

OXFORDSHIRE A34 COMMERCIAL PROPERTY SURVEY REPORT



Review of 2011



Rowan Place, Oxford Business Park

VSL acted for Goodman in the letting of the ground floor of Rowan Place to Barlow Lyde Gilbert



Oxford Industrial Park

VSL acted for USS in respect of the letting of 30,000 sq ft of light industrial space to OMG Ltd

Summary

Demand

- Office take up increased by 20% to 277,500 sq ft, although excluding the 82,000 sq ft pre-letting to Centrica, take up fell by 15% to only 195,000 sq ft.
- Grade A take up was only 25,700 sq ft when excluding the pre-let to Centrica. Grade A supply now totals 66,400 sq ft and with no new speculative development on the horizon this will continue to fall.
- Industrial take up totalled 506,000 sq ft, a 27% decline from 2010 and the lowest level of take up recorded.

Supply

- Tenants are actioning break notices as a negotiating tactic to try and reduce their rent terms. This generally proves to be successful as Landlords fight hard to retain their income flow and avoid the potential of a rates liability on an empty building.
- Surplus stock returned to the market as local businesses take drastic action to try and reduce overheads.
- Total office supply has reduced to 750,600 sq ft which is a decrease of 10% from 2010.
- Industrial supply fell slightly by 5% from 2010 figures to 2.27 million sq ft. during 2011.

Top rents

Grade A rents remain at £22.50 per sq ft. Rent free incentives have now stabilised and are typically between 18-24 months rent free for a lease term of 5 years and above.

Oxford 8 Year Rental Graph

Grade A rents 2004-2011



Centrica, Oxford Business Park
A new design and build HQ for Centrica will EPC A and Breeam Excellent ratings. VSL acted for Goodman in respect of this letting.

Office Market in 2011

We started 2011 optimistically thinking that the market might begin to improve only to come back from the summer break to face the realities of the Euro zone crisis. Business in Oxford on the whole seems stable and whilst there are undoubtedly signs of despair there are also many encouraging signs. The year was definitely brightened by the great weather in April and the Royal wedding, but this also seemed to bring the summer break forward and activity occurred mainly at the beginning and end of the year.

Major office deals in 2011 over 10,000 sq ft:

Centrica	Oxford Business Park	82,000 sq ft
Sunguard	100 Milton Park	17,836 sq ft
RPS	20 Milton Park	15,000 sq ft
Oxford University	Second Floor, Beaver House, Oxford	17,127 sq ft
Open Doors	Deer Park Road, Witney	21,960 sq ft

Oxford City Centre continues to perform strongly with a lack of office space and good demand from businesses associated with the University that will not move to more preferable locations even with a significant rent differential.

Total office supply decreased to 750,600 sq ft, a drop of 10% from 2010. As expected Grade A stock shrunk further to 66,400 sq ft, a fall of 28%.

There are still plenty of attractive rent free incentives but it is all too easy for businesses to remain in their current premises rather than to relocate and face the inevitable moving costs particularly whilst economic uncertainty still remains.

Ebor House

VSL acted for Oxford City Council to sell a freehold self contained office building of 10,625 sq ft. Following competitive interest from a number of parties, the freehold sale was agreed to IFES/UCCF, a Christian student organisation at a price of £3.25 million.



Industrial Market in 2011

Industrial take up stalled, only reaching 506,000 sq ft in 2011.

The lack of new development led to a squeeze on availability of smaller units with stock running low and no prospect of development.

Continued improved demand from export focused components with particular demand from specialist engineering sectors but lower demand from distributors for the Didcot area.

Rents received from pre-recession levels but values are still lower especially in the more secondary towns around the region.

Major Industrial deals in 2011 over 20,000 sq ft:

Ocado	Stanford in the Vale	47,000 sq ft
Panalapina	Unit 180, Milton Park	102,000 sq ft
Travis Perkins	Network Oxford	21,000 sq ft
Ambic	Station Lane Witney	21,000 sq ft
OGM	Oxford Industrial Park	45,000 sq ft
Clearwater Hampers	34 Milton Park	22,000 sq ft

Current Market Conditions

The industrial stock remains high at 2.27M sq ft and is still dominated by large unit availability in South Oxon. There is almost no available land supply which has led to concern over forced relocations such as First Line from Bicester to Banbury. A two tier market is apparent in the industrial sector. Those companies focused on customers outside of the UK have generally performed well. Businesses that have a UK focus, particularly at the retail or consumer demand market have, generally struggled unless they service a quality, unique market.

A return to speculative industrial development is still unlikely partly due to continued risk aversion of the funding institutions but also due to continued value pressure in the investment market.

Station Lane, Witney

Acting for ING Real Estate, VSL have let 21,000 sq ft in Station Lane, Witney to Ambic Ltd



Top rents

Prime rents are unchanged although incentive levels have reacted to the market conditions and showing signs of declining.

Rental Graph

Grade A rents 2005-2011



Arena 14, Bicester
Letting of 3,500 sq ft new build unit to Kleeman Lifts.



36 Milton Park

On behalf of Clearwater Hampers, VSL acquired 36 Milton Park, Abingdon, a 22,000 sq ft building from MEPC on very competitive terms.



16 Station Lane, Avenue One, Witney

The letting of 6,500 sq ft of space to Laura Accessories on behalf of CBRE Global Investors.

Development Land and Investment Market

Oxfordshire Science Vale Enterprise Zone - On the 17th August 2011 the Government announced that a new Enterprise Zone was to be created for our area and will be known as the Oxfordshire Science Vale Enterprise Zone. The Oxfordshire Local Enterprise Partnership are to be congratulated for their work in promoting this bid which designates Enterprise Zone status to an area of 92 hectares in South Oxfordshire. The Enterprise Zone is actually split across two locations. 64 hectares in the Harwell International Business Campus and 28 hectares in Milton Park. It is forecast that by 2015 a further 8,400 high-tech /high value jobs will be created generating an additional £4 million of business rates per year which will be invested in the local area. It is hoped that around 200 businesses will be attracted to the area due to the location and technology market sector clustering. The advantages of Enterprise Zone status include simplified planning rules and a commitment from the Government to invest in a superfast broadband network. More importantly for businesses there are business rate discounts equating to a maximum of £55,000 per annum for a period of five years. All new business rates generated within the Zone for a period of 25 years will be retained by the local area and reinvested to generate more economic growth. It could be argued that Science Vale UK is already a global hotspot for enterprise and innovation in science and therefore is not in need of regeneration or investment. The Enterprise Zone primarily relates to development land and any new occupier will therefore be looking at a Design and Build solution. This is likely to be more costly than an existing building, despite the business rate savings, unless the building has some specialist function. The focal intention of this specific Enterprise Zone is to raise the global profile of the Science Vale area and hoping to attract international investment which is seen as a core priority by the Government. With the global economy in turmoil this is likely to be a hard sell but the appeal of Oxfordshire cannot be underestimated. We consider the targets set are optimistic but time will tell and 2015 is already on the horizon.

Commercial Property Forecast for 2012

2011 proved a difficult year for both office and industrial sectors. The Eurozone crisis at the end of 2011 dented business confidence but supply levels in the industrial sector appear limited which should lead to some rental growth and, perhaps longer term, finally some potential for new development in the industrial/warehouse sector. Joined up thinking and master planning between Oxford City/Oxford County Council and the other local authorities for infrastructure and planning will help to add stability in the local market and also ensure a strategic approach to development.

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.

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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.