

OXFORDSHIRE COMMERCIAL PROPERTY SURVEY REPORT



Review of 2006



274 Banbury Road & Milford House.

Sold by VSL on behalf of Oxfam and acquired by Tilbe Land and Bee Bee Developments to be refurbished to provide office suites from 3,000 - 18,000 sq ft.



Units 11-12 Oxonian Park.

30,500 sq ft let to Savonna Provisions by VSL on behalf of Slough Estates plc

Summary

Demand

- Grade A office transactions totalled 122,500 sq ft representing a small decrease of 3% from 2005. 2006 proved to be a stable year for the office sector.
- The total office take up remained static since 2005 at 374,000 sq ft, however, activity was particularly strong around the Ring Road.
- Industrial activity increased by 22% on 2005 with a strong level of take up in South Oxfordshire.
- Rental levels increased slightly for both office and industrial markets.

Supply

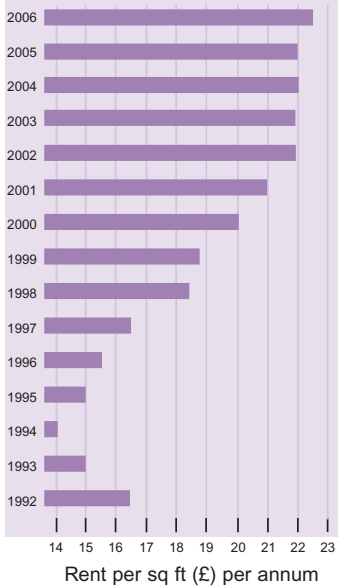
- Grade A office stock continues to decline by a further 15% from 2005. Grade A stock is being developed at Oxford Business Park and Milton Park.
- Total vacant office stock decreased by 32% in 2006 to 850,000 sq ft. There continues to be marked shortage of offices available to let in Oxford City Centre.
- Total vacant industrial stock decreased significantly by 33% to 1,950,000 sq ft comprising almost entirely secondary stock.
- Speculative industrial development continues to be limited focussing only on small unit freehold schemes.
- Development land continues to be limited with new development opportunities a rarity.

Top Rents

Grade A rental levels have now increased slightly to £22.50 per sq ft. Limited stock has led to a slight rent increase but extensive rent free periods are still available on speculative and secondary stock.

Oxford 15 Year Rental Graph

Grade A office headline rents, 1992 -2006



Meridian House.
18,000 sq ft office building sold by VSL on behalf of Royal Mail to Frontier Estates plc



Seacourt Tower.
7th floor let to Handelsbanken and 2nd floor let to Secerno by VSL on behalf of Arlington

Office Market in 2006

- Office take up in 2006 was 374,000 sq ft which remained static compared with 2005.
- Grade A office take up was 122,500 sq ft, a decrease of 3% over the year from 126,000 sq ft in 2005. The largest single transaction to take place in 2006 was the sale of the Danby Building at the Oxford Science Park to Becton Dickinson. (55,715 sq ft).
- Activity around the Oxford Ring Road totalled 212,700 sq ft a 215% rise from 2005 which was only 98,500 sq ft. In Oxford City Centre take up remained approximately the same at 32,400 sq ft. There is now a severe shortage of quality office accommodation in the City Centre and occupiers wishing to expand or relocate to the City Centre are now being forced to consider Summertown or Ring Road locations. The University of Oxford has been quite acquisitive over the last year in the City Centre.
- The Ring Road saw take up from a number of long standing requirements with significant activity at the Oxford Business Park.

Major office deals in 2006 - Over 10,000 sq ft

Becton Dickinson	Danby Building, Oxford Science Park	55,715 sq ft
Oxfordshire County Council	Unipart House, Oxford	35,000 sq ft
Henmans	5000 Oxford Business Park	35,000 sq ft
Serotec	Endeavour House, Langford Bus. Park	22,000 sq ft
NHS Primary Healthcare Trust	Gemini II, Oxford Business Park	23,000 sq ft
Electro Components	Hailwood, Oxford Business Park	14,263 sq ft
Audely Travel	New Mill, Witney	20,000 sq ft
Oxford University	Ground Floor, Beaver House, Oxford	16,000 sq ft
Ja.Net	Harwell Business Centre	16,000 sq ft

Current Office Market Conditions

Grade A office stock is now 107,000 sq ft in the County, a decrease of 15% since 2005. A new speculative office building of 25,000 sq ft at Rowan Court, Oxford Business Park was completed in Autumn 2006. At the Oxford Science Park two new buildings called Winchester House and Fletcher House are shortly to commence construction comprising approximately 50,000 sq ft and will be available the end of 2007.

Second hand stock has fallen to 744,000 sq ft a decrease of 32% since 2005. A consistent level of take up and lack of new stock has started to erode the existing stock.

Supply of City Centre offices has declined further from 58,000 sq ft in 2005 to 20,000 sq ft in 2006. There is now no single office suite to let in the City Centre in excess of 8,000 sq ft and the majority of accommodation available to let is of a secondary nature.

Industrial Market in 2006

The industrial market has performed well in 2006 with a total take up of 1,080,000 sq ft representing an increase of 193,000 sq ft or 22% from 2005. Milton Park and Didcot have shown the highest levels of

activity with 406,000 sq ft of take up.

The largest letting was to Bath Store.Com who acquired an ex Booker depot of 265,000 sq ft at Southmead in Didcot.



Unit 10 Oxford Industrial Estate.
Let by VSL for Brixtan plc to Varian Ltd



Enterprise House, Standlake
Let by VSL to Pizza Express plc. A purpose-built food production unit

Major industrial deals in 2006 - Over 10,000 sq ft

Bath Store.Com	Southmead Park, Didcot	265,000 sq ft
Faurecia	Phase 4, Cherwell Park, Banbury	119,800 sq ft
Del Equipment	Building 1, Windrush Park, Witney	64,145 sq ft
Whitwood Food Products	5 MXL Centre, Banbury	33,800 sq ft
Self Storage Solutions	7 lo Centre, Banbury	32,000 sq ft
Savona Provisions	11-12 Oxonian Park, Kidlington	30,500 sq ft
Pizza Express	Enterprise House, Standlake	22,154 sq ft
Magnex	10 Oxford Industrial Estate, Yarnton	21,500 sq ft

Current Industrial Market Conditions

The Banbury and Didcot markets still continue to dominate the local industrial market. Available floor space decreased significantly by 33% over 12 months to 1,950,000 sq ft with new accommodation only amounting to 18,000 sq ft. Again the lack of new accommodation and take up of existing stock is eroding the supply levels.

The small industrial freehold schemes in the area have generally performed well. These schemes tend to be for units of 3,000 sq ft and less with a total of

approximately 40,000 sq ft in each scheme. Sale activity tends to start slowly but once 25% of any scheme has been sold then the pace of transactions increases significantly.

Availability has generally decreased in all areas in light of the take up figures.

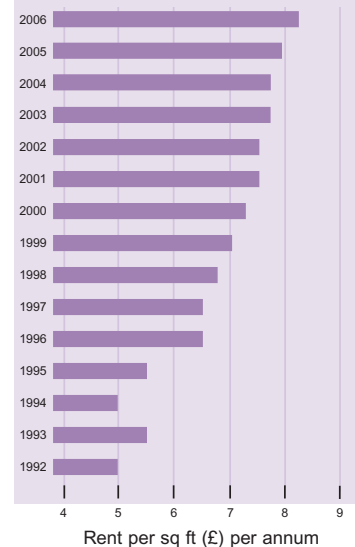
Oxford Ring Road supply remains approximately the same at 287,000 sq ft; Banbury decreased 48% to 205,000 sq ft; Bicester decreased by 27% to 260,000 sq ft and Abingdon/Didcot decreased 47% to 780,000 sq ft.

Top Rents

Prime rental levels increased slightly again in 2006 to reach £8.25 per sq ft as Grade A stock declined.

Oxford 15 Year Rental Graph

Grade A industrial headline rents, 1992 -2006



OYO Thame.
Comprising 16 units from 1,500 - 6,000 sq ft. Freehold prices of £105 per sq ft achieved



The Gallery.

8 freehold office units close to Oxford City Centre from 1,500 - 3,4000 sq ft. Sold by VSL at approx £240 psf within 3 months completion of building works.
Developer: WE Black/Ardant



Prama House, Oxford.

Vacated by Oxfam, VSL then let the 2nd floor office suite of 6,400 sq ft to Clarendon Enterprise Centres on behalf of Landlord Prama Properties

Development Land & Investment Market

There has been little development land activity in Oxfordshire in 2006. As a result of little availability developers have tended to concentrate on refurbishment of existing stock both in the office and industrial sector. In Summertown there has been significant investment in property refurbishment where Oxfam vacated older office stock and rental levels have seen an increase from historic levels of approximately £12 - £13 per sq ft to approximately £18 per sq ft.

The investment market remains very strong for properties within the County offering a secure income stream and there have been a number of high profile investment transactions in Oxford in 2006 including the sale of Oxenford House, Magdalen Street, Oxford; Windrush Park, Witney and Murdock Road, Bicester.

Prime yields have decreased over the 12 months as the market has hardened given the suitable lack of investments available for sale.

Commercial Property Forecast for 2007

Enquiry levels have again started strongly with a number of office occupiers considering relocation to larger premises in the County, particularly in the Oxford area. We would predict that the speculative office schemes at Oxford Business Park, 25,000 sq ft and Milton Park Building 115, 38,000 sq ft and Building 174, 14,000 sq ft will produce good demand in 2007.

Rent free periods may start to reduce given the lack of supply of Grade A space, if the level of demand for offices increases.

It is likely that City Centre office stock will remain very limited and the majority of refurbished offices in Summertown will be let as a consequence. Planning permission has been granted for the Capital Shopping Centres' development of the Westgate Centre which will have John Lewis as an anchor tenant. Construction work is due to commence later in 2007.

New industrial developments will continue to focus on small unit schemes, aimed mostly at freeholders. The older larger secondary properties will remain difficult to relet.

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.

For more information contact:

Richard Venables BSc Hons MRICS
Richard Sherrott BSc FRICS ACI Arb
Andrew Lockhart BSc FRICS MCI Arb
Tom Barton BSc Hons MRICS
Vivienne Spurge BSc Hons FRICS

rvenables@vslandp.com
rsherrott@vslandp.com
alockhart@vslandp.com
tbarton@vslandp.com
vspurge@vslandp.com



**Venables Sherrott
Lockhart and Partners Ltd**

Suite E, The Kidlington Centre
High Street, Kidlington
Oxford OX5 2DL

t 01865 848488
f 01865 856940

