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Dear Bruce

Bicester Gateway, Oxfordshire - Market Report

VSL & Partners (appointed in 2014) and Bidwells (appointed December 2016), as joint marketing agents, have prepared this Marketing Report recording progress to date in the last five years and setting out the recommended strategy for the promotion of the Bicester Gateway scheme.

This report looks at the historical context of the occupational market in Bicester and then seeks to consider uses which may be of interest for this site.

The Site and Current Planning Permission

Bicester Gateway is located to the south side of Bicester and occupies a prominent position adjacent to the A41. The site comprises two parts which are divided by an access road (Vendee Drive), which links from the A41 to the old Wendlebury Road. The north side (Phase 1A) comprises a site of approximately 3 acres which is currently under development for a Holiday Inn hotel.

The south side (Phase 1B) comprises land of approximately 7 acres which has outline planning consent for approximately 161,166 sq ft of offices, R&D and hi-tech uses.

The land was formerly owned by Dr Richard Jones who ran an engineering business in Bicester and acquired the land many years ago as a potential expansion site for his business. At that time the land sat well outside the curtilage of Bicester. In 2012 he decided to dispose of the land at approximately the same time as Cherwell District Council were reviewing their Local Plan. The Local Plan Review sought to increase the number of employment sites. Phase 1 of the site was eventually added to and incorporated within Bicester Policy 10 which allocated this land and the adjoining Promised Lane Farm site (Phase 2) for ''knowledge economy employment development within Use Classes B1 business uses/hi-technology industries''. In their earlier draft Local Plan documents Cherwell District Council had allocated the Bicester Gateway site as a reserve site and they were not entirely sure what land uses were appropriate here. In 2013 an Option Agreement was entered into with Bloombridge, representations were made to the Council, and the site was then incorporated within Policy Bicester 10. A subsequent planning application then approved Phase 1A to the north for hotel use and Plot 1B for B1 employment use.

Bicester Office Market – Past, Present and Future

Past & Present

In the early to mid-20th Century Bicester was similar to many other market towns in Oxfordshire with commerce centered on the surrounding rural community and in particular the regular sheep market. From the mid-20th Century onwards Bicester became important as a strategic military base for the Royal Logistic Corps and Pioneer Corps which benefited from rail access to the pre-existing London to Birmingham line.

In the late 20th Century and early 21st Century Bicester was proposed as one of four "Country Towns" in the Oxfordshire Structure Plan and became a target town for residential growth and has become an expanding dormitory town with a current population of 15,000 due to rise to 30,000 by 2030. It is reported that approximately 70% of the working age population out commute from Bicester to other areas of Oxfordshire, London and Birmingham.

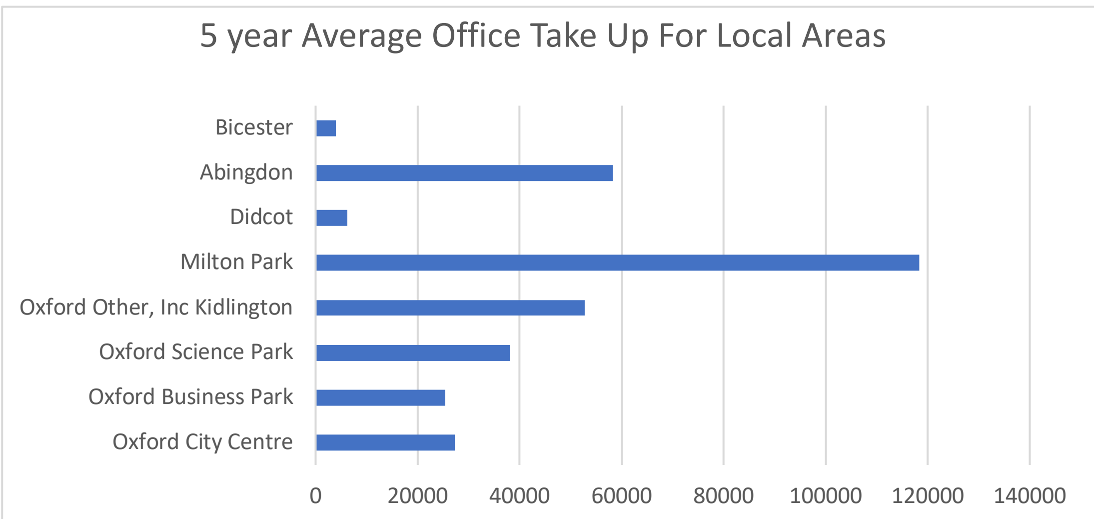
Bicester is known as the location for Bicester Village (a world-renowned retail outlet centre attracting approximately 6.6 million people per year, the second busiest tourist attraction in the UK), Graven Hill (to be Europe's largest self-build project) and NW Bicester (UK's first eco-town), establishing Bicester as a globally renowned destination. Over the same period, Bicester town centre has become one of the many challenged high streets in the UK despite the new Pioneer Square development which anchors a Sainsbury's superstore and Vue cinema. The town centre is in transition and is going to be subject to further competition from the Bicester out of town retail park which sits opposite the existing Tesco supermarket and Bicester Avenue retail scheme.

Recent employment development allocated through the new Cherwell Local Plan has been focused on B8 distribution warehousing around the perimeter of Bicester, as the town becomes a recognized regional logistics hub and continued manufacturing base with recent lettings including Bentley Designs, Medline and British Bakels.

The Bicester office market has been modest for many years, serving only the local business community. By illustration, using the Valuation Office Agency website VSL & Partners has calculated a total built stock of office floorspace of 143,000 sq ft (units over 3,000 sq ft) in the town (including Heyford Park). To put this figure into context, the comparable sized town of Abingdon (including Abingdon Business Park but excluding Milton Park) has some 496,000 sq ft of built office stock (over 3,000 sq ft), so is nearly 3.5 times the size of the market in Bicester.

No new office schemes have been speculatively developed in Bicester since 2000 when Avonbury Business Park on Howes Lane was constructed. It is useful to note that even this scheme was developed with mixed office/industrial units (ground plus first floor) rather than pure office buildings. Only the new Tesco has been constructed at Bicester Office Park, first consented for 60,000 sq m of B1 in 2006. These are sure signs of very challenging conditions for office development in Bicester.

Over the last two years VSL and Partners has registered a total office take up of just under 6,000 sq ft (lettings over 3,000 sq ft) in Bicester. Over the same period this compares with just over 100,000 sq ft in Abingdon and 170,000 sq ft at Milton Park, Didcot.

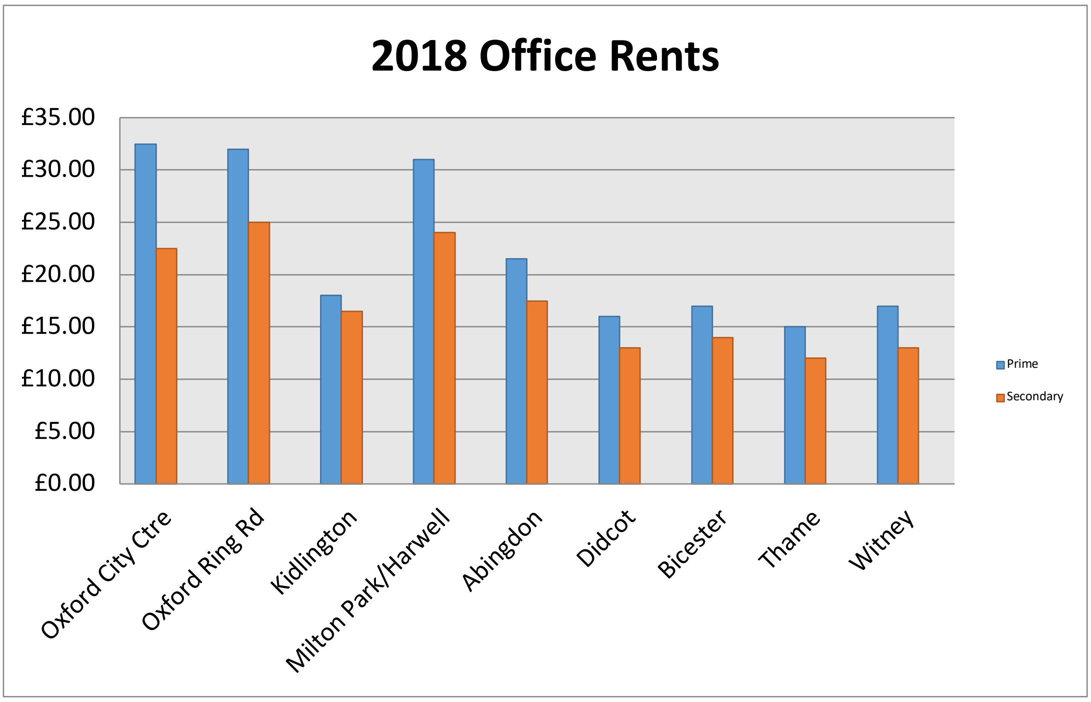


Recent Office Take Up of the Comparable Sized towns - Bicester and Abingdon					
	2014	**2015**	**2016**	**2017**	**2018**
Abingdon	140,160	34,366	24,589	52,097	40,000
Bicester	10,500	-	3,300	5,850	-

Note: charts based on office transactions of 3,000 sq ft and over. (VSL's base statistics level.)

There is clearly a very small existing office base in Bicester and limited demand. Whilst demand is likely to grow with Bicester's expansion and infrastructure improvements, it is of course essential first to establish the conditions that make a market. The scale of further provision then needs to be placed into context with the realistic annual take up of space and the scale of extant office planning permissions within Bicester.

Office rental levels in Bicester are still relatively low compared with other A34 locations and typically between £15.00 and £18.00 per sq. ft. Whilst in some ways this can be viewed as a positive by stimulating relocation demand from higher cost locations, it is undoubtedly a deterrent to viable development (owing to build and infrastructure costs). Build costs for offices are high and, whilst we have not undertaken a detailed viability exercise, it is interesting to note that within the last decade new office development in Oxfordshire has only been delivered in core locations with office rents in excess of £24.00 per sq ft and in the last 2-3 years this has risen to £27.00- £30.00 per sq ft. This means that speculative development in Bicester, deployed by developers to offer 'oven ready' accommodation to prospective occupiers and thereby drive take-up, is not an option.



The Future

Bicester's B1 employment growth is most likely to be generated by incoming investment, as opposed to the indigenous business community.

This could arise for the following reasons:

1. The Chiltern rail line connection to Oxford and London. Bicester is now a 'satellite' to Oxford, 15 minutes between stations.

2. Bicester offers affordable new housing, recreational and shopping facilities, sought after by Tech company employees.

3. Bicester now has planning consent on a number of sites capable of delivering sizeable B1 schemes.

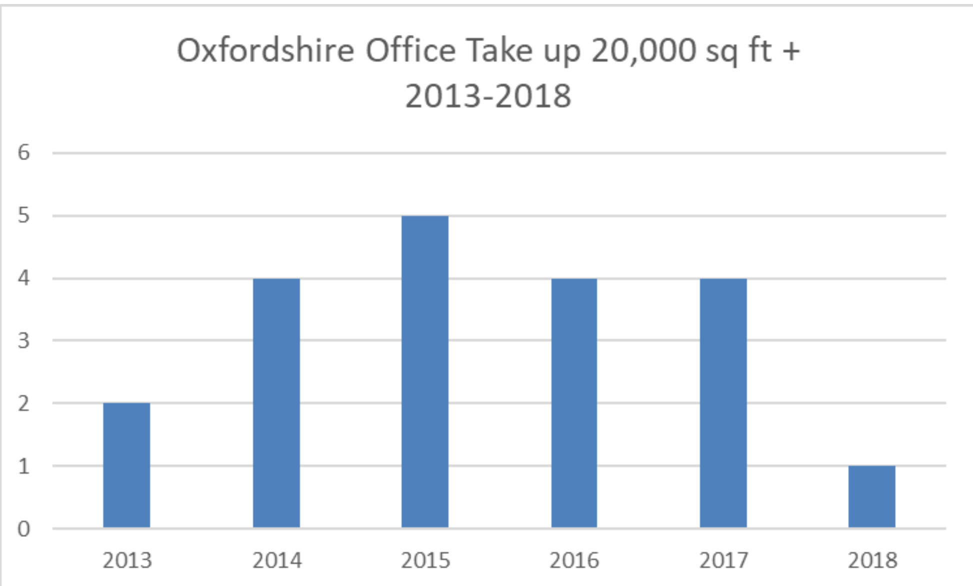
4. Bicester stands at the juncture of M40 (mid-way between London and Birmingham) and the Oxford-Cambridge Corridor, also accessing the Midlands and Silverstone. This area is the focus of investment under the Industrial Strategy, with the Corridor's GVA contribution forecast to grow from £113bn to £300bn+ by 2050 (see attached Bidwells' report).

At this stage it is uncertain how quickly this market will develop and what form it will take. It will require an acceptance that office rental levels in Bicester will be in line with the A34 corridor for new build offices, currently £27.50 - £30.00 per sq ft. This is not going to happen without Bicester further developing its place-making potential, and this is going to take time (measured in years).

In order to attract occupiers we need to clearly identify and highlight the advantages and opportunities of this location to a market that has traditionally not considered Bicester. Building a critical mass of occupiers and amenities is likely to be a long-term project and requires the input of other stakeholders such as Bicester Vision and OxLEP.

If successful then this would open Bicester to a significant B1 occupier market, but it is reliant upon much wider regional economic factors; and it will take considerable effort and time. It is also clear that Bicester Office Park is the pre-eminent corporate location in Bicester, so Bicester Gateway needs to differentiate itself from this, perhaps by targeting innovation and the tech sector, albeit that this would require a very different approach to design and the type and mix of uses on offer.

The marketing Masterplan for Bicester Gateway currently shows three office buildings of approximately 31,500 sq ft and one of 42,000 sq ft net area. The marketing is therefore currently positioned towards larger corporate occupiers who may be seeking new headquarters buildings. Oxford and Oxfordshire is predominantly a small to medium sized enterprise market and in the last 10 years we have recorded the following take-up across the <u>county</u> of buildings over 25,000 sq ft.



In the period of marketing this project which started in 2014 we have only entered into serious negotiations with one occupier. In 2014 we received an approach from DAF Trucks who were seeking to relocate from Thame for a combined office and training and engineering facility. In the end they decided to acquire a site in Thame.

Bicester Gateway – Target Audience

The target sector has been B1 office and technology (including partial R&D) with a minimum threshold of 30,000 sq ft. As explained, the latent demand is for smaller unit sizes of 2,000 – 15,000 sq ft but our instruction is not to pursue this multi-let scenario - on viability grounds but also in terms of how smaller units reduce master planning flexibility and generally set a low-quality benchmark for this gateway site.

As explained above, this audience is expected to be based outside Bicester and therefore will be either a relocation within say a 20-mile radius, or a more regional requirement. The former category will already know and understand Bicester, and factors such as staff retention and timing will be important. The second category will require the broader 'sell' most likely via a retained agent.

Bicester Gateway – Marketing Strategy & Collateral

1. Broadcasting: pdf brochure posted online on the VSL/Bidwells' and property listing websites, social media posts, promotion at events, etc.

2. B2B: direct engagement with stakeholders, national and regional agents and public sector groups such as OXLEP, Cherwell DC and DiT.

3. Proposal template document: generic Word template document to be used for bespoke proposals, to include pre-prepared CGIs and floor plans.

4. Site board: in situ

5. Media Advertising: we do not consider this necessary.

6. Enquiries Schedule: we will continue our regular marketing meetings with you to review the Enquiries Schedule and marketing strategy. All interest will be reviewed, including alternative uses.

Other Potential Users

Our summary of the information stated above is:

- Bicester has historically had a limited office market and we need to challenge this perception.

- The area is subject to fundamental change in terms of housing and transport connectivity making Bicester a more appealing place to live and set up business.

- The sites with planning consent for office development in Bicester would currently satisfy demand for many years to come and arguably the Bicester Office Park provides a more attractive location (and 80 years supply based on current take-up rates).

- Bicester Gateway is a very prominent site and will have an adjoining hotel.

- The current masterplan provides an indicative layout demonstrating the aspiration and potential of the site.

- There is scope for innovation to make the most out of the gateway potential of this site (for the benefit of the town generally).

Forgetting about viability, the current marketing strategy and existing planning restrictions we consider that the site could also possibility be used for the following:-

Smaller Office Occupiers – The current marketing strategy as stated above focuses on larger single occupier buildings of 35,000 sq ft or more on ground plus two storeys. Demand for office buildings in Bicester has been hampered by the fact that there are really very few alternative opportunities. There are a number of existing Bicester occupiers who would consider expansion or more modern office accommodation together with occupiers from elsewhere in Oxfordshire. We believe there is potential for smaller unit schemes of unit sizes from 2,500 sq ft to 15,000 sq ft in size and tenants are likely to prefer these as individual buildings rather than floors within buildings and this could therefore impact upon the amount of office space that could potentially be built here thus reducing development profit. This therefore impacts negatively on viability. Office occupiers in Bicester have always been used to office rents in the low to mid-teens and we would anticipate any new development would need to reach levels of approximately £20.00 - £25.00 per sq ft and this might push the rental gradient too far for existing Bicester occupiers.

Mixed Live Work Units – There is a serviced office requirement for Bicester Gateway which could be incorporated into a building with small apartments to service both short term visitors and the younger residential letting market. We can see the appeal for this in a major urban centre such as Oxford city centre (where, ironically, there is no space) but there might not be sufficient critical mass in Bicester because we imagine this would only relate to a single building of say 30,000 sq ft. However, going for scale, and replicating what the University is proposing at Begbroke (ie an 'innovation community') would be a very interesting proposal, keying in to Oxford and acting to attract the knowledge economy to Bicester.

These mixed live/work units are a relatively new concept but offer an opportunity for an innovative idea to come to Bicester reflecting the ambitions of the area. Exact design details need to be considered to decide how this could best be accommodated, to create a collaborative community and flexible space. This is the sort of idea that would change the market and change Bicester – positively.

Roadside Uses - Given the prominence and access of this site it does ideally lend itself to these types of uses which could include any of the following:-

- Car showroom
- A3 restaurants/coffee shops
- Other food and beverage
- Petrol filling station

Given the spending power of those visiting Bicester Village you could see this being of interest to high end retail uses especially in the car market who are restricted from taking space at Bicester Village.

Also, thinking ahead to the emerging electric vehicle market, it could be an ideal charging site as well as vehicle sale location.

Hotel Use - There is a legal restriction imposed by Holiday Inn on a further hotel on the adjoining site. Given the size, it might be a location for a 4 or 5 star hotel, which could include a spa or gym facility, adding to the critical mass of hotels already existing or being planned in Bicester.

Technology Use – The technology market is strongest in the Oxford and Science Vale areas at present being driven by spin-out companies by both Oxford Brookes and Oxford University and being financed by OSI Plc. Science and technology comes in many shapes and sizes and it is difficult to predict exactly what style of building is required. Many technology occupiers are now favouring hi-technology boxes rather than office accommodation as it is easier to fit out and deal with the dilapidations at the end of the term. You are obviously familiar with Oxford Technology Park.

Educational Use/Research – The site gives a potential opportunity for Oxford University or a local higher education facility to locate here. It is our view that Oxford University are fully focused on Oxford including Osney Mead and Begbroke and that Bicester is too far for them to contemplate but at the same time other local higher educational authorities tend to be cutting down on the accommodation they are providing in Bicester rather than expanding.

Training/ Conference Centre – The strategic location of the site and proximity to neighbouring hotels and Bicester Village could make this an attractive location for a training or conference centre; albeit one that is differentiated from Bicester Heritage. Our experience of conference centres is that they require public sector funding to be viable. A dedicated corporate training centre is a potential opportunity

Marketing to Date

In order to build a case for supporting alternative uses, we can accurately set out the marketing initiatives taken to date and all enquiries received. We set out as an appendix with this report this information and suggest we continue to record all enquiries on our application schedule of enquiries.

Marketing Strategy

Bicester Gateway provides an excellent opportunity for a landmark, prominent set of buildings. Due to the fact that Bicester is not yet an established regional office destination, the key focus of our marketing needs to be aimed at changing this perception. This needs to be undertaken in conjunction with Bicester Vision and OxLEP to support the 'bigger picture'. In tandem we should continue our agent and occupier focused traditional marketing.

We also need to be open to other potential uses such as live/work, conference centres, training centres and innovation uses which can still demonstrate a valuable contribution to the local economy. The live/work units require significant work to establish the best mix and design to create an innovative and collaborative community.

We trust hope this report provides the information you require and look forward to hearing from you.

Yours sincerely

[redacted]

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For and on behalf of VSL and Partners

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