

Oxfordshire A34 Commercial Property Survey Report



Review of 2014

Summary

Demand

- Office take up showed an 83% increase on 2013 to 423,700 sq ft. This is significantly above the 5 year average of 260,000 sq ft. It is the highest take up since 2007.
- Activity in the industrial sector was more subdued compared to 2013 with take up of 721,000 sq ft however this is still 60,000 sq ft above the 5 year average.
- Average transaction size for industrial in 2014 is 15,500 sq ft whilst for offices the average was 10,594 sq ft with over 40 transactions recorded in the year for both offices and industrial.
- Incentive levels reduced in both office and industrial sectors with rental growth in prime locations.

Supply

- Whilst take up has been strong, supply of office stock only reduced over 2013 by 1% to 673,000 sq ft with the majority of newly available stock within the Oxford ring road.
- Industrial supply reflects strong demand and is at a new 8 year low of 1,218,000 sq ft compared to 1,487,000 sq ft, an 18% drop on 2013.
- All Grade A supply (new) of office stock is at Milton Park (101/102 Park Drive) a total of 50,000 sq ft although only 18,000 sq ft of 101 Park Drive is now available.
- There is no Grade A supply (new) of industrial stock in the market.



Spires House, Oxford Business Park

Acting for Goodman, VSL let 14,000 sq ft to Jazz Pharmaceutical. This is one of a number of long standing vacant buildings to be let or sold in 2014.



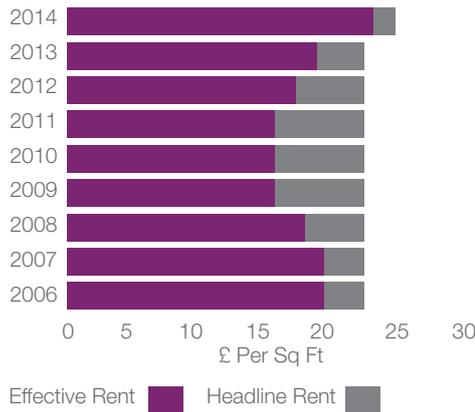
Crowcon, Milton Park

VSL advised Crowcon on a relocation from Abingdon to a 45,000 sq ft new design and build high office content warehouse facility at Milton Park

Top Rents

Grade A headline rents have driven forwards to £25.50 per sq ft following a letting to Qinteq at Park Drive, Milton Park although this should be qualified by business rates benefits from within the Enterprise Zone. Effective rents (after incentives) have also increased.

Office Rent Graph for 2014



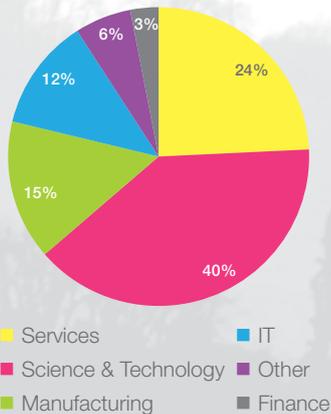
NB Effective rents take into account tenant incentives



Canvas

Sold in December 2014 to Smeg. This building of 43,000 sq ft will now be occupied for the first time since 2001.

2014 Office Take up by Sector



Office Market in 2014

Office take up exceeded levels last seen in 2007 with total take up of 423,800 sq ft and an 83% increase over 2013. Market activity started to rebound strongly in April 2014 on the back of stronger economic data in the press. Increased business confidence translated into property deals and the reducing supply of quality stock saw many buildings taken up that had previously remained empty for some time. Activity tailed off over the summer and into the early autumn only to finish with a surge of activity late into December. Many of the larger deals recorded reflect the strength of the hi-tech market. The majority of activity was recorded in the South Oxfordshire area, specifically Milton Park. The vast majority of deals (97%) are also to existing Oxfordshire businesses reflecting the relative insularity of the Oxfordshire market.

Major office deals in 2012 – Over 10,000 sq ft

Company	Address	Area (sq ft)
Smeg	Canvas, Abingdon Business Park	43,000 sq ft
Oxford Bio-Medica	Windrush Court, Oxford	50,000 sq ft (net)
Immunocore	90/91/93 Milton Park	78,600 sq ft
Smart Garden Products	P2 South Abingdon Science Park	14,900 sq ft
GKN Hybrid Power	P1 South Abingdon Science Park	16,200 sq ft
Jazz Pharmaceuticals	Spires House, Oxford Business Park	14,100 sq ft
Oxford Nanopore	Florey House, Oxford Science Park	15,000 sq ft
Ipsen	Building 102, Milton Park	27,588 sq ft

Current Market Conditions

New build activity is still limited to Milton Park where Building 101 and 102 were available for almost 12 months prior to the letting of 102 to Ipsen in December. Despite the record take up and lack of other new build it was a surprise that stock levels only declined by 1%. This is more surprising when almost 100,000 sq ft of stock is factored in that which was removed for conversion to residential development under Permitted Development regulations introduced in 2013. Stock levels have been replenished through a mixture of both private companies and public bodies consolidating to make further efficiency savings. It is our prediction though that 2015 will see significant shrinkage of stock as take up levels continue.

A34 Corridor Office Supply & Take Up



Industrial Market in 2014

Take up levels in the industrial market continued to impress with demand levels remaining positive throughout 2014. Whilst take up of 721,000 sq ft fell short of 2013 (849,000 sq ft) it exceeded all other years back to 2008. Supply levels are at a low with similar levels last seen in 2007 and reflecting the wider improvement in business confidence. Supply of accommodation around Oxford reached an historic low of just 168,000 sq ft with over 50% of this figure within a single unit at Oxford Business Park. Strong demand levels around Bicester has proved a highlight and at various stages of 2014 there was no supply in this market. No new product was delivered in 2014 which has further compounded the supply issues. 80% of transactions recorded were to existing Oxfordshire based businesses.

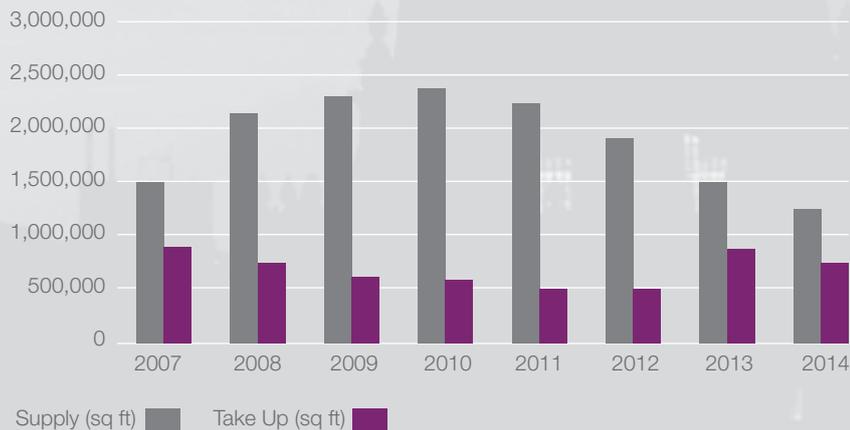
Major industrial deals in 2014

Better Bathrooms	Prologis, Purchas Road, Didcot	166,500 sq ft
Crowcon	Brook Drive, Milton Park	45,000 sq ft
Annie Sloan Paints	1 Ashville Way, Cowley	34,000 sq ft
Foam Company	Eyston Way, Abingdon	17,100 sq ft
Airline Components	1 Blacklands Way, Abingdon Business Park	10,741 sq ft
Reaction Engines	Didcot Park, Southmead, Didcot	19,100 sq ft

Current Market Conditions

Demand remains quite buoyant with improved confidence noted in the high-tech and manufacturing markets as well as the return of demand within the trade/warehouse sector. Many trade operators have struggled to find appropriate space around the region due to the lack of main road frontage sites and suitable properties can now command significant rental premiums. Only a single scheme by Kier Property is in the pipeline for development in the immediate Oxford area during 2015 although another small scheme is also due for completion at Westcott Venture Park near Bicester. These developments are unlikely to prove to be of sufficient scale to satisfy demand levels and our forecast is for improved rental growth as the supply of stock continues to diminish.

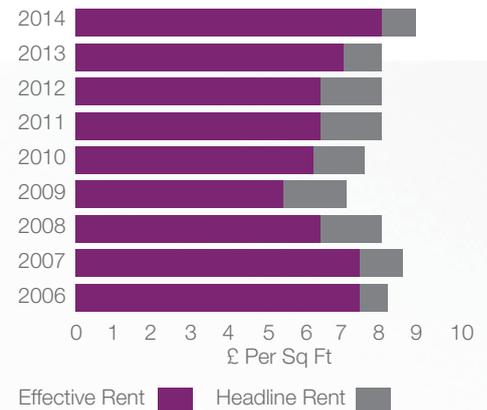
A34 Corridor Industrial Supply & Take Up



Top Rents

Headline rents reached a new high of £9.00 per sq ft in Oxford, which demonstrates the market is moving forwards.

Industrial Rent Graph for 2014



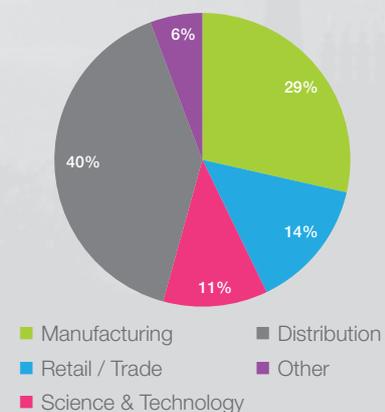
NB Effective rents take into account tenant incentives



Blacklands Way

Letting to Airline Components including a new letting of 10,741 sq ft with a new lease on 8,000 sq ft of existing space.

2014 Industrial Take up by Sector





P1 / P2 The Pentagon
Abingdon Science Park

VSL acquired two office/hi-tech buildings at Abingdon Science Park for a private client and subsequently let one unit to GKN Plc.

VSL and Partners is an independent Oxford based 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:-

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Permitted Development – Good or Bad?

In 2014 we calculated that nearly 100,000 sq ft of offices, predominantly around Oxford, were sold for conversion to residential use under the Permitted Development regulations. In our opinion these were all office buildings which had exceeded their economic life span. Further refurbishment was unlikely to be viable and the buildings would have continued to sit empty and misrepresent the true supply statistics. Ultimately this should lead developers to feel more confident about new build development.

No Pain - No Gain...

In October 2014 Oxford came to a standstill as roadworks around the city paralysed traffic creating "carnageddon"! We do not feel Oxford is significantly different from other urban areas but these and future planned works will continue to hamper Oxford's businesses for some time. Oxford Transport Strategy is out for consultation during March 2015 to consider innovative ways of managing Oxfordshire traffic flows including new Park and Rides and bus /tram routes.

Westgate – Green Light to the Transformation of Oxford

25th November 2014 marked a momentous event in Oxford's history when Oxford City Council agreed to grant planning permission for the redevelopment of the Westgate Centre. The current Westgate Centre was opened in 1973 and included a new Selfridges and Sainsburys. For the last fifteen years or more the redevelopment of this 1970s edifice has been debated between developers and planners. At last we are likely to see work start on this long awaited redevelopment in 2015 with the new 800,000 sq ft 21st Century shopping experience opened by late 2017.

The Westgate Alliance, a JV between the Crown Estate and Land Securities is likely to spend £500m on this redevelopment which will ensure that Oxford City Centre has a retail venue to rival all its neighbouring centres. Together with the new rail developments this will be a game changer for Oxford and a catalyst for further redevelopment focused on Oxford city centre which for many is an embarrassment to a city which is otherwise blessed with architectural gems. As we have reported in the past these changes do not come without some pain as we are currently experiencing with the ongoing traffic infrastructure works. However in the medium term we believe we will see Oxford thrive as a dominant regional commercial centre once again.

Oxfordshire Local Economic Partnership – Strategic Economic Plan

In February 2014 the Oxfordshire LEP published the new Strategic Economic Plan (SEP) setting out its ambition for accelerated economic growth by 2030. It predicts 85,000 new jobs in the area by 2030 and focus on four key strengths of Innovative Enterprise, Innovative People, Innovative Place and Innovative Connectivity. The SEP aims to deliver a gross added value of £1 billion.

In January 2014 the Oxford and Oxfordshire City Deal was signed which provides £55.5 million towards four new innovation centres, three new transport schemes, 500 new apprentices and the accelerated delivery of 7,500 homes across the County. This funding is to be added to by further monies from Growing Places Fund and European money.

Notes

Office data based on transactions in excess of 3,000 sq ft NIA.

Industrial data based on transactions in excess of 5,000 sq ft GIA.

VSL Oxfordshire A34 Commercial Property Reports focus on the central Oxfordshire area and excludes Banbury and Henley.