

OXFORDSHIRE COMMERCIAL PROPERTY SURVEY REPORT

Review of 2005



Windrush Court, Abingdon Business Park.
Standard Life have undertaken a comprehensive refurbishment to provide office suites from 1,500 - 30,000 sq ft which completed in November 2005. Prelettings were agreed with XOU Solutions and Health Decisions in 2005.



Isis Court, Abingdon Business Park.
A new freehold scheme by Standard Life providing industrial units of 1,800 - 3,100 sq ft completed in 2005.

Summary

Demand

- Grade A office transactions totalled 126,000 sq ft, representing a decrease 17% from 2004. 2005 proved a tough year for the office sector.
- The total office take-up declined by 29% since 2004. There are now some signs of improvement with increased activity for lettings of less than 3,000 sq ft.
- Industrial activity increased by 13% on 2004 with good take-up on larger units in Milton Park/Didcot.
- Rental levels continue to remain static in both office and industrial markets.

Supply

- Grade A office stock continues to decline by a further 20%. There is a return to speculative development focused mainly on small unit freehold office developments.
- Total vacant office stock increased by 9% in 2005 to 1.25 million sq ft.
- Total vacant industrial stock increased significantly by 30% to 3.02 million sq ft, comprising almost entirely secondary stock.
- Speculative industrial development continues to focus on small unit freehold schemes.
- Development land continues to be limited with new development opportunities predominantly arising from the redevelopment of redundant buildings.

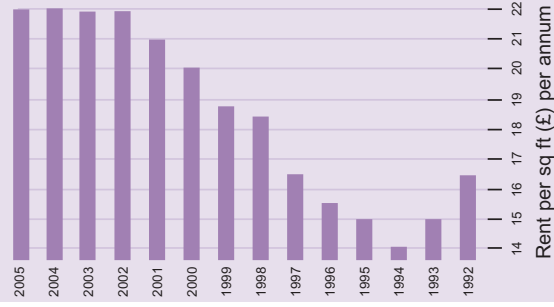
Top Rents

Grade A rental levels continue to plateau at £21.00 - £22.00 per sq ft. Limited Grade A stock and building cost inflation may lead to slight increases in Grade A rental levels in 2006/2007 and a reduction of rent free periods on new design and build offices.

Rental incentives remain competitive for tenants prepared to take longer leases especially on remaining speculative Grade A and secondary stock.

Oxford 14 Year Rental Graph

Grade A office headline rents, 1992-2005



Wootton Business Park, Oxford.
A new speculative office scheme comprising two units of 4,400 sq ft available leasehold or freehold developed by Hartwell plc.

Office Market in 2005

- Office take-up in 2005 was only 372,000 sq ft, a decrease of 29% compared with 522,000 sq ft in 2004. This was due to a lack of confidence in business growth in the region and the absence of large prelets which have been present in the last few years.
- Grade A office take-up was 126,000 sq ft, a decrease of 17% over the year from 152,000 sq ft in 2004.
- Activity around the Oxford Ring Road totalled 98,500 sq ft and 33,000 sq ft in Oxford City Centre, a 50% and 36% decrease respectively from 2004.
- The Science and Technology sector accounted for 144,000 sq ft, almost 40% of the total transactions. Milton Park accounted for 50% of this figure.
- Our statistics relate to office lettings in excess of 3,000 sq ft. In contrast to the above results all local agents reported strong activity in the small office sector.

Major office deals in 2005 - Over 10,000 sq ft

Software Imaging	Ground Floor, 9400 Oxford Business Park	11,000 sq ft
Ridge	Blenheim Estate, Woodstock	13,000 sq ft
Cozart BioScience	92 Milton Park	14,733 sq ft
Vastox	91 Milton Park	15,200 sq ft
KCI Medical	Bannister House, Langford Business Park	15,465 sq ft
UKERNA	The Business Park, Harwell	16,000 sq ft
Church Mission Society	Thames Court, Garsington Road, Oxford	25,000 sq ft.
A C Nielsen	Hailwood, Oxford Business Park	25,000 sq ft
Nominet	The Oxford Science Park	25,250 sq ft
RO Developments	Ex-Yamanouchi HQ, Littlemore Park, Oxford	35,000 sq ft

Current Office Market Conditions

Grade A office stock is now 150,500 sq ft in the County, a decrease of 20% since 2004. In 2006 there will be 150,000 sq ft of speculative office development under construction. 40,000 sq ft of new development is around the Oxford Ring Road following a 2 year absence of speculative development in this location. Developers have reacted to the demand for smaller offices and freehold opportunities with 6 small unit schemes currently under construction providing a total of 124,000 sq ft of space.

Second hand stock has risen again to 1,100,000 sq ft an increase of 15% since 2004. A significant proportion of this results from the release of 80,000 sq ft of office accommodation in Summertown following Oxfam's relocation to the Oxford Business Park.

The supply of City Centre offices declined further from 78,000 sq ft in 2005 to 58,000 sq ft in 2006 with the majority existing within Beaver House, Hythe Bridge Street, Oxford (31,000 sq ft).

Industrial Market in 2005

The industrial market has performed better with a total take up of 887,000 sq ft, representing an increase of 13% from 2004. Milton Park and Didcot showed the highest level of activity with 426,000 sq ft of take-up. The largest letting was to

Baumatic, who acquired 90,000 sq ft at 187 Milton Park in a relocation from Didcot.

The largest single transaction was the acquisition of 13 acres of land at Didcot Point by the Daily Mail Group for a new printing facility.

Major industrial deals in 2005 - Over 10,000 sq ft

Palmer and Harvey	Building One, Sandy Lane West, Oxford	22,220 sq ft
Minster Roofing	Unit 3, Omega, Didcot	29,750 sq ft
TNT	Miele Buildings, Kimber Way, Abingdon	40,000 sq ft
TNT	15 Milton Park, Didcot	45,200 sq ft
Braywood Fulfillment	Building 3 Windrush Park, Witney	46,000 sq ft
Pier Group	173 Milton Park, Didcot	50,000 sq ft
Schedl	Units 1-4 Oxonian Park, Kidlington	55,000 sq ft
Simon Hegel	161 Milton Park, Didcot	60,000 sq ft
Baumatic	167 Milton Park, Didcot	90,000 sq ft

Top Rents

Prime rental levels increased slightly in 2004 to reach £7.95 per sq ft as Grade A stock declined.



Current Industrial Market Conditions

Available floor space again increased by 26% over 12 months to 2,930,000 sq ft with new accommodation only amounting to 189,000 sq ft.

Availability has increased in all areas.

Oxford Ring Road supply has increased by 50% to 263,000 sq ft, Banbury 28% to 396,000 sq ft, Bicester 70% to 357,000 sq ft and Abingdon/Didcot 34% to 1,474,000 sq ft.

Much of the rise in supply is from larger redundant secondary accommodation which now represents redevelopment opportunities, such as the former Lear site in Bicester (78,500 sq ft).

Over 200,000 sq ft of new speculative development is planned for 2006, principally focused on small unit freehold schemes. Almost all of the schemes are on former industrial sites with the redevelopment of redundant buildings.



Windrush Park, Witney.
A new small unit freehold scheme by Abacus Developments.



Nuffield Trade Centre, Abingdon.
A new trade counter scheme in Abingdon providing units from 3,800 - 16,000 sq ft by ING/Ashkirk Properties.

Oxfordshire Fact File

- There is a total of approximately 5 million sq ft of factory accommodation in Oxford.
- Approximately 50% or 2.7 million sq ft is made up by the BMW plant at Cowley.
- Production of the Mini has reached 766,000 since April 2005.
- In 2005 production reached 200,000 vehicles.
- BMW employ 4,500 people and have invested £380 million in the Cowley plant since buying the site in 2001.

(Sources ODPFM/ VOA/ BMW)

Development Land & Investment Market

We recorded approximately 35 acres of development land sales in Oxfordshire in contrast to none in 2004. These were predominantly of redundant commercial sites which developers are having to focus on because of the lack of Greenfield opportunities.

Competition from developers for sites is strong and as a consequence land prices

are rising. For instance, the Princess food site in Langford Lane Kidlington (5.5 acres) sold for approximately £850,000 per acre.

The investment market remains very strong for properties offering a secure income stream and a number of properties have been sold in Oxford.

Commercial Property Forecast for 2006

Enquiry levels have again started strongly especially in the market for larger offices with several requirements in excess of 25,000 sq ft for existing and new build which should see the stock of Grade A buildings diminish further.

With a large number of secondary office and industrial buildings rents will have to be attractive to entice occupiers. With little new office stock focusing on smaller buildings there will be a shortage of Grade A stock in excess of 10,000 sq ft but developer caution will mean new opportunities will only be available on a pre let basis.

Whilst City Centre office stock remains limited opportunities will appear in Summertown where a number of office refurbishments are likely in the next 24 months.

New industrial developments will continue to focus on smaller unit schemes as developers again remain cautious of larger speculative schemes which have not performed so well in the recent past.

The renaissance of the Oxford South West Quarter has begun with the completion of the highly acclaimed Oxford Castle site with 8 new restaurants and a Malmesdon hotel and Heritage centre. This will be a significant boost as a tourist and retail attraction.

A new planning application is due to be submitted by Capital Shopping Centres for the £300 million redevelopment of the Westgate Centre which will have John Lewis as an anchor tenant. The developers hope it will be open by 2010.



The new Malmesdon Hotel at The Oxford Castle opened in 2005.

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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