

## Oxford sees record breaking levels of investment as it continues to gain ground as global science hub

4 years ago



According to Savills, the Oxford office and laboratory market saw record breaking investment volumes in 2021 reaching £805 million, 478% above the five-year average.

This was driven by investors looking to gain exposure to the growing science and innovation occupier base located in the city.

Overseas investors were the most active, accounting for 77% of all office and laboratory transactions. This was primarily driven by Singaporean investor GIC acquiring a 40% stake in Oxford Science Park for £395 million. Other key deals included the c. £45 million sale of Oxford Innovation Park, Royal London Asset Management's £63 million purchase of the Centrica Building on Oxford Business Park and the £40 million sale of Trinity House to Tishman Speyer.

Whilst early days, already in 2022 Savills has recorded c. £40 million worth of transactions. Looking ahead, the firm is aware of more than £200 million of assets being prepared for sale.

Jonathan Holmes, director in the investment team at Savills, comments: "Prime yields for Oxford are now closing in on 4%, which is on par with Cambridge, and a 75 basis point premium to the prime regional office yield of 4.75%. Given the strong occupier market fundamentals and future rental growth prospects we expect investor interest to continue to increase over the coming year."

From an occupational perspective, 2021 was a good year for Oxford, recovering significantly from the 2020 lull. Given the city's growing reputation as a global science centre, biosciences accounted for 52% of the

total take-up last year. Looking ahead, Savills anticipates take-up to be as much as 15% higher in 2022, driven by more buoyant occupier demand.

Savills estimates that there is as much as 2 million sq ft of requirements from companies looking to locate to Oxford. This is likely to lead to a much higher degree of pre-let activity as development ramps up. This has already been seen at schemes such as Thomas White Oxford's Oxford North. At present, there is up to 1.9 million sq ft of office and laboratory space in the pipeline due to be delivered in the next three years (2023-2025).

Given the time lag when it comes to the delivery of this new stock, supply of office and laboratory space remains tight. This is likely to see office rents exceed £50 per sq ft in 2022, an increase of 4% on 2021. Out-of-town lab rents currently stand at £47.50 per sq ft, but Savills expect these to rise above city centre office rents over time, which is something that has already been seen in the Cambridge market.

Charlie Rowton-Lee, director in the business space team at Savills Oxford, adds: "There is a significant amount of financial capital being raised by companies created in Oxford. Nearly £750 million was raised by spin-out's from the university last year, up from £500 million in 2020. This level of fundraising ultimately underwrites future occupational demand. Given that we are already seeing requirements hit unprecedented levels, development of further office and lab space is absolutely essential to the success of the city as a science and innovation centre. Given the well-known building constraints within Oxford, we are starting to see the conversion of retail assets to help satisfy some of this demand."

*Image credit: Savills*