



# VSL



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**OXFORDSHIRE A34  
COMMERCIAL PROPERTY  
MARKET UPDATE 2017**



# Welcome to the VSL 2017 Oxfordshire/A34 Commercial Market Update. It has been a year dominated by the 'technology and science' sector, record take up figures and new high rental levels. Oxford and Oxfordshire are now on a clear forward trajectory with innovation at the heart of this economic growth.

Both the office and industrial markets have recorded record take up figures for 2017. The office take up was just short of 500,000 sq ft for the year and exceeded the previous record set in 2007 and a 50% increase over 2016. The industrial take up reached just over 1m sq ft overtaking the record level previously set in 2016. Supply levels increased slightly in the office market mainly due to further business consolidation and release of existing stock. The industrial market stock level remained fairly constant equating to approximately 1 years demand.

The biggest impact of the year has been the dominance of the technology and science sector. We recorded 70% of all office transactions and 23% of all industrial transactions attributed to the innovation sector.

So what is driving this demand? In our opinion it is a combination of factors but there is a clear environment for entrepreneurship and innovation emanating from the Universities, which is closely backed by newly available finance from Oxford Sciences Innovation plc and others. Success also tends to breed success and a number of companies are now emerging to dominate at the larger end of the market such as Immunocore and Apdaptimmune at Milton Park and Oxford Biomedica and Oxford Nanopore Technologies in Oxford.

One of Oxfordshire's key strengths is the diversity of the local economy. There is still a significant proportion of public sector employment especially in Oxford within the Local Authorities, Universities and Hospitals. Exciting new sectors are now emerging and likely to make a big impact in the future such as autonomous vehicles, battery technology and imaging and fusion technology. Combined with this is the strength of existing business including the commitment by BMW to produce the new Electric Mini at Cowley with production due to start in 2019. One of the reasons that Oxfordshire is at the forefront of all these industries is that many are directly related to the continued dominance of Oxford University in the Times Higher Education World University Rankings.

The Oxfordshire LEP continues to bang at the door of Westminster and is acknowledged as being the most successful LEP in the Country (CoStar LEP Activity Index). Local Government reorganisation now seems to be more settled with the emergence of the Growth Board as the umbrella organisation seeking to steer Oxfordshire in the future through the development of a Joint Spatial Plan. The Government seem to have acknowledged Oxfordshire's growth potential and the 2017 Autumn Budget Statement yielded a total of £215m for the Oxfordshire Housing and Growth Deal to assist with the infrastructure required to deliver the 100,000 new housing units and 85,000 jobs required by 2031. Over 40,000 new jobs have already been created since 2010.

If you have visited Oxford since 24th October you can't help but have noticed the new Westgate Centre. Oxford now boasts 800,000 sq ft of new retail and leisure space which has transformed the City Centre (for the better, we think). The city centre itself is now going through a transformational period following this seismic event and the aftershocks have led to a few vacancies but also the opportunity for redevelopment. Generally new retailers are moving in, foot fall in Oxford is up significantly and it is a welcome addition to a city centre that has been overcrowded for the last few years.

And finally, the end of 2017 marked VSL's 15th anniversary. We were awarded the EGI 'Most Active Agent' for the 8th year running. We aim to create value for clients by combining industry acumen with detailed market knowledge and research. In 2017 VSL transacted 19 office deals and 20 industrial deals equating to a 40% market share for both sectors. We look forward to continuing this form into 2018.

# Key Transactions 2017



## Office Transactions ■

- 1** Danby Building, Oxford Science Park  
55,000 sq ft purchased by Oxford Nanopore
- 2** 95 Milton Park, Abingdon  
Pre-let of 53,000 sq ft to Immunocore
- 3** 143 Milton Park, Abingdon  
Pre-let of 27,000 sq ft to Oxford Immunotec
- 4** 4-10 Quadrant, Abingdon Science Park  
22,496 sq ft let to PsiOxus
- 5** Carterton  
Pre-let of 20,000 sq ft to AirTanker

## Industrial Transactions ■

- 1** Southmead Industrial Estate, Didcot  
Accord Healthcare purchased 223,212 sq ft
- 2** 21 Blacklands Way, Abingdon Business Park  
Letting of 31,904 sq ft to Alere
- 3** 39 Milton Park, Abingdon  
46,075 sq ft acquired by Adaptimmune
- 4** Link 9, Bicester  
Pre-sale of 80,000 sq ft to Bakels
- 5** Oxford Industrial Park, Oxford  
25,714 sq ft let to Oxford PV

# Office Market

2017 was the best year on record for the Oxfordshire office market. VSL recorded a significant 50% increase in take up in 2017 which makes it the best year on record with a total take-up now reaching 488,999 sq ft. The headline feature for 2017 has been the continued advance of the science and technology market in Oxfordshire.

We have recorded 58% of all office transactions being within the science and technology sector as a consequence of the Universities increasing their commercialisation of intellectual property and significant pools of funding being available for these new businesses. This market now represents 70% or 342,000 sq ft of all take up in the year. Somewhat surprisingly supply levels have also increased over the last 12 months by 10% to 672,000 sq ft mainly due to the continued consolidation and relocation of tenants from larger buildings in the area. A further 175,000 sq ft of new speculative stock is under construction but not yet completed so does not feature in our current statistics.

Associated with the innovation sector, is the success at The Oxford Science Park which was suffering from significant amounts of available space at the beginning of the year. Transactions to

Oxford Nanopore and IIVI Plc have seen their availability reduce significantly. The new speculative development at 141, 142 and 143 Milton Park comprising 110,000 sq ft is also progressing well with a significant proportion already pre-let or under offer prior to completion in early 2018.

Oxford is the focus of considerable attention from Whitehall and the announcement in the Autumn Budget Statement of £215m of funding towards its infrastructure will further improve the prospects for this area. We are confident of the continued expansion of the technology sector and its positive impact on the commercial property market.

Prime office rental levels have now reached £30.00 per sq ft in refurbished office space in Oxford city centre which will give further encouragement to developers to consider future development.



A further 175,000 sq ft of new speculative stock is under construction.





# Industrial Market

The Oxfordshire/A34 market continued to power forwards during 2017. Total take up reached 1,155,000 sq ft, the best year for take-up since 2003 and significantly above the 10 year average of 760,000 sq ft. The figures are even more impressive given the lack of supply of quality industrial buildings. Current supply totals just 1,055,000 sq ft, approximately 50% of the 2003 supply figure.

The science and technology sector continues to drive demand and now totals some 30% of total transactions which is similar to the level recorded in 2016 but a huge increase over 2015 (5%). A stable funding platform for University spin-out technology businesses, coupled with a willingness for Landlords to consider more flexible lease terms has driven both take up and rental growth with this trend looks set to continue well into 2018.

No industrial development schemes completed during 2017 and this exacerbated the lack of supply of quality stock. New speculative schemes are now belatedly underway with Bicester the focus of much of the new development. Albion Land is speculatively developing some 146,000 sq ft at its Network Link 9 scheme in Bicester with DB Symmetry also speculatively developing a unit of 110,000 sq ft alongside the pre-sale to Bentley Designs at Symmetry Park. Rockspring/XLB's new Foxcombe development at Abingdon Business Park (50,000 sq ft) alongside the completion of the Grange Court scheme

at Abingdon Science Park (30,500 sq ft) and Zephyr at Harwell (37,000 sq ft) means that 2018 is likely to deliver over 400,000 sq ft of new speculative floor space. 2018 should provide the highest delivery of new build supply since 2003.

Headline rent levels have continued to move upwards albeit at a more consistent pace than 2016. High office content units best suited to the technology market have been the driver for rental growth over the year. Rents at Oxford Industrial Park reached £12.00 per sq ft following the 25,000 sq ft letting to Oxford Photovoltaics. The trajectory of rental growth for more traditional distribution and trade units has been steady but rents still remain at record highs.



2018 should provide the highest delivery of new build supply since 2003.



# Office Market Key Stats

Office take up to  
**488,999** sq ft **58%**

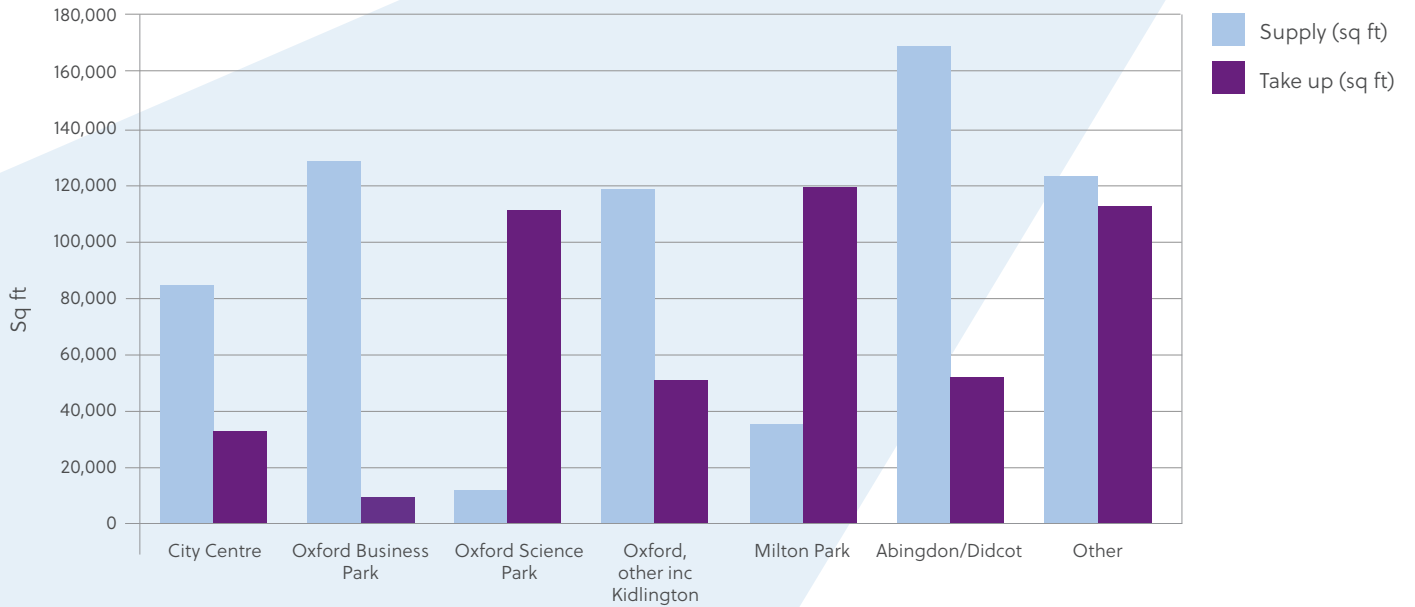
Office supply to  
**672,807** sq ft **10%**

Average transaction size  
**9,225** sq ft **20%**

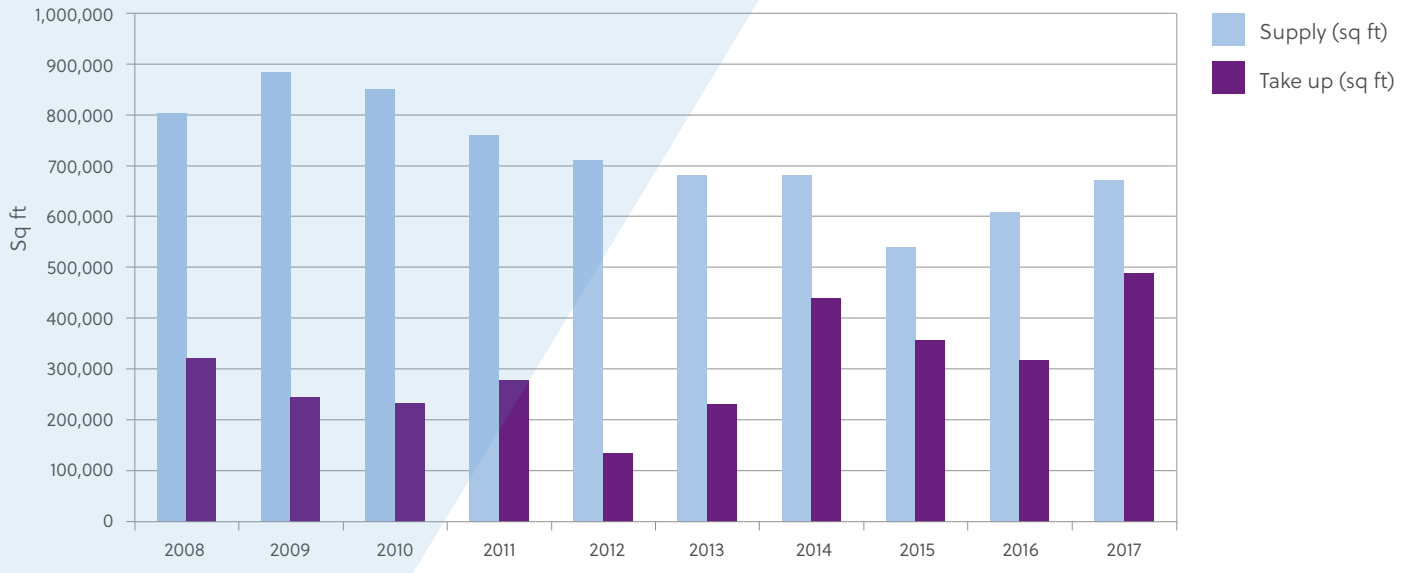
Total transactions  
**53** **82%**

Science and Technology sector activity  
**342,000** sq ft = **70%** of all take up

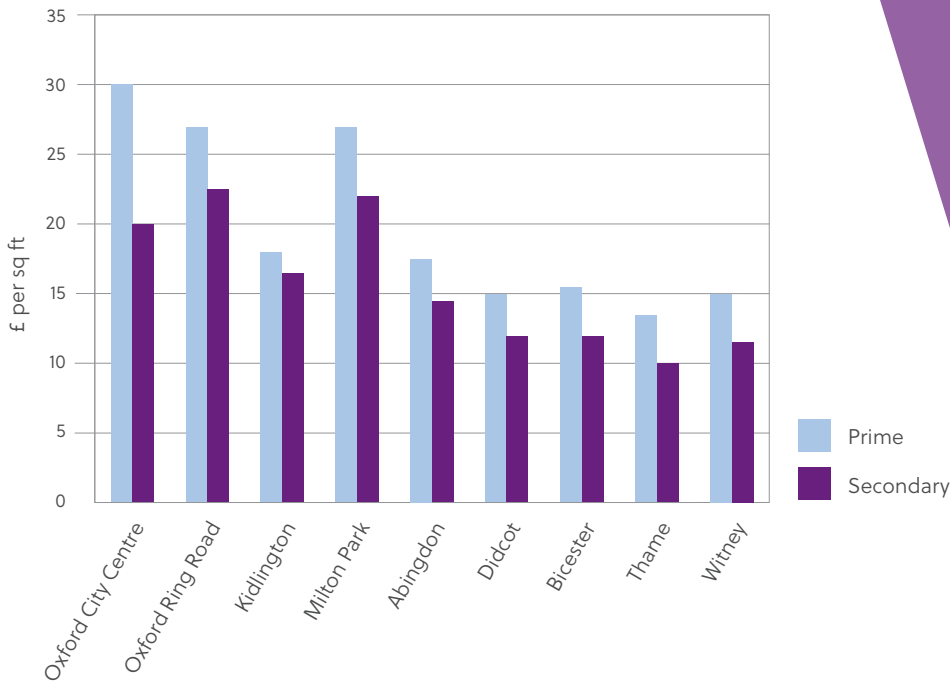
2017 Office Supply & Take Up by Town



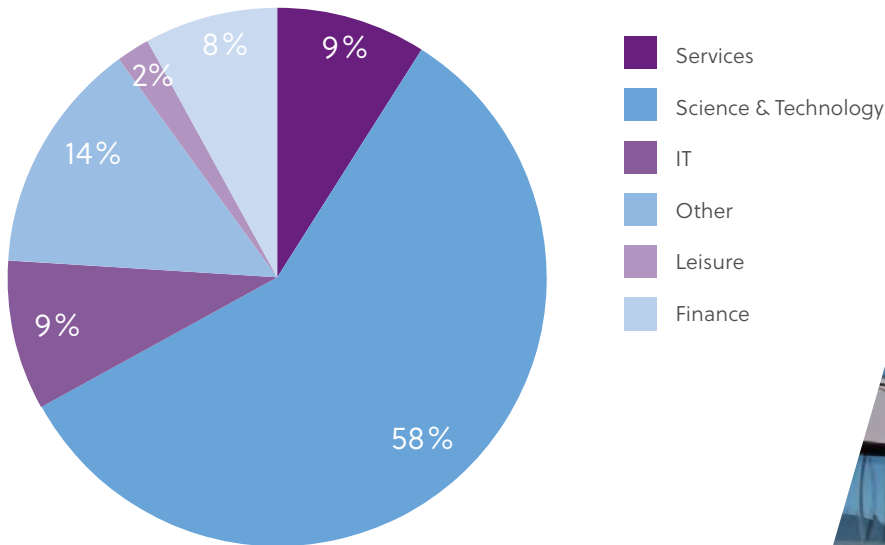
A34 Corridor Office Supply & Take Up



## 2017 Office Rents



## Office Take Up by Sector (No. of Deals)



Statistics based on lettings during 2017 for offices in excess of 3,000 sq ft.



# Industrial Market Key Stats

Industrial take up to  
**1,155,000** sq ft **6%**

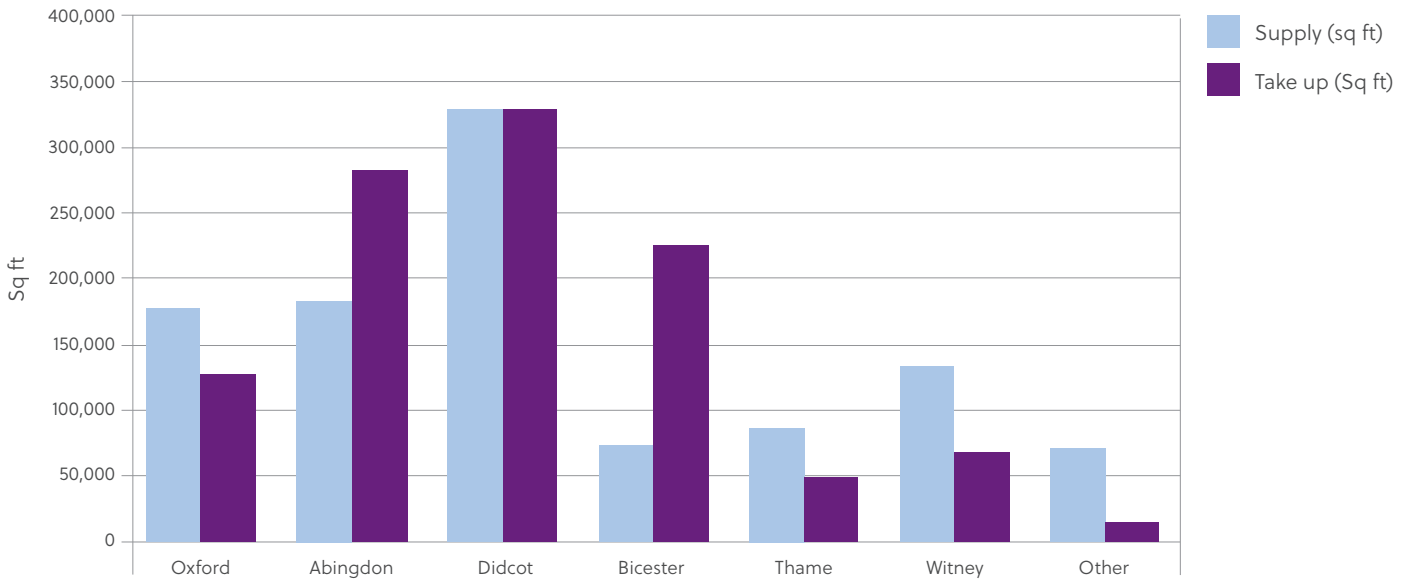
Industrial supply to  
**1,055,000** sq ft **5%**

Average transaction size  
**23,500** sq ft **17%**

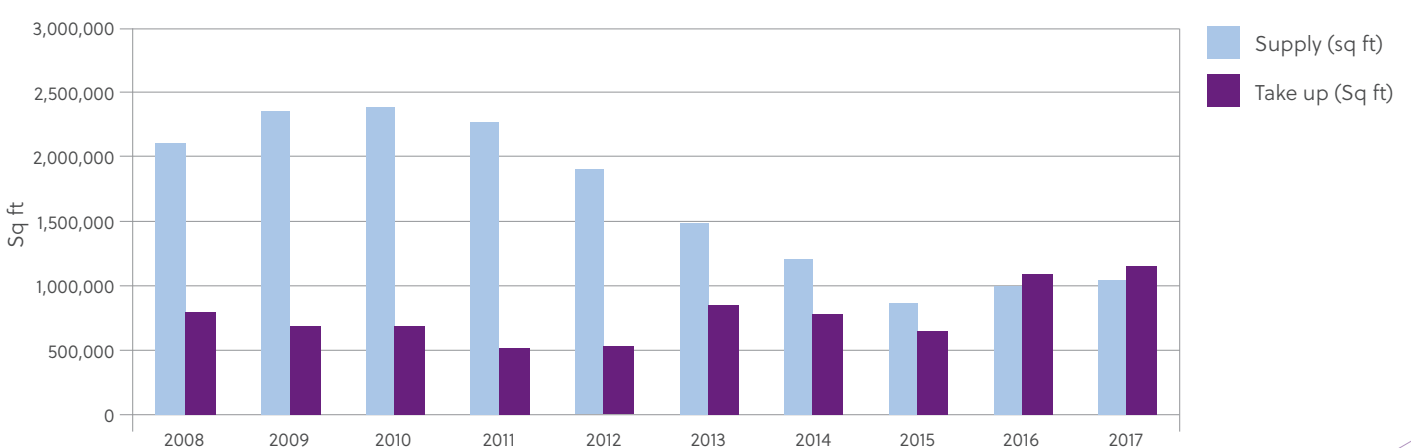
Total transactions  
**49** **25%**

Science and Technology sector  
**266,000** sq ft = **23%** of all take up

2017 Industrial Supply & Take Up by Town

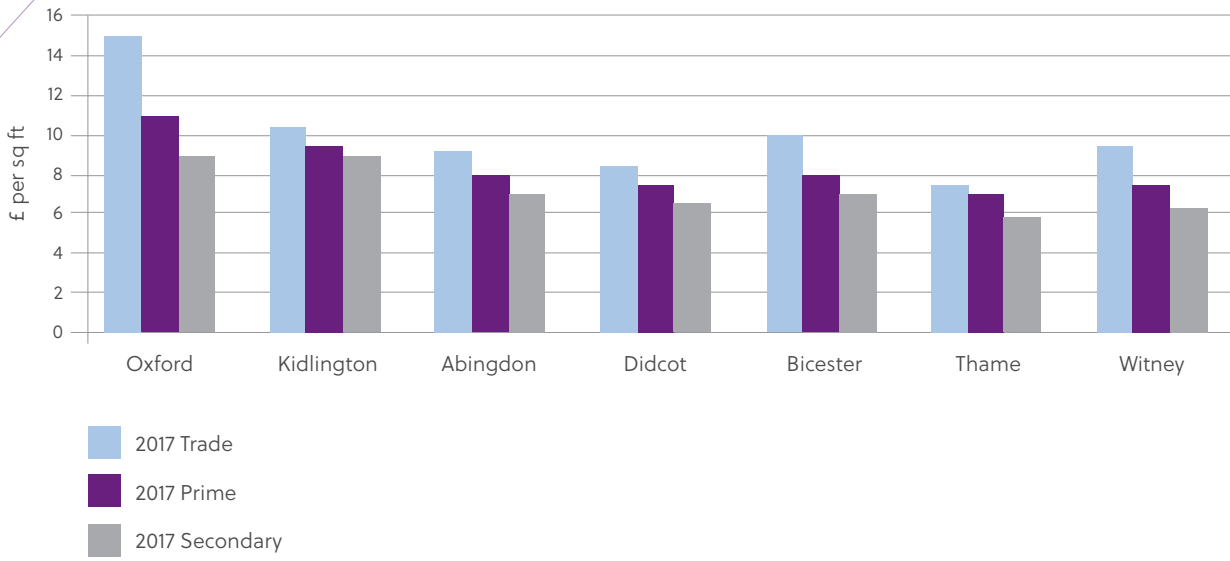


A34 Corridor Industry Supply & Take Up

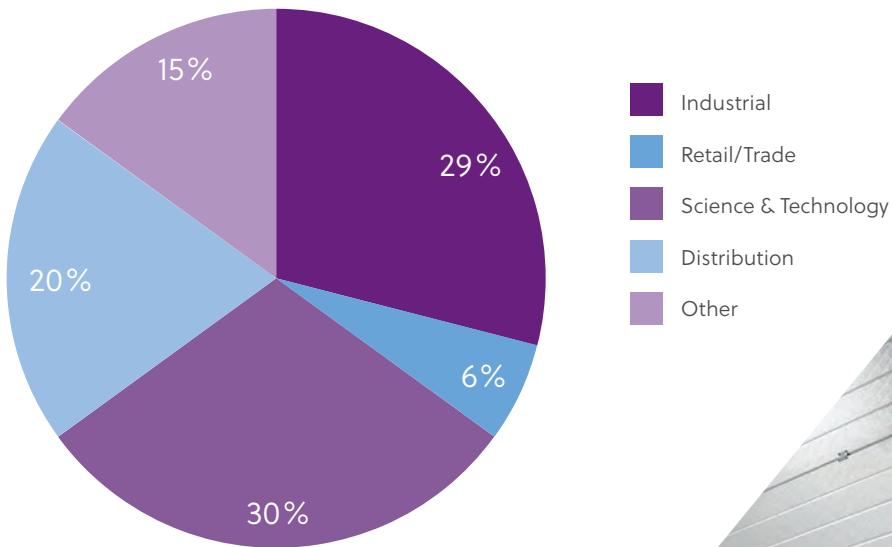




## 2017 Industrial Rents



## 2017 Industrial Deals by Sector



Statistics based on lettings during 2017 for industrial units in excess of 5,000 sq ft



# Investment Market

2017 was a strong year for the Oxfordshire investment market with a number of major investment deals in the business park sector signifying a vote of confidence in prospects for stability and rental growth within the Oxfordshire office and technology marketplace.

## Investment Deals

Address	Size	Price	Yield	Purchaser
Stratton Court, Abingdon	33,080 sq ft	£4.665 million	8.27%	Undisclosed private investor
DC1 Purchas Road, Didcot	166,500 sq ft	£17.248 million	6.35%	Tritax Big Box Reit
Oxford Business Park	-	Not disclosed	-	TPG Real Estate - part of portfolio sale
Milton Park (50% purchase)	3,500,000 sq ft	£200 million	-	CPPIB
Buxton Court	19,695 sq ft	£6.625 million	5.43%	Martin's Properties

The largest deal was the 50% investment in Milton Park by the Canada Pension Plan Investment Board (CPPIB) for £200 million from Hermes Investment Management. Milton Park is at the forefront of the office and industrial transactions in the local market with over 20% of recorded office deals during 2017 and a tenancy void of around 1% during the year. The Park is the location for Oxfordshire's largest ever single speculative scheme known as Park Drive East which is due for completion during the early part of 2018.

The North Americans have also been active in Oxford with TPG Real Estate purchasing the Goodman assets at Oxford Business Park as part of the £450 million Arlington portfolio. The rebranded Arlington are now planning large scale investment into the Oxford Business Park to include new amenity facilities as well as the refurbishment of existing office space.

The purchase in December of Buxton Court in Botley by Martin's Properties was further evidence of the strong attraction of Oxford for London based investors. The building was let to the University of Oxford for a further 7.7 years in a location currently experiencing solid levels of rental growth.







VSL & Partners produces market reports providing a valuable insight into commercial property market activity in the Oxfordshire region. For further information or to speak to one of VSL & Partners experts, please call 01865 848488 or visit [www.vslandp.com](http://www.vslandp.com)

### About VSL & Partners

VSL & Partners was formed in 2003 by five leading Chartered Surveyors dealing with commercial property in the Oxfordshire area to provide clients with an unrivalled local and regional advice.

The company now has the largest dedicated commercial property agency team in Oxford with other services including: Commercial Property Lease Advice, Valuation, Consultancy, Technology Company Advisors and Business Rates Appeals.

VSL is recognised by The Estates Gazette online service – EGi as Oxfordshire's most active agent accolade and deal maker of the year for 2017.



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