

# Market Watch

## Oxford Office and Industrial

February 2014

### → Offices

■ Take up at the end of 2013 stood at 131,002 sq ft, 23% up on 2012 levels. Although this has been bolstered by one occupier, this does indicate a renewed confidence in the Oxford office market.

■ The largest deal in 2013 was to Trip Advisor who took 45,000 sq ft (over two deals), this is the largest letting on existing space since 2006.

■ Supply is moving in the right direction, falling by 11% over 2013. Total supply now stands at 534,000 sq ft, with a number of locations now having a severe supply shortage of Grade A space.

■ An example of diminishing Grade A space is at Oxford Science Park where the remaining 7,500 sq ft at Florey House has now been let. There is now no space left at the Science Park.

■ However, the only speculative development in the market at present is 55,000 sq ft at Park Drive, Milton Park, which is already getting interest from existing occupiers. They are

quoting £24 per sq ft, which could represent a step change in rents going forward. Although this has been boosted by the enterprise zone status providing rates relief. Other developers should now start to take note of Milton Park's lead as demand starts to pick up and Grade A space continues to diminish.

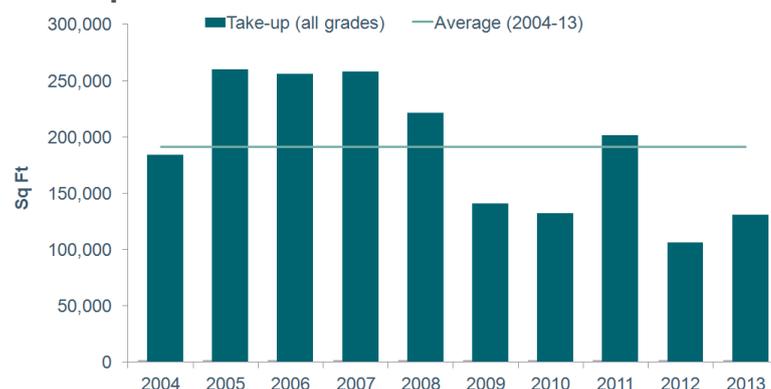
■ There is still an over supply of second-hand space, however, office to residential conversions have helped decrease supply levels in the office market. This has been witnessed over a number of second-hand office buildings, including, 27,000 sq ft at Broadfield House, 20,000 sq ft at Innovation House and 12,000 sq ft at New Inn Hall Street.

■ Botley remains a good alternative to the city centre if occupiers do not want a business park location. This is backed up by the pre-letting of 16,500 sq ft to Darby's at Midland House.

■ Oxford is on the cusp of rental growth, but it needs new buildings or refurbishments to be brought forward to capitalise on this.

GRAPH 1

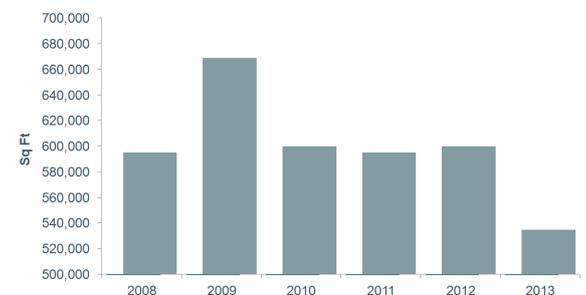
### Take-up



Graph source: Savills

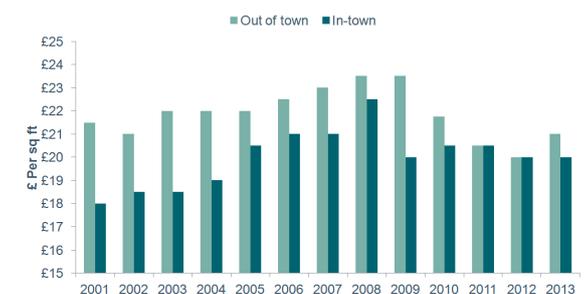
\*As at end-Dec

GRAPH 2  
Availability



Graph source: Savills

GRAPH 3  
Prime rents



Graph source: Savills

→ **Industrial**

■ Over the last two years we have begun to see signs of a recovery. In terms of existing buildings we are now seeing diminishing stock levels, which initially resulted from opportunistic occupiers who have used the downturn to their advantage to agree cost effective terms.

■ There is a bias towards the smaller end and larger end of the market, with the 20 - 50,000 sq ft size bracket still struggling to attract sufficient demand.

■ Take-up within the industrial market at the end of 2013 was approximately 825,000 sq ft. This is 7% up on the long term average and 12% down on end year figures for 2012.

■ Oxford itself has continued to orientate around the small units, however, Didcot and Banbury have become much more large shed distribution hubs.

■ Availability of modern or good quality second-hand stock over 50,000 sq ft is very limited in Oxfordshire and around the M40/A34 corridor in general, although there are a number of design and build opportunities in Didcot and further a field in Banbury.

■ Didcot has witnessed a change in fortune during 2013, with two large buildings, totally c.500,000 sq ft, being reoccupied by Asda and Bookers. c.200,000 sq ft has also come off stream when MEPC demolished some older warehouse space.

■ Confidence in Didcot is evidenced with Prologis taking a surrender on the remainder of Ryobi's lease on a 167,000 sq ft building which has been refurbished and put back on the market. This is the only large building available in this area.

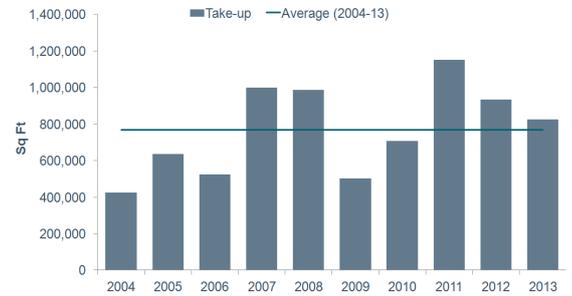
■ There are a number of new schemes being appraised, with some of the first speculative developments, outside Milton Park, expected to come on stream in 2014.

■ With Didcot seeing a marked fall in supply and a renewed credibility as a big shed location, this seems the ideal location for speculative development. Diageo pension fund has submitted a planning application for just under one million sq ft, on a site next to Didcot Power Station.

■ Oxford Industrial park is currently commanding the highest rents, where there is a single unit of 9,000 sq ft currently available off an asking rent of £8.50 per sq ft.

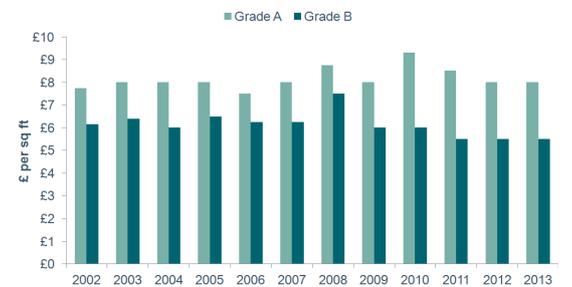
■ Overall, rental levels are starting to improve and incentives are falling, however, we are yet to see rents rise to pre-recession levels. ■

**GRAPH 4**  
**Take-up**



Graph source: Savills

**GRAPH 5**  
**Prime rents**



Graph source: Savills



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