

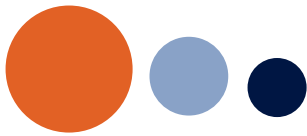
UK Commercial - March 2022

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SPOTLIGHT
Savills Research

Oxford Offices & Laboratories



Occupational • Development • Rents

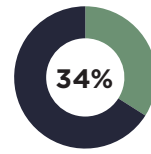


Top sectors in 2021

Share of take-up: Biosciences (64%), Technology (10%), Professional (10%)

£50

is the top office rent expected for 2022



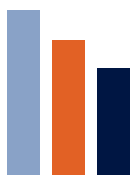
Grade A Take-up

34% of 2021 take-up was Grade A quality, which reflects the limited supply

OXFORD INVESTMENT MARKET OVERVIEW

The Oxford office investment market experienced strong investor demand in 2021 with investment volumes reaching £805 million. This was the highest total ever recorded in the Oxford market. The opportunity to gain exposure to the growing science and innovation occupier base located in Oxford and the strong rental growth prospects for the city has appealed to investors. The prime Oxford office yield is 4.00%, which is on par with Cambridge and a 75 basis point premium to the prime regional office yield of 4.75%.

Overseas investors were the most active investor in Oxford in 2021 accounting for 77% of office investment. This was primarily driven by Singaporean investor GIC acquiring just below a 50% stake in Oxford Science Park for £395 million. Brookfield Asset Management acquired property investor and developer Arlington from TPG Real Estate. Arlington's portfolio includes Oxford Business Park and Brookfield are planning to accelerate development at the scheme. The business park contains 200,000 sq ft of stock available for re-positioning and ten acres of consented land, which will deliver approximately 750,000 sq ft of office and laboratory space.



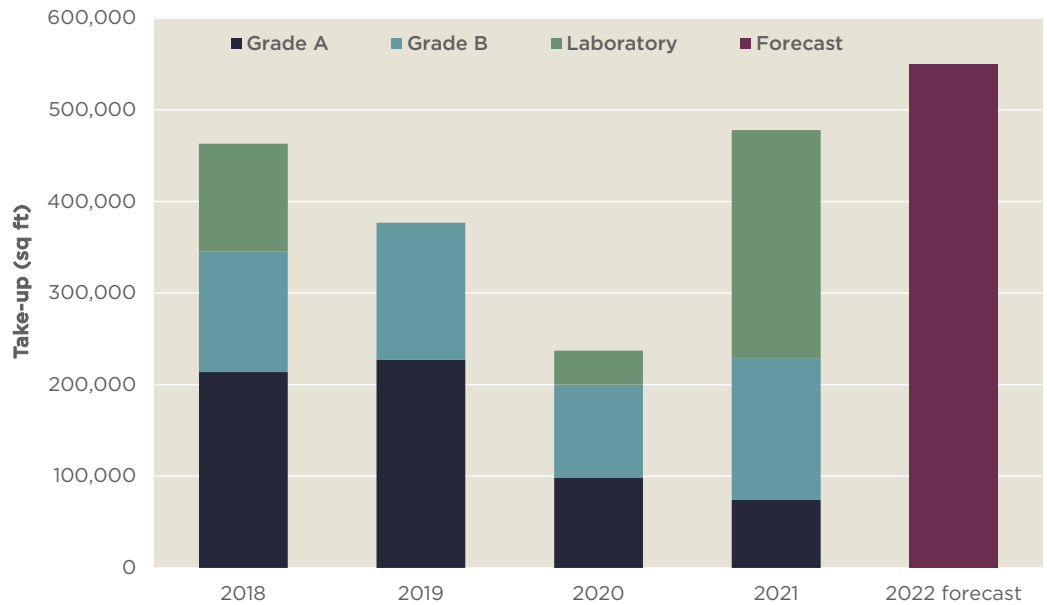
478%

2021 investment level was 478% above the five-year average

4.00%

Current Prime Office Yield

Take-up is expected to be 15% higher this year driven by more buoyant occupier demand and the occurrence of pre-lets being signed.



Source Savills Research

Occupational demand

The outlook for the Oxford office market - 2022 and beyond

Oxford has a strong year in 2021 and recovered significantly from the 2020 lull.

Oxford's global reputation has increased significantly and global companies, particularly within the science sectors, will have appetite to benefit from being within the Oxfordshire ecosystem.

The laboratory market in Oxford saw four deals between 18,000 and 30,000 sq ft, which shows the sign of a maturing market. These deals were signed at Oxford Business Park or Harwell Campus. There will be increased demand for laboratory space in the short to medium-term.

Biosciences accounted for nearly two-thirds of the total level of take-up last year, which comes as no surprise. It is expected that

the science sector, in general, will account for the largest share going forward. The key driver of this will be companies' appetite to co-locate with the world-class academic institutions as well as their spin-out activity. A notable occupational and investment deal, acquiring 44,000 sq ft (6 acres) was the Ellison Institute for Transformative Medicine at Littlemore in close proximity to Oxford Science Park. This institute has close ties already with the University of Oxford, but this real estate deal illustrates the commitment, to the city, of a globally renowned organisation.

The University of Oxford, during the past couple of decades, has led the way in terms of the value of spin-out created and the

amount of capital that they've raised. Nearly three-quarters of a billion pounds was raised by spin-out companies last year, up from £500m raised in 2020. This fundraising underwrites future occupational demand levels.

This analysis looks to the future, but today, there is a significant level of occupier requirements. In total, Savills estimate that there is a couple of million square feet from companies looking to get into the Oxford market.

There will be a much higher degree of pre-letting activity in the Oxford market during the next 12 months, specifically on the larger key schemes, including Oxford North.

👉 **There is a significant amount of financial capital being raised by companies created in Oxford - this will drive the city's economic growth in the medium and long-term.** 👉

Cover image: Oxford North, the new global innovation district - Central Park/Red Hall/ Building 1 & 2 labs and workspaces.

“ Laboratory space will remain in the shortfall category for the short-term and new schemes must begin to deliver for future growth. ”

Supply & Rents

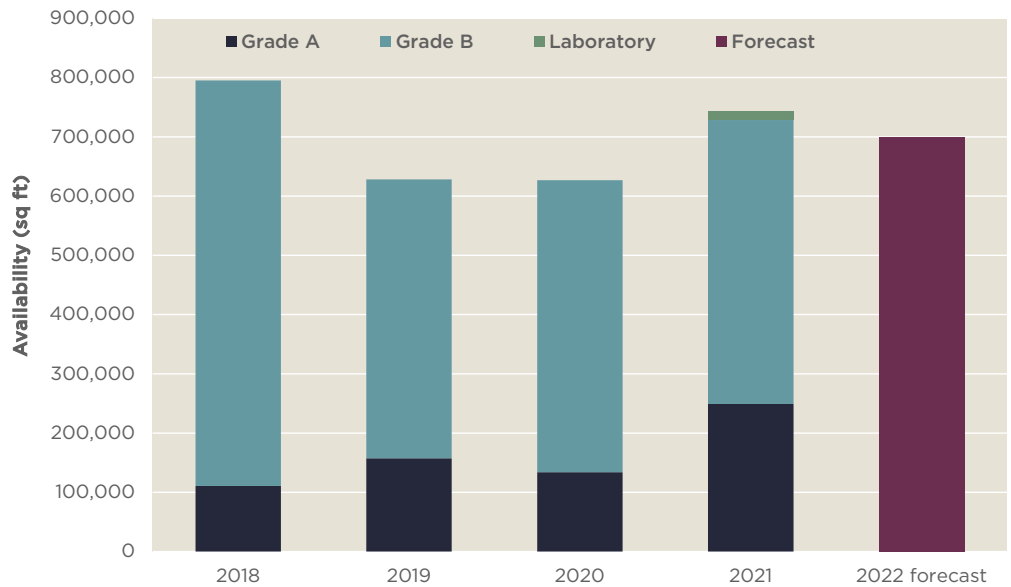
The availability of office and laboratory space rose by 18% in 2021 due to ‘grey’ space released by tenants, which was predominantly Grade B quality. Total availability stood at circa 740,000 sq ft at the end of last year. This is expected to recede this year, but only show a 6% reduction by the end of 2022.

What is clear, as seen in other markets across the UK, is the availability of Grade A office and laboratory space, which is severely limited in Oxford in the city centre and key ring road locations. The development pipeline for this year and 2023 is very low. The strength of the science sector, driven by the global reputation of the academic institutions, as well as the city’s contribution to the global pandemic, has ensured the city is a top target location for companies, of all sizes, working within the many areas of human health. Consequently, there needs to be an appropriate quantity and quality of commercial real estate.

The city centre market, in terms of rents, will continue to rise at the same trajectory seen since 2020. The limited level of supply, but high level of occupier interest, will see rents move above £50 per sq ft this year. In contrast, the market outside of the city centre will remain relatively muted, but will see slight increases throughout the forecast period as new supply comes on stream.

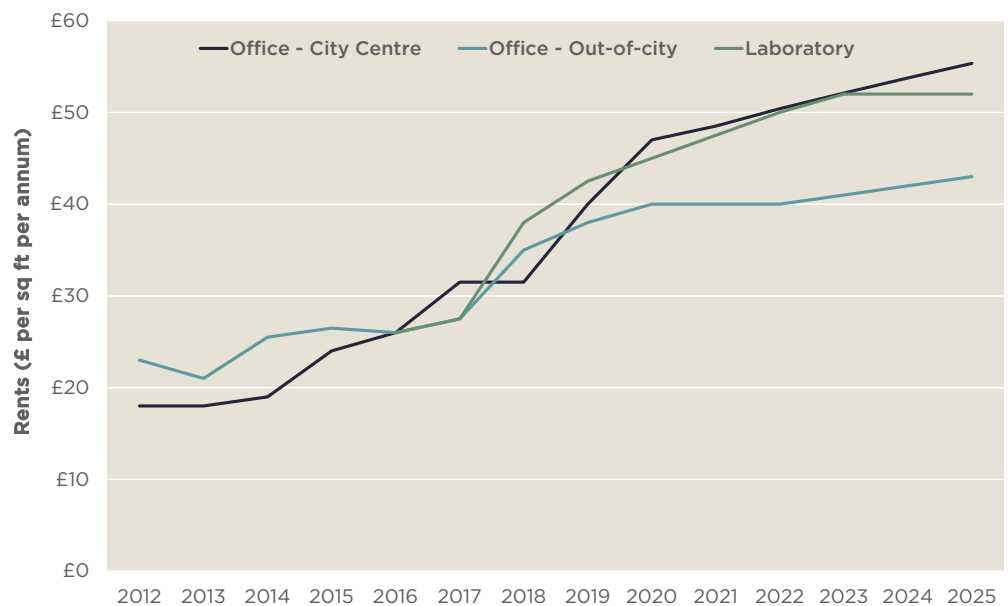
The laboratory market will track city centre rents, but most of the space will be delivered outside of the core city centre. However, the laboratory-enabled buildings will, rightly, command a premium rent, compared to standard office space, despite being outside the city centre. Over time, Savills expect laboratory rents to rise above the city centre level - this is something that has already been observed in Cambridge.

Availability is expected to fall by around 6% this year. ‘Grey’ space from tenants pushed availability higher last year. Development pipeline is low for 2022 and 2023.



Source Savills Research

City centre rents are expected to continue to rise throughout the forecast period. Laboratory rents will increase both this year and next.



Source Savills Research

“ A key question is when will laboratory rents move higher than the city centre office rental level. ”



Savills Science

Science, R&D and technology sectors all demand specific types of real estate, Savills, using data and expertise across all markets and disciplines will help clients make the best real estate decisions. Savills have established offices, with life science capability, within the key markets across the UK. Savills also has significant expertise in dealing with all aspects of life science real estate, particularly for occupiers, within the key markets in North America and Asia. Having a global understanding of these international markets, with experts 'on the ground', means that Savills can provide an enhanced offering to all types of clients, including occupiers, investors, developers and landlords.



Savills Commercial

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.

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