

OXFORDSHIRE A34 COMMERCIAL PROPERTY SURVEY REPORT



Review of 2008



Eagle House

VSL acted for W Lucy to advise on design and marketing of a new speculative office development within their former foundry site in Jericho, Oxford. Terms were agreed with the University of Oxford for a lease of the 21,400 sq ft building with completion at the end of 2008. The University then underlet part to MAN Group and Natural Motion



Chancerygate, Kidlington

A new development scheme of small industrial and warehouse units on behalf of Chancerygate Developments was completed in 2008 comprising 20 units from 2,200 – 7,500 sq ft. VSL & Partners are the appointed marketing agents.

Summary

Demand

- Commercial property demand followed the general economic situation with activity focused in the first half of the year and tailing off significantly post the Lehmans crisis in September 2008.
- Whilst overall office take up dropped 22% to 322,300 sq ft, Grade A office take up increased by 25% in 2008 to 57,964
- Industrial take up dropped 25% to 793,000 sq ft in comparison with 2007.

Supply

- Office supply levels have not changed at 804,000 sq ft. Within this figure Grade A office supply now totals 117,000 sq ft which is a slight increase over 2006 and signals the last phase of speculative developments reaching completion.
- Overall activity decreased and supply levels start to rise. The pipeline of speculative development started to shut down as investors and banks take stock of market situations.
- Total vacant industrial stock increased by 25% to 2.115 million sq ft. A wide gap appears between supply and take up levels

Top rents and Incentives

It is noticeable that rent free incentives increased over the year. A 12 month rent free period for a 5 year letting is not untypical. Headline rental remained static at £22.50 per sq ft for the best Grade A stock.

Oxford 5 Year Rental Graph

Grade A rents 2004-2008



Chawley Park
VSL acquire an office of 9,000 sq ft for Gifford Ltd at Unit B, Chawley Park, Oxford.

Office Market in 2008

Commercial property demand followed the general economic situation with activity focused in the first half of the year and tailing off significantly post the Lehmans crisis in September 2008.

Take up for the Oxfordshire A34 market totalled 322,300 sq ft reflecting a 22% decrease in office take up for the same area in 2007 (414,300 sq ft) and marking a noticeable decline in activity in comparison with previous years.

Major office deals in 2008 over 10,000 sq ft:-

SAE Institute	Littlemore House, Oxford	39,434 sq ft
Oxford Innovation	99 Milton Park	24,000 sq ft
Oxford University	Eagle House, Oxford	21,400 sq ft
South Central Ambulance Trust	Talisman Business Centre, Bicester	17,320 sq ft
Poyry Energy	King Charles House, Oxford	16,621 sq ft
Neflex Petroleum	97 Milton Park	12,546 sq ft

Current Office Market Conditions

Whilst overall activity decreased supply levels have started to rise. The pipeline of speculative development started to shut down as investors and banks take stock of the wider market situation.

Office supply levels remained static over the last 12 months at approx. 804,000 sq ft. Grade A office stock increased marginally by 7% to 117,000 sq ft but is likely to decline now with no new schemes under construction. Take up was balanced by second hand stock returning to the market.



16 Middle Way, Summertown
Sold by VSL to Zinc Ahead Ltd demonstrating good demand still for freehold properties within the ring road.

Industrial Market in 2008

2008 was a tale of two halves. Performance was strong in the first 6 months which tailed off alarmingly in the latter parts of the year. We recorded a total take up of 793,000 sq ft for 2008, which is a 25% decrease on 2007.

Some areas of the market were less affected than others. The Abingdon and Milton Park areas appear more resilient, accounting for 45% of the years take up, whilst nearby Didcot has seen the largest increase in supply levels.



Glenmore Business Centre, Grove
A small unit development of 18 units designed for office, industrial and hi-tech use. On behalf of the Glenmore Group.

Major industrial deals over 10,000 sq ft:-

City Link	2a/d Didcot Park	17,600 sq ft
Nedschroef	Unit 1 Network Oxford	30,000 sq ft
Docdata	Unit 3 Windrush Park Witney	34,200 sq ft
Skania	5/7 Eyston Way Abingdon	21,000 sq ft
ERA Technology	13/15 Nuffield Way Abingdon	14,000 sq ft

Industrial Market Conditions

Supply increased dramatically over the course of the year, rising by 25% from 2007 to 2,115,000 sq ft

Whilst overall activity decreased supply levels have started to rise as caution returned to the market in the second part of the year. The lag in development has meant some speculative schemes such as Arena 14 in Bicester and Chancerygate in Kidlington completed during much tougher market circumstances. There is no likelihood of any further development whilst such uncertainty pervades the market.

Top rents

Prime rental levels slipped over the year from a high of £8.50 per sq ft to £8.00 per sq ft reflecting the wider economic uncertainty.

Oxford 5 Year Rental Graph

Grade A rents 2004-2008



Ashville Trading Estate, Abingdon
All units now let by VSL on behalf of CBRE Investors. Unit 8 let to Just Self Storage.



Former Pankl Premises, Telford Road, Bicester

Land and industrial space in the main commercial area of Bicester. Available for sale/let with completion due in 2009.



7400 The Quorum, Oxford Business Park

VSL & Partners transacted office space within Oxford Business Park during 2008 which included the letting of 1,800 sq ft to Waldner.

Rating (Empty Properties) Act 2007

Announced in the 2007 Budget and coming into force from 1st April 2008, this legislation has added to the 'woes' experienced by Landlord's who face a greater liability on their vacant properties. The Government's aim was encourage landlords to release vacant stock and this has undoubtedly given tenants greater bargaining power when negotiating new leases and renewals. It is a significant additional liability. Previously, vacant offices and shops benefited from 3 months 100% rates relief and 50% thereafter. This is now reduced to 3 months 100% rates relief and then full rates thereafter. For vacant warehouses and industrial premises the impact is even greater. Previously these benefited from 100% rates relief but now only have 6 months 100% rates relief and then full rates thereafter. In the future developers will think very hard at speculative development where they could be faced by this additional liability.

Development Land and Investment Market

The Oxford market still represents an unusual commercial environment compared with many markets. The lack of land supply forced some very high values during 2007/early 2008. As funding has dried up transactions have halted. However there remains a limited supply of commercial land in the county, particularly in the Oxford market.

The investment market ground to a sudden halt for the latter parts of 2008 with restrictions on funding increasing the value of cash in the market. There are limited signs of forced sellers in the market.

2008 saw the completion of development schemes that were commenced in better times such as Marriotts Close in Witney. Pre-lettings have certainly helped this development but tenants for the remaining vacant space remain elusive.

Commercial Property Forecast for 2009

Uncertain times remain in the Oxfordshire commercial property market. The diversity of the occupation sectors should assist with maintaining a degree of reality to take up and rental levels but 2009 is unlikely to prove a strong year for the local property market.

2009 will certainly not be a year for many speculative schemes around the county and the lack of significant new supply should bring a swift rebound once the recovery starts.

There seems no realistic prospect of the Westgate development coming forwards at this time and we all want for better times ahead.

VSL & Partners

We are an independently consultancy offering advice in respect of all aspects of commercial property including valuation, landlord & tenant, rating, management, investment, development and agency work. We were voted Oxfordshire's most active agent in 2008.



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Office data based on properties in excess of 3,000 sq ft NIA
Industrial data based on properties in excess of 5,000 sq ft GIA.
VSL reports now focus on the Oxfordshire A34 corridor which excludes the Banbury area.