

Overview

Occupier

The Oxford market continues to undergo a period of transformation, with science and tech businesses dominating new lettings in the market. Over the past three years knowledge intensive occupiers have accounted for 75% of office and laboratory take up, absorbing over 825,000 sq ft of floor space. The last two years has seen a particularly sharp increase in science take up and rents on fitted laboratory space currently reflects a 36% premium over prime office rents. Whilst availability in the office market remains at 9.6%, there is a strong desire from occupiers for high specification refurbished or newly developed space. Several larger office buildings are being offered as sub lets on shorter terms, as existing occupier's leases come to an end. Many of these buildings will be repurposed when vacant possession is obtained.

Development

The main delivery of new space that has come forward over the past 12 months has been from the repurposing of recently vacated office stock. This is likely to change in the first six months of 2023 with the new Iverson Building at the Oxford Science Park due to deliver 86,000 sq ft and Mission Street's Inventa Building on the Botley road to deliver 60,000 sq ft of new laboratory space to the Oxford market by the middle of the year. This stock is much needed. Despite global caution in the corporate funding environment, floor space requirements in Oxford are similar to 2021 levels and the mismatch with supply has widened over the last 12 months.

Investment

Prime yields on laboratories and offices shifted outwards by 75 and 100 basis points respectively in the final months of 2022. While this shift reflected wider interest rate driven market trends, the scale in movement in Oxford was less pronounced than seen across other UK office markets. The uncertainty was reflected in activity, with 75% of the year's transactions completing in the first six months of the year. Activity in H2 was dominated by two sale & leaseback transactions, with Oxford Biomedica and Oxford Nanopore selling buildings to Kadans Science Partner and The Oxford Science Park Ltd respectively.



Rob Beatson
Partner, Business Space Agency
07976 590996
rob.beatson@bidwells.co.uk

News highlights

Office and laboratory rents continue to surge in H2 2022

Prime office rents in Oxford moved up to £55.00 per sq ft in the second half 2022, rising by 13.4% over the year, whilst rents on fitted labs were up by 25% to £75.00 per sq ft. Prime office rents have now increased by 71.9% (11.4% per annum) over the past five years, whilst lab rents have risen by 36.4% (16.8% per annum) since 2020.

Venture capital funding remains strong in Oxford

Oxford life science and tech companies continued to attract significant venture capital investment in 2022 despite an overall slowing in the market. UK venture capital funding is estimated to have fallen by 15% in the first three quarters of last year and whilst activity slowed in Oxford, the Science and Tech sector continued to attract £1.59bn of funding, only slightly below the record set in 2021 of £1.72bn.

Two large sale & leaseback deals confirm confidence in the Oxford market

Kadans Science Partners and The Oxford Science Park restated their confidence in the Oxford life science sector by agreeing sale & leaseback deals with two of the city's major occupiers. Kadans agreed the £60m purchase of Windrush Court with Oxford Biomedica, whilst earlier in the year The Oxford Science Park Ltd agreed to buy in the long leasehold interest of Gosling House from Oxford Nanopore for £42.5m.

Repurposing helps to boost the supply of laboratory space

The refurbishment of office stock to provide buildings suitable for life science occupiers has started to help meet the growing demand for laboratory space in the Oxford market. The rebranding of Oxford Business Park to Arc Oxford preceded the refurbishment of a number of buildings to lab ready stock, with OMass Therapeutics committing to take 16,839 sq ft at the recently re-purposed Building 4000.

The facts

505k sq ft

Office and laboratory take up ahead of trend levels in 2022

£55 psf

Prime office rents in Oxford move to a new high as occupiers target best in class space

2.6%

Supply of laboratory space remains tight

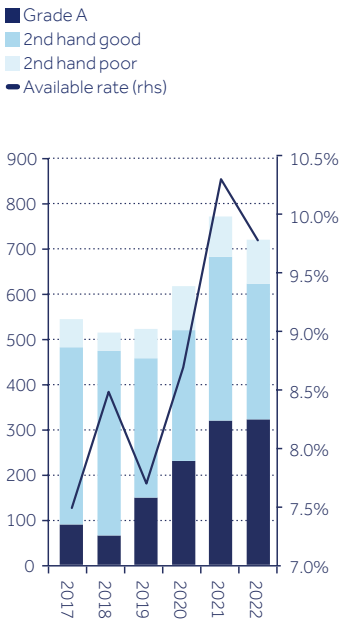
£75 psf

Fitted laboratory rents rise by 25% in 2022

Offices

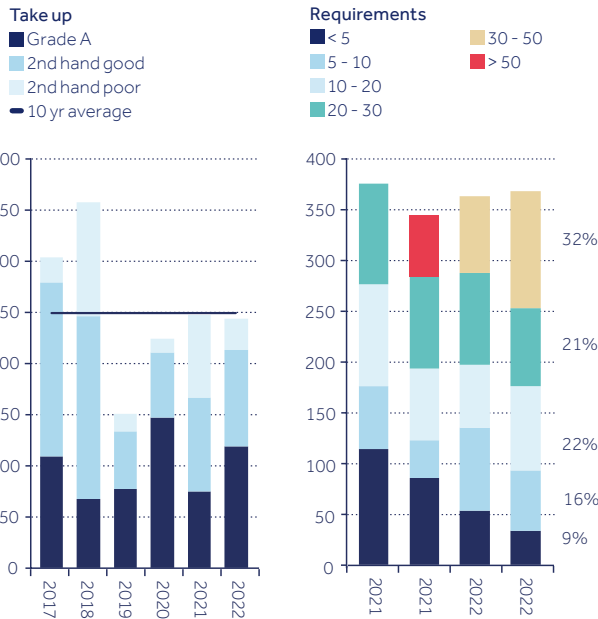
Oxford Biomedica's sale and leaseback deal at the 75,000 sq ft Windrush Court signals the group's commitment to Oxford

Office supply (December 2022)



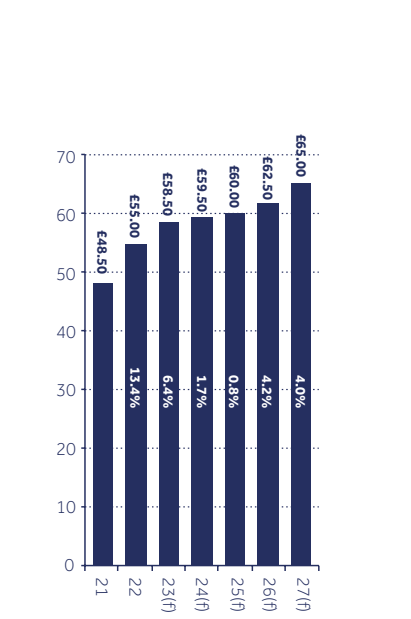
Availability 000's sq ft **719.3 ▼**
 Availability rate **9.8% ▼**

Office demand (December 2022)



2022 Take up 000's sq ft **243.8 ▶▶**
 Requirements 000's sq ft **366.5 ▶▶**

Office rents (December 2022)

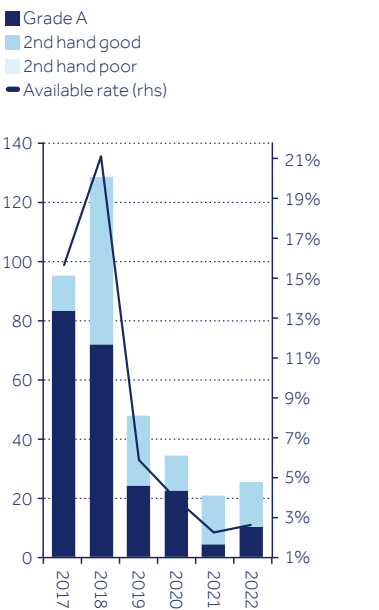


Prime Epsf **£55.00 ▲**
 Secondary good Epsf **£45.00 ▲**
 Secondary poor Epsf **£25.00 ▶▶**
 Annualised growth rate **3.4% p.a**

Laboratories

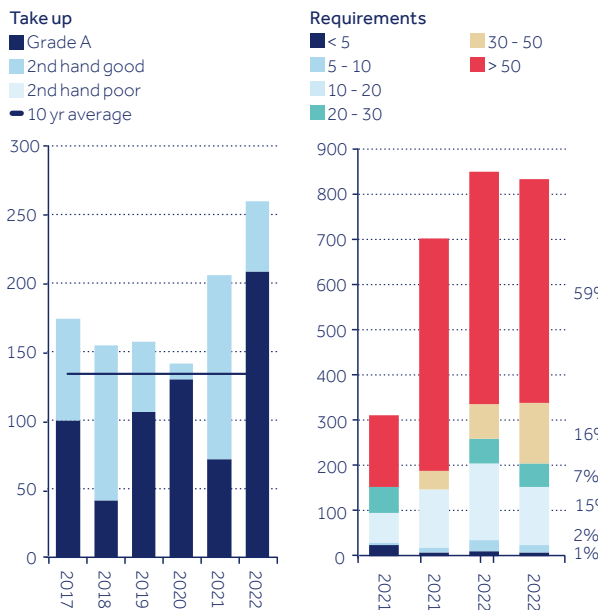
Take up in 2022 was severely curtailed by the lack of supply. The next major laboratory space to be delivered is the 86,000 sq ft Iversen Building at Oxford Science Park, due to complete in the summer of 2023

Laboratory supply (December 2022)



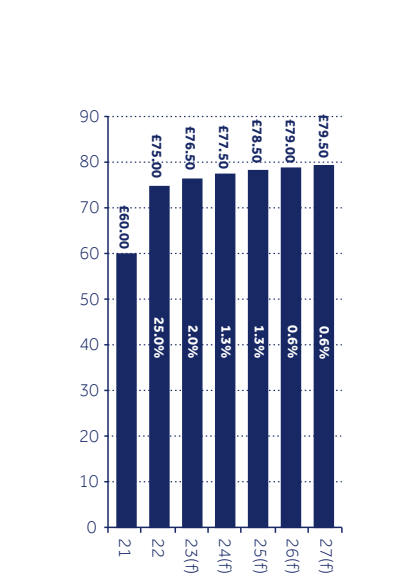
Availability 000's sq ft **25.1 ▲**
 Availability rate **2.6% ▲**

Laboratory demand (December 2022)



2022 Take up 000's sq ft **261.3 ▲**
 Requirements 000's sq ft **844.5 ▶▶**

Fitted laboratory rents (December 2022)



Prime fitted Epsf **£75.00 ▲**
 Prime open plan Epsf **£65.00 ▲**
 Prime shell Epsf **£55.00 ▲**
 Annualised growth rate **1.2% p.a**

Key Bidwells transactions H2 2022

East Wing, Seacourt Tower Oxford



Bidwells acted on behalf of the tenant, Brainomix Limited (Oxford University spin-out), who entered into a new full repairing and insuring lease for 5 years with MA Seacourt Ltd. The fitted office space comprises the first floor (south) of the east wing and has a total floor area of 4,475 sq ft.

28-31 St Ebbes Oxford



Bidwells' client, Pan Albion LLP, entered a 10 year lease with First Touch Games Limited, an award-winning independent games development studio. The letting is for 6,919 sq of office space split between the ground and lower ground floors.

Unit 3 The Quadrant Abingdon Science Park



Unit 3 (2,260 sq ft) is part of the Science Quadrant on the Abingdon Science Park, which is owned by our client, Kadans Science Partner. The lab/office space was let on a new lease for 5 years and is the last of the remaining units on the Science Quadrant.

Suite C, Second Floor, The Schrodinger Building, Oxford Science Park



Bidwells acted on behalf of Oxford Science Enterprises to sub-let Suite C to Nucleome Therapeutics Limited on a 5 year lease. The suite is 5,245 sq ft and was formerly occupied by Vaccitech, now at Harwell.

Capital markets

Investment in the Oxford office and laboratory market was boosted by a number of significant park transactions during 2022, pushing overall turnover to £491m from £361.5m in the previous 12 months.

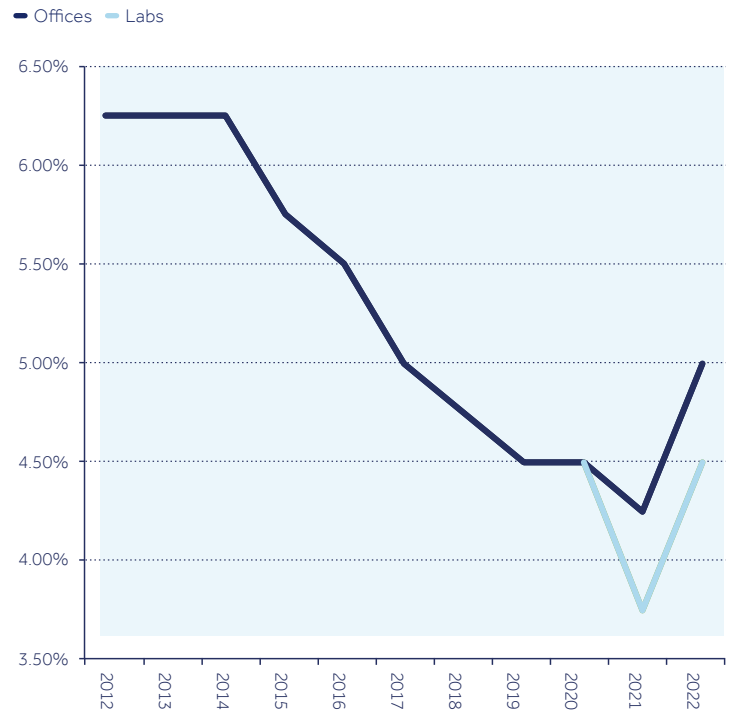
The largest transaction was Life Science REIT's purchase of Oxford Technology Park for £183m from Oxtec Developments. The 20 acre scheme will provide a total of 450,000 sq ft of mixed use life science space when complete.

The largest transactions of single buildings were both sale & leasebacks, with Kadans' purchase of Oxford Biomedica's Windrush Court the largest at £60m. Oxford Biomedica will take a 15 year lease, with a fixed review after five years.

Three quarters of the year's activity was completed in the first six months of the year, with the second half being dominated by the two sale & leaseback deals - see the News Highlights section above.

Since H1 2022 prime yields have shifted out by 75 and 100 basis points respectively for the laboratory and office market following the up tick in finance rates. The Oxford office and laboratory market has, however, performed robustly relative to other South East office markets with continued interest from investors.

Oxford prime office and laboratory yields



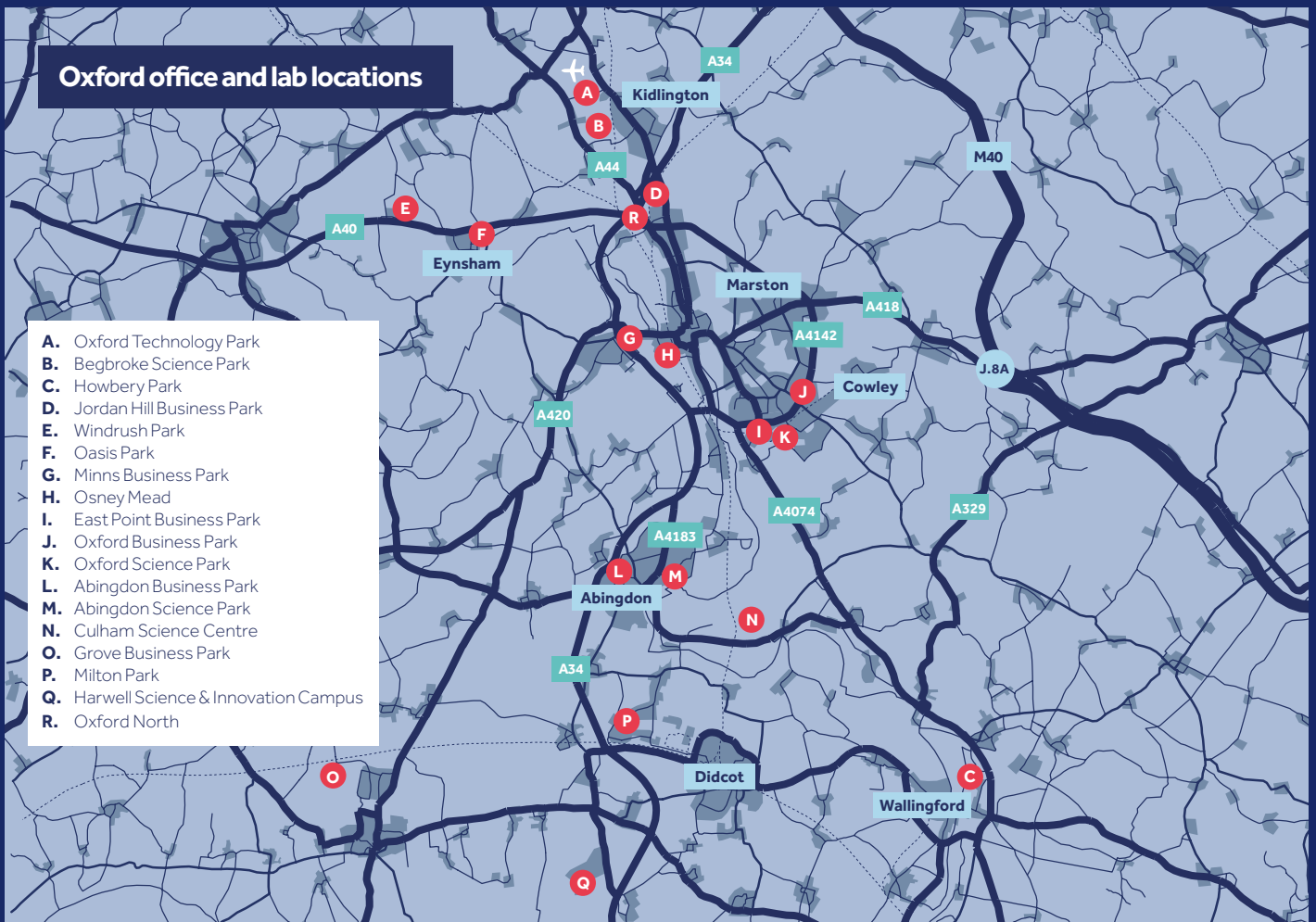
Source: Bidwells

Catalent Therapeutics acquired the Vaccine Manufacturing and Innovation Centre UK on a long leasehold. The new facility is located at the Harwell Science and Innovation Campus, a leading site in the U.K. for science and technology.



Oxford office and lab locations

- A. Oxford Technology Park
- B. Begbroke Science Park
- C. Howbery Park
- D. Jordan Hill Business Park
- E. Windrush Park
- F. Oasis Park
- G. Minns Business Park
- H. Osney Mead
- I. East Point Business Park
- J. Oxford Business Park
- K. Oxford Science Park
- L. Abingdon Business Park
- M. Abingdon Science Park
- N. Culham Science Centre
- O. Grove Business Park
- P. Milton Park
- Q. Harwell Science & Innovation Campus
- R. Oxford North



Key contacts



Rob Beatson
Partner, Business Space Agency
07976 590996
rob.beatson@bidwells.co.uk



Saul Western
Head of Commercial
07899 061 889
saul.western@bidwells.co.uk



Sue Foxley
Research Director
07771 339 153
sue.foxley@bidwells.co.uk



bidwells.co.uk/research #BidwellsDatabook

Bidwells is a trading name of Bidwells LLP, a limited liability partnership, registered in England and Wales with number OC344553.
© Copyright Bidwells LLP 2020. Before taking any action based on this document you should consult Bidwells LLP to ensure that it is appropriate to your circumstances. Bidwells LLP is in no way responsible for any views expressed within this document.