative development until more of the secondary stock is reduced. Enquiry levels have started strongly in 2005 with good demand in the smaller size ranges.

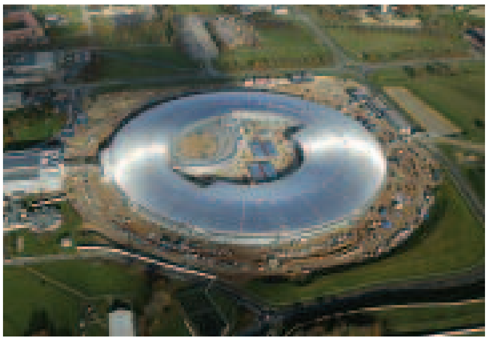
Rental values continue to also remain stable for Grade A accommodation but the level of incentives will only reduce when the existing stock has been eroded. The increase in both industrial and office secondary stock will lead to good opportunities for occupiers who are prepared to compromise on location and quality of accommodation.

The demand for freehold properties is likely to continue to increase, with continued low rates of finance available and more flexible pension arrangements. **The science and technology cluster in Oxfordshire will strengthen** as the market for funding improves.

The proposed completion of the Diamond Light Source project at the Rutherford Appleton Laboratory at Chilton, which will comprise over 640,000 sq ft of new laboratory and ancillary accommodation in 2007, will act as a significant boost to the local property market and as a catalyst for further high-tech development.

There will be a growth of mixed use schemes in urban areas, where redevelopment takes place, in order to comply with current planning policies.

Lease flexibility will continue to dominate the second hand market as landlords relax terms to maintain rental levels.



The Diamond Light Source project under construction.
Courtesy of Diamond Light Source Ltd.

VSL & Partners

We are an independent property consultancy offering advice in respect of all aspects of commercial property, including valuation, landlord & tenant, rating, management, investment, development and agency work.

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(Office data based on properties over 3,000 sq ft: Industrial data based on properties over 5,000 sq ft. Grade A property defined as brand new high quality specification buildings)