

OXFORDSHIRE A34 COMMERCIAL PROPERTY SURVEY REPORT



Review of 2010



King Charles House, Oxford

Acting on behalf of Green Templeton College VSL have leased 4,500 sq ft of one of Oxford's landmark buildings to Oxford University Endowment Management.



Trajan House, Mill Street, Oxford

VSL advised The Study Group/Bellerbys on the acquisition of 22,800 sq ft in Oxford city centre for additional student teaching accommodation.

Summary

Demand

- Office take up continued to slide by 6% with a total take up of 232,000 sq ft. Take up levels are now only approximately 60% of 2007 levels.
- Industrial take up stabilised at 693,000 sq ft mirroring the figures in 2009.
- The largest industrial letting during the year totalled just 54,000 sq ft.

Supply

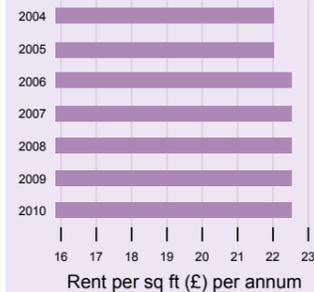
- Office supply levels have stabilised with a total supply of 850,000 sq ft, a slight reduction on 2009. Grade A supply has shrunk by 10% to 92,000 sq ft.
- Industrial supply hit record highs of 2.39 million sq ft. Nearly 50% of the current supply is within 7 buildings which are almost exclusively within the Didcot/Milton Park market.

Top rents

Grade A rents continued to maintain levels of £22.50 per sq ft supported principally by letting of Trajan House, Mill Street, Oxford to the Study Group illustrating the strength of the Oxford city centre market.

Oxford 7 Year Rental Graph

Grade A rents 2004-2010



4300 Nash Court, Oxford Business Park
Let to German solar technology firm, IBC Solar by VSL

Office Market in 2010

In 2010, it seemed that there was just one problem after another affecting property decision matters. The snow in January, the volcanic ash cloud in April, the General Election in May, the Public Spending Review in October and yet more snow at the end of 2010.

Office take up levels continued their downward trend with a decline of 6% totaling 232,000 sq ft. Grade A office take up increased by 19% to 48,420 sq ft as rent free incentives make this stock more attractive. Oxford Business Park achieved good success in 2010 with over 50,000 sq ft of lettings assisted by the attractive incentives available on lease deals.

There is a distinctive two tier market with minimal rent free periods in Oxford City Centre market and 18-24 months rent free being offered in the ring road and out of town market for leases of 5 years and above.

Major office deals in 2009 over 10,000 sq ft:-

Nexeon	136 Milton Park	25,910 sq ft
The Study Group	Trajan House, Oxford	22,800 sq ft
Grant Thornton	Rowan Place, Oxford Business Park	12,914 sq ft
IBC Solar	4300 Nash Court, Oxford Business Park	9,127 sq ft
Ansys	Ground Floor, 97 Milton Park	12,706 sq ft

Current Office Market Conditions

Office supply levels have stabilised with a total supply of 850,000 sq ft, a slight reduction on 2009. Grade A supply has shrunk by 10% to 92,000 sq ft and is likely to be further eroded in subsequent years as there is no impending speculative development.

Enquiry levels seem to be shrinking and there are many occasions when a prospective tenant undertakes a 'fishing expedition' only to then approach existing landlords with news of competitive deals to negotiate rent reductions at lease renewal.

Rowan Place, Oxford Business Park

Following completion of this development in 2007 Grant Thornton became the first occupier of part of Rowan Place in October 2010 with the relocation from their secondary offices in Botley which are to become a redevelopment site. VSL acted for Goodman.



Industrial Market in 2010

The market was static with similar take up to 2009 but with signs of a rebalancing in the local economy. Total take up was recorded at 693,000 sq ft. There has been a noticeable shift in demand levels away from the traditional areas of domestic demand to a broader demand with increase in demand from the technology and manufacturing sectors. Whilst Oxfordshire has not seen significant number of business failures there have been exceptions. The failure of Alden Press provided the Charlbury based business Hydac with an almost new facility in Witney at a knockdown price of £51.00 per sq ft.

Major industrial deals over 10,000 sq ft:-

Michellin Tyres	1 Omega Didcot	54,000 sq ft
PV Crystalox	173 Milton Park	45,800 sq ft
Oxford Gene Technology	15 Oxford Industrial Park	15,500 sq ft
Hydac	De Havilland Way Witney	48,800 sq ft
W H Smith News	3 Cowley Business Centre Oxford	19,800 sq ft
Allparts	1 Ashville Way Abingdon	13,000 sq ft
Owen Mumford	De Havilland Park Witney	14 acre land purchase for owner occupation

Current Market Conditions

There was a strong recovery in demand for smaller units towards end 2010. Most of the small unit schemes developed during 2006-2008 now let or sold. We also experienced a rising demand from manufacturers that are expanding due to increase in export sales

Pre-let demand rising due to lack of available land/speculative development. Another area of strong demand was for road frontage sites but stock is very limited.

Supply levels are now at record levels of 2.39M sq ft but this is distorted by availability of around 600,000 sq ft of distribution space in the Didcot area. Freehold and rental values recovering from lows but cost of vacant business rates still impacting on current and likely future levels.

Top rents

Industrial rents have been sustained at around £8.00 per sq ft in the Oxford ring road area.

Oxford 7 Year Rental Graph

Grade A rents 2004-2010



Aerial photo of Windrush Park
Acting on behalf of HSBC Specialist Investments. VSL sold 14 acres of land to medical instrument group, Owen Mumford at around £220,000 per acre.



2B Didcot Park, Southmead, Didcot
 VSL acted in the acquisition of
 12,000 sq ft for Energy Solutions UK
 Ltd.



**30/32 Blacklands Way, Abingdon
 Business Park**
 A letting of 12,600 sq ft of hi-tech
 office and workshop space to Paul
 Mason Consulting.

Development Land and Investment Market

The land market has stabilised after downward pressure since 2008. Land values remain between 50-75% of pre-2008 levels. The sale of 14 acres to Owen Mumford in Witney reflected a discount of 35% from pre-crunch levels.

Land supply levels remain relatively low and restrictive local authority development policy should continue to limit the future levels of land released to the market and will likely add upward pressure on values in the coming months.

Investment transactions remain subdued although there is pressure on values for prime stock. Secondary stock remains unattractive and has been subject to heavy discounting to a point where values often reflect no better than vacant values. We are confident this is not a sustainable position in the long term and investment values should rebound in the near future.

Commercial Property Forecast for 2011

2010 appears to have been a year of stabilisation in the local property market. Freehold and leasehold values have appeared at last to have bottomed out and there appears to be a semblance of normality returning to the market. Some freehold growth returned to the smaller unit market and "forced sales" values appear to be over.

We forecast 2011 to continue the general improved trend. There are likely to be bumps along the road but most businesses have control over costs and some even have started increasing employee numbers. This will inevitably filter through into improved figures for the Oxfordshire commercial property market. Caution remains however for certain sectors such as secondary offices and retail where a fundamental over supply remains.



Commercial Property Consultants

**Venables Sherrott
 Lockhart and Partners Ltd**

22 Bankside, Kidlington
 Oxford OX5 1JE

t 01865 848488

f 01865 856940



VSL & Partners

We are an independent 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

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.