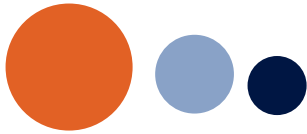


# Oxford Offices



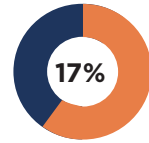


**Top sectors in H1 2020**

Public Services, Education & Health (33%);  
Biosciences (23%); Technology, Media &  
Telecoms (16%)

**£45**

is the top rent  
expected for 2020



**Grade A Take-up**

Only 17% of H1 take-up was Grade A quality,  
which reflects the limited supply

**OXFORD INVESTMENT MARKET OVERVIEW**

There have been no office investment transactions in Oxford in H1 2020. This follows a strong year of activity in 2019 where investment totalled £179 million. The largest transaction being Brockton Capital's acquisition of Seacourt Tower for £81 million, which reflected a 4.84% yield. Oxford prime office yields stand at 4.75%.

Brookfield Asset Management acquired a 50% stake in Harwell Campus via a corporate transaction in April 2020, which will accelerate the development programme at the campus. Before the Covid-19 pandemic, there were real estate investors putting life science real estate under their microscope. It had always been an alternative real estate subsector that was developed, in the majority of cases, by more specialist investors/developers, but the past six months there has seen an explosion of interest from all types of investors looking to diversify their portfolios to capture the expected increase in demand from life science companies.

**4.75%**

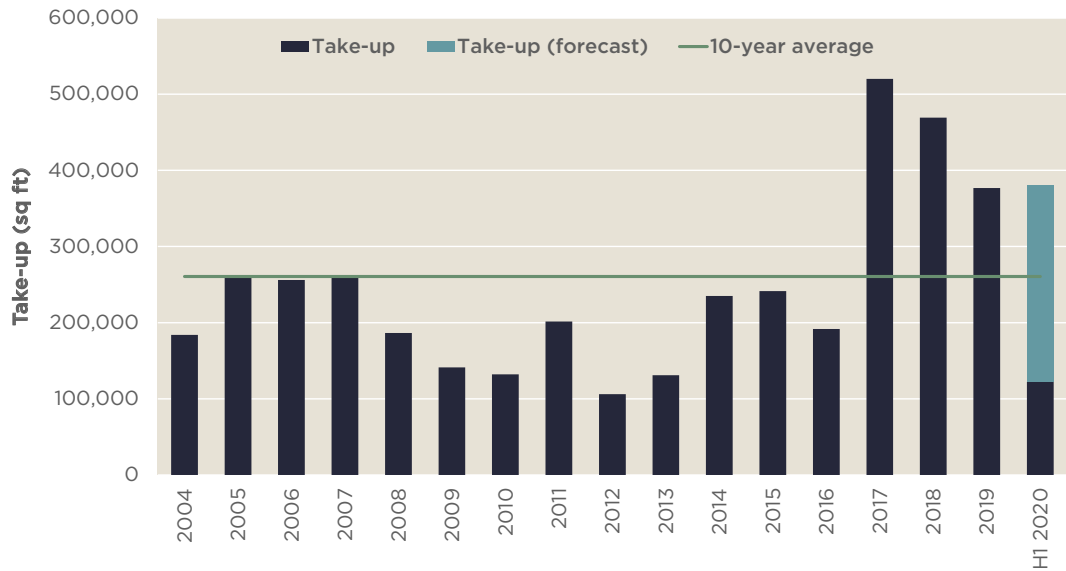
**Current Prime Office Yield**



**51%**

Overseas investors have accounted for 51% of office investment in the last five years

**Take-up last year was exceptionally strong and is forecast to reach 380,000 sq ft by the end of 2020**



Source Savills Research

**Occupational demand**

**The outlook for the Oxford office market - 2020 and beyond**

**1** As with most office markets in the UK, it is no surprise to see a relatively lacklustre H1, for obvious reasons.

**2** The last few years have seen a marked upward shift in tenant demand and the resulting levels of take-up. Oxford has broken away from being the 200,000 sq ft per annum market.

**3** Occupier appetite is strong and will continue to strengthen. If the supply was available, particularly in the city centre, take-up would

be much higher. The resulting effect has been a doubling of rents in the past six years and they are expected to top £45 this year and grow going forward. Tenant incentives have also come under downward pressure.

**4** Technology and Science-related occupiers dominated the occupational markets last year and this has continued into 2020. Pharmaceutical, medical and healthcare-related occupiers account for around 50% off all take-up in the office sector in 2020.

**5** The availability of office space continues to contract, standing at approximately 650,000 sq ft in Q2 2020 and equating to less than 1.5 'years of supply' of take-up, based on the 'new normal take-up' over the last three years (400,000 sq ft annual average).

**6** The role of Oxford in the hunt for a cure for this current pandemic and the global recognition of its world-class scientific capabilities, will keep Oxford on corporates' target list.

Despite H1 take-up being down on 2018/19, there is a good pipeline of space under offer in Q3, especially on laboratory accommodation. It is also encouraging to see the number of transactions of 10,000 sq ft and over, reflecting the maturity of the market



“The reputation of Oxford has been strong academically, and the current pandemic has propelled it even higher and has placed Oxford at an epicentre of finding a cure”

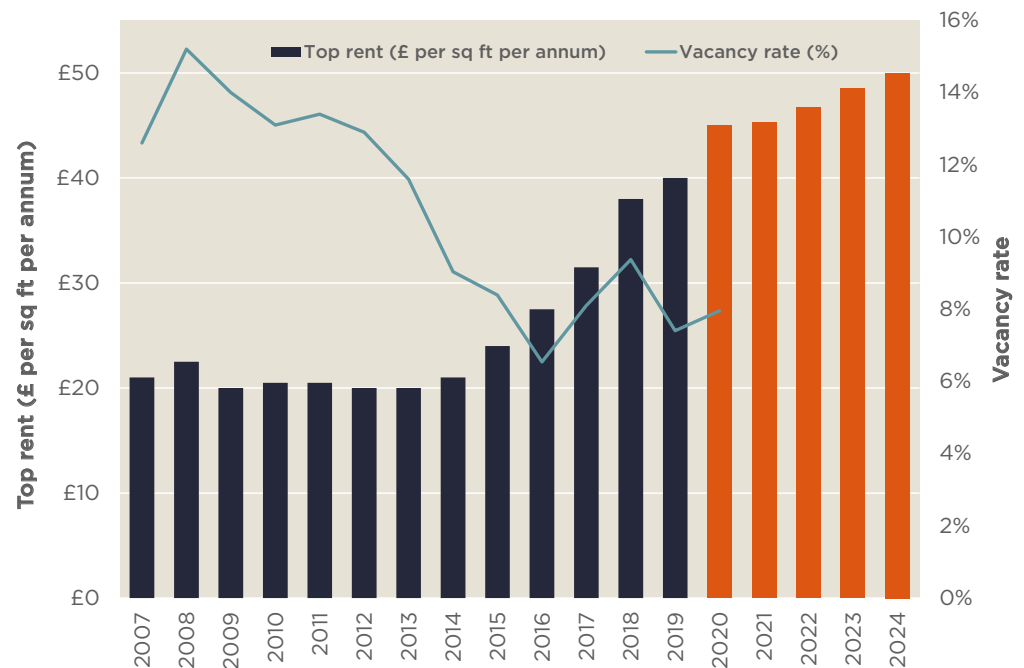
### Venture capital raised in Oxford - H1 2020

Venture capital (VC) is a primary indicator for determining the strength of the technology, R&D and life science ecosystem in any market.

The first half of 2020 saw just over £600 million of capital raised by companies headquartered in and around Oxford. The first quarter accounted for around half the H1 level with significant capital raises by Immunocore, who are based on Milton Park and Oxford Nanopore Technologies located at Harwell Campus and Oxford Science Park. The investors taking part in the deals during Q1 shows the quality of investing companies. AstraZeneca, Bill & Melinda Gates Foundation, Amgen and Eli Lilly are amongst the investors.

During the lockdown period in the UK, longer-term confidence of investors remained, where they committed to inject capital as later-stage VC. The recipient companies are becoming more established and often already profitable. An example of this is Exscientia, based at Oxford Science Park, raising nearly £50 million of Series C funding in May, with investors including Evotec and Bristol-Myers Squibb taking part. Exscientia is developing automated drug discovery and would sit within the Artificial Intelligence (AI) Drug Discovery subsector. This is a sector that has seen significant growth in capital deployed and sits well within the Oxford ecosystem.

Watching these subsectors of the pharmaceutical/biotechnology sector, presents the growth companies of the future and the target occupiers for our clients on commercial real estate schemes across the UK and throughout the rest of the world.



Source Savills Research

## On the global stage

The pandemic has seen Oxford propelled to a new status, at the same time as retaining first place in the World University Ranking

Oxford felt an immediate real estate response to Covid-19 in the UK with the fast-tracking of building the Vaccines Manufacturing and Innovation Centre (VMIC) at Harwell in Oxfordshire - this world-class facility was given the green light, without delay. Oxford was already leading the way, globally, in vaccine research and manufacture and daily news flow showcased the academic and scientific capability of Oxford. VMIC, with a 7,500 sq m (footprint) facility will increase the manufacturing capability by 20 times and can provide 70 million doses within six months of opening - enough for everyone in the UK. VMIC was founded in 2019 by academia (University of Oxford, Imperial College and London School of Hygiene and Tropical Medicine) with support from industrial partners (Merck Sharp and Dohme, Johnson & Johnson and GE Healthcare). Of course, this building is a long-term commitment and response facility for all types of future pandemics.

It is fair to say that the hunt for the Covid-19 cure is one of the most important scientific discoveries yet to happen. The world is in a coronavirus emergency looking for a vaccine. Most successful vaccines, for any virus, on normal trajectories, usually takes up to a couple of decades to discover. The deadline for Covid-19 is clearly 'yesterday', but as we know the symptoms of the 'common cold' are caused by

coronaviruses and as we are fully aware, there is still no cure, yet. The world looks expectantly at the life science community.

The question is which measure reveals the future direction of travel for the life science real estate sector? The pandemic emergency has seen increased level of funding into vaccine research. During the earlier stages of company growth, this is usually in the form of venture capital, as discussed already in this report. Growth in this type of corporate funding will result in employee headcount growth in and around Oxford. More employees needing to be accommodated in the office and/or laboratory results in a larger footprint in terms of real estate.

Investor interest has increased for life sciences in the past year, even before the current pandemic. The lockdown period has shown a higher level of occupancy and willingness for employees to go to the laboratory/office. Of course, not all of the employees' work can be done at home, and the sector is already very comfortable with health & safety procedures. Therefore, investors have an expectation of a higher resilience of occupation. The positive from all of this, for investors and landlords, is that the science sector will maintain or increase its office and laboratory real estate footprint in the near future. companies.

“AI-powered drug discovery has already attracted over £7bn of capital from investors to over 200 companies – it’s the one to watch”



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