

Catalyst Bicester (Phase 4)

Proposed Extension of Catalyst Bicester Technology Park

Market Report and Analysis

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Introduction

CBRE's Oxford office (formerly VSL and Partners) has been asked by Albion Land to comment on the potential to extend the Catalyst Bicester technology park by adding a fourth phase of development. In particular we have been asked our views on market trends, the demand for further technology and knowledge based hybrid buildings and the suitability of the building design and specifications proposed.

This advice should be read in the context of CBRE being the largest property consultancy in the UK as well as one of the most active property consultancies in the Oxfordshire technology and knowledge based property market with an involvement in many of the premier projects in the county including Milton Park, Oxford Industrial Park (Pioneer Park) and the Oxford Business Park (Arc Oxford). CBRE (originally as VSL) has also been the lead property consultant to Albion Land in respect of Catalyst Bicester since plans for a development aimed directly at the expanding technology and knowledge based sectors was conceived in 2019. At this time we fully supported such a development (VSL Development Market Report August 2019) explaining at the time that whilst demand for traditional offices in Bicester was minimal, the potential demand for hybrid buildings suitable for technology and innovation based operations was strong. This advice has been vindicated by Albion's success at Catalyst Bicester where Phases 1 and 2 have let readily and have attracted innovative technology based engineering businesses to Bicester leading to employment opportunities for a highly skilled workforce. Without the Catalyst development, occupiers such as Evolito, Yasa and Tesla are likely to have selected alternative towns to locate in, most probably outside of the Cherwell DC area. The development of Phase 3 is likely to be on-site during summer 2024 and there is already good interest in this proposed scheme that provides a complementary size offering, including some buildings suiting smaller, fast growing businesses.

The proposals for Phase 4 of Catalyst Bicester will enable Albion Land to build on this success to date and most importantly, in light of the site's prominence onto the A41, now also attract companies with requirements for larger buildings providing a greater proportion of office/desk based technical areas in HQ worthy hybrid buildings.

Market Summary and Trends

Within the last 5 years the market for hybrid buildings technology buildings in Oxfordshire has become firmly established and the knowledge based manufacturing sector is helping to drive forward the region's economy. The University of Oxford remains at the heart of this trend with many technology and science focused spin outs from the University over the last 10 years, now becoming leading companies and important employers. Obvious examples being Oxford Yasa Motors and Immunocore with multiple other examples at Oxford Industrial Park and Begbroke Science Park. Oxfordshire's credentials as a leading base for technology based industries has in turn encouraged innovative companies such as Siemens Healthineers (Symmetry Park, Oxford) and Williams Advanced Engineering to choose the county for future expansion. Leading technology and science based business parks such as Harwell and Milton Park to the south of Oxford and Oxford Technology Park and Catalyst Bicester to the north of the city are experiencing continued new demand.

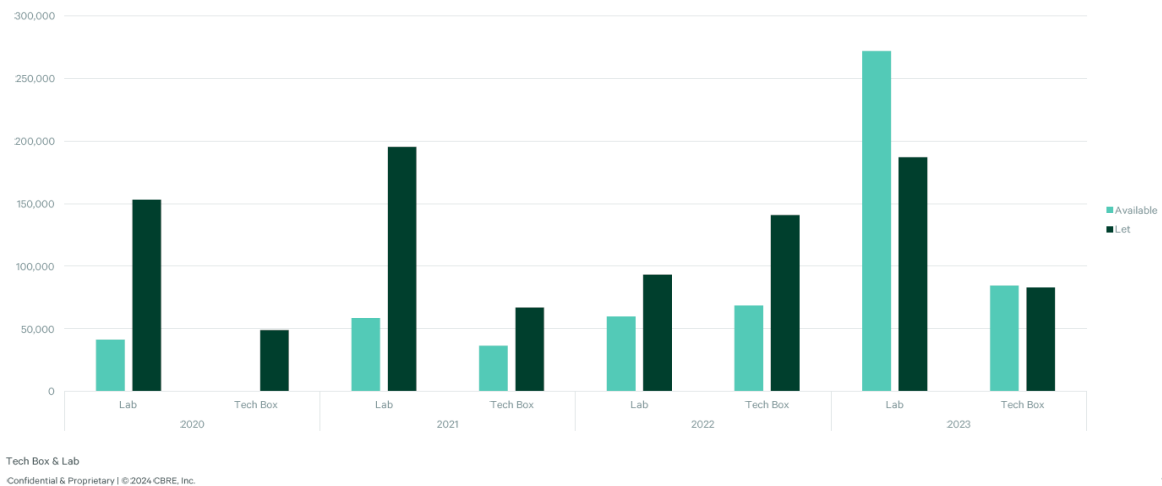
CBRE's market research demonstrates the importance of the technology and science sectors with inward company funding investment totaling over £1 billion to the Oxfordshire economy in 2023.

Take Up

A chart detailing take-up and supply of hybrid/tech box units is set out below alongside more traditional laboratory space. Interestingly, the delivery of space to market has been exceeded by take up since 2020. This provides insight into the depth of the market for this product and highlights the lack of suitable provision of buildings. It is important to note that take up levels shown have been restricted by the lack of product.

OXFORD LAB & TECH BOX

Oxfordshire Lab & Tech Box Take Up: 2020 - 2023

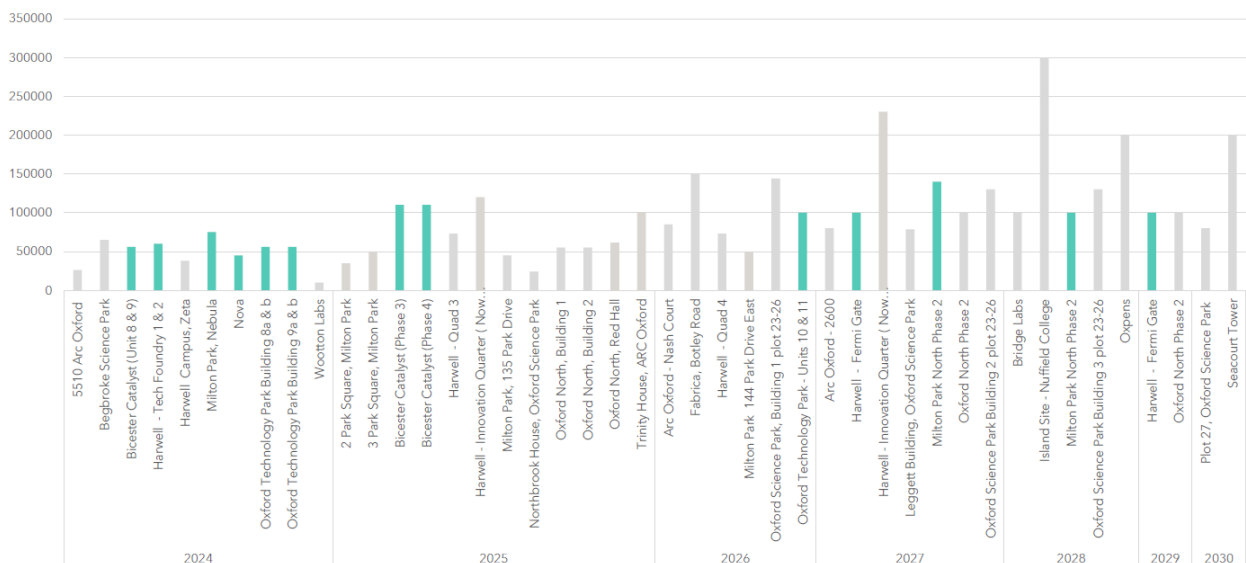


Tech Box & Lab
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CBRE has calculated that current unsatisfied demand for hybrid units has grown to approximately 500,000 sq ft notwithstanding the recent letting of 90,000 sq ft at Bicester Motion to Oxford Yasa Motors. CBRE also forecast future annual average take up in the order of 200,000 to 300,000 sq ft pa. Total forecasted provision of new development in Oxfordshire (consented/allocated sites) through to 2030 currently totals 0.8 million sq ft (excluding Catalyst Bicester), so circa 130,000 sq ft pa. CBRE therefore anticipate a shortage of suitable products unless new stock is released for this growing and important market.

OXFORDSHIRE SCIENCE AND TECHNOLOGY TECHBOX PIPELINE (2024-2030)

1.1m sq ft



Technology Occupier Needs Summary

As the technology and science market has matured, demand has centered upon two sub sectors with distinct building types being appropriate.

The pure science market driven by the demand from life sciences, requires laboratory accommodation which may have the appearance of traditional offices but are heavily serviced buildings, with increased plant, slab to slab heights and ventilation. Demand tends to be focused on centralised locations in and around Oxford with important clusters at the Oxford Science Park, Arc Oxford and new development provision being brought forward at Oxford North.

More relevant to Catalyst Bicester is the technology based R&D, innovation and advanced manufacturing sector. These occupiers require hybrid buildings which can support the split function of desk based research, design and engineering alongside flexible production areas suitable for robotics, advanced machining, prototype testing and assembly. The key attributes which occupiers require are:

- High quality business park environments with sustainability and ESG credentials an important consideration. Buildings must have the highest insulation, energy efficiency and environmental certification.
- Innovative building design suitable for an HQ function in addition to manufacturing and R&D operations. Primary building elevations must present as full height office and design accommodation to match the high profile that many occupiers are seeking.
- External layouts to enable separation between car parking and pedestrian access to the principal feature entrance from service yards and access to loading areas.
- Office and desk based design/R&D accommodation typically at between 30% and 50% of the total building area. Such accommodation needs to benefit from good levels of natural light, allow flexible use and occupier fit out configurations and avoid excessively deep floor plates.
- Manufacturing and production areas need areas of uninterrupted height to eaves (8 – 12m), good natural light, high quality floors slabs with minimal floor level tolerances and weight bearing capabilities for high point loadings, loading facilities and access to service yards designed for occasional HGV use.
- Enhanced power supplies for specialist operations.
- Ease of access to local amenities such as retail, restaurants, hotels and leisure facilities.
- Excellent transport links both by private car and public transport

Catalyst Bicester – Development to Date

At the time of writing, Albion Land have now completed and handed over to occupiers six units (approximately 110,000 sq ft) at Catalyst Bicester to four different innovative technology based companies. Two further buildings are under construction (approximately 70,000 sq ft) of which one has already been pre let and the remaining unit is subject to advanced occupier negotiations. Without planning permission being granted for the Phase 4 development C, Catalyst will only be able to provide a further 4 buildings totalling approximately 110,000 sq ft.

The rate of take up of the available buildings at Catalyst has been exceptional and even exceeds the pace of lettings that CBRE (formerly VSL) envisaged at the time of our letter of support for the original planning application in 2019. Units 1-3 were pre let to Evolito within a few months of construction work starting. This specialist electric powered aviation business recognised that the Catalyst development was designed to meet all the criteria they had set for a new HQ facility. Building 4 was let within a few months of completion to Yasa, a company at the forefront of eMotor innovation and development. Buildings 5 and 6 were both pre let within a few months of construction commencing to the leading EV company Tesla and a further EV related design and manufacturing business (identity subject to confidentiality) which has also committed to Building 7 which will be completed in the summer of 2024.

We are now experiencing further strong occupier interest in Building 8 which is under construction and expect a letting to be finalised ahead of completion in late summer 2024. Demand levels for buildings within the next few years is highly likely to be in excess of the supply available at Phase 3 (110,000 sq ft) and would support Albion Land's proposals for Phase 4.

Interestingly at Catalyst and elsewhere, we are now witnessing occupier demand from technology and knowledge based businesses for buildings which are slightly larger than we originally anticipated with an increasing emphasis upon office and desk based design functions. We recommended to Albion that individual occupier demand would typically be in the zone of 15,000 – 30,000 sq ft. In fact, looking at the letting deals at Catalyst to date, Evolito chose to take Units 1 – 3 on the basis that Albion Land modified the design to create a single facility of almost 38,000 sq ft and the company also asked Albion to increase the first floor office/technical design accommodation up to approximately 30% of the whole. Likewise, the unidentified future occupier of Buildings 6 and 7 were interested originally in a single facility of circa 60,000 sq ft and would ideally have liked further accommodation for desk based functions, at first or second floor level, over the 30% provision designed. As discussed below, Albion's proposals for Phase 4 Catalyst reflect the now proven demand for larger buildings with enhanced elevations and expanded office and desk based technical areas.

Phase 4 – Proposals

We are aware that there is an extant planning permission for the subject site which envisages a multi-unit development of 12 units ranging in size from 10,000 to 12,000 sq ft with approximately 20% office content, the units are arranged in a series of back to back terraces. In our opinion whilst such a layout might attract traditional light industrial occupiers it is inappropriate for the technology and knowledge based market. In particular:

- The floorplates, by virtue of their scale and configuration, would not lend themselves to the full range of activities which are typically carried out by occupiers in the technology and knowledge-based sectors which (as described earlier in this report) often span design, research, manufacturing and processing functions. Most importantly, they do not have suitable provision for associated external plant areas and this would undoubtedly create both functional and aesthetic issues.
- As a further consequence of their limited scale, they lack prestige or prominence.
- The office content is too low. Typical requirements are for 20% plus of first floor offices with the ability to enhance this.
- The scheme layout is poor with isolated parking, and very limited service yard provision.
- The layout does not achieve an appropriate visual and functional separation between the office and production elevations.
- The design underwhelms for a gateway site and the proposed units lack the quality required by the target technology based occupiers.

In contrast, Albion Land's proposals for Phase 4 build on the success of the development to date and reflect both the prominence of the subject site and the potential occupier demand for larger hybrid technology buildings which can offer both an HQ facility and a flexible accommodation for technology design, R&D and manufacturing businesses. The design perfectly satisfies the list of key technology occupier requirements set out above and in particular, we note the following:

- The buildings range in size from 33,630 – 49,235 sq ft which accords with the nature of occupier demand that we are experiencing, particularly in prominent locations. Such buildings will appeal to larger established companies who may be seeking to expand operations in Oxfordshire, or indeed international businesses looking to relocate R&D and HQ operations to Oxfordshire to take advantage of the area's unique talent pool. A good example of this is the recent move of Moderna to Harwell in South Oxfordshire for a vaccine manufacturing plant
- The buildings are designed with desk based office and R&D alongside collaboration and breakout areas at both first and second floors, an arrangement which enables Albion to increase the office content up to 45% of the total area whilst maintaining natural light and design flexibility and avoiding deep and inefficient accommodation.
- The proposed elevations and computer generated images we have seen suggest the building will be suitable for occupiers who require either an HQ style of building or a prominent statement facility reflecting the value and quality of their manufacturing or design products. Importantly, they will also be a suitable environment to attract and retain talent to these companies which is a key determining factor for any business in a low unemployment market.

- Albion Land's design has focused on creating a highly prominent building (Building 15) fronting onto Charles Shouler Way and the A41 roundabout whilst Buildings 13 and 14 are orientated towards the site entrance point from Wendlebury Road yet present enhanced technology appropriate elevations onto the A41 frontage.
- The internal site layout ensures a clear split between car park and service vehicle traffic and ensures that each building has a distinct separation between the 'office' and production zones which is an important consideration for prospective occupiers.
- Internally we note that the buildings will offer good floor to ceilings heights in the office and desk based technical areas of approximately 2.8m and highly flexible full height production buildings with clear internal heights to eaves of approximately 12m. These are ideal for potential occupiers who require flexibility in the use of the production areas and a high quality working environment for staff.
- We understand that the buildings will be built to a BREEAM Excellent and EPC A certification which is important for corporate occupiers.
- We note a high proportion of the proposed car parking will be served by EV charging points, another crucial consideration for occupiers.

Conclusion

The Catalyst Bicester development to date has been a tremendous success in terms of attracting the highest quality technology based occupiers to Bicester. This has generated both high quality employment opportunities and established Bicester as a location for knowledge based industries, with companies such as Siemens Healthineers now recognising the town's advantages. Demand for Oxfordshire's technology sector as a whole continues to be strong whilst the high quality and locational advantages of Catalyst are resulting in particularly high enquiry levels.

Although Albion Land have not yet developed phase 3 of the estate, we believe demand levels will outstrip this further potential supply of approximately 110,000 sq ft within 12- 18 months so we are fully supportive of the proposed expansion of the development.

We have reviewed the detail of the Phase 4 proposals and believe they closely accord with emerging demand for larger and prominent hybrid buildings in a high quality setting, with increased office and desk based technical areas. In our opinion the proposed designs, layout and specifications are suitable for the market and if approved by the Local authority, will help to attract further high quality technology based advanced manufacturing, design and R&D businesses to Bicester.