Savills Research
UK Cross Sector
Oxford
savills.com/research

Spotlight | 2017

Is the future bright for Oxford?

Summary Unaffordable housing and a lack of office space are constraining Oxford's productivity and economy. New sites connected to the city, such as Barton Park and Oxford North, will start to unlock growth, but more are required. New infrastructure, in addition to Oxford Parkway station, will provide the connections

Of the new homes built in Oxfordshire over the past five years, only 10% were built in Oxford, yet the city accounted for 42% of job growth. Now, 36 new sites have been proposed to meet Oxford's housing need

Better housing opportunities would attract and keep Oxford's top talent. For 2014/15, Oxford retained 18% of its graduates, outside the top 10 UK university cities. London and Manchester led the way with 77% and 52% of students retained

A high level of house-building in the county towns has done little to reduce the pressure on Oxford. Congestion on main roads into the city has increased by 22% over the past five years, and at 16.7 Oxford has the highest average house price to income ratio in the country

Momentum is building towards the planning and funding of new transport infrastructure. This includes relief for the A34 and new East-West rail and road links

More venture capital investment into Oxford is supporting start-ups and will create new demand for office space in the future. Major new developments in the city centre will act as a catalyst to attract more office occupiers

Matching action to ambition

Oxford is home to a world-class university, but the city's economic potential is held back by its property offer. However, a joined-up, county-level housing growth strategy, infrastructure upgrades, and a retail-led redevelopment of central Oxford look set to unlock the city's latent growth

A simplistic diagnosis of Oxford's problem is often proposed: the physical constraints of the city have resulted in a shortage of office space and some of the most unaffordable housing in the country. In turn, this leads to potential occupiers overlooking the city, which makes attracting and retaining talent difficult.

However, the underlying reasons for the inertia are more complex. Political will to take bold decisions has been lacking, with the administrative structure of Oxfordshire making strategic action difficult.

Addressing the housing shortfall

Constraints on land available for development in Oxford include a city boundary tight to the existing urban area, numerous conservation areas and heritage assets, and extensive flood plains. This leaves two broad options for accommodating sustainable growth.

The first is to optimise and intensify land use within the city. The second is to build in connected areas outside the existing city limits.

The Oxfordshire Growth Board (OGB) was set up to facilitate and enable joint working at county level. It has reviewed development capacity and housing need in Oxford and identified a shortfall of 15,000 homes. The OGB has also commissioned a study of 36 'strategic options for growth', testing their suitability to meet the housing needs of Oxford. Of these, six are within the city boundary, 30 are outside. Development of both types of site is needed, but each approach presents political and practical challenges.

Current developments

There are two key developments changing Oxford in the short term, one residential, one mixed use. Both are located on the city edge.

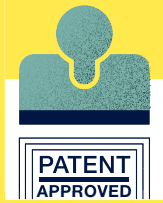
The first is Barton Park, which is an 885-home scheme located just outside the eastern ring road.

Oxford in focus Housing affordability remains a key metric in Oxford's otherwise positive business profile compared to the average of UK cities

Housing affordability ratio
Oxford: 16.7
Average: 9.8

Gross value added per worker
Oxford: £60,161
Average: £54,702

Business start-ups (per 10,000 population)
Oxford: 42.9
Average: 58.8



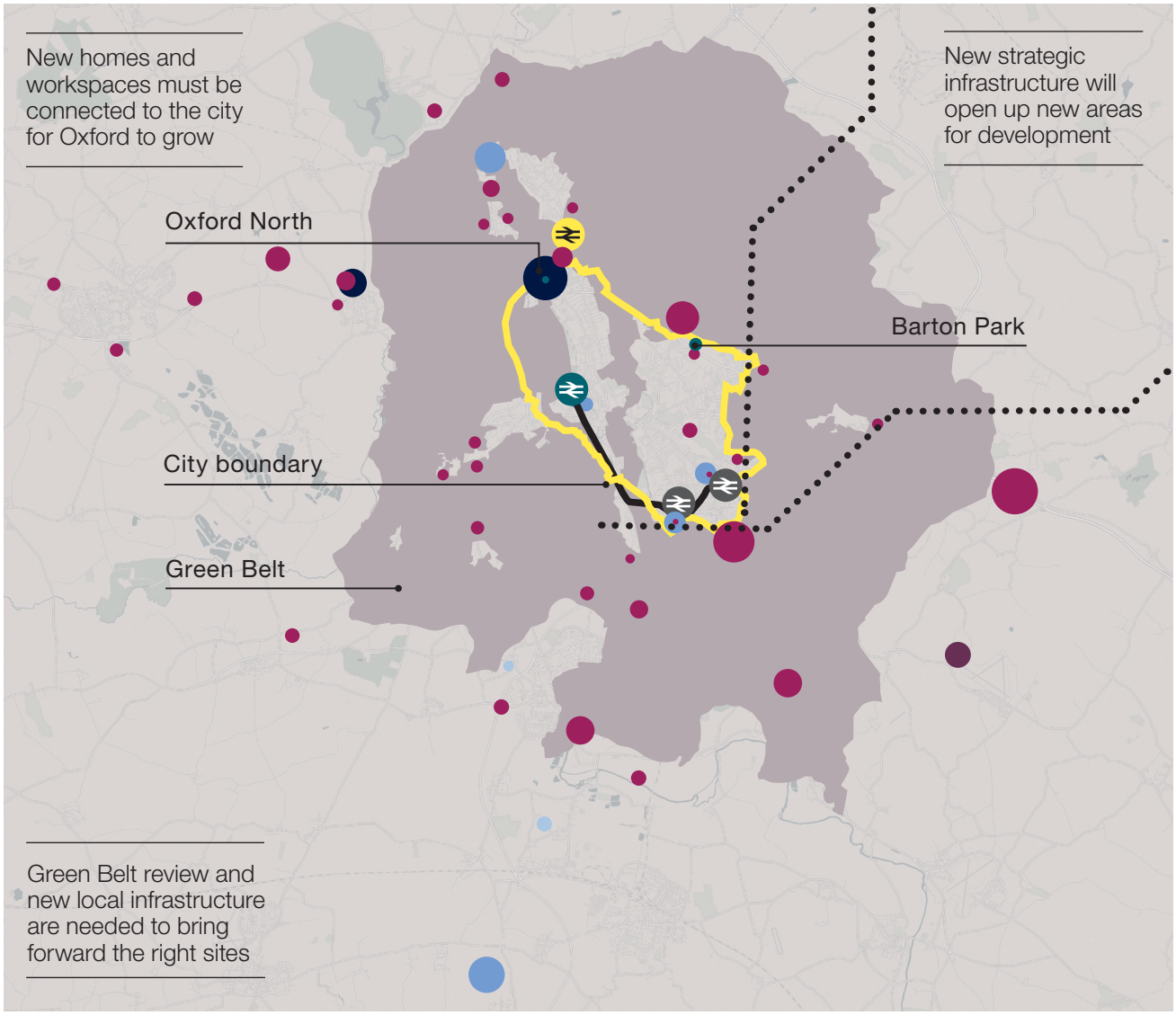
Patent applications (per 10,000 population)
Oxford: 79.9
Average: 18.2

Ratio of private to public sector employment
Oxford: 1.1
Average: 2.8

Working age population qualified at NVQ4 or above
Oxford: 63.4%
Average: 36.9%

Source Centre for Cities. **Note** Housing affordability data 2016, all other data 2015

Future growth New housing and commercial sites have been identified and are setting a new direction for the city. Barton Park (885 homes) and Oxford North (500 homes, plus 1m sqft of office space) lead the way



Key

Residential sites (by number of homes)
- 2,000
- 4,000
- 6,000
- 8,000
- 10,000
- OGB strategic options
- S Oxon draft allocation
- Oxford City sites

Commercial sites (by sqft and expected delivery)
- 200,000
- 400,000
- 600,000
- 800,000
- 1,000,000
- Next 2 years
- Next 5 years
- Next 10 years

Infrastructure
- Oxford Parkway
- Oxford station
- Potential new stations
- Potential road improvements
- Potential Cowley branch line

Source Savills Research, using Oxfordshire Growth Board (OGB) and OS OpenData

It's the largest residential development in the city for many years. The first phase is under construction and will offer new family homes in a market where few have been added in recent years.

The second key development is Oxford North. A planning application is expected this year for 1 million sqft of commercial space and 500 homes. The site is well connected in terms of transport. It's at the junction of the A40/A34 and near the new Oxford Parkway train station that provides connections to the city centre, London Marylebone and Bicester. A new East-West Rail service will reinstate the link to Milton >

Keynes and Bedford in the early 2020s, with longer-term plans for direct Oxford-to-Cambridge trains.

Our *What Workers Want* report (see panel, p7) shows people in Oxfordshire prefer a less urban environment, so the edge of the city may offer an attractive balance.

Inside the city boundary, finding new development opportunities with sufficient scale is likely to mean changing the use of or intensifying existing sites. Most scope lies in the central area around the main train station (see below). This has started with the redevelopment of the Westgate Shopping Centre, set to complete in October 2017, and a major upgrade of the train station is also in the pipeline.

Making the most of the limited opportunity to redevelop such a critical area means that longer-term sites in the pipeline, including the train station, Oxpens, and Osney Mead, should be developed for complementary uses to maximise both the site values and their contribution to the wider growth agenda. ■

Oxford Rail Station
Landowner/developer:
Network Rail
A masterplan for a redevelopment of the station buildings has been proposed, but is currently unfunded. There are also plans to re-introduce passenger trains on the current freight-only Cowley branch line to East Oxford.

Oxford Island and Worcester Street Car Park
Landowner/developer:
Nuffield College
Plans are at an early stage, but proposals are for this area to be redeveloped as a mixed-use social science and business quarter to complement Nuffield's plans for Oxpens (see below).

Osney Mead
Landowner/developer:
Oxford University (owns approx 50%)
This 20-year project plans to convert a 17-hectare industrial estate into a knowledge park, with laboratories, offices and 600 affordable homes for graduates and university staff.

Oxpens
Landowner/developer:
Oxford City Council/Nuffield College/Student Castle
Student Castle has planning consent for 500 student beds, while the council and Nuffield College have formed a joint venture to develop a mixed-use scheme that could include new homes, retail, leisure, office and R&D space, plus a hotel.

Westgate
Landowner/developer:
Oxford City Council/Crown Estate/Land Securities
This £440 million redevelopment is scheduled for completion in October 2017, adding 59 apartments, more than 1 million sqft of new retail and leisure space – anchored by a flagship John Lewis – and two new public squares.

Source Savills Research using OS OpenData

Making tracks

Improving road and rail infrastructure in line with housing needs will provide better connections and could even unlock new land for development

Co-operation on housing and infrastructure is vital to maximise the economic potential of Oxford and for the benefits of growth to be felt by the whole county. However, this is easier said than done.

Measured by the market, the strategy of delivering new housing across the county has not offered a solution to Oxford's housing need. House prices in Oxford have risen more rapidly than the rest of the county. Values in the city grew 47% in the past five years compared with 35% in the rest of the county. The county's congestion levels and average commute times have also increased over that time.

Better transport, better connections

If new homes are going to alleviate Oxford's housing pressures and support its growth, then they should be as close and as well connected to the city as possible. The Oxfordshire Growth Board has recognised this and suggests a range of sites just 'over the border'.

However, the Green Belt remains a barrier to development adjacent to the city. Without a Green >

Total county-wide road mileage
(million miles)
2011 11.3
2015 11.9

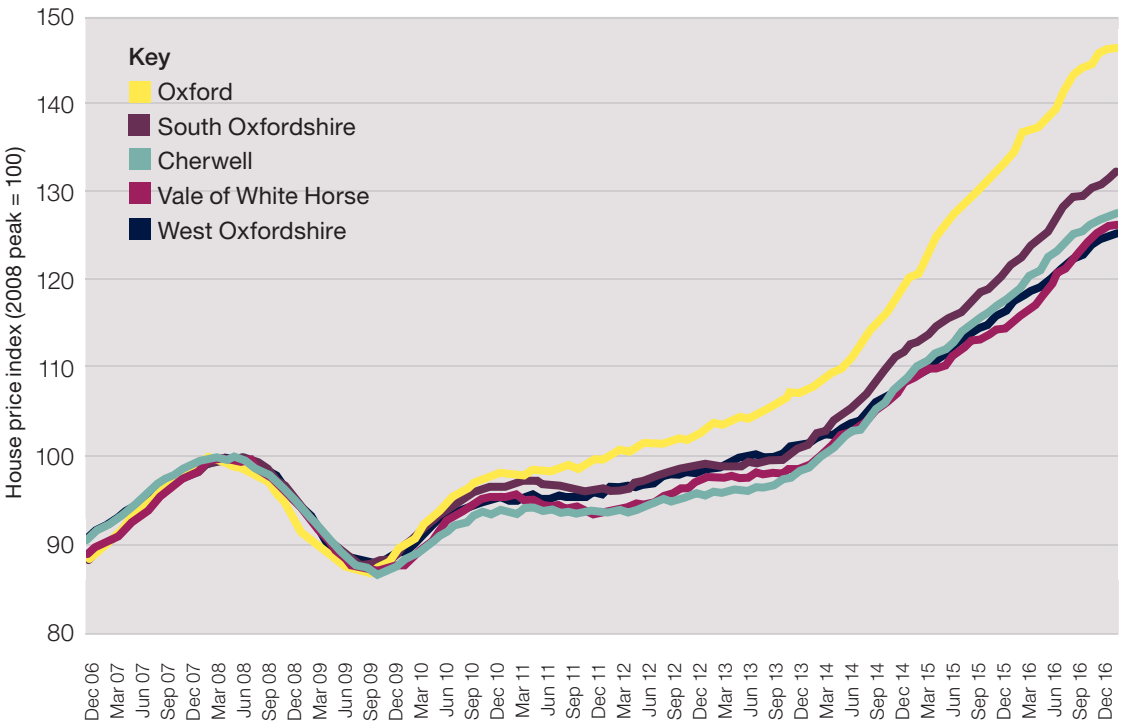
Number of motor vehicles entering central Oxford in the morning peak
2011 9,000
2015 9,800

Oxford average journey time per mile during the morning peak
2011 6min:12s
2015 6min:21s

Percentage of base network with congestion during morning peak
2011 9%
2015 11%

Source Oxfordshire County Council

Growth market House prices in Oxfordshire have risen significantly in the past five years. Values in Oxford have increased by 47%, compared with 35% in the rest of the county



Source Savills Research using Land Registry data

Belt review, development is likely to follow the same pattern we have outlined, increasing the pressure both on Oxford's house prices and transport infrastructure and making it a less attractive place to live and work.

New routes could open new land

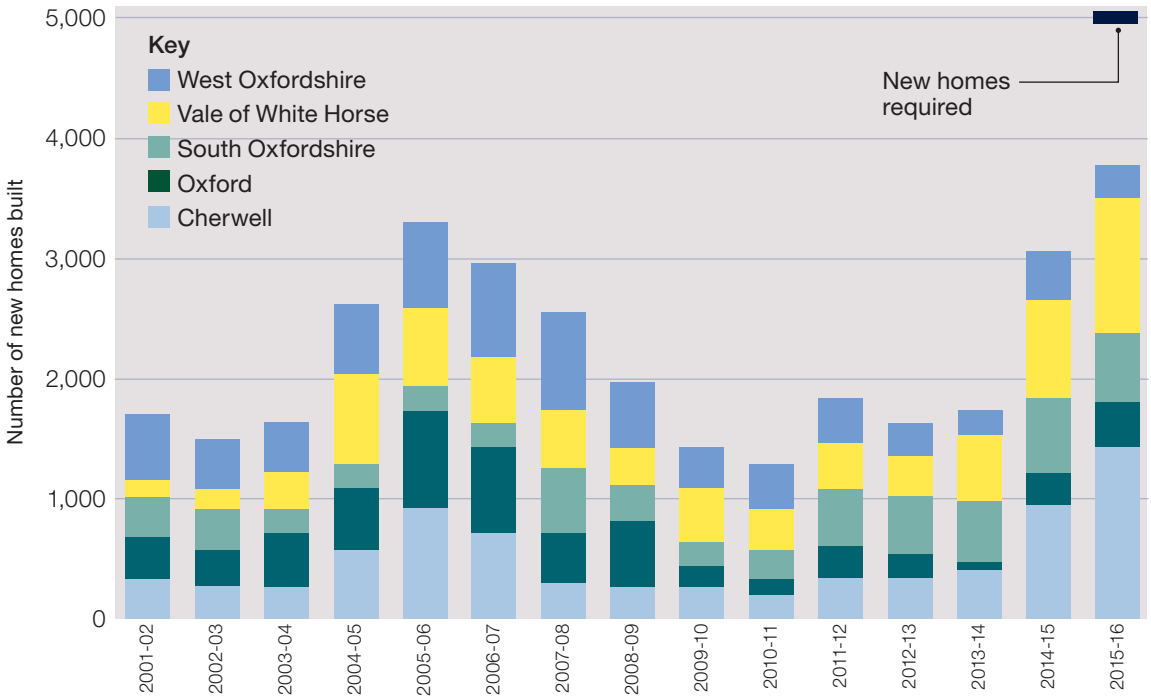
Further afield, major transport infrastructure projects could open up new locations for development. Sites to the south of Oxford could see a huge benefit from the proposed rail extension to Cowley (which plans to re-open the freight line to passenger train services) as well as a transformational rerouting of the A34 – although, at the time of publication, this is very much at the drawing board stage.

More advanced plans include East-West road and rail links to Milton Keynes and beyond, resolving the situation where it was usually quicker to make such journeys via London.

If new settlements such as Garden Cities are going to be part of the solution to unmet housing need, from Oxford but potentially including overspill from London, major transport nodes offer a good opportunity for finding 'new' land.

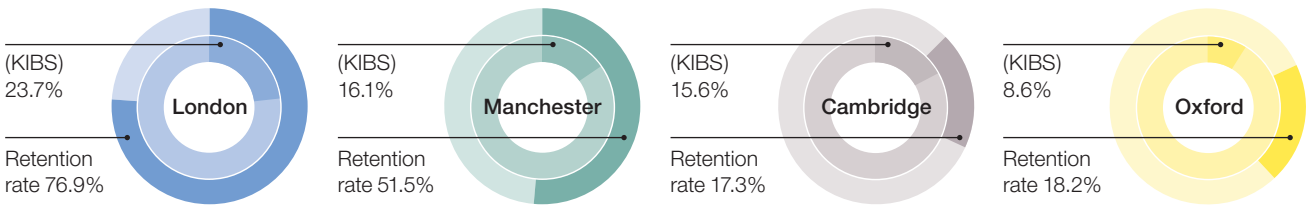
Joining up housing and infrastructure will require cooperation between district and county councils, central government, and bodies such as the National Infrastructure Commission, which has identified the Oxford-Cambridge corridor as a priority. ■

Falling short Although housing delivery in Oxfordshire increased by 24% last year, it was 25% short of requirements. More than two-thirds of new homes added were in Cherwell and Vale of White Horse. In Oxford 370 new homes were built, the most since 2008/09



Source DCLG, Oxfordshire SHMA

Brain drain Student retention in Oxford trails behind the UK's larger cities, such as London and Manchester, but is similar to Cambridge. When it comes to graduates employed in knowledge-intensive business services (KIBS), Oxford lags some way behind its rival Cambridge and the other major cities



Source Centre for Cities

Is Oxford open for business?

Oxford needs to invigorate its city centre office space to appeal more to office workers and create a stronger business community

Savills research examines the opinions of British office workers to identify trends that will affect future workspace design in the UK.

In *What Workers Want 2016*, produced by Savills in association with the British Council for Offices (BCO), data for Oxfordshire showed that 87% of respondents spend the majority of their time in a corporate office. This is in comparison to 77% for the wider UK. With a lower proportion working at home or remotely, this suggests that the office market is relatively more important within Oxford. Getting the location and specification right is essential.

The survey also showed that only 19% of workers in Oxford are highly satisfied with the cluster of business and networking opportunities. For Cambridge the result was 29%. With one of the lowest scores for this factor, is there as strong a business community in Oxford as there could be? Companies may feel connected, but office workers feel less so. A more geographically focused business community, particularly in the city centre, would help.

When it came to location, 44% of Oxfordshire respondents preferred a rural office, the highest of all UK locations surveyed. Only one-third of respondents would prefer a city-centre location, the lowest UK location surveyed. Arguably, office workers do not see the city centre as a viable location due to the lack of appropriate office space.

Is there a perception that Oxford city centre is not open for business? With delivery of new office space, its image should improve significantly.

Mutual attraction

New developments such as Oxford North have the potential to attract talent and global companies

Oxford is undergoing a transformation. We forecast take-up to reach a record 500,000 sqft during 2017, which is 150% above the historic average, while supply levels are waning.

Some secondary office space has been converted to student and residential rather than kept for refurbishment in the city centre, adding to the pressure on rents on remaining buildings.

Developers in Oxford are now turning their attention north of the city centre as it is more viable for large-scale development. This includes Oxford North, which will be served by both Oxford and Oxford Parkway railway stations.

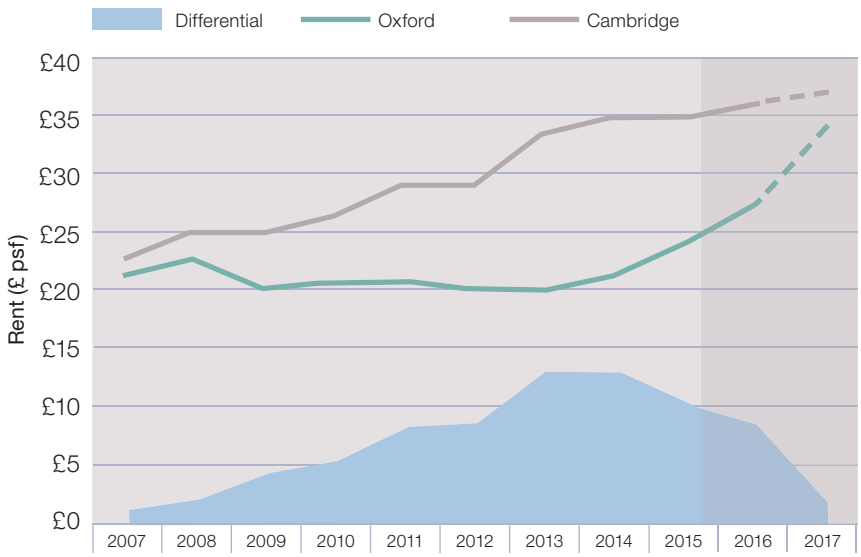
Cambridge has set the example where an expansive development policy has attracted global occupiers – including Microsoft, AstraZeneca and Apple – and pushed top rents to £36.50psf.

Now, it is time for Oxford to prosper. We expect Oxford to attract talent and global occupiers, potentially driving headline rents to £35psf by the end of 2017, closing the rental differential with Cambridge to £2psf.

Better office space is needed to attract companies and talent, but the length of commute is a major factor. However, a significant minority of workers are willing to increase their commute for the ideal workplace. More than 30% would be willing to add over 30 minutes to their commute (one-way) (for more, see panel on the left).

The question is whether this sends some office workers to rival locations? A minority may, but it highlights the importance of creating new office supply in accessible locations in and around the city.

Closing the gap The office rental differential between Oxford and Cambridge is expected to close to a decade-low £2psf



Source Savills Research

Funding Oxford's future

Is there enough venture in Oxford's venture capital? Signs show that investment in the city's start-ups is increasing, which bodes well for future commercial property demand

Venture capital (VC) investment is essential for developing young businesses and encouraging new occupiers into the area. Oxford has received more than £1.7 billion of VC investment since 2015, exceeding that received by Cambridge and Reading combined.

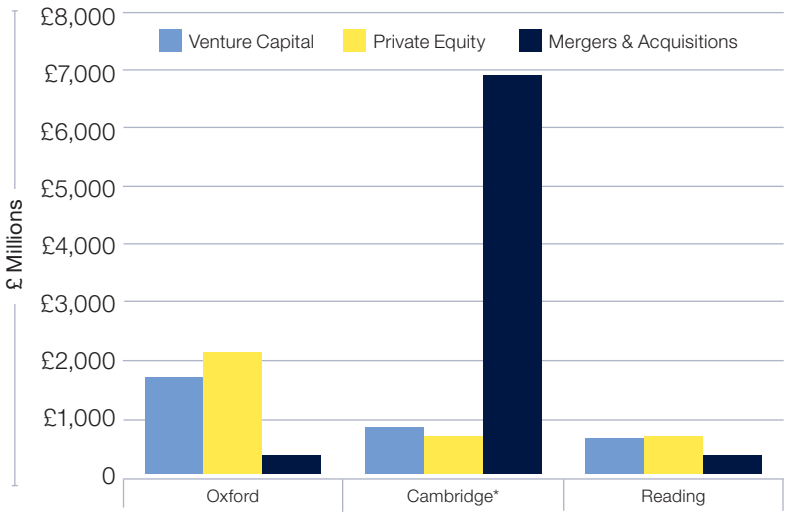
Some 53% of Oxford VC funding has been invested in electric-car company NIO to develop next-generation electric cars. With Oxford's positioning in the centre of an exceptionally strong high-value automotive sector, this is a positive prospect for the Oxford commercial property markets to prosper further.

As well as automotive, the wide range of sectors in Oxford is illustrated by companies such as Oxford Nanopore Technologies receiving £170 million to develop scientific research and support Oxford's growing science and tech sector. We expect these fast-growing sectors to be acquiring additional office space to facilitate expansion.

A reinforcement to the growing VC scene, Oxford Sciences Innovation (OSI), established in 2015, has become one of the largest university venture funds. It has raised £580 million and invested in 30 companies, most of which are in the life sciences field. This is relatively new for Oxford and will drive demand for commercial property in the future.

This is positive for Oxford but, as shown in the chart, there is a need to ensure that companies attracting VC (and private equity investment) go on to grow and create larger organisations. The mergers and acquisitions levels are for those larger companies and such companies, in any global market, will have strengthened the ecosystem. Cambridge is stronger at this stage compared with Oxford, but it's only a matter of time before Oxford sees corporates grow in the same direction and have a direct positive impact on the level of demand for office space and the corresponding job growth. Delivery of office space for companies to move into and grow is vital.

Venture capital stronger in Oxford Since 2015, the city has secured £1.7 billion of VC funding



Source Savills Research

* Excludes SoftBank's £24bn acquisition of ARM

Savills development We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team

Research

Jim Ward
Director
Residential Research
020 7409 8841
jward@savills.com

Nick Gregori
Associate
Residential Research
020 7409 5907
ngregori@savills.com

Steven Lang
Director
Commercial Research
020 7409 8738
slang@savills.com

Michael Barnes
Research Analyst
Commercial Research
020 3107 5459
mbarnes@savills.com

Planning

David Jackson
Head of National Planning
020 7420 6371
djackson@savills.com

Oxford office

Patrick Eve
Head of Office Development
01865 269 071
peve@savills.com

Karen Mole
Director, Residential Development Sales
01865 339 720
kmole@savills.com

Roger Smith
Director, Planning
01865 269 057
rasmith@savills.com

Charles Rowton-Lee
Head of Commercial Agency
01865 269 030
crlee@savills.com

Jason Hill
Director, Development
01865 269 019
jhill@savills.com