

# OXFORDSHIRE A34 COMMERCIAL PROPERTY SURVEY REPORT



## Review of 2009



**4440 Nash Court, Oxford Business Park**  
*A letting by VSL of 5,818 sq ft of offices on behalf of Goodman to Oxfordshire County Council*



**Units 12-20 Avenue One, Station Lane, Witney**  
*On behalf of Thames Water Pension Fund VSL leased 12,000 sq ft of warehouse space to Howdens Joinery on Witney's busiest industrial estate and sold 11,000 sq ft to Gomaco.*

## Summary

### Demand

- A very challenging year for both the office and industrial markets reflecting the wider economic situation.
- Office take up has fallen by 20% in 2009 to a total of 246,000 sq ft, which represents the lowest level of take up recorded.
- Grade A office take up has also fallen by 30% to 40,500 sq ft
- Industrial take up fell to 694,500 sq ft a decrease of 12% from 2008.

### Supply

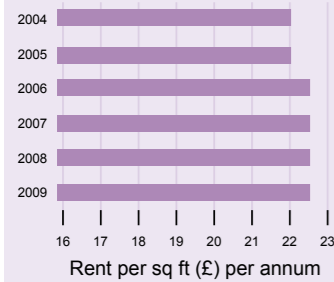
- Unlike other recessionary periods we have not seen a significant dumping of surplus property on to the markets due to a combination of low interest rates and the reluctance of banks to foreclose on businesses.
- Office supply increased by a small margin of 10% to 884,000 sq ft
- Grade A office supply fell by 10% to 105,000 sq ft with no new speculative schemes in the pipeline. The lowest level the survey has recorded.
- Industrial supply reached 2.35 million sq ft during 2009, an increase of 11% from 2008.

# Top rents and Incentives

Headline rents remain at £22.50 per sq ft but recognising the economic situation Landlords are willing to offer substantial incentives to secure a deal. 12-18 months rent free is now available on lettings of 5 years and above.

## Oxford 6 Year Rental Graph

### Grade A rents 2004-2009



**Cardinal House, Oxford**  
A letting of 4,500 sq ft to Weber BBQ's for an experience centre together with associated offices.

# Office Market in 2009

Office transactions fell by 20% to a total of 246,000 sq ft in 2009. Within that figure Grade A take up was 40,500 sq ft, a fall of 30% from 2008. It was also a year for smaller transactions with 75% of the total 26 transactions recorded being less than 10,000 sq ft.

It is notable that in 2009 transactions from the service sectors were significantly reduced with the majority of transactions occurring in the science and technology sector underlining the strength of Oxfordshire as a diverse market place.

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

<b>Vertex</b>	86-87 The Forum, Milton Park	41,500 sq ft
<b>Institute of Reproductive Services</b>	8000 Hailwood, Oxford Bus Park	22,133 sq ft
<b>Clarendon Enterprise Centre</b>	East Point Business Park	22,133 sq ft
<b>Kaspersky Labs</b>	97 Milton Park	12,562 sq ft
<b>P2i</b>	127 Milton Park	16,621 sq ft

Caution throughout the market has led to a lack of willingness to commit to expenditure associated with relocation and the market has been characterised by Landlords pulling out all the stops to retain existing tenants. Both take up levels and rents have suffered as a result, particularly in secondary locations.

Office supply has increased by 10% to 884,000 sq ft within which Grade A supply totals 105,000 sq ft, a decline of 10% from 2008. There is no new build currently under construction to replenish this stock and no sign of development for the foreseeable future.

## Clarendon Enterprise Centre

Clarendon Enterprise Centre (CEC) is an independent serviced office provider that entered into a management agreement with Palmer Capital on the refurbished East Point scheme taking 28,000 sq ft including Sandford Gate and 3 offices at Heritage Gate. The deal was completed in early summer 2009 and by end 2009 CEC reported occupancy levels of 80%. CEC are now Oxford's largest serviced office provider with other facilities within Prama House, Summertown, Belsyre Court, Oxford and Clarendon Centre, Oxford.



# Industrial Market in 2009

The market has been sluggish throughout 2009 with the local industrial property market suffering as a result of the wider economic downturn.

Industrial take up has declined 14% from 2008 to 694,000 sq ft. Industrial supply reached 2.35 million sq ft during 2009, an increase of 11% from 2008.

Similarly to the office market 2009 signified a breakthrough year for the high tech market with a number of transactions to the hi tech sector including 30,000 sq ft at Isis House, Transport Way Oxford to OSI Pharmaceuticals and the sale of the ex-Cooper Callas warehouse in central Oxford comprising 22,000 sq ft to United Therapeutics.



**7 Station Park, Witney**  
A letting to John Nicholls for Barclays Life Assurance of a 4,000 sq ft unit.

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

<b>Oka Direct</b>	170 Milton Park	101,000 sq ft
<b>Allmakes</b>	Unit 39 Milton Park	46,000 sq ft
<b>Fresh Direct</b>	Unit 2 Bicester Park	38,250 sq ft
<b>Thales</b>	1 Ashville Way Oxford	30,000 sq ft
<b>Precyle</b>	Hithercroft Road Wallingford	100,500 sq ft
<b>Greenstar</b>	Culham Science Park	22,000 sq ft

## Current Market Conditions

Difficult market conditions continued with demand levels remaining sluggish particularly in the trade warehouse sector which has been severely impacted by lower consumer spending but also in the B1/B2 manufacturing sector where high set-up costs remains a serious barrier to relocation.

Demand remains for low density sites with good yards but units with over developed site areas or inherent problems have remained vacant as tenants cherry pick the best space.

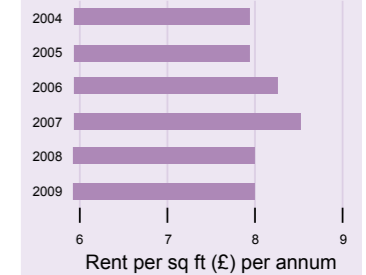
Demand in secondary areas is also weak with supply levels in these areas rapidly increasing. Oxford remains the main focus of demand for occupiers with limited availability of around 60,000 sq ft.

# Top rents

Prime rental levels are maintained at £8.00 per sq ft.

## Oxford 6 Year Rental Graph

### Grade A rents 2004-2009



**Ashville Trading Estate, Abingdon**  
On behalf of Falcon Property Trust VSL let 10,350 sq ft at Ashville Way to Space Cryomagnetics Ltd



#### Rowan Place, Oxford Business Park

A new 3 storey office development in Oxford's premier business park. Now available for occupation comprising 25,874 sq ft.



#### Oxford Industrial Park, Yarnton, Oxford

On behalf of USS, VSL are instructed to market units 1-5 Oxford Industrial Park totaling 45,000 sq ft of prime industrial accommodation close to the Oxford Ring Road.



Commercial Property Consultants

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## Development Land and Investment Market

2009 has provided little comfort for those involved in the investment and development land markets. The investment market has suffered from an overall liquidity issue. Lending has been very limited even on safe "rock solid" investments. Those with cash have made full use of a strong negotiating position to drive hard bargains. Only vendors with severe liquidity issues have sold due to necessity and values as a result have fallen sharply. Oxfordshire remains on the periphery of the downturn but has certainly not been immune.

Like the investment market the Oxfordshire land market has been driven by cash transactions. It has proved almost impossible to raise finance on undeveloped land and land values have certainly suffered as a result with prices at around 50% of peak values.

## Commercial Property Forecast for 2010

There seems no end in sight for the economic uncertainty with the banks refusal to lend causing waves of uncertainty.

It will be interesting to note whether in 2010 banks will start taking a more aggressive stance with outstanding property loans. This could have a significant impact upon property values. We foresee some limited impact upon Oxfordshire but this may have greater bearing in the wider areas.

There remains no prospect of any significant development in the area as the remaining pipeline predicting the recession becomes available. Will 2010 provide the green shoots for a recovering property values? The only way is up in 2010 with ongoing uncertainty it is likely to be a bumpy road 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. VSL & Partners were voted Oxfordshire's most active agent for the second successive year.



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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.