

Summer 2024



Offices and Labs

OXFORDSHIRE

Arc Market Databook



Overview

Occupier

The Oxford office market enjoyed a strong start to 2024 with take up in the first half of 157,400 sq ft. In addition to lettings to science and tech occupiers, Oxford saw a revival in demand from business services and the biggest letting in the first six months was to Aurora Energy, who took 38,000 sq ft at 109 St Aldates, the former home of the city council. By comparison, the labs market was quieter in the first half of 2024 with take-up of 67,400 sq ft. However, activity is likely to pick up in H2 given the recent recovery in venture capital funding, renewed interest from multi-national pharma companies and for once, good availability of grade A lab space. Lab availability rose to 316,200 sq ft by mid year following the completion of new buildings, but is still well below requirements (448,00 sq ft). Prime office rents in Oxford rose to £62.50 psf in the first half of 2024. We believe growing critical mass, supported by the improved funding environment, will leave prime office and lab rents 23% and 18% higher respectively by the end of 2029.

Development

The next two years will see Oxford achieve a step change in its evolution as a science cluster with the arrival of the laboratory floorspace needed for critical mass. Several significant planning consents have been achieved that will start to deliver space in 2025. There is clear evidence of greater confidence and activity in the occupational market for this space with two new large requirements coming forward in H1, while the turnaround in VC funding will drive future demand for small and mid sized floorplates. This depth of demand underscores the growing maturity of the cluster which will depend on large scale science space to enable Oxford to achieve its global potential.

Investment

The Oxford office and lab investment market saw a recovery in activity in the first six months of 2024, but investor appetite is polarised and focused on either prime buildings, or re-development opportunities. Prime laboratory yields in Oxford were unchanged in the first half at 4.75%. Despite the strength of the local occupier demand, prime office yields in Oxford rose by a further 50bps to 6% in June 2024, reflecting movement in office yields in the rest of the country.



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News highlights

Oxford office market bucking the trend

The strength of the Oxford office market in the first six months of 2024 and the depth of future requirements stand out in a sector which at the national level has suffered from weak demand as companies adjust to hybrid working and reduce their office space. However, while some Oxford occupiers have down-sized it has been less marked than in other cities, in part because many occupiers are small and medium-sized businesses. A new national survey by YouGov commissioned by Bidwells found that whereas 40% of big companies have cut office space since the pandemic, only 21% of SMEs have.

The other factor which has supported the Oxford office market has been the growth of science and tech businesses. They accounted for over 40% of office take-up in Oxford in the first half of 2024 and local employment in knowledge intensive industries has grown by 25% since 2019.

Venture Capital recovery

The first half of 2024 saw a recovery in venture capital funding for science and tech businesses in Oxford. Although the total raised of £330 million was well below the peak seen in 2022, it was 30% higher than in the first six months of last year. The biggest allocation was again to life sciences, but companies involved in nuclear fusion, satellites and software also raised significant amounts of capital, underlining the diversity of the Oxford cluster.

While the more difficult funding environment compared with the period immediately after the pandemic means that spin-outs and scale ups are still cautious about committing to new premises, we have seen an increase over the last six months in requirements for both offices and labs <10k sq ft.

New development focused on lab enabled space

Just under 1m sq ft of space was under construction in June 2024, with the primary focus being on lab enabled space, which accounts for more than 90% of the total. The biggest new scheme is the Daunbeny Project on Oxford Science Park, which will deliver 450,000 sq ft across three buildings. Completion is expected for 2026. Breakthrough Properties is also due to complete the 214,000 sq ft redevelopment of Trinity House at Oxford Business Park in 2025.

Harwell space cluster sees further expansion

The first half of 2024 saw two further lettings to space companies at Harwell as both Thales Alenia Space and the UK Space Agency took units in the Quad Two building. The lettings coincide with the opening of the National Satellite Test Facility (NSTF) at Harwell, which can shake large satellites to simulate a rocket launch and expose them to the extreme temperatures they will experience. The space cluster at Harwell now has over 100 different companies and agencies and employs more than 1,400 people.

The facts

225k sq ft

Office and laboratory take-up in H1 2024

£62.50 psf

Prime office rents in Oxford city centre move to a new high

12.5 %

Office and laboratory availability at the end of H1 2024

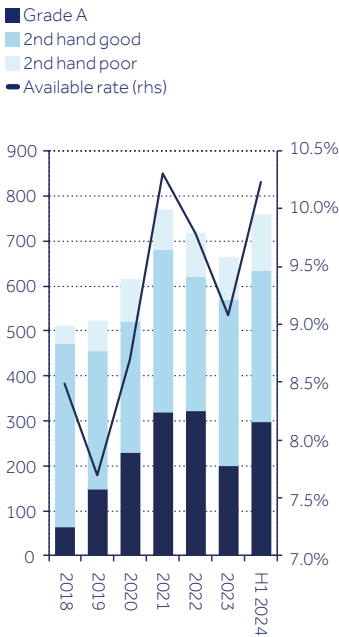
43.7 %

Growth in prime A office rents in the post pandemic era

Offices

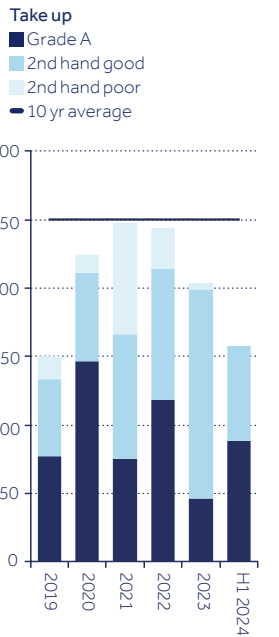
The Oxford office market enjoyed a strong H1 2024, boosted by a revival in demand from business services with Aurora Energy taking 37,750 sq ft in the city centre

Office supply (June 2024)



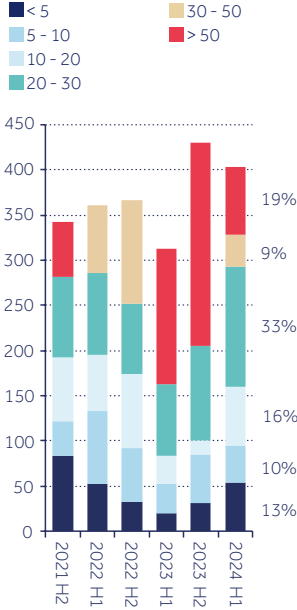
Availability 000s sq ft **759.4 ▲**
Availability rate **10.2% ▲**

Office demand (June 2024)



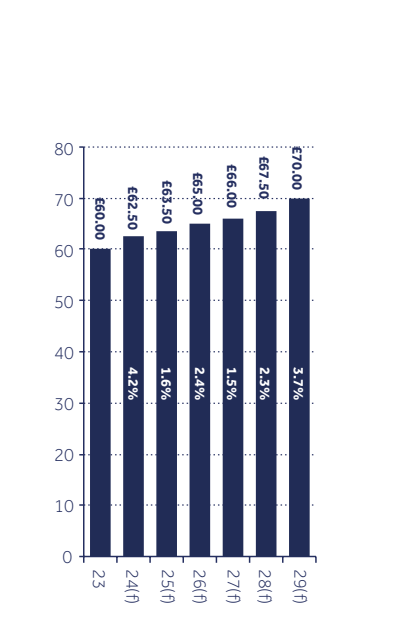
2024 H1 Take up 000s sq ft **157.4 ▲**

Requirements



Requirements 000s sq ft **403.0 ▼**

Office rents (June 2024)

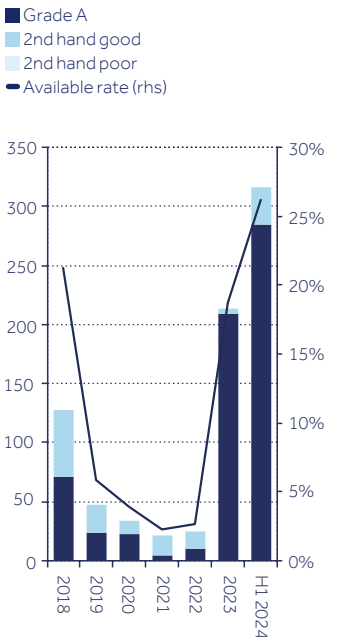


Prime Epsf **£62.50 ▲**
Secondary good Epsf **£45.00 ▶▶**
Secondary poor Epsf **£25.00 ▶▶**
Annualised growth rate **3.1% p.a.**

Laboratories

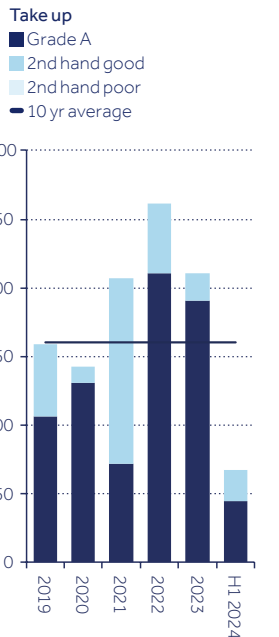
The supply of grade A lab is likely to fall in H2 2024 given space currently under offer, the upturn in VC funding and renewed interest from big pharma companies

Laboratory supply (June 2024)



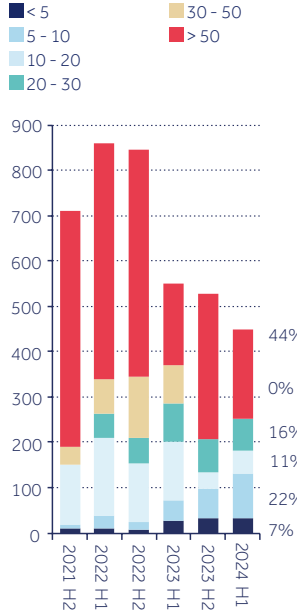
Availability 000s sq ft **316.2 ▲**
Availability rate **26.2% ▲**

Laboratory demand (June 2024)



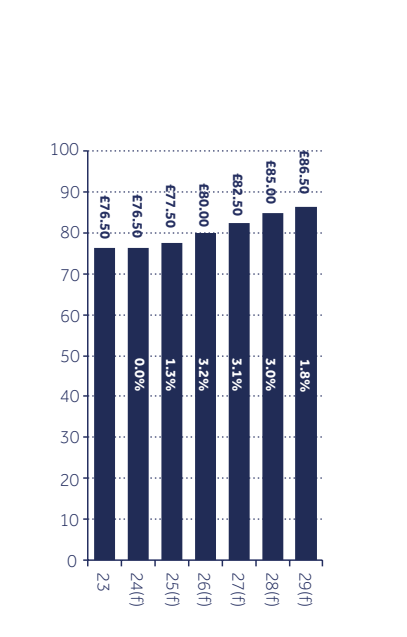
2024 H1 Take up 000s sq ft **67.4 ▼**

Requirements



Requirements 000s sq ft **448.0 ▼**

Fitted laboratory rents (June 2024)



Prime fitted Epsf **£76.50 ▶▶**
Prime open plan Epsf **£65.00 ▶▶**
Prime shell Epsf **£55.00 ▶▶**
Annualised growth rate **3.0% p.a.**

Key Bidwells transactions

The Sherard Building, The Oxford Science Park



Bidwells, acting on behalf of Oxford Science Enterprises, negotiated a new sub-lease of the first and second floors within The Sherard Building to Oxford Nanopore Technologies. The building provides high-quality fitted lab space with Nanopore taking c.13,000 sq ft across two floors.

Quad Two, Harwell Campus



The UK Space Agency has taken a new lease at the Harwell Science & Technology Campus. They have taken c.10,645 sq ft of Grade A office space on the first floor of the Quad Two Building. Bidwells act as an agent at the Harwell Science & Technology Campus.

Murray House, Jordan Hill Business Park, Oxford



The NHS has taken a new 20-year lease of Murray House on Jordan Hill Business Park in north Oxford. The total office space is c.15,000 sq ft. Bidwells act as joint agents on behalf of the landlord, Oxford University Press.

Sovereign House, Abingdon Science Park



Bidwells, acting on behalf of Kadans Science Partner, negotiated a new 5-year lease (2,252 sq ft) of the fully fitted lab space in part of Sovereign House. The tenant is MediMab Biotherapeutics.

Capital markets

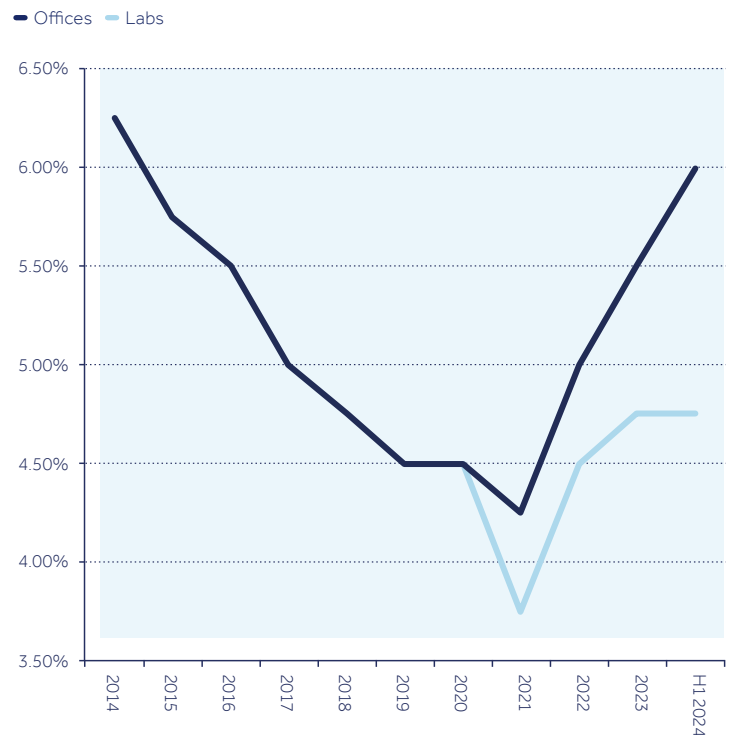
The Oxford office and lab investment market has seen a partial return of liquidity, helped by the re-pricing of assets over the past two years and the recent fall in finance costs. In total there were £115.4 million of investment transactions in the first half of 2024, compared with £23.7 million in the second half of 2023.

At present investors are interested in either prime offices and labs, or re-development opportunities where they can add value. An example of the former is the purchase of North Bailey House by Brydell Partners for £ 21.3 million, reflecting a net initial yield of 6.85%. The office building in the city centre was recently refurbished to a BREEAM excellent standard and is fully let.

At the other end of the scale, the Crown Estate and Pioneer Group bought the vacant, former Debenhams department store in the centre of Oxford with the aim of converting it into laboratories. The project is expected to cost c.£125 million in total and be operational by 2027/28.

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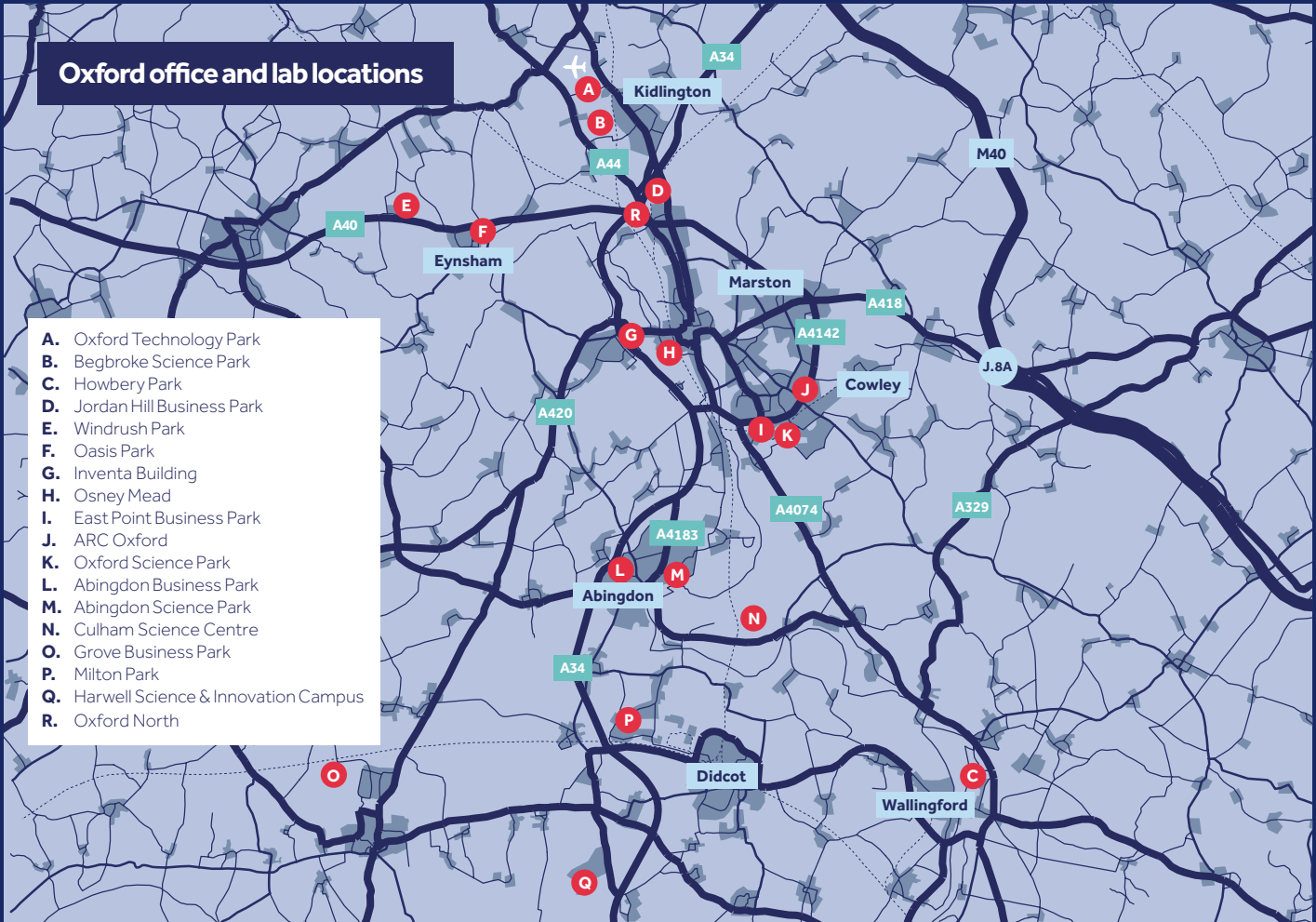
Oxford prime office and laboratory yields



Source: Bidwells

Diamond Light Source, Harwell Science and Innovation Campus





Key contacts



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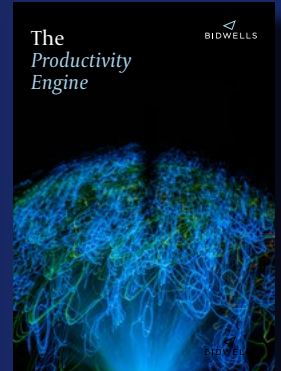


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