

COMMERCIAL PROPERTY CONSULTANTS

The most effective Commercial Property
Consultants in the region

Report



**Prepared in connection with the Development and
Conversion of the Offices to Residential Accommodation at**

**Waterperry Court
Middleton Road
Banbury
OX16 4QD**

Written on behalf of

Waterperry Court Development Limited

White Commercial Surveyors act on behalf of clients in Oxfordshire, Northamptonshire, Buckinghamshire and Warwickshire along the London to Birmingham M40 motorway.

- Offices
- Retail
- Industrial Commercial Property Development and Investments
- Rent Review
- Lease Renewal
- Commercial and Residential Property Management
- Commercial Property Consultancy Services

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Instructions

White Commercial Surveyors have been requested by the owners of Waterperry Court, Waterperry Court Developments Ltd, and their Planning advisers Edgars to provide information in connection to the following:

- The Council's Economic Growth Services Department's comments relating to a previous S73 application (ref 21/00303/F) which sought to remove condition 11 of application 89/00546/N which restricts the site's use to B1.
- The specific policy requirements of Local Plan policy SLE1 (Employment Development).
- Additional commentary on the supply and demand for offices in Banbury.

White Commercial were instructed by the previous owners of Waterperry Court (in January 2020) following the submission of a marketing report and advice to sell the office buildings. Following the implementation of the marketing strategy to office occupiers and developers the subsequent sale of the buildings to Waterperry Court Developments was completed in December 2020.

White Commercial Surveyors Expertise

The writer of this report, Christopher J White B.Sc. (Est Man) MRICS, is a member of the Royal Institution of Chartered Surveyors and the Managing Director of White Commercial Surveyors. He has a degree in Commercial Property Estate Management (1985) and has been qualified as a Chartered Surveyor since 1986.

The writer has unrivalled expertise of the Commercial Property Market including the office market in North Oxfordshire and South Northamptonshire. He has operated in Banbury since 1988 having started his Commercial Surveying career along the M40 in High Wycombe and Aylesbury from 1985.

White Commercial Surveyors is the leading firm of Chartered Commercial Property Surveyors in the region, dealing with and providing commercial property advice on a significant proportion of the larger commercial property holdings/new developments and commercial development sites in the region. The company provides 'general practice commercial property advice' on a broad basis; covering all the main commercial property disciplines.

The company is currently involved in a substantial number of commercial property developments and sites within the region including Banbury, Brackley, Bicester, Towcester and Milton Keynes.

The writer has dealt with most of the office buildings and office stock in Banbury during his time in the region and has also provided advice on almost all new office developments in the town since the early 1990s, including The Old Malt House, Blenheim Court, Packington House, Town Centre House, Manor Park and Banbury Office Village and the subject property.

At the time of writing this report and for many years, White Commercial are/have been responsible for over 80% of the office instructions, availability and transactions in Banbury and the North Oxfordshire and South Northamptonshire regions and have dominated the transactional market for many years in the region.

The writer also originally advised Heron Hi-Tech in 1988, the purchaser of the subject site, in the development of Waterperry Court, which is situated on the Old Banbury Railway Station Masters House. He has further been involved in nearly all the lettings and sales of the various units at Waterperry Court since the property's development in 1988.

Chris therefore has more experience in the office market in the region and knowledge of the letting and sale of the offices at Waterperry Court than any other individual in this time frame.

Waterperry Court – The Offices

Waterperry Court comprises a terraced office development of five office buildings totalling 11,463.11 sq m, of which until recently were all offered for sale, all situated in their own self-contained site in January 2020. The self-contained buildings are a mixture of three and four storey units, each benefitting from B1 office use. There are 52 car parking spaces serving the building, providing a good level of car parking for the town centre location.

House	Sq Ft	Sq M
Ashbourne	1,497	139.08
Strathmore	7,065	656.36
Malvern	2,580	239.69
Buxton	2,760	257.25
Chiltern	1,830	170.01
Total	15,732	1,462.39

1. Structure of this Report

This report is structured to address the following:

- Demand for office space in Banbury
- The nature of future demand
- Options for Waterperry Court
- Supply of offices in Banbury
- Marketing of the property
- Viability

Following submission of a S73 application (ref 20/00303/F) to remove a historic condition limiting the site’s use to B1, Cherwell District Council’s Economic Services provided comprehensive comments on the building and options for its continuing use for offices. These comments are summarised in a text box at the beginning of each section.

2. Demand for Office Space in Banbury

- ‘High demand on the M40 corridor’ for offices which substantiates the reason to protect existing offices where they are not redundant but may be temporarily vacant.
- Somerville Court, Banbury Business Park – evidence that businesses are thriving here
- Banbury may not be a recognised as an ‘office location’ but this does not mean it is not popular with business occupiers.
- Surrounding towns have higher market rental prices which creates advantage in reducing the operational costs for Banbury office businesses, supporting an element of their relative competitiveness.
- These offices are vacant rather than redundant

- We have set out below demand statistics from occupiers with office requirements for Banbury based upon White Commercial’s regularly updated requirement information as at October 26th 2021.
 - Total office stock in Banbury compiled from Valuation Office Agency site totals circa 90,220 sq m (971,100 sq ft).

- Banbury has total office requirements totalling 2,230 sq m (24,000 sq ft) – of these requirements two companies are looking for a total 1,579 sq m (17,000 sq ft) – leaving only 650 sq m (7,000 sq ft) of other office requirements for the whole of Banbury.
- Requirements for the Cherwell District total 6,132 sq m (66,000 sq ft) - Banbury only has 36% of the overall demand – the majority of requirements being closer to Bicester and Oxford.
- White Commercial’s demand figures are based upon parties looking for accommodation; in our experience a number of the companies within the demand statistics will renegotiate a lease on their existing space or look to restructure their operations whereby their requirement will not progress.

Office Requirements				
October 26 th 2021				
Company	Banbury	Bicester	Brackley	Requirement
	sq ft	sq ft	sq ft	
HB		7000		Veterinary practice referral centre
RB	4000			Modern office premises Banbury
BS	7000			Modern new offices, Banbury only. Require only one or two floors.
HKJ		2000		Offices in Bicester - modern
ME	0	7000	0	Business Park Bicester E Oxon
V	0	5000	0	Bicester-only modern facilities
IMS		5000		Bicester-only modern
CJ	0	5000	0	Oxfordshire, preferably Bicester/modern
MVK	0	3000	0	Bicester – modern offices
K			5000	Modern office in Brackley only
IWG	10,000			Serviced office, National Company require only one or two floors.
BP	3000			Modern facilities in Banbury
H	0	0	3000	Medical use, modern, Brackley area
TOTALS	24000 (18,500*)	34000	8000	
TOTALS				66,000
%	36	52	12	100

*Figure included for comparison, total office requirements at 21st May 2021

- There has been a general decrease in demand for office accommodation and reduction in supply over a period of time in Banbury and this is reflected in the lack of rental growth; lack of new development and difficulty in leasing accommodation generally.
- From the substantial marketing carried out by White Commercial on both a local, regional and national basis to both office occupiers (and residential conversion operators) there was no demand for Waterperry court as office premises. As evidenced in the table above, those currently seeking office accommodation in Banbury are looking for more modern premises.
- The more appealing Chiltern House Unit at Waterperry Court – circa 2,000 sq ft (two storey and a good open plan first floor area) took 4 years to sell and was proactively marketed by office agents in Rugby and Oxford between 2016 and 2020. The unit was to be converted to serviced offices – the owner of the building has recently advised the writer that he is now pleased he sold it to the owners of Waterperry Court as he is now hesitant about office demand in Banbury – a nervousness that has come from his existing scheme in Banbury (this company have just instructed White Commercial to market offices he recently purchased on a leasehold basis in Bicester - from a

vendor client of White Commercial - and part funded by these proceeds of sale – and where he has more confidence in office demand).

- The more economic rentals in Banbury are simply a factor of demand and supply – i.e. there is insufficient demand to warrant higher rental values with even the current level of rentals not attracting a good level of demand - e.g. Blenheim Court the most modern offices in Banbury Centre – where White Commercial have been marketing the second floor – fully refurbished accommodation for over 6 years.
<https://whitecommercial.co.uk/property/2nd-floor-suite-blenheim-court-george-street-banbury-ox16-5bh/>
- Regarding Somerville Court as a specific example, White Commercial act for the various landlords on this site and have done so for a number of years. We currently have 3 available units/buildings totalling some 9,298 sq ft available in various sizes and are finding it extremely difficult to lease or sell the accommodation.

Unit No	Marketing Since	Vacant Units sq ft
3	January 2021	1,563
8	October 2018	1,338 - 3,406
9 and 10	October 2020	4,329
Total		9,298
Recently let (since July 2021)		
<i>Bibby</i>	<i>November 2020</i>	<i>12,882 – 16,514</i>
5	October 2017	1,322

- Rental values have also not increased in real terms since 1990. Waterperry Court and Blenheim Court originally were quoting rental values of £15.75 per sq ft; rental values now in 2021 are in the region of £12.00 per sq ft, including incentives.

3. The Nature of Future Demand

- Demand for smaller, innovative & flexible work hubs will increase – e.g. Banbury Guardian offices fit-out evidences viability and popularity
- Shortage of premises for start-up and growth (OxLEP)
- With significant growth in Banbury’s population up to 2040 and beyond, the need to provide flexible, attractive premises for small and growing businesses is likely to increase - especially so in a town such as Banbury where the reducing desirability of traditional commuting patterns likely to be replaced with smaller ‘human’ locations
- Growing demand and a growing number of potential entrepreneurs and workers
- Unclear whether trend for flexible working practices will continue... as a ‘mid-way’ solution, local office ‘hubs’ are increasing in popularity and Banbury’s growing population provides potential clientele.

- There is as yet no hard evidence for how working patterns will change in the future, nor indeed how quickly they will change.
- Future demand for office accommodation generally is likely to have been impacted by more efficient working practices in connection with home working and also hot-desking suiting more ‘transient’ staff. This in effect will reduce the requirements for office accommodation by occupiers.
- We expect to see structural changes in working practices over the next few years, fuelled by the results of the COVID-19 pandemic, which has resulted in a partial disconnection between office use location and operational buildings – which will result in an element of de-urbanisation and a reduction overall of demand for office accommodation generally.
- Contractual changes to office users’ contracts; the significant increase in homeworking; the cost efficiency and productivity benefits from these arrangements and the consideration of environment will all have an effect on future demand for offices nationally. Initial considerations suggest that occupiers will require circa 10 – 20% less accommodation when we are back to a period of ‘normality’.
- White Commercial are an active Partner of OxLEP and are in regular contact with the organisation. We agree that there are shortages of premises for start-up and growth, but in essence this statement from OxLEP relates to accommodation in Oxford and not North Oxfordshire. We can advise that OxLEP receives little demand for offices in Banbury and their focus is mainly on larger corporates who have requirements in South Oxfordshire.
- The significant growth of Banbury over the years since the opening of the M40 in 1989 to 2021 has not seen an increase in demand for offices in Banbury and has in fact seen a reduction in interest in offices in the region and which is reflected in the reduction in rental values over this period from £15.75 per sq ft in 1990 to circa £12.00 per sq ft in 2021.

4. Options for Waterperry Court

- Up to five self-contained businesses; combined to assist business expansion of one
- Supporting small and growing businesses (as per Brethertons' history on the site); office units offer scope for incremental growth of a similar company
- Suitable for knowledge jobs in the business/professional/creative/educational services sectors
- There is demand for office space in this location – e.g. Driving Test Centre
- In recent years, shared and flexible office uses have become more popular in support of small and growing enterprises e.g. Guardian House, North Bar St in Banbury, where a significant gap in the market was identified by an innovative investor/operator – resulting in a former office building (more dated than Waterperry Court) being successfully refurbished. Waterperry Court has the potential to include such customer-driven solutions, and to blend it with other lease, licence and/or freehold operating solutions
- Query whether other class E uses could be incorporated?

- Brethertons are currently in negotiations with a landlord who is looking to convert the first floor of a redundant retail unit in Banbury Town Centre to provide circa 7,000 sq ft of modern accommodation on one floor.
- White Commercial's advice to Brethertons and the associated owners was focussed entirely on generating maximum value from the assets of the companies and Pension Funds (also a strict duty and requirement from the Pension Funds who have to prove best value for them to agree a sale on behalf of the Pension Provider). Therefore, bearing in mind White Commercial's substantial experience of market demand – which has also been factually explained in this report – our advice was to sell the buildings as a whole as we considered that this would maximise value – not as individual units as there was no demand – as explicitly evidenced by Chiltern House.
- The above comments on demand as expressed by the Economic Development Unit are not 'market driven' and are based on 'supposition and hope' as opposed to the evidence provided by White Commercial, George and Partners and Lambert Smith Hampton in the marketing of Chiltern House and the other premises at Waterperry Court over a period of years.
- Although the Driving Test Centre may have expressed some initial interest in the site, they did not move here after their enquiries with Lambert Smith Hampton and White Commercial because the site was not suitable for their operation. Their requirement was for more external areas as opposed to offices and it was considered that they would not get planning for their use.

5. Supply of Offices in Banbury

- Notably, no new stand-alone office accommodation is being built in Banbury; need to safeguard what there is
- With such stated market sentiment and less attractive yields than other towns, property investors will be reluctant to invest in new office development in Banbury. Therefore, in order to accommodate the future needs of businesses and employment, it is imperative that such relatively modern and flexible office premises in Banbury should be safeguarded.
- With Canalside (residential led) redevelopment leading to both a loss of employment land nearby and an enhancement of the environment, the need to protect Waterperry Court for employment and the desirability of the locality for offices users will increase...within the context of Canalside the balance of employment vs. residential needs safeguarding
- Need to safeguard town centre unique location and premises to accommodate knowledge intensive occupations, meeting the needs of micro and small businesses.

We attach below the current available office accommodation in Banbury, Bicester and Brackley (the commercial property market region) as marketed by all Commercial Property Agencies.

Town	Address	Sq ft	Sq m	Vacant yrs	Town Centre	Grade*
Banbury	Cherwell Business Village	3,934	365.48	6	No	C
	Pembroke House	16,514	1,534.19	1	No	A
	Prodrive Offices	5,630	523.04	2	No	B
	7 Canada Close	2,588	240.43	2	Yes	C
	Borough House Suites	1,229	114.18	2	Yes	B
	Unit 6 Manor Park	4,154	385.92	6	No	B
	Grimsbury Manor	5,567	517.19	3	No	B
	Charter House, 25 High Street	1,410	130.99	2	Yes	B
	Unit 7 Manor Park	3,798	352.85	6 months	No	B
	9 & 10 Somerville Court	4,329	402.17	0.75	No	B
	8 Somerville Court, BBP	3,406	316.43	2.5	No	B
	3 Somerville Court, BBP	1,563	145.20	1.5	No	B
	64-65 High Street	981	91.14	1	Yes	B
	2 nd Floor Blenheim Court	3,410	316.80	6	Yes	A
	Finance House	11,197	1,040.23	3	No	B
	Suite 5 38 The Green	600	55.74	n/a	Yes	C
	First Floor 12A Marlborough	489	45.43	n/a	Yes	C
	White Lion Walk	392	36.42	n/a	Yes	C
	South Bar Street Serviced Offices	980	91.04	n/a	Yes	C
TOTAL		72,171 (69,384)**	6,704.87 (6,445.93)**			
Bicester	Bicester Innovation Centre	1,000	92.90	n/a	No	B
	Unit 13 Talisman Business Centre	5,968	554.44	n/a	No	B
	St Edburghs Hall, London Road	2,155	200.20	0.3	No	A
	Eco Business Centre, Elmsbrook	500	46.45	n/a	No	A
	The Old Bakery, Victoria Road	500	46.45	n/a	Yes	C
	Falcon House, Bicester Business	1,854	172.24	n/a	No	B
	Bicester Business Park, Telford	710	65.96	n/a	No	B
	Jubilee Suite, Bicester Business	913	84.82	n/a	No	B

	7 Avonbury Bus Park	3,464	321.81	Sept 21	No	B
	4A Lower Farm Barns	816	75.80	Oct 21	No	C
	Sb Lower Farm Barns	1,198	111.29	Oct 21	No	B
	Telford Road	1,985	184.41	Oct 21	No	B
	Meridian House Weston Green	2,095	194.63	Aug 21	No	C
	TOTAL	23,158	2,151.40			
Brackley	Unit 7 Oxford Court	1,508	140.09	1	No	B
	TOTAL	1,508	140.09			
	TOTAL AVAILABILITY	96,837	8,996.36			

*Grade A Modern Good Quality
 Grade B Modern Average Quality (similar to Waterperry Court)
 Grade C Poorer Utilitarian

** Figures at May 2021; note amount of available office accommodation has increased

It will be noted that there is a good deal of accommodation in Grade A – 2,097.64 sq m (22,579 sq ft, of which 19,924 sq ft in Banbury) and Grade B categories – 5,747 sq m (61,864 sq ft, of which 43,264 sq ft in Banbury) which would compete directly with Waterperry Court.

As noted in Section 2, there is currently demand for in the region of 6,132 sq m (66,000 sq ft) (of which 24,000 sq ft in Banbury) – of these requirements 4 companies are looking for a total 2,885 sq m (31,000 sq ft) – leaving only 3,248 sq m (34,950 sq ft) of other office requirements for the whole of the Banbury region of which 90,000 sq ft specifically in Banbury and which would compete directly with Waterperry court; supply is therefore far in excess of demand.

6. Marketing

- Was an assessment made of the potential to meet the occupational requirements of other businesses?
- The ability to purchase or lease individual units could be attractive for individual businesses seeking more cost-effective premises akin to the original segregated design of the block – weakness in the marketing that this option was not made explicit.
- Not marketed as separate units – reducing interest from smaller investors?
- Did marketing with residential potential raise expected value?
- Why did the ‘active office enquiries’ not submit bids; did the indication of residential preference for all four units to become one single holding influence this?
- Detrimental impact on ability to retain 5th unit in office use if the other 4 convert to residential
- This was a limited and somewhat leading marketing exercise towards residential conversion, conducted during the 2020 Covid-19 lockdown where businesses were primarily focused upon survival rather than ‘showing interest’ in relocation.
- It would be inappropriate to draw conclusions during this 12-month period about office premises that appear sound and have functioned since 1988. The locational advantages and potential reconfiguration back to four separate premises could be attractive to the market at an appropriate price.

- The ability to occupy each individual office block by way of purchase or lease was discounted due to the fact that Chiltern House had been on the market for 4 years – and even then was bought by an investor – not an occupier. Chiltern House is the most attractive unit in the scheme also presenting in effect open plan first floor accommodation – yet no occupier was interested in occupying the property.

- As mentioned previously in the results of our marketing efforts to regional office occupiers and residential conversion operators (the offices were marketed to 10x the number of residential conversion specialists) we received no interest from office occupiers and not one bid. This is in line with the experiences of Chiltern House.
- During the marketing exercise, no interest was expressed by any office occupier. No enquiries were recorded from any office occupiers/applicants following the mailing of details and particulars to these parties.
- Marketing of the site included direct postal occupier mailing to over 1,500 office occupiers in the region (Banbury, Bicester etc.); via our office availability register; The Office Agents Society; and a number of commercial property/office availability marketing platforms.
- The White Commercial marketing campaign and plan directly targeted 10 x more office occupiers than residential conversion operators. Recognised Office Property e-marketing platforms were also used to market the availability of the offices and buildings. Our marketing campaign focussed on office requirements; office occupiers and residential conversion companies.
- The separate marketing of Chiltern House, arguably the most useable of the office units being two-storey, categorically did not attract an office occupiers when it was marketed for four years. The property was sold to an investor who was considering a refurbishment of the property for serviced offices. As has been mentioned above the is investor was pleased with hindsight to have sold the property and invested his proceeds in premises in Bicester – now concerned about the strength and depth of office demand in Banbury as opposed to Bicester. It will be noted that White Commercials enquiry database substantiate this and suggests that 28% of office enquiries are for accommodation in Banbury as opposed to the Bicester Brackley and Banbury market.
- In our experience values for the office buildings as offices and as the buildings with potential for residential conversion were considered to be very similar (in the region of £130 per sq ft). This is due to the fact that the completed sale values for residential units equate to circa £300 per sq ft (following conversion costs and developers professional team costs and profit).
- The previous owners of these buildings wished to maximise interest to sell the buildings and site for residential, office or other commercial uses and employed White Commercial on this basis and effective and agreed marketing was employed. The implemented marketing plan marketed the site to all potential office occupiers and residential conversion users etc. both by hard copy and use of proactive emailing and office availability marketing email platforms.

7. Viability

- Lacking evidence for non-viability of upgrading the offices is absent: i.e. a cost comparison of upgrading to modern office versus residential.
- Costly upgrades not needed for all occupiers:
 - o The “small individual floor plates” and lack of “proper open plan environment” could be advantageous to cost-conscious, smaller businesses operating in a Covid-secure way.
 - o The “inability for business departments to mix and integrate efficiently” could assist the privacy of smaller enterprises, co-located alongside others in a functional cluster of businesses – able to choose inter-activity or isolation, with ability to vary over time.
 - o Together with separate kitchens, such facilities already offer small business occupiers with the advantages of self-containment
- Ability of the offices as currently designed to meet modern requirements:
 - o “The W.C. facilities looked straight out into the office floor plates” but it is unclear why – if this was such a problem – it was not addressed before. If it remains an issue, then privacy partitions would not be “costly” to provide.
- Is the absence of lifts an issue for all potential occupiers?
- “The buildings required complicated and costly alterations or works to the communications infrastructure, as both horizontal and vertical considerations were required again restricting flexibility” ...this point relates to a single occupier and not necessarily multiple occupiers within the four separate units that would have their own networks and systems.
- This is relatively modern, flexible office block that could continue to provide valuable employment space, especially as our local economy emerges from the effects of the global pandemic. The viability of these premises already exists and would be expected to rise further, supporting the reasonable business interests of the owners and the key aims of economic growth at all levels of Government.

The offices comprise tall multi-storey units with small floor plates and toilet facilities facing onto the office areas, reducing further the operational use of the accommodation on the floors. Without lifts the offices are non-DDA compliant, excepting Strathmore House. Modern day office occupiers require open plan floor plates where communication between teams and staff are vital for a business to maximise operational activity.

Office occupiers, if they were interested in Waterperry Court as an office location, would have very limited density in the buildings due to the already small floor plates, exacerbating restrictions on collaborative working and companies’ requirements for larger floor plates and ease of communication and team meetings.

For and on behalf of **WHITE COMMERCIAL SURVEYORS Ltd**

Christopher White B.Sc. (Est. Man.) MRICS MCI(Arb)
Managing Director
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