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**OXFORDSHIRE A34
COMMERCIAL PROPERTY
MARKET UPDATE 2018**

Welcome to the **VSL 2018 Oxfordshire/ A34 Commercial Market Update**. Once again it has been a year dominated by the 'science and technology' sector. However, this year take up figures were tempered although rents keep climbing. The Brexit debate locally is most concerned with it's impact on foreign academics, researchers and other works rather than trade but we're not going to get start forecasting on that issue...

Locally the big issue continues to be Oxfordshire's creaking infrastructure and how this will cope with the housing growth trajectory. The Oxfordshire Growth Board is preparing a Joint Strategic Spatial Plan which will create a more collaborative approach between our Local District Councils, County Council and LEP. Current focus is on the thorny issue of the OxCamb Expressway and how rail infrastructure can be improved, such as the Cowley Branch line.

There is universal agreement amongst the property profession that 2018 was a quitter year and this is born out in the take up figures. Both Office and Industrial take up declined by 35% and are just below the 5 year average. Supply of available buildings has dropped marginally with a reasonable level of new build stock entering the market to balance the figures.

The most striking change is the amount of space taken up by the science and technology sector in the industrial sector which has increased from 23% (266,000 sq ft) to 65% (486,000 sq ft). In the office sector this has remained steady at around 65%. These figures continue to show the importance of this sector but also how science can adapt to all types of property. Industrial units often provide a more flexible and cost-effective solution allowing for an easier fit out.

Many of the technology spin out companies desire to stay in the centre of Oxford for access to University departments and employees. We are now finding that they are prepared to look further afield to the ring road and beyond. Ultimately this is dictated by the fact that there simply isn't the stock available in the centre of Oxford and any new schemes are still some years away. A JV partner has still to be announced for Oxpens which is likely to be dominated by

residential buildings. Another factor is that the out of town business parks are providing more on site amenities to create a more vibrant environment.

Co-working has been one of the buzzwords in many cities but Oxford has not picked up on this trend yet. There are examples such as The Foundry, but this is reserved for University students. WeWork or similar has yet to find suitable premises in Oxford although there is still a good supply of traditional serviced offices. Once again it is lack of central Oxford stock that limits this.

VSL has continued its dominance of the Oxford Commercial transaction market. We transacted 12 office deals equating to 38% of total take up and 19 industrial deals equating to 42% of the total take up. We were awarded the EGi 'Most Active Agent' for the 9th year running and this year won the inaugural CoStar Oxfordshire Dealmaker Awards for Office and Industrial for number of transactions and total take up. 2019 is shaping up to be a busy start to the year and we wait to see how much of an impact the 'B' word will have.



Key Transactions 2018



Office Transactions ■

- 1** Schrodinger Building (5 deals), Oxford
51,149 sq ft
- 2** Building One, Abingdon Business Park
27,379 sq ft to Gigaclear
- 3** Building 142, Milton Park
18,759 sq ft to Research Machines
- 4** Linacre House, Jordan Hill Business Park
18,898 sq ft let to Oxford Nano Imaging
- 5** Hanborough Business Park
Pre-let of 20,000 sq ft to NSF

Industrial Transactions ■

- 1** OxBox, Oxford Business Park
82,139 sq ft let to Oxford BioMedica
- 2** A2 Symmetry Park, Bicester
110,000 sq ft let to Medline
- 3** Former Harmsworth Building, Didcot
215,450 sq ft let to Rebellion
- 4** 175 Milton Park
22,987 sq ft let to NHS Ambulance Trust
- 5** 3 Omega, South Mead Industrial Estate, Didcot
29,770 sq ft let to Thames Water

Office Market


2018 saw a significant downturn in activity for the Oxfordshire office market. VSL recorded 297,500 sq ft of take-up for the year, which is a 38.6% drop in comparison to the previous year, however 2017 was a record year and the take up level is more in line with 2015 & 2016 and is only 1.7% below the 10 year average. The Science and Technology sector has continued to dominate the market and accounts for 63.9% of transactions in the County and 75.4% in Oxford.

Oxford has been the focal point of the market accounting for 49.6% of the regions transactions, with the City Centre and Oxford Science Park leading the way. The City Centre has remained the preferred location for many Oxford University spin out companies seeking to maintain links with university departments and help attract the graduate staff. But with limited options ring road locations are being considered. As a result the Schrodinger Building on Oxford Science Park has been

particularly successful achieving 86% occupation (51,000 sq ft in 5 deals) since completion at the beginning of the year with transactions to OSI, Exscientia, etc.

Supply levels in the County have dropped slightly to 606,000 sq ft a 9.8% drop from 2017. With no speculative development in the pipeline supply is likely to drop again next year. Availability in the City Centre is very scarce pushing companies to look out to ring road locations like the Business Park and Botley.

Despite the reduction in take up headline rents across the county have continued to rise with prime office rents reaching £32.50 per sq ft in the City Centre and £32.00 per sq ft around the ring road. With the good demand for the Oxford area and limited stock rents are expected to continue to rise.

 Supply levels in the County have dropped slightly to 606,000 sq ft a 9.8% drop from 2017



Industrial Market

The A34 industrial market has seen another positive year with take up reaching 920,000 sq ft, 17.4% above the 10 year average of 783,900 sq ft and in line with 5 year average of 917,000 sq ft. Supply has dropped to 817,000 sq ft the lowest level for over 10 years.

Science & technology has also continued to dominate the Industrial market accounting for 46% of Transaction, a significant increase from 2017 (30%). With the sale of the Former Harmsworth Building (215,450 sq ft) to Rebellion and Oxford BioMedica (represented by VSL) acquiring OxBox and Isis House (totalling 113,743 sq ft) dominating the headlines.

Developers are continuing to speculatively build with circa 283,000 sq ft completing in Bicester in two large buildings and a further 400,000 sq ft planned for 2020 in Bicester and Didcot.

Whilst take up is down in comparison to 2017 and indeed 2016, take up for 2018 is still the third highest over the last 10 years and with the deals already in solicitors hand 2019 is also looking to be a positive year.

Rents have continued to rise across county with growth again being driven by the hi-tech market. High office content units around Oxford have jumped from £12.00 per sq ft in 2017 to £16.50 per sq ft evidence by the letting on Oxford Industrial Park to Oxmet Technologies. Abingdon has seen rents rise to £11.00 per sq ft at Abingdon Business Park on the new Foxcombe development.



Supply has dropped to 817,000 sq ft, the lowest level for over 10 years



Office Market Key Stats

Office take down to
297,452 sq ft **39%**

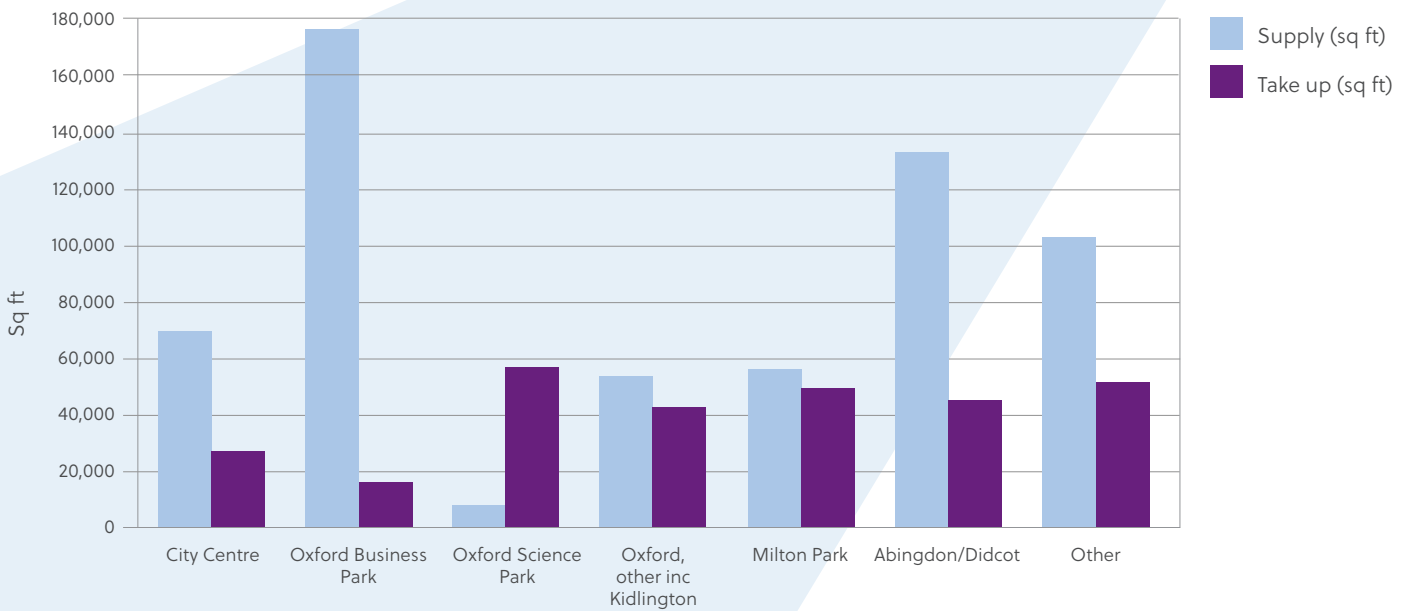
Office supply down to
605,973 sq ft **10%**

Average transaction size
8,499 sq ft **9%**

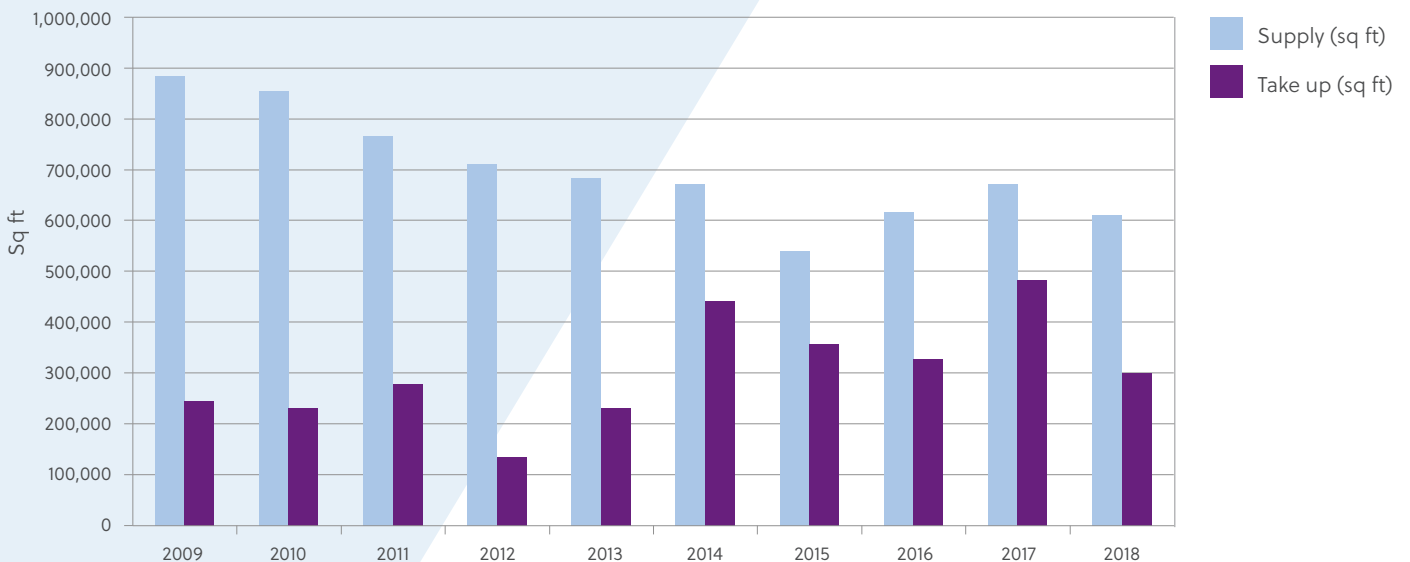
Total transactions
35 **17%**

Science and Technology sector activity
189,947 sq ft = **63.9%** of all take up

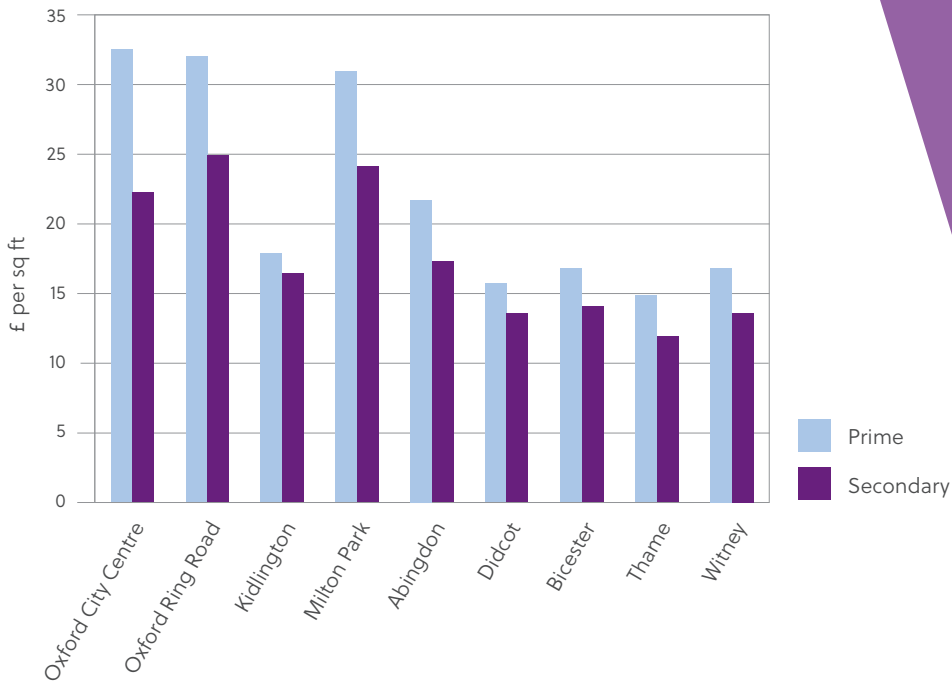
2018 Office Supply & Take Up by Location



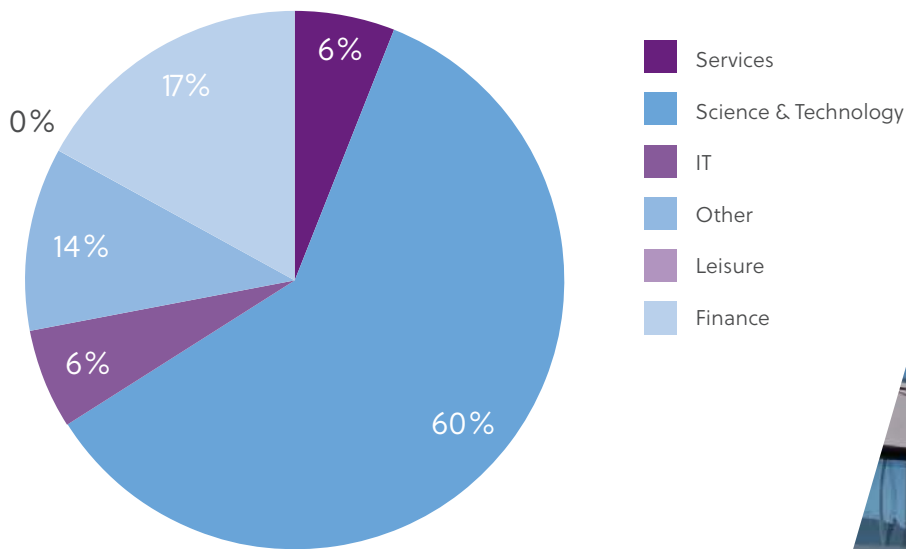
A34 Corridor Office Supply & Take Up



2018 Office Rents



Office Take Up by Sector (No. of Deals)



Statistics based on lettings during 2018 for offices in excess of 3,000 sq ft.



Industrial Market Key Stats

Industrial take down to
920,058 sq ft **20%**

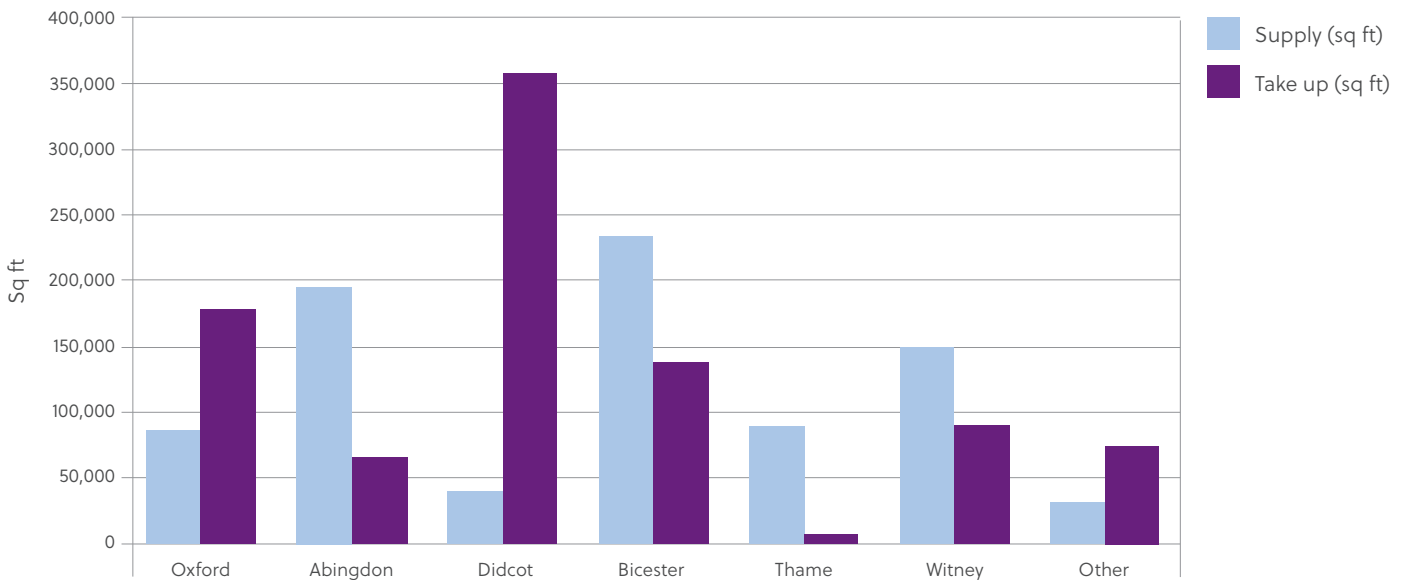
Industrial supply down to
816,873 sq ft **23%**

Average transaction size
20,910 sq ft **11%**

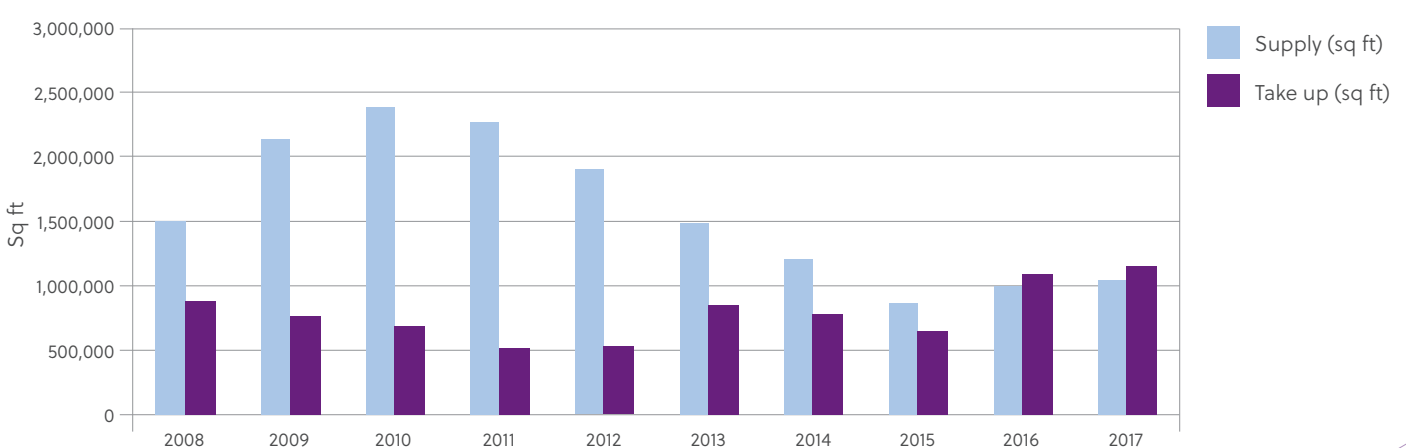
Total transactions
44 **5%**

Science and Technology sector
589,958 sq ft = **64%** of all take up

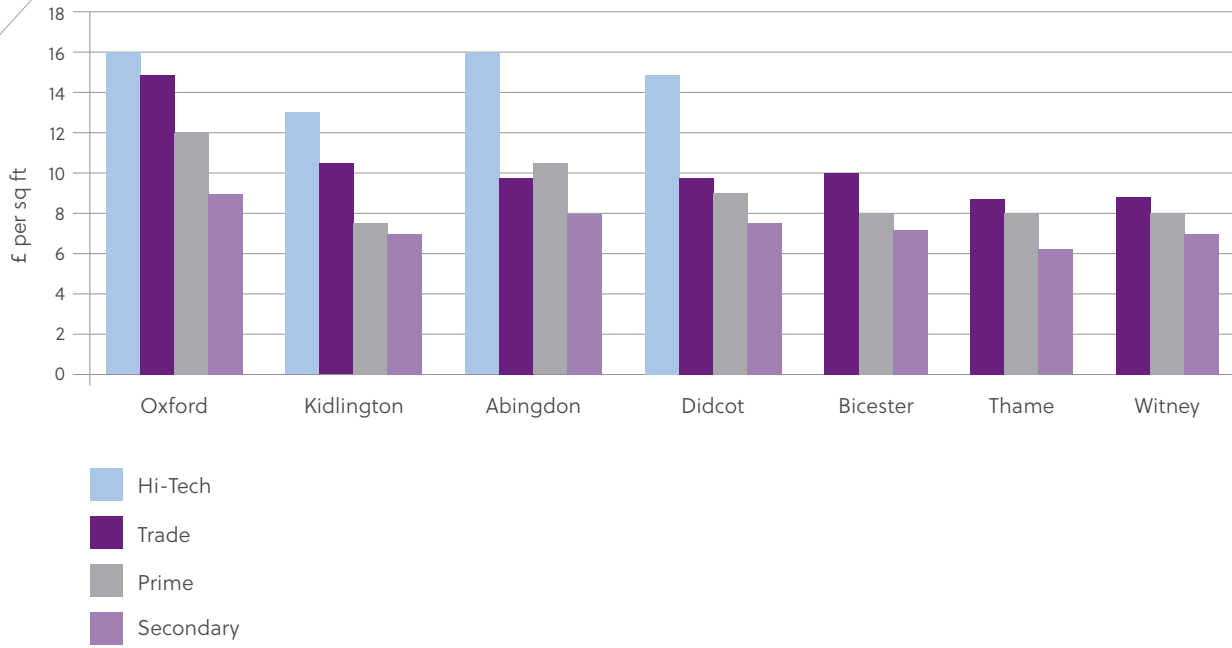
2018 Industrial Supply & Take Up by Town



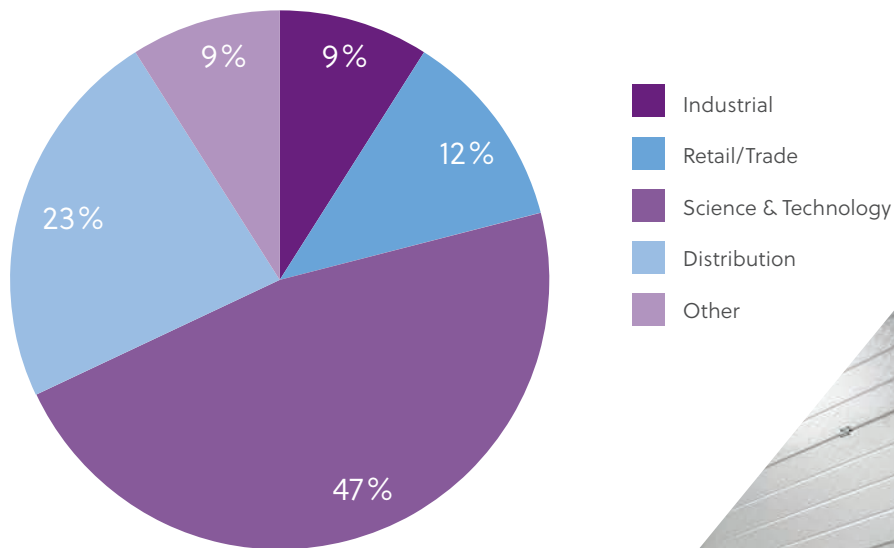
A34 Corridor Industry Supply & Take Up



2017 Industrial Rents



2018 Industrial Deals by Sector



Business Park 'Revolution' reflects modern occupier needs

30 years ago Oxfordshire's businesses were based in Oxford City Centre and the County Town Centres. Since the 1980's business parks have been the solution for modern occupiers wanting larger, more efficient space outside of city centres, however these are often criticised as being somewhat sterile environments.

This report focuses on two key employment hubs, Milton Park and Oxford Business Park which are home to more than 150 businesses employing almost 15,000 people. Both are evolving rapidly with major ongoing investment in a bid to attract thriving companies looking for an environment in which to grow.

Business park owners and investors are now working hard to reinvigorate, transform and adapt the offering to meet the needs of modern occupiers. Investing, not just in the bricks and mortar but also to create amenities and sense of community in order to assist the work life balance.

Our report suggests there are five ways in which these parks are adapting.

1. **Customer relationship** – business parks are moving away from the traditional landlord and tenant relationship, providing flexible leasing solutions which reflect the needs of their customers.

2. **Designing new space and adopting existing buildings** – to meet the needs of new occupiers working in the burgeoning Oxfordshire science and tech sector.
3. **Onsite amenities** – both sites are investing in facilities and amenities such as restaurants and leisure activities with spaces developed for informal meetings and social events.
4. **Transport** – transport is also a mutual key theme with considerable planning dedicated to providing the most efficient methods including buses, car sharing schemes and cycle routes.
5. **Communities** – most importantly both see themselves as communities, not only dedicated to serving the continually evolving needs of their customers but providing the types of work environment that is demanded by the young skilled labour force.

Milton Park

In less than 50 years Milton Park has transformed from a former military depot into the largest business park in Oxfordshire and is home to some of the most innovative firms in the world. A combination of vision, investment and willingness to change has ensured its success and will continue to do so over the next generation.

The growth of Milton Park has been and will continue to be strengthened by its proximity to many academic institutions and internationally renowned centres of excellence based in the Science Vale UK and Oxfordshire.

Philip Campbell, Commercial Director at MEPC, has worked at the Park for many years and has witnessed its development not just in physical terms but also in its significance for the world class Oxfordshire economy.

He said: "We are very lucky to be in an amazing part of the world with such a fantastic economic engine underlying it. Oxford University is a huge and important part of it along with much of the national science infrastructure and the hospitals.

The last decade has seen Milton Park evolve and grow quickly with much thought dedicated to management, for example in

the relationship with our occupiers.



Philip explained: "We don't really think of ourselves as a landlord, more of a service provider and we are in the business of providing accommodation and an ongoing service to companies that work here."

"We have always worked closely with occupiers and I would say our primary USP is the fact that it is all held in single ownership which no-one else can offer. When it comes to our occupiers growing it means we can provide them with a place and a location for life. This is much harder to do on other estates with a fragmented ownership structure."



The needs of the modern workforce are also evolving and Milton Park has had to move to accommodate them and once more set the agenda.

Philip said: "There are two big changes we are seeing now. The first is in health and wellness and then there is the increasingly blurred line between work and home life. We are seeing a growing appetite for more amenities and leisure activities."

"As a result, we have created our 2040 vision for the future of Milton Park. That started with a survey aimed at four groups - businesses leaders, their employees, local residents and stakeholders. From this, the appetite for amenities and leisure activities came through very strongly."

"We already have a wide variety of amenities and activities going on at Milton Park but we can't rest on our laurels and we need to

continue to grow that area to give a wider choice for people in their working day."

A key challenge is transport. While Milton Park has grown as a result of its ideal location near key roads such as the A34 and M4, change must be embraced, for example with smart thinking in areas such as travel to work.

More than two years ago a specialist travel advisor, Veronica Reynolds, was appointed. A travel specialist and behavioural change psychologist, she has been working with occupiers and the local authorities to develop travel plans and cut down the use of the car.

Initiatives now range from shuttle buses running to and from Didcot Parkway station, a car share scheme and improvements to the cycle networks. A travel forum involving 53 companies has been established and since Veronica joined car usage has fallen by six per cent.

Philip concludes: "Our 2040 Vision is not about Milton Park creating a 'development plan' but rather a shared vision that all stakeholders can support, help deliver and own."

"The aim is to ensure Milton Park continues to be sustainable for the businesses that are here, the people who work for them within the local community and for investors."

"We need to build on what we already have at Milton Park and improve the sense of place. Networking, community and engagement are all central to that."



We don't really think of ourselves as a landlord, more of a service provider..

www.miltonpark.co.uk



Oxford Business Park

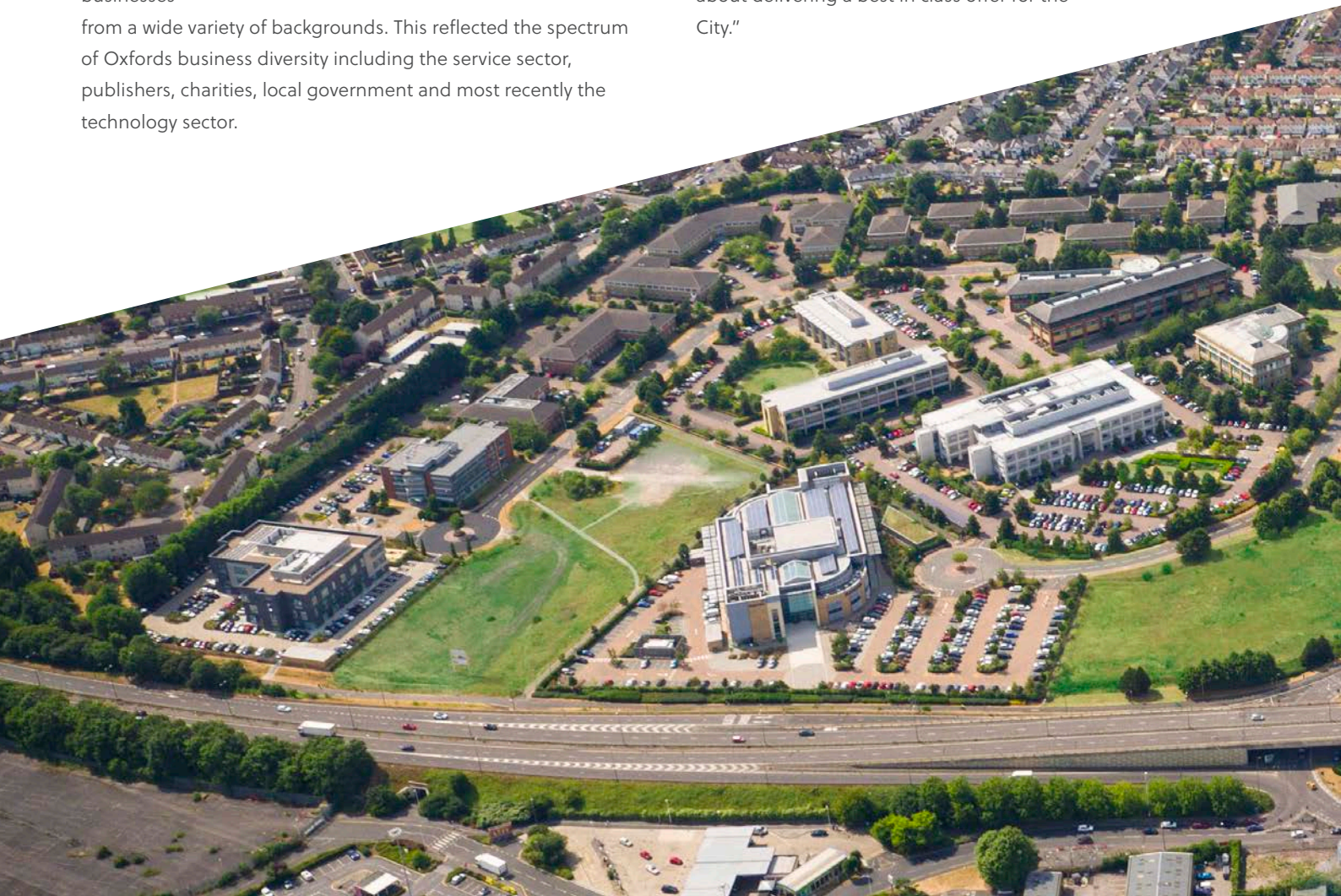
Oxford Business Park has a history of providing expansion space for businesses in the City, whether it be Morris Motors in the 1920's or the office occupiers from the 1990's onwards.

Back in 1992 a revolution occurred with the closure of the car plant and development of Oxford Business Park by Arlington – at that time the development arm of BAE Systems, which also owned Rover. The city was emerging from its roots in manufacturing and a modern environment of offices, Hotel, Children's Nursery, Health Club and retail park was created providing a home to multiple businesses from a wide variety of backgrounds. This reflected the spectrum of Oxford's business diversity including the service sector, publishers, charities, local government and most recently the technology sector.



Fast forward 25 years to August 2017 and, following a period of uncertainty followed by a change of corporate ownership, Arlington has now set about re-investing across the Park to provide new facilities, customer services and building refurbishments to meet the needs and demands of the modern occupier.

Dan Williams, Development Director at Arlington, explained: "Investment was necessary to ensure that our customers can enjoy a vibrant community with the most inspiring offer at the heart of the City's business district. But it's not just about physical amenities, we must provide a variety of services that positively improves the balance in the busy working week, blurring what had previously been referred to as the work/life divide and creating an environment that stimulates interaction amongst colleagues and other businesses to drive collaboration which is at the heart of any innovative community. This is not a box ticking exercise, all of the improvements that we are investing in are well considered - whether employing the highest quality of design into our buildings, developing new community hubs or using technology to link our services to our customers. We are dedicated to helping businesses in Oxford and are excited about delivering a best in class offer for the City."



Three new community hubs are being created. Firstly, in partnership with the Jam Factory, the "Oxford Factory" is being developed at the heart of the Park, which nods to the heritage of the car plant which previously occupied the site. The Factory will provide a 100 cover contemporary restaurant and is due for completion in November 2019.



We must provide a variety of services that positively improves the balance in the busy working week

The second hub the "Oxford Works", will offer a flexible working environment where customers can hire desk space for short periods from an hour upwards. The Park Management Team will be based at the Works, which will also provide a 100 person seminar theatre and the additional space required to increase the variety of classes and community services.

To the south of the Park will be the "Market Place" which will be completed in June. An outdoor social space where customers can grab a coffee, relax amongst the trees and enjoy a game of table tennis.

Dan said: "The hubs are the next phase of the community masterplan to be delivered later this year, but we are already well advanced with our latest building refurbishment. Building 5520 will set a new standard of contemporary design for the City, with exposed services it will be a first for us on the Park. We have also included design solutions to ensure maximum adaptability for all types of occupation and a concierge to deliver an enhanced level of service provision. "No-one has a crystal ball but the underlying signs for the Oxford economy are good with significant investment particularly in areas such as biotech and the life sciences. The Park will be ready to accommodate that planned growth and the vision is clear."

Dan said: "I am hugely excited to be delivering our aspirations in Oxford and look forward to the coming years working with a vibrant, amenity rich business community that has the highest levels of service provision."



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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

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 2018.

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