

OXFORDSHIRE A34 COMMERCIAL PROPERTY SURVEY REPORT



Review of 2012



Windrush Court, Abingdon Business Park

Leasing of 6,500 sq ft of office space during the year to Taylor Wimpey for Standard Life Investments.



Oxonian Park, Kidlington

Units 7 & 8 Oxonian Park, Kidlington. A disposal by VSL of 14,000 sq ft of industrial/hi-tech space to M-Solv on behalf of the Crown Estates.

Summary

Demand

- Office take up in 2012 was the lowest on record at only 135,000 sq ft, a reduction of 50% from 2011 take up. Even stripping out the Centrica deal (82,000 sq ft) from last years figures this still provides a 30% decrease. The 5 year average from 2008 to 2012 is 240,800 sq ft and so further demonstrates how the market has slowed in 2012.
- Industrial take up in 2012 totalled 520,000 sq ft, an increase slightly from 2011. Prime rents remain at 2011 levels with no immediate prospect of rental growth except for Oxford city locations.
- Demand for both office and industrial space remains limited although an increase in demand levels may lead to product shortages, particularly in the industrial market.

Supply

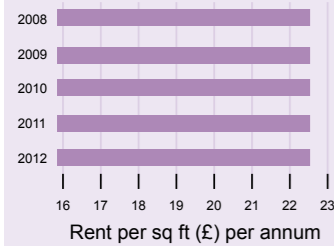
- Office supply is currently 710,000 sq ft, a fall of 6% from 2011 as take up erodes existing stock levels which is not being replenished by new development. Supply is dominated by the Oxford ring road where there is approximately 300,000 sq ft of stock, in comparison with Oxford city centre with only 60,000 sq ft of availability.
- Industrial supply is 1.89 million sq ft some 18% lower than 2011. This reflected both the level of take up as well as an unusually high level of re-occupation of previously vacant buildings.
- Grade A supply in both industrial and commercial markets is now very limited. With the exception of potential speculative office and industrial development at Milton Park no new supply is likely to come to the market during 2013.

Top rents

Grade A rents in Oxford remained at £22.50 per sq ft due to a lack of transactions. Whilst headline rents are holding, incentives continue to be at attractive levels for tenants signing 5 year leases or longer.

Oxford 5 Year Rental Graph

Grade A rents 2008-2012



Ramsay House, Oxford
18,857 sq ft let to Natural Motion by VSL on behalf of Oxford City Council.

Office Market in 2012

The wettest year on record failed to dampen the spirit of the Olympics or the Diamond Jubilee but the Oxford property market continued to be rather lacklustre. It seems that Oxfordshire's businesses are generally surviving the economic downturn but 'growth' is a word that we do not often hear with demand driven by lease expiry or break dates or redevelopment of existing premises.

There was a 50% drop in take up in 2011 to one of the lowest levels recorded. Disregarding the letting of 82,000 sq ft to Centrica in 2011 take up levels still show a 30% year on year reduction highlighting the continued economic concerns.

Out of the 21 deals recorded on 3 were over 10,000 sq ft and 50% were on offices of less than 5,000 sq ft in size.

Major industrial deals in 2012 over 10,000 sq ft:-

NaturalMotion	2nd Floor Ramsay House, Oxford	18,857 sq ft
Carrillion	Cuffas Les House, Oxford Business Park	18,300 sq ft
Taylor and Francis	3 Park Gate Milton Park	12,000 sq ft
Marks and Clerk	Fletcher House, Oxford Science Park	7,500 sq ft
Oxford Asset Management	King Charles House	9,700 sq ft

Current Office Market Conditions

Office stock now totals 710,000 sq ft, a modest annual decline of 6 % and continuing to show a consistent reduction in stock since the peak of 884,000 sq ft in 2009. Grade A stock is now only 20,000 sq ft.

With the majority of the stock remaining comprising secondary buildings landlords are prepared to refurbish accommodation to improve the chances of letting. Tenants will often favour office suites which have an existing tenant fit out over a new refurbishment as this will save fit out costs.

Rent free incentives remain widely available in the office market with 18 months being commonly offered on ring road buildings for a 5 year commitment.

New Speculative Development

It is a great boost to the Oxfordshire economy that Milton Park have announced speculative development of 101 and 102 Milton Park within the Science Vale Enterprise Zone. These two high quality buildings will benefit from a BREAM excellent rating and provide an excellent opportunity for both expansion of existing businesses or inward investment into the Oxfordshire area. It is anticipated that these new buildings will be available for occupation by the end of 2014.

Industrial Market in 2012

The recovery in the industrial market continues albeit at a slower pace than 2011. Stock levels remain a concern with a distinct lack of new/modern buildings available in the Oxfordshire market. Take up in 2012 totalled 521,000 sq ft, a small recovery on 2011.

There remains very limited supply in the Oxford ring road area. Apart from the relatively specialised former Royal Mail sorting office (95,000 sq ft) at the end of 2012 there was only 63,000 sq ft in total available in the whole Oxford ring road area including Kidlington.

There is 1.896 million sq ft of stock available which is a reduction of 20% since 2011. There are no new build units available and **only three buildings were demolished in the last decade.**

Abingdon, Milton Park and Didcot remain the areas of strongest take up, accounting for 45% of take up in the Oxfordshire A34 area.

The lack of stock in prime Oxford locations has improved some peripheral markets. Bicester has now seen a decrease of 25% in stock levels over the last months and is increasingly popular due to the town's excellent transport links.

Major industrial deals in 2012 over 10,000 sq ft:-

Allmakes 4 x 4	188 Milton Park	100,000 sq ft
Amazon	Park 34, Didcot	32,000 sq ft
Audiomotion	Unit 2, Wheatley	20,000 sq ft
Moss Plastics	Kidlington	30,000 sq ft
Unnamed Occupier	Bessemer Close, Bicester	66,150 sq ft

Current Market Conditions

The lack of quality space in the market remains a concern. There is only one speculative scheme due for completion in 2013 at Milton Park of smaller units which are unlikely to satisfy demand. Much of the hi-tech occupier demand is focused towards higher office content buildings and the market is not provide appropriate solutions.

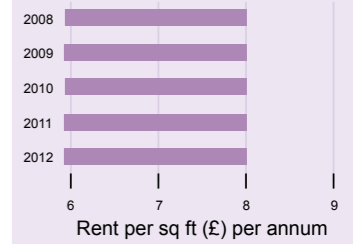
A rebalancing of the Oxfordshire market is slowly taking place. Much of new occupier demand is within the high value manufacturing based rather than trade or warehouse distribution use reflecting the desire to move towards an export based market. Demand for smaller units has been leading the recovery in demand, although some larger corporate requirements have come through towards the end of 2012.

Top rents

Although rents have generally remained static, rental growth looks set to return to the Oxfordshire industrial market during 2013 due to stock shortages. For 2012 prime rents remain at £8.00 per sq ft although enhanced rents have been achieved for roadside trade related and high office content buildings.

Oxford 5 Year Rental Graph

Grade A rents 2008-2012



Network Oxford
The first phase of Rego Oxford's Network Oxford scheme was completed with VSL's letting to Speedy Hire who joined Travis Perkins at a new trade destination.



90 Milton Park

Acting for Doctors.net.uk VSL & Partners acquired 8,060 sq ft of offices at 90 Milton Park, Abingdon



Suffolk House, Summertown

VSL let two adjoining retail units in an off market transaction to Sainsbury's for a new convenience operation at a record rent for the area.

Development Land and Investment Market

Development land remains in short supply in the Oxford market. Due to the decrease in office and industrial values, developers and land owners are actively seeking alternative higher value uses such as nursing homes and retail.

There are still limited prospects for speculative development in either the office or industrial markets. In most cases development costs coupled with high land value expectations means that most development appraisals are not viable. Whilst limited properties of land were transacted during 2012, large areas of land have been recently allocated around Bicester for commercial development. More risk adverse developers are now working in conjunction with land owners to promote sites. Albion Land's promotion of Network Bicester (a 50 acre industrial and warehouse site) is a prime example.



VSL advising Oxford University Press acquiring a substantial office investment at Jordan Hill Business Park

The investment market made strides in 2012. Investors struggling with low returns from banks have been actively seeking commercial property with the aim of achieving higher returns for capital. The influx of funds into the investment market has finally driven forwards prices and activity particularly in the latter part of 2012. Recent investment sales have included Taurus Business Park in Cowley and the sale of the Travis Perkins site in Sandy Lane which achieved a surprisingly strong yield of 5.75%. This reflects the general desire for quality income streams.

Commercial Property Forecast for 2013

Enquiry levels have improved and increased confidence in an economic recovery has led to a more positive on the potential for value improvements on both office and industrial property. We anticipate incentives to ingoing tenants in the industrial market will reduce over 2013. In the office sector rents and incentives will likely remain static due to higher stock levels although we are hopeful stock levels will reduce by the end of 2013.

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.

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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.