

OXFORDSHIRE COMMERCIAL PROPERTY SURVEY REPORT



Review of 2003



Oxonian Park, Kidlington.

The latest speculative industrial development in Oxfordshire is being undertaken by Land Securities and Albion Land comprising 12 units from 5,800 - 19,000 sq ft targeted at both hi-tech and the light industrial/distribution sectors.

Summary

Demand

- Oxfordshire continues to benefit from its balanced local economy, creating a strong regional market.
- Applicant enquiry levels only increased towards the end of 2003.
- Take up levels in the office sector were similar to 2002 with the majority of transactions occurring in the second half of the year.
- Two large industrial lettings occurred in Banbury and Didcot but general demand for industrial accommodation is for less than 15,000 sq ft.
- Office rents were static, whilst incentives increased if tenants were prepared to commit to leases of more than 10 years.
- Industrial rents increased slightly with tenant preference for shorter leases minimising incentives.

Supply

- Grade A office space has increased by 30% over 12 months but this does not constitute a significant over supply.
- Grade A industrial space has more than doubled and it is the schemes with units over 20,000 sq ft which are failing to let.
- Very limited new speculative office or industrial schemes are planned to complete in 2004.
- Consolidation in the bio-technology market has led to the release of significant levels of large surplus accommodation.
- More freehold opportunities are being marketed as developers react to occupier demand.
- Supply of commercial development land is still very restricted.

Top Rents

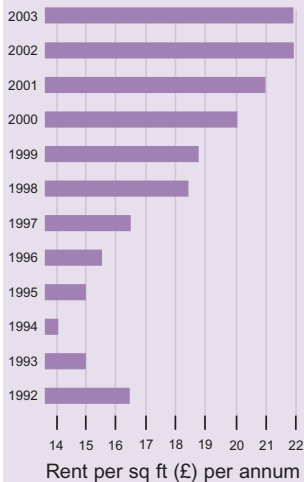
Grade A rentals continue to be in the order of £21.00 - £22.00 per sq ft.

In the last 12 months rent free incentives have increased by 50% from approximately 12 months to 18 months in respect of Grade A offices over 10,000 sq ft let on institutional lease terms.

We continue to forecast that office rental levels will stabilise for the foreseeable future and rent incentives will reduce once supply is eroded.

Oxford 10 Year Rental Graph

Grade A office headline rents, 1992 -2003



**The Danby Building,
The Oxford Science Park**
55,700 sq ft headquarters office building available to let.

Office Market in 2003

Take up in the first six months of 2003 was very poor reflecting general economic uncertainty but this increased significantly in Quarter four. Grade A office take up reached 175,000 sq ft

equalling the figure for 2002. 95% of all Grade A lettings and 64% of the total office lettings occurred in the second half of 2003. Total office take up in 2003 was 503,000 sq ft.

Major office deals in 2003 - Over 10,000 sq ft

Sungard	3 Park Square, Milton Park	11,840 sq ft
Critchleys	Greyfriars Court, Oxford	15,700 sq ft
Mirada Solutions	First Floor, Beaver House, Hythe Bridge Street, Oxford	16,000 sq ft
West Oxfordshire Housing Association	Station Lane, Witney	18,000 sq ft
Total Communications Infrastructure	Willow Court, Minns Business Park, Botley, Oxford	20,000 sq ft
Amey	The Sherard Building, The Oxford Science Park	27,400 sq ft
Manches	The Oxford Business Park	35,000 sq ft
Schlumberger	Lambourn Court, Abingdon Bus Park	35,000 sq ft
Oxfam	The Oxford Business Park	85,000 sq ft

Current Office Market Conditions

The current supply of Grade A stock is 221,000 sq ft in the County. There is approximately 100,000 sq ft of new office stock planned to complete in 2004 at Harwell, Milton Park and Park End Street, Oxford. No new speculative development is planned to complete around the Oxford Ring Road in 2004 for the first time in 10 years.

Second hand stock stands at approximately 840,000 sq ft. This represents a 50% increase from 2003. A significant proportion of this increase can be attributed to the consolidation in the biotechnology market and the off loading of premises by Celltech and Vernalis. Within this figure 30% relates to 6 buildings over 20,000 sq ft.

Office availability in Oxford City Centre has reduced by 45% to 45,000 sq ft and one surprise in 2003 was the letting of 46,000 sq ft in the City Centre, reversing the decline in interest that had previously been recorded.

In comparison, office availability on the Oxford Ring Road is now approximately 325,000 sq ft. The total lettings in 2003 were 266,000 sq ft demonstrating a strong demand for accessible locations.

Industrial Market in 2003

Take up in the industrial sector was more balanced over the year than the office sector with a total take up of 1,285,000 sq ft in 2003. This was boosted by two significant lettings to Exel and

ASDA demonstrating a demand for large distribution units still exists in Banbury and Didcot. Excluding these two transactions the average letting size was approximately 15,000 sq ft.

Major industrial deals in 2003 - Over 10,000 sq ft

CW Headress	7 Witan Park, Witney	17,000 sq ft
Magnex Scientific	Units 11 & 12, Oxford Industrial Park	21,000 sq ft
Fresh Direct	Site 1, Bicester Park	32,000 sq ft
Powwow	Unit A, Bicester Park	37,700 sq ft
Penlon	Abingdon Science Park	41,000 sq ft
Brita Water Filters	Network 9, Granville Way, Bicester	62,000 sq ft
Miele	5 Nuffield, Abingdon	88,000 sq ft
Exel	Banbury Cross, Banbury	102,000 sq ft
Asda	Didcot Power Station Site, Didcot	450,000 sq ft

Current Industrial Market Conditions

There is 295,000 sq ft of new accommodation available to let within 5 schemes in the County. Take up continues to be slow for units greater than 20,000 sq ft. In order to make these more attractive, landlords are now also prepared to consider freehold sales as well as more flexible lease lengths.

Good interest is being shown in the recently completed schemes at Oxonian Park, Kidlington (126,000 sq ft) and The IO Centre, Banbury (70,500 sq ft) which are focusing on smaller unit sizes. Secondary stock remains static at approximately 1.4 million sq ft compared with 2003. This is still concentrated around Banbury (350,000 sq ft), Bicester (250,000 sq ft) and Abingdon/Didcot (730,000 sq ft). In contrast there is only 44,000 sq ft available space adjacent to the Oxford Ring Road.

Developers are now looking to rejuvenate some of this older stock such as at Nuffield Centrum, Nuffield Way, Abingdon where units from 6,000 - 18,000 sq ft are being refurbished. No new speculative industrial schemes are anticipated in 2004 due to high supply levels and lack of available suitable sites.

Demand for new freehold/long leasehold units of less than 5,000 sq ft remain very buoyant with strong interest shown on new schemes at Kingston Business Park, Kingston Bagpuize and the Abingdon Business Park.

The market for small industrial units of less than 3,000 sq ft remains generally quite buoyant.

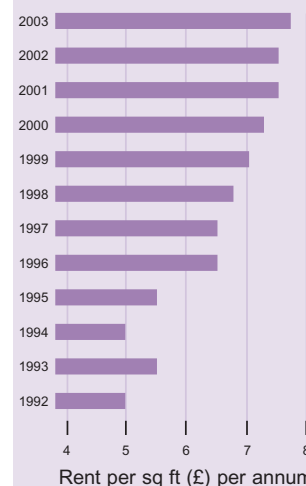
Top Rents

Prime rental levels increased slightly in 2003 from £7.50 to £7.75 per sq ft.

We continue to forecast that rental levels will remain stable for the foreseeable future.

Oxford 10 Year Rental Graph

Grade A industrial headline rents, 1992 - 2003



Park 34 Southmead Industrial Estate, Didcot.

Three remaining units from 14,400 - 50,700 sq ft available to let or for sale.

Oxfordshire Fact File

- There are over 295,000 sq ft of serviced office facilities available in Oxfordshire with the largest provider being the Oxford Centre for Innovation with 120,000 sq ft in 9 centres.
- The University of Oxford occupies approximately 4.3 million sq ft of administrative, teaching and research accommodation within the City of Oxford.
- The unemployment rate for the County is currently just under 1%.
- The average house price within Oxfordshire is £229,674.

(Source: Land Registry)

Development Land

There were no significant land deals in Oxfordshire in 2003 reflecting a severe shortage of sites especially for owner occupiers and smaller developers seeking to acquire plots of less than 5 acres.

Intense competition is experienced where sites are available in good

locations such as at the Dairy Crest site in Langford Lane, Kidlington which is currently on the market. Despite the current supply statistics for leasehold properties, developers and occupiers are keen to exploit the advantages of freehold developments where sites are available in well located positions.

Commercial Property Forecast for 2004

Despite the general economic downturn, Oxfordshire produced average take up figures for both office and industrial properties over the year 2003.

Rental levels continue to stabilise in both the office and industrial sectors. Rent free incentives have reached their peak and because of the lack of planned development in 2004, further Grade A take up may result in incentives reducing.

Spin out companies from the University of Oxford and Oxford Brookes University continue to be an important part of the local economy but funding availability remains the key issue.

More opportunities for freehold properties should be available in 2004 as developers find sites and focus upon these opportunities such as at Wootton Business Park to the south west of Oxford.

Take up levels are anticipated to remain static or increase slightly in tune with the general economic conditions. Larger relocations to Oxfordshire will continue to be constrained by employment and high housing costs.

Transactions in Q1 2004 have included 8,000 sq ft at Seacourt Tower to Yorkshire Bank and Grant Thornton and 24,400 sq ft at Park Square, Milton Park to Taylor and Francis.

The County investment market will continue to be tight. There will be a strong level of demand for well secured investments, at competitive yields.

There is strong interest from retailers for shop units in Oxford City Centre. The proposed completion of the Oxford Prison site in early 2005, comprising a hotel, 9 restaurants and a museum will create a boost to the tourist market.

VSL & Partners

Venables Sherrott Lockhart & Partners comprises 6 Directors with a combined experience of over 90 years in the Oxfordshire market. We are able to provide advice on all property matters including estate agency, valuation,

Landlord and Tenant, business rates and property management issues. We have an impressive level of market knowledge and experience enabling us to give the very best property advice and service to our clients.

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(Office data based on properties over 3,000 sq ft: Industrial data based on properties over 5,000 sq ft. Grade A property defined as brand new high quality specification buildings)