

260, 270 and 280, Bartley Wood Business Park, Hook Market Review

On behalf of

Patron Meadows Limited and XLB Property

25th May 2021

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1.0 INTRODUCTION

Hollis Hockley are instructed to prepare a marketing report on 260, 270 & 280 Bartley Wood Business Park, Hook. This report summarises the current & historical office market within the Blackwater Valley region where Bartley Wood Business Park is located. This report considers the current market trends together with the future viability for 260, 270 & 280 Bartley Wood Business Park.

The author, Natasha Ryan, is a member of the Royal Institute of Chartered Surveyors and has been working in the South East office market since 2011 dealing in all aspects of commercial property agency. Natasha was formerly an Associate at Cluttons LLP and prior to this an Associate Director at Altus Group. Natasha is now a Partner at Hollis Hockley, which has offices in Reading, Basingstoke and Farnborough.

Natasha has been supported by Jeremy Metcalfe in preparing this report. Jeremy has worked as a South East commercial property agent for the past 10 years with a particular focus on the M3 corridor.

Hollis Hockley have a particularly strong presence in, and knowledge of, the North Hampshire property market, having operated in the area for over 30 years. Furthermore, Hollis Hockley have been marketing Bartley Wood Business Park since 2014 firstly on behalf of Virgin Media and now on behalf of Patron Hook Limited.

2.0 THE BUILDINGS

2.1 Description

260, 270 & 280 Bartley Wood Business Park comprise three purpose-built office buildings. 260 & 270 are currently interlinked via a glazed walkway and 280 is self-contained.

2.1.1 Buildings 260 & 270

The buildings form a U-shape over ground and two upper floors. Internally, the buildings provide open-plan flexible accommodation capable of being divided. Both buildings benefit from impressive double height reception areas, fully accessible raised floors, suspended ceilings, air conditioning, passenger lifts, restaurant, male/female/disabled WC's and shower facilities.

The properties include 658 car parking spaces, at basement and surface level. This equates to a ratio of 1:186 sq ft.

2.1.2 Buildings 280

The building provides open-plan flexible office accommodation over three floors and benefits from air conditioning, raised floors, suspended ceilings, lifts and shower facilities.

The property includes 343 car parking spaces equating to a ratio of 1:186 sq ft.

Building 260 & 270



Building 280



2.2 Floor Areas

We are advised that the buildings have the following net internal floor areas:-

Building 260			
Floor	Description	Floor Area	
		SQ FT	SQ M
Ground	Reception	1,125	104.48
Ground	Office	15,595	1,448.82
First	Office	15,735	1,461.79
Second	Office	16,754	1,556.54
Total		49,209	4,571.63
Building 270			
Floor	Description	Floor Area	
		SQ FT	SQ M
Ground	Reception	1,287	119.52
Ground	Office	23,600	2,192.55
First	Office	23,551	2,187.96
Second	Office	24,897	2,312.97
Total		73,335	6,813.00
Combined Total (260 & 270)		122,544	11,384.63
Building 280			
Floor	Description	Floor Areas	
		SQ FT	SQ M
Ground	Reception & Office	20,978	1,948.90
First	Office	19,692	1,829.50
Second	Office	20,754	1,928.10
Third	(storage)	2,211	205.40
Total		63,635	5,911.90
Combined Total		186,179	17,296.53

2.3 Location

See Appendix 1 – Location Map

Hook is strategically located in northern Hampshire and benefits from strong road communications as it is located adjacent to Junction 5 of the M3 motorway. Junction 12 of the M25 is also easily accessible 21 miles to the north east, with Junction 11 of the M4 approximately 13 miles to the north via the A33. These communications provide easy access to surrounding towns such as Basingstoke (approximately 7 miles west), Southampton (36 miles south west) and London (43 miles north east).

Three airports are easily accessible from Hook with Heathrow being 28 miles north east of the town, Southampton 34 miles to the south west and Gatwick 54 miles to the south east.

Rail connections are provided by Hook station which offers links to the national rail network. The station offers services to Southampton, the south west and London Waterloo to the north east with approximate journey times of 1 hour.

2.4 Situation

Bartley Wood Business Park was developed by Crest Nicholson in 1990 and comprises 14 office buildings totaling approximately 600,000 sq ft (55,740 sq m).

The Park has seen a rise in interest from residential developers as a result of the relaxed planning regulations around Permitted Development together with the continued rise in demand for residential within the area.

The vacancy position on the park is now over 70%.

2.5 Tenancies

All three buildings are currently vacant.

Virgin Media Ltd vacated 260 in 2014 and placed the building on the letting market through Hollis Hockley.

The leases came to an end between November 2019 and 20th January 2020.

3.0 SUMMARY OF HISTORIC MARKETING CAMPAIGN

3.1 Leaseholder (Virgin Media) Marketing Campaign – 260 Bartley Wood

Hollis Hockley marketed the vacant 260 Bartley Business Park from October 2014 on behalf of Virgin Media, their campaign centred on Virgin Media offering a sub-lease until their expiry in November 2019.

During this time the marketing brochure was mailed to larger occupiers in the area as well as Hollis Hockley's in-house database of applicants. Local and London based commercial agents were also targeted in the hope that they might have corporate clients looking for new office accommodation.

During the period of marketing only one viewing was secured and no negotiations took place re tenants potentially leasing the building.

See Appendix 2 - Hollis Hockley marketing brochure & letting board.

3.2 Previous Freeholders Marketing Campaign – 260 & 270 Bartley Wood

In late 2018 the Freeholder, UKSEI UK / Seven Capital instructed Reading based office agency firm RARE to undertake a 'soft' marketing campaign of 260 & 270 Bartley Wood Business Park. The aim was to seek out pre-let opportunities for the buildings ahead of the Virgin Media expiry in late 2019.

RARE's marketing campaign concentrated on targeting larger employers in the region as well as local and London based commercial agents in the hope that they would have occupier clients who were looking to relocate to the area.

RARE made it clear that enquiries were few and far between during their involvement, as Virgin Media's expiry became closer they ramped up the marketing campaign however this still didn't generate any significant enquiries.

See Appendix 3 – RARE's marketing brochure & Show Case Web Portal Advert

3.3 Previous Freeholders Marketing Campaign – 280 Bartley Wood

In January 2020 the Freeholder, Fidelity instructed office agency firms Bray Fox Smith and Hurst Warne to market 280 Bartley Wood Business Park.

Bray Fox Smith and Hurst Warne's marketing campaign concentrated on targeting larger employers in the region as well as local and London based commercial agents in the hope that they would have occupier clients who were looking to relocate to the area.

A letting board was erected to target passing traffic along Griffin Way. During the period of marketing no interest from potentially occupiers was generated.

See Appendix 4 – Bray Fox Smith & Hurst Warne Joint Marketing Particulars

4.0 SUMMARY OF CURRENT MARKETING CAMPAIGN

In late XLB & Patron Capital instructed Hollis Hockley to market 260, 270 & 280 Bartley Wood Business Park.

Hollis Hockley's marketing campaign has concentrated on targeting local and London based commercial agents in the hope that they would have occupier clients who were looking to relocate to the area. Furthermore, occupier targeting has been undertaken to specifically target any occupiers with lease events within the next 36 months.

See Appendix 5 – Hollis Hockley marketing brochure & letting board

4.1 Summary of Enquiries Received

To date, Hollis Hockley has not reported any serious enquiries and there have been no viewings undertaken.

The enquiries within the market have been for Grade A space which has either been town centre focused or business parks with excellent onsite amenity.

5.0 THE MARKET

5.1 Defining the Market

260, 270 & 280 Bartley Wood are located in Hook which sits between the Blackwater Valley and Basingstoke markets.

5.2 Take Up

South East take up for Q1 2021 totalled 627,000 sq ft. This is 28.2% up on Q1 2020 (489,000 sq ft) and 9.3% down on the 5 year quarterly take up average of 691,000 sq ft. The Q1 2021 figures were bolstered by the seven DWP deals mentioned below.

In Q1 2021 49% of transactions were out of town vs 51 % which were in town, which is marginally different from the 5 year average. The appeal of out of town offices located on business park remains appealing to occupiers (see the key headline deals mentioned below), however, said business parks offer the full package in terms of amenity such as onsite cafes, a high specification gym, landscaping, on-site events, shuttle bus services to the town and train station.

83.3% of take up in Q1 2021 was Grade A/Grade A New space which further strengthens the argument that occupiers are focusing on high quality space and therefore there is very little demand for secondary space, regardless of their competitive rent.

Key headline deals which completed in Q1 2021 were as follows;

Three

Taking 119,000 sq ft at 450 Longwater Avenue at Green Park in Reading. The building reached practical completion in Q1 2021 to a category A finish. Set within landscaped grounds, the building benefits from expansive decking and 722 car parking spaces (1:319 sq ft). In terms of location, the building is within close proximity to Green Park train station. This new station is scheduled for completion this year, providing a direct link to Reading mainline station and Crossrail services.

DWP

Taking 149,000 sq ft in 7 transactions across the South East.

Conair/BaByliss

They took 8,200 sq ft at Maplewood on Chineham Park in Basingstoke (£24.00 per sq ft). This is Grade A space on a business park which offers excellent onsite amenity such as a Fitness First gym, street food trucks, on-site events, nursery & 7 acres of space.

Kuehne & Nagel

Signed on 6,252 sq ft of Grade A office accommodation at Cedarwood Business Park at Chineham Business Park, as described above.

YooServe

Took 20,000 sq ft on Part Ground Floor at The Heights in Weybridge. The grade A office space benefits from a roof terrace and on-site amenities such as a brand new onsite café, extensive landscaping, dedicated bus service, gym and a car parking ratio of 1:235 sq ft.

5.3 Demand

(Office Agents Society)

	SQ FT	No. of Requirements
5 Year Monthly Average	741,783	30.8
3 Year Monthly Average	411,333	28.06
2020 Monthly Average	457,800	22
Q1 2021 Monthly Average	602,000	47

5.4 Supply

Average vacancy rates in the South East have gone from 9.6% at the end of Q2 2020 to current levels of 10.4%, this evidence shows that there is an increase in supply in the South East office market.

Supply in the Blackwater Valley currently stands at 305,000 sq ft, a vacancy rate of 5.1%.

Supply at Bartley Wood Business Park is currently approximately 364,000 sq ft. Taking into account the building formerly known as Greenwell being converted to residential (and therefore no longer office stock), **the vacancy rate on Bartley Wood Business Park is 67%**. This is one of the highest vacancy rates in the whole of the South East office market for a single micro location, likely the highest.

6.0 CONSTRAINTS OF BARTLEY WOOD BUSINESS PARK

Multiple Ownership

The lack of masterplanning on Bartley Wood Business Park as a result of fragmented ownership, has prevented an aligned long-term strategy and mind set being formed. As such, Bartley Wood Business Park lacks presence; there is no obvious entrance to the park with limited estate signage welcoming visitors and directing traffic. The same applies to the parks landscaping which is disjointed and in certain areas unmaintained.

Lack of Amenity

A business park of this size would usually warrant a shared amenity offering such as a café & leisure facilities, the lack of these facilities is another outcome of the business park being within multiple

ownership. This has become increasingly important for occupiers over the years. Neighbouring business park competition offers such amenity and therefore is more attractive to potential occupiers looking along the M3 corridor.

The above has led to a vacancy position of over 70%, significantly above the local and national average. For example, Farnborough Business Park vacancy position is less than 5% - which has been static for the last 5 years.

Building Quality

Whilst the buildings at Bartley Wood Business Park were modern and well designed for their time, they are now looking dated, certainly when compared to competition such as Farnborough Business Park, Farnborough Aerospace and Chineham Business Park, Basingstoke.

Hollis Hockley have been involved in a number of institutionally owned buildings in the Blackwater Valley that have been comprehensively refurbished to bring them back up to Grade A condition. These refurbishments have typically cost c.100 per sq. ft. and have incorporated new M&E, suspended ceilings, LED lighting, full redecoration, upgraded reception & common parts, new raised floors, reconfiguration of car parking and new shower & bike storage facilities.

All three buildings need be brought up to refurbished Grade A standard in order to have any hope of being let, this will cost in the region of c.£18.6 million (£100 per sq ft). The lack of demand, lengthy void period, depressed rental value and significant incentive that will have to be granted to an incoming tenant makes it extremely difficult to justify the return on cost.

Secondary Location

The market perception of Hook is that it is a large village which falls in the shadows when compared to the other M3 office locations such as Basingstoke and Farnborough, as well as surrounding key office locations such as Reading, Maidenhead, Guildford and Bracknell. As a result, occupiers have favoured the locations which offer more in terms of amenity, transport links and a better employment catchment areas.

Urban Tendency

One of the outcomes of the pandemic has been the review of companies looking at how they will work moving forward. As a result, there is an increased focus on office accommodation needing to offer more in terms of wellbeing via onsite amenity and the work/life balance in terms of transport links. This trend has seen increasing number of businesses focusing on locations which are located in or close to major towns or cities.

7.0 CONCLUSION

- Hook has suffered a material decline as a desirable office location for office occupiers in the last 5 years. As such, the park is now over 70% vacant.
- Increasingly, occupiers demand a better offering than Bartley Wood Business Park has to offer when it comes to amenity as there is an increasing focus on employee wellbeing.
- There is an oversupply of office space along the M3 corridor due to occupiers decreasing the amount of office space which they need to occupy due to hot desking and home working.
- Landlords are now extremely competitive when negotiating with existing tenants and therefore occupiers are struggling to justify moving unless absolutely necessary.

- The best quality Grade A business parks and buildings with access to excellent amenities and transport links will continue to outperform others.
- The cost of refurbishing 260, 270 & 280 Bartley Wood Business Park would be c.£18.6 million (£100 per sq. ft.) with a minimal increase in ERV and therefore not justified.
- It is possible that even when refurbished these buildings will remain vacant for a number of years, making it uneconomical for a commercial investor.