
**Handy Cross Hub
High Wycombe**

Marketing Report



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1.0 Introduction

The Handy Cross Hub ('HxH') is a mixed use development scheme located on the southern edge of High Wycombe and is owned by Wycombe District Council.

The scheme currently comprises of a large leisure centre, Waitrose supermarket, coachway park and ride and a new day nursery / 'little gym', with a 150 bedroom Hampton by Hilton hotel to follow in 2020.

Savills were appointed by Wycombe District Council in October 2015 to advise on the Phase 3 and Phase 4 land at HxH. Both sites were planned for office development within the [2007] master plan designed by Richard Markland Architects.

This report provides detail of the marketing campaign that has been carried out since our appointment with the aim of initiating the development of high quality offices at the Phase 3 site.

2.0 Office Market Overview

High Wycombe is outside the northern edge of the Thames Valley office market which stretches from Heathrow to Reading, with Marlow being its northern boundary. As a result, Wycombe is one of the smaller sub-markets with 5 year average annual take-up of 45,000 sq ft - significantly below the major neighbouring markets. As shown in Table 1 below it is comparable to Marlow but much smaller than other nearby markets.

Table 1: 5 year annual average take-up (High Wycombe and surrounding markets)

Town	5 Yr Annual Average Take-Up (sq ft)	% difference to High Wycombe
Marlow	40,000	-11%
Maidenhead	110,000	144%
Slough	135,000	200%
Uxbridge	80,000	78%
Reading	420,000	833%

An analysis of the office letting transactions shows that the average deal size is 10,263 sq ft in the town centre with the only major transaction during the marketing period being to Mint Velvet who moved from Prospect House to St. Johns Place. The average deal size out of town is 12,035 sq ft which is a result of the Glory Park schemes which has stalled and Kingsmead Business Park which did not let any space in 2018 and only 2,500 sq ft in 2017. The bulk of the take up is typically from SMEs, who begin an office search and feel confident on space requirement 12 months away from the lease expiry or break date (i.e. do not enter into pre-lets).

Although supply has been restricted in and around the town, some good quality refurbished office space has been delivered. Most notably at Kingsmead Business Park close to Junction 3 where quoting rent is £24.50 per sq ft, Mercury Park in nearby Wooburn Green where quoting rent is £28.50 per sq ft and in the town centre at St. Johns Place where quoting rent was £28.50 per sq ft. This level of headline rent has now been achieved but only on a small letting of 2,500 sq ft.

In the wider Thames Valley, in the last development cycle (2016-2018), 1,230,000 sq ft of new office space was delivered which resulted in a significant over supply of office stock in many of the major markets. This has resulted in office developments taking much longer than expected to let and thus the incentive to develop further space is not strong enough to trigger new development. A further reflection of this is the current development pipeline, which only includes 440,000 sq ft, of which 30% is only available on a pre-let basis. This major reduction in pipeline supply demonstrates the highly cautious and ultimately risk averse stance office developers have taken in recent years and continue to adopt in the current business environment, and restricted bank lending to property companies.

In some office markets, take-up has been supported by the loss of secondary stock to the change of use to residential accommodation under permitted development. This has occurred in High Wycombe, but not to the extent that it has tightened supply to the point where developers are willing to speculatively develop new Grade A office space. This is a result of low headline rents for prime stock, which limits the development value of new schemes, which - coupled with high construction costs - makes it difficult to establish a viable scheme.

A further challenge to the case for development Wycombe is the ownership of assets by high net worth individuals and small property companies who hold assets in the town for personal income and are much less motivated by value. This has resulted in rents being set and maintained in the low £20s per sq ft with slightly shorter rent free periods offered to businesses. This means occupiers are reluctant to relocate to new, better quality stock which is positioned at a higher price point.

The nature of transactional activity in the office market has also contributed to the limited development of new space in High Wycombe. Savills research (Appendix 1) found that, on average, occupiers in the wider south-east office market move just 6.9 miles, but this is skewed by some longer distance relocations, with the most common distance being 0.5 miles. This limits the catchment for new occupiers in High Wycombe due to a lack of depth in office based businesses that other locations have.

It is also relevant to note that only 1% of lettings in the wider market are completed on a pre-let basis. Which means that unless new stock is built out, it is extremely challenging to secure occupiers (especially those who require 5,000 – 15,000 sq ft), because they do not make office occupation decisions two years in advance, which is the minimum required timeframe for pre-let transactions to be executed.

Should a commercial solution be found that gives developers the confidence to deliver Grade A office space at HxH, we are of the opinion that occupiers could be attracted to the scheme. The site provides the key amenities required by staff such as leisure centre, café, nursery and from 2020 a hotel. This is in addition to good access to the national motorway network, central London via rail, as well as Heathrow airport.

3.0 Marketing Process

Upon confirmation of Savills appointment the marketing strategy for the scheme was agreed in January 2016. Details of this are outlined below.

Brochure

At this point Savills marketing team were instructed to design a brochure detailing the opportunity for owner occupiers, developers and businesses seeking to lease office space at HxH. A copy of this brochure is included in Appendix 2.

This brochure was used to respond to all live office requirements in the market and to make presentations to target occupiers in the region.

Savills have a team of 8 agents that specialise in the South East Office market. They track and respond to all requirements and actively pursue those that are active in High Wycombe and surrounding submarkets.

Details of the active requirements during the marketing period are included in Table 2 below.

Table 2: Active Office Requirements in the High Wycombe and surrounding office markets

Date	Business	Outcome
March 2018	Cobham PLC	Chose to re-configure existing building in Marlow to accommodate additional staff.
October 2018	Maersk	Have decided to focus on Slough due to transport connectivity.
April 2018	5G Communications	Requirement for hybrid building which the HxH site cannot be configured to accommodate.
October 2018	IFS	Wycombe based company who want to re-locate to Staines for in order to recruit from a sector specific talent pool.
September 2018	Johnson & Johnson	Have chosen to upgrade existing centres in Wycombe and Wokingham to enable them to accommodate staff based at Foundation Park, Maidenhead which they will close at lease expiry.
March 2018	Regus	Will only consider acquiring space on a management agreement and need a maximum of 15,000 sq ft.
August 2018	Beeks	Occupier has a small office requirement which is not capable of being accommodated on either Phase 3 or Phase 4.
October 2017	Hyundai	Political uncertainty resulted in the business choosing to remain within existing Wycombe HQ.
August 2016	Bosch	Bespoke architect proposal and terms offered to them but chose to remain at existing base and redevelop there.
March 2016	Altera	Were located in the J&J building but had to relocate. However, scheme not deliverable in time and therefore pursued an alternative office occupational strategy.
November 2015	Volvo	Pitched the scheme to the senior team at Volvo but the business chose Maidenhead ahead of High Wycombe.

Website

The opportunity for office development has also been listed on Savills website since our appointment. A version of the current page is included within Appendix 3.

HTML

To ensure full awareness amongst potentially interested parties and drive traffic to the website with the aim of triggering interest in HxH, an HTML (Appendix 4) was sent to the Savills investor and developer mailing list. This list has been developed by Savills over time and includes over 600 direct contacts in addition to 400 agents. In our opinion it includes all investors and developers known to the market that would consider investing or developing a proposal of this type. The HTML did not trigger further interest beyond the developer presentations outlined below.

Board

A board has also been installed on the hoardings at the site detailing the development opportunities available. A photo of the board is included within Appendix 5, we have not received any enquiries from this form of marketing.

Developer Presentations

Part of the marketing campaign has focussed on seeking to identify a developer to purchase a freehold interest or partner with WDC to deliver offices. Details of the presentations are in Table 3 below.

Table 3: Developer feedback

Developer	Outcome
AEW	Would only be of interest if the whole of the HxH site could be purchased.
Canmoor	Interest but not able to secure funding.
Marick	Showed interest in the development of the hotel but not willing to develop Grade A offices.
Kier	Interested in Phase 4 site for industrial development only.
Berwick Hill	Not of interest due to size of occupational market.
Stanhope	Not of interest due to the scale of the scheme.
U+I	Focus is on urban opportunities only.
Bell Hammer	Office scheme not of interest.
Henry Boot	Initial interest in purchasing both phases but did not progress.
Hempel Estates	Ran detailed appraisals on the scheme but made the decision not to progress to making an offer.
Clearbell	Not of interest due to the scheme being located outside of the core Thames Valley market.
Vengrove	Could not identify funding partner.

Goodman / Arlington	Not of interest due to having too much void and planned capital expenditure at existing business park assets.
Abstract	Would only consider freehold basis and site too expensive.
Stoford	Only interested pre-let commitments.
McKay Securities	Not looking for major development projects at this time.
Boulton Brooks	Focus is on major regional cities only.
Landid	Did not have capacity for development projects due to working on large Thames Valley portfolio.
HIP Estates	Occupier backed enquiry but has not progressed.

As shown in the table above there is no appetite for the speculative development of high quality offices at the HxH. As outlined in Section 1 developers are cautious of adding stock to a market where the rent per sq ft does not support viable development.

Consented Scheme

The consented masterplan was conceived [ten] years ago, when the dust had settled from the 2008/9 financial collapse. At the time, it was a case of 'life returning to normal', hence the development concept was based on large scale office buildings. However, this has proven to have two intrinsic flaws:

- (i) by maximising built floorspace, the design was complex and not commercially astute. Both the Phase 3 and Phase 4 buildings were based on integral decked / undercroft parking, adding to construction costs. Furthermore, their design meant that they could not be phased, so comprised overly large investment commitments
- (ii) 'disruptors' have entered the market place – 'co-working' (shared workspace) providers – reflecting a change to the way businesses work and their resultant office requirements, moving away from large scale headquarters buildings and instead 'densifying' existing facilities or taking flexible space in WeWork / Regus-type offices.
- (iii) Hence the current re-design of the masterplan, to reflect current, not out-of-date, occupier trends.

4.0 Outcome

Despite the comprehensive marketing of the site and the opportunity it offers, it has not been possible to structure transactions that facilitate the development of large scale high quality office buildings at HxH.

Whilst there has been some interest from occupiers at the outset of their office strategy projects, this has not progressed for the reasons set out in Section 3, whilst commercial developers do not have enough confidence in the occupational market (or the financial backing) to commit to speculatively developing space.

Therefore the most appropriate method to deliver office accommodation on the Phase 3 site is to open the opportunity up to those developers that have appetite for the development of a more flexible form of business space. Developers which combine both office and storage accommodation are able to appeal to a broader market and have proved very popular with small and medium sized enterprises, who require a blend of business space in order to operate successfully.

We are also of the opinion that progressing with the proposals set out by Access (that include office space) will significantly raise the profile of the site as a business destination and importantly demonstrate to developers that there is demand for high quality office space from an established base of SMEs once it is built out.