Bushfield Camp, Winchester

Workshop – 31 October 2016

The economic and employment opportunity and real estate context

AGENDA

Introduction to Knight Frank	
Winchester – Context	• Macro & micro economic overview • The employment opportunity • Delivering success
Market dynamics	• Enterprise M3 – Regeneris Report – review • Winchester attributes • Regional context • Occupier demand overview • Values – rental tone • Supply – existing and site opportunities
Regional Employment Base	• Key occupiers • How Winchester fits
Occupier Considerations	• Ingredients for success • Priorities and opportunity
Discussion	

EMMA GOODFORD

- Head of National Offices and EMEA Tenant Rep
- 1987-2016 30 years experience
- Business Park development consultant

Green Park Reading

- 2.25m sq ft
- M&G/Norman Foster
- Cisco/Huawei/Pepsi Thames Water/CGI

Kings Hill Kent

- 2.8m sq ft
- Kent County Council/Liberty/Harbert
- Mixed use
- 2,800 homes and 1m sq ft offices/employment

The Forum, Solent Business Park

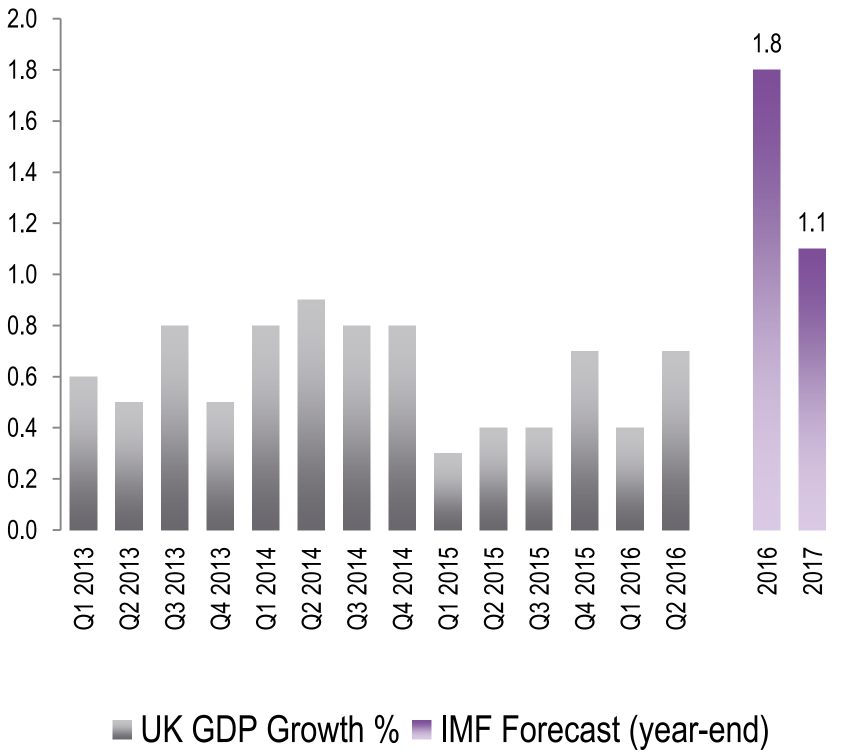
- 650,000
- M+G/Triston
- HSBC/Specsavers

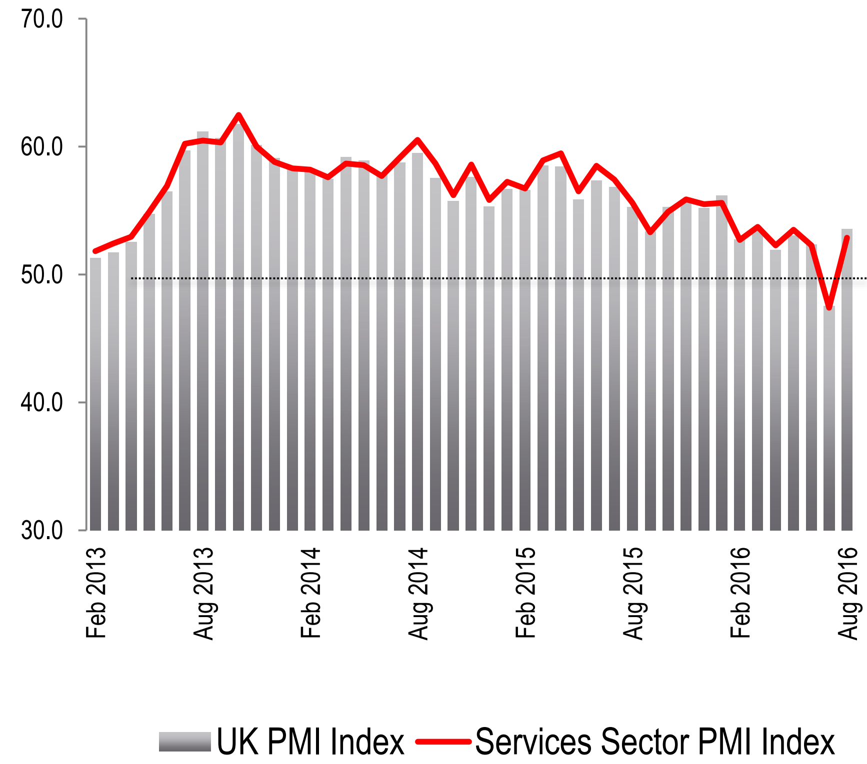
Chineham Park Basingstoke

- MEPC/Patrizia

WINCHESTER - CONTEXT

THE UK ECONOMY

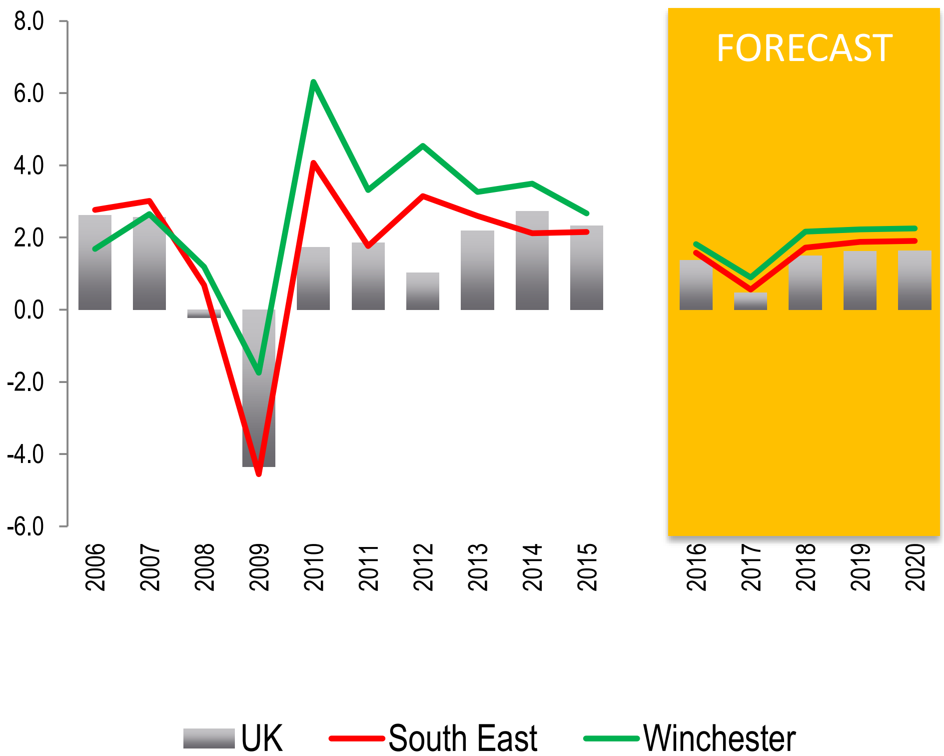




Source: ONS, Markit, IMF

ECONOMIC GROWTH

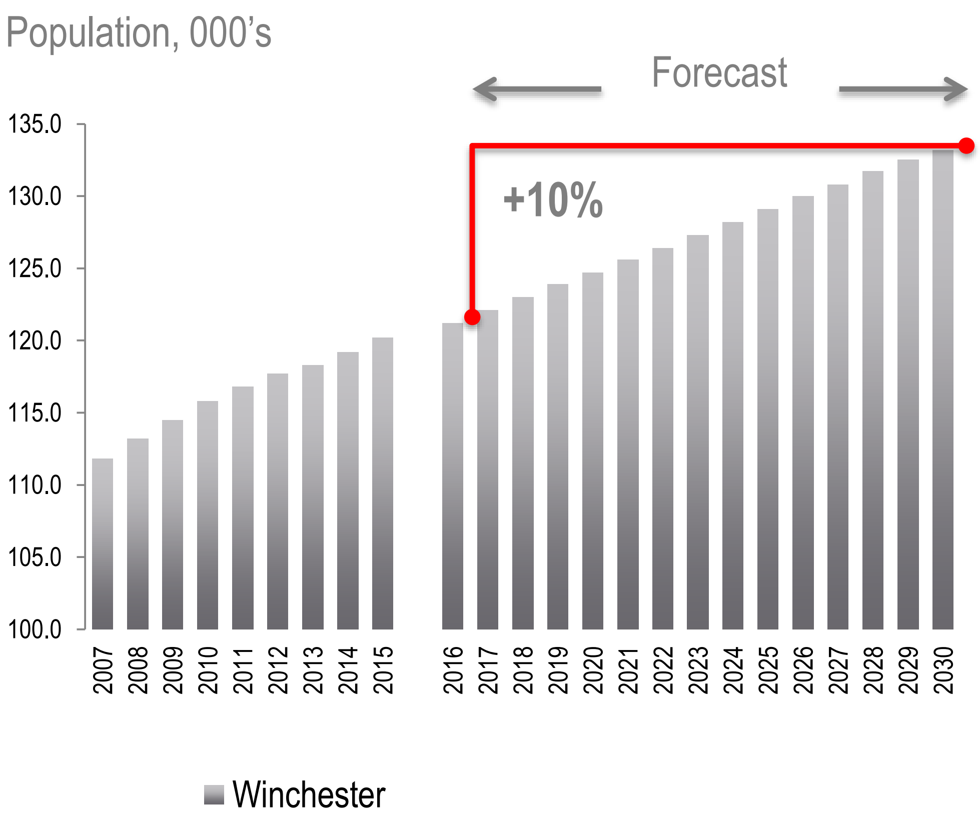
GVA, % Growth



- In terms of GVA, Winchester has consistently outperformed both the South East and UK since 2007.
- Average growth over the next five years is forecast to be 1.9%pa. This is higher than the average for both the South East (1.5%pa) and the UK (1.3%pa).

Source: Experian (Sep 16 index)

POPULATION GROWTH

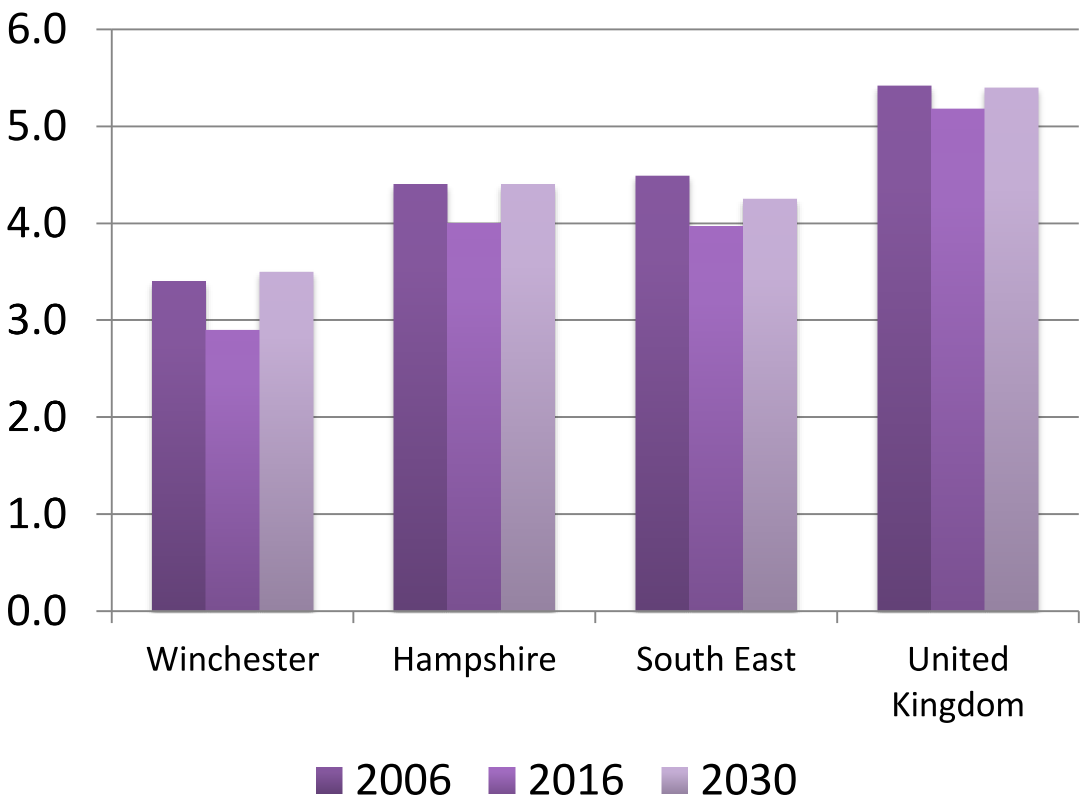


- The population of Winchester is forecast to grow by 10% over the next 15 years. This equates to 12,000 more people.
- The rate of growth of 10% is higher than both that of Hampshire (8%) and the UK (9%).

Source: Experian (Sep 16 index)

UNEMPLOYMENT

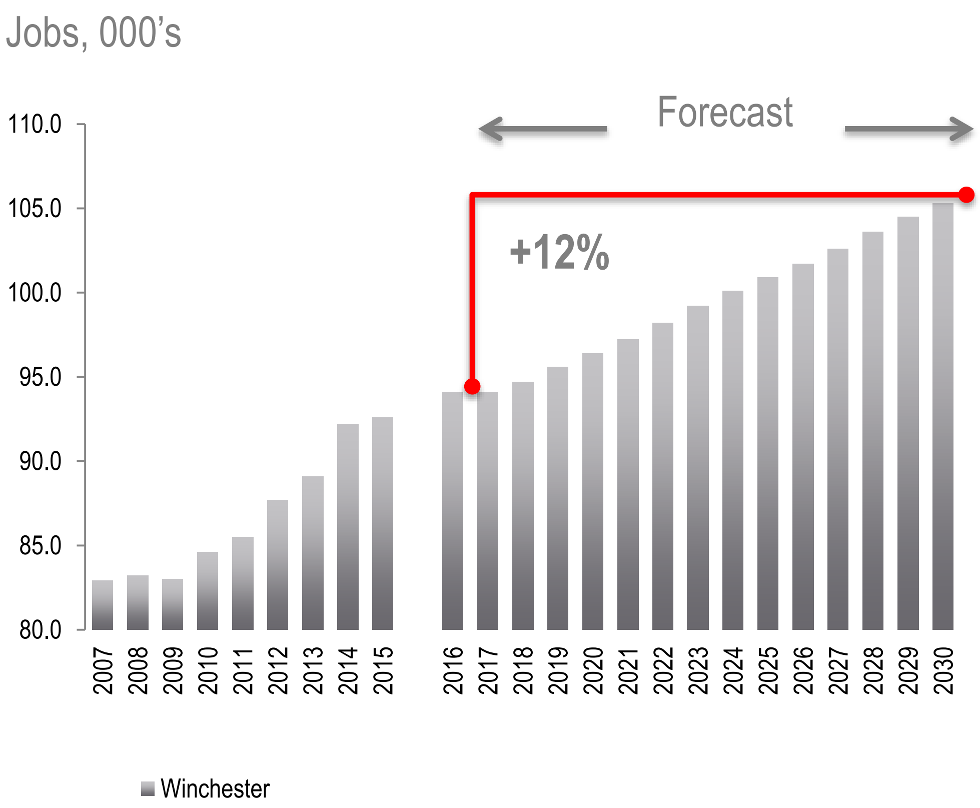
Unemployment Rate %



- The unemployment rate in 2016 is 2.9%, 130bps below the national average.
- The unemployment rate is forecast to rise from 2.9% to 3.5% by 2030. This is 200 bps below the national average.

Source: Experian (Sep 16 index)

JOBS GROWTH



- The number of jobs in Winchester is forecast to grow by 12% over the next 15 years. This equates to 11,000 extra jobs.
- The rate of growth of 12% is higher than Hampshire (9%), the South East (10%) and the UK (8%).

Source: Experian (Sep 16 index)

OFFICE BASED EMPLOYMENT GROWTH

Between 2016 & 2030

Admin and Support Services

+29%

Financial Services

+27%

Computer and Information Services

+16%

Source: Experian (Sep 16 index)

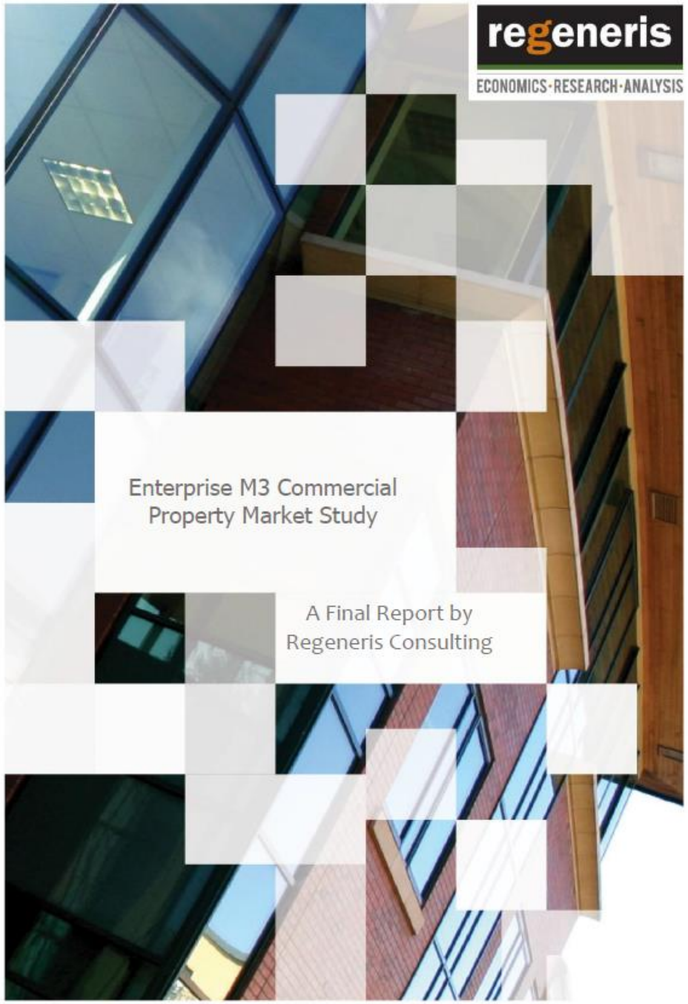
DELIVERING SUCCESS

- Prosperous centre
- Population growth supporting employment
- Quality sectors expanding
- Overall post Brexit low growth challenges

Market Dynamics

ENTERPRISE M3 REGENERIS REPORT

- Report identifies market areas and demand by type
- Bushfield Camp focus is the office and knowledge sector
- Opportunities/challenges
- Supply issues for Winchester (and Guildford)
- Winchester priorities identified
- Research and public: private dialogue

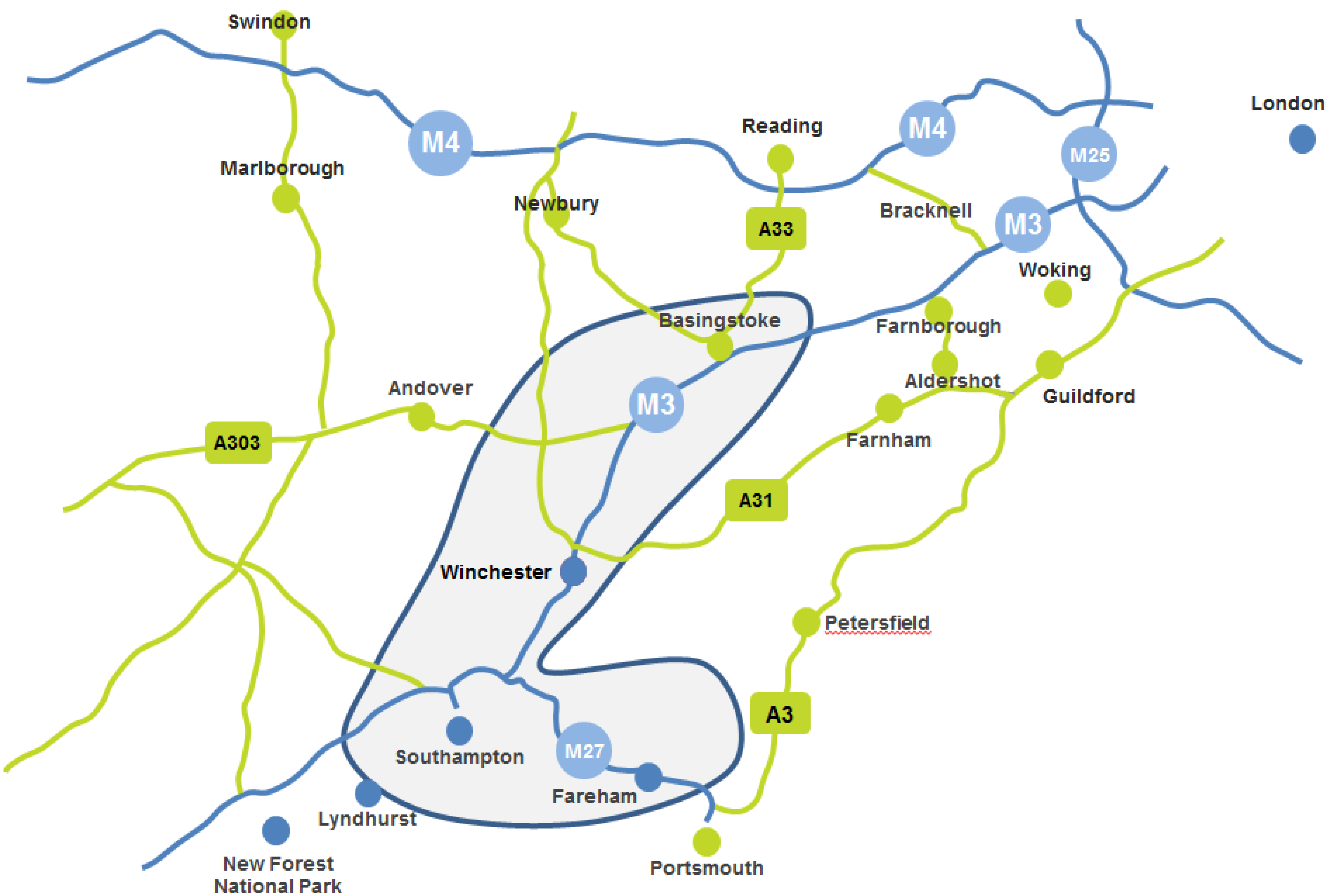


WINCHESTER
THE OFFICE MARKET – CONTEXT

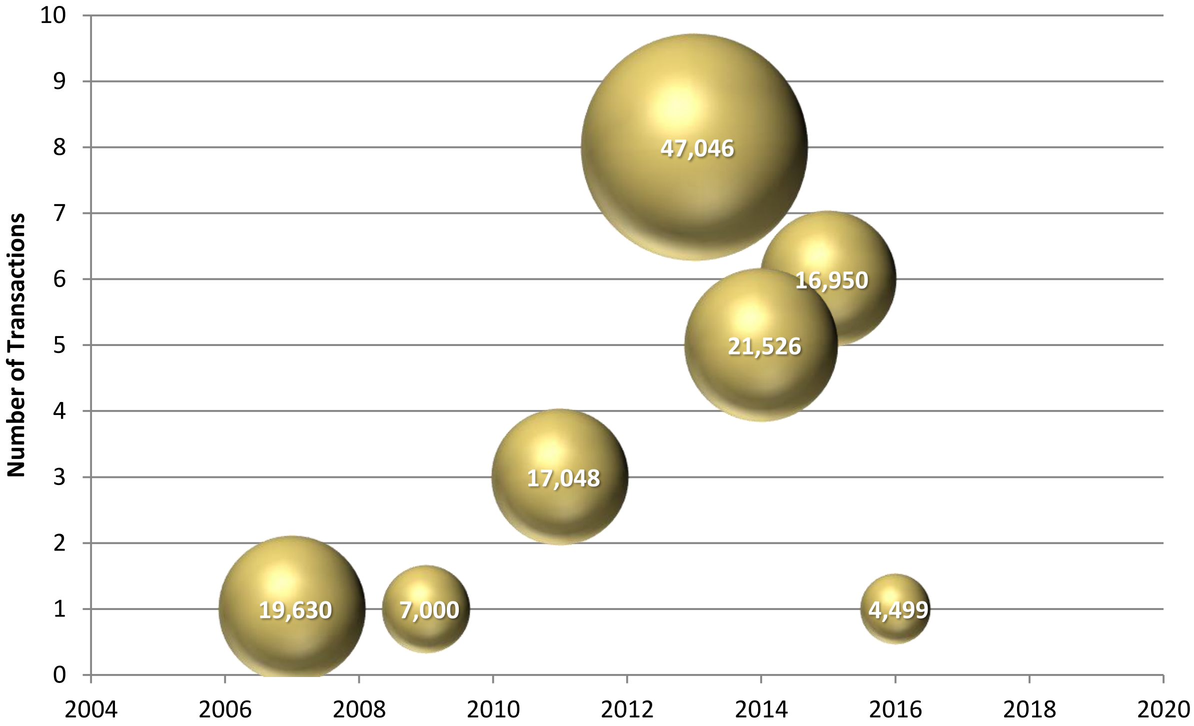
- Regional influence – Southampton – Basingstoke – Fareham
- High class Cathedral City – people, retail, amenity, connections
- Office stock – small scale
  medium grade
  pepper potted
- Nominal profile within the region for commercial occupiers
- Focus of take up in other centres
- Supply side – limited and restrictive and unclear locally

REGIONAL AREA OF COMPETITION

Lower M3/M27 Corridor



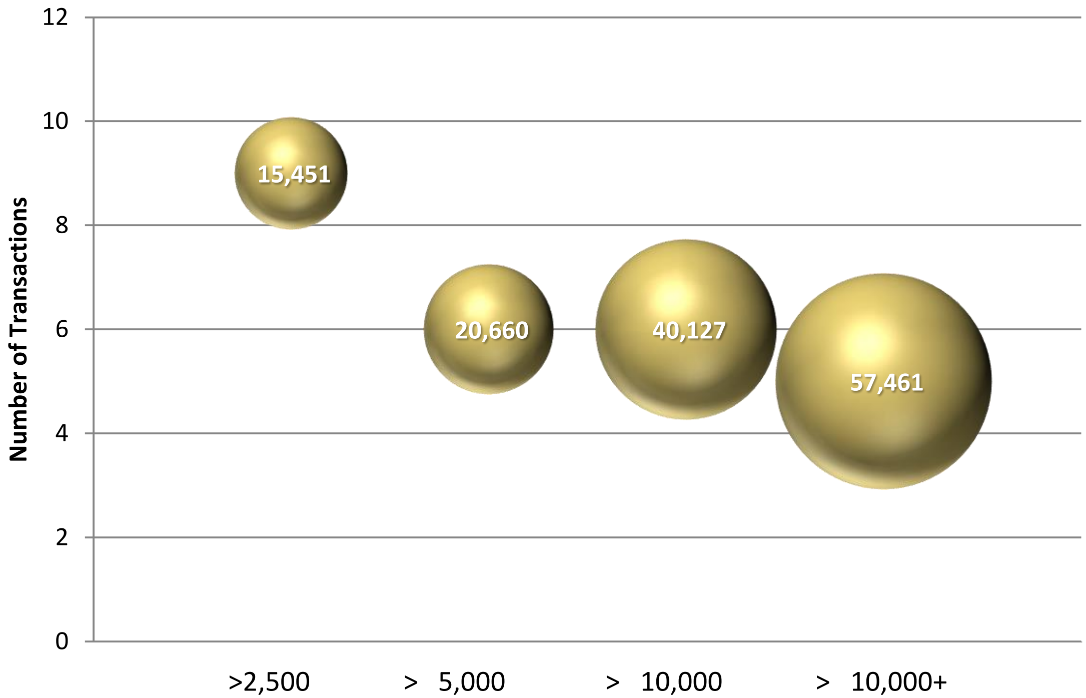
OCCUPIER DEMAND ANALYSIS
TAKE UP IN WINCHESTER IN THE LAST 10 YEARS



- 26 transactions – 3 per annum
- 2013 – 8 transactions, average size 5,875 sq ft
- Royal Court Kingsworthy – scale and success, 19,630 sq ft and 10,877 sq ft leased

Source Knight Frank Research

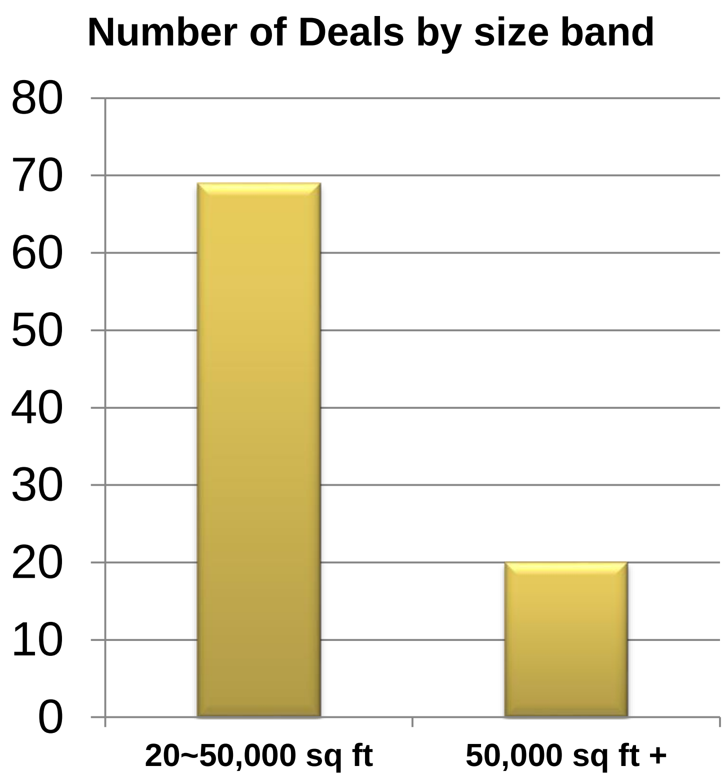
OCCUPIER DEMAND ANALYSIS – WINCHESTER TAKE UP BY SIZE IN THE LAST 10 YEARS



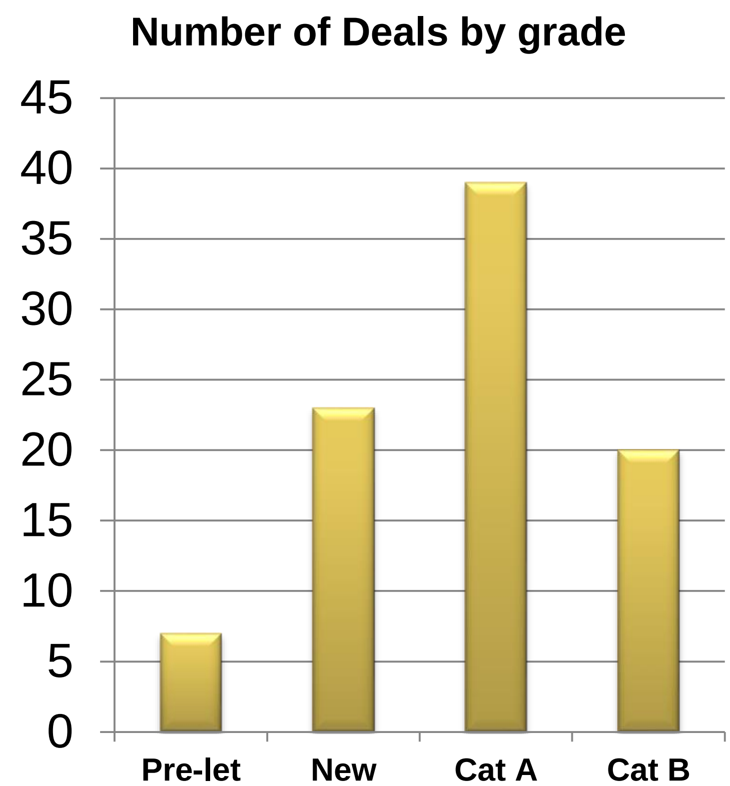
- Five transactions over 10,000 sq ft
- 57% sub 5,000 sq ft
- Small transactions dominate

Source Knight Frank Research

OCCUPIER DEMAND – THE MARKET CATCHMENT RELEVANT TO WINCHESTER MID-LOWER M3/M27 REGION



- Sub 50,000 sq ft dominance
- Average 4-5 large deals per annum



- New and Grade A completed buildings dominant – 75% of take up in quality space

Source Knight Frank Research

PRE-LET TRANSACTIONS
SE REGION IN THE LAST 10 YEARS

Knight Frank

- The Thames Valley core market dominates
- 2008 – Best year 26% of 10 year take up
- Average year 280,000 in 3.5 pre-let deals pa
- Average size 80,000 sq ft scale
- Over 10 years – 35 pre-lets – 26 from plan
- Mid-lower M3/M27 Region pre-let transactions include NATS, Carnival Cruises and Lloyds Register

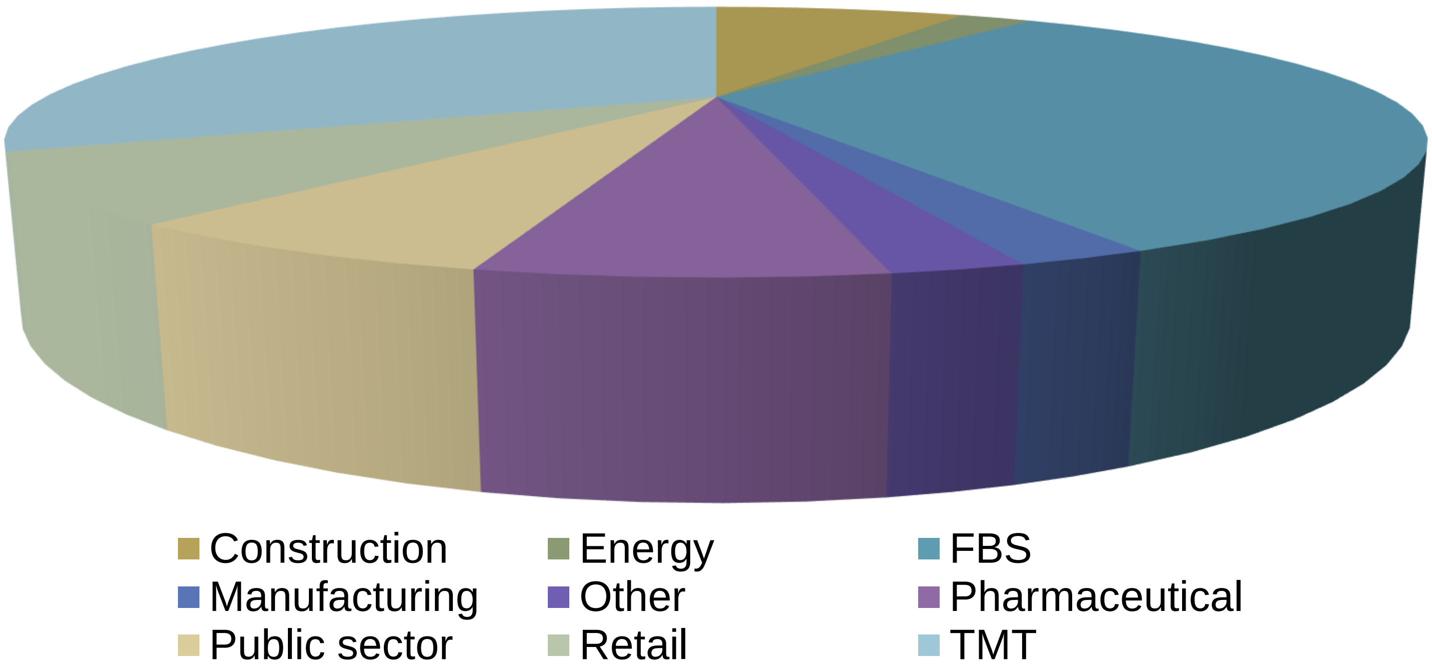
LOWER M3 CORRIDOR PRE-LETS

Lloyds Register Technology Centre, Southampton

Carnival Cruises, Southampton

NATS Headquarters, Solent Business Park

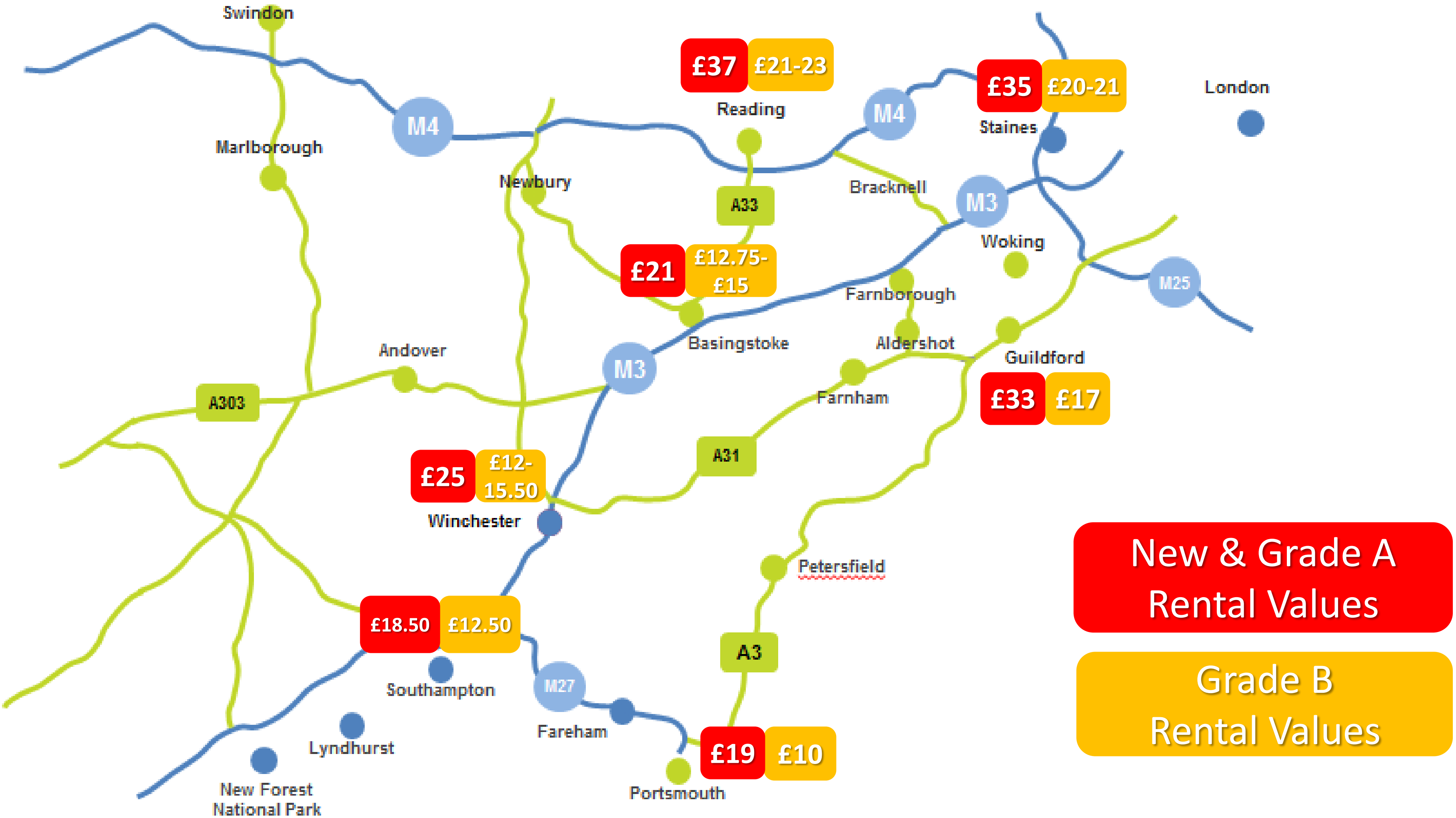
DEMAND OVER THE LAST 10 YEARS, BY SECTOR MID-LOWER M3/M27 REGION



- Diverse – broad range typical of wider South East
- Professional services and tech dominant – 64%
- Pharmaceutical and public sector – 13.5%

Source Knight Frank Research

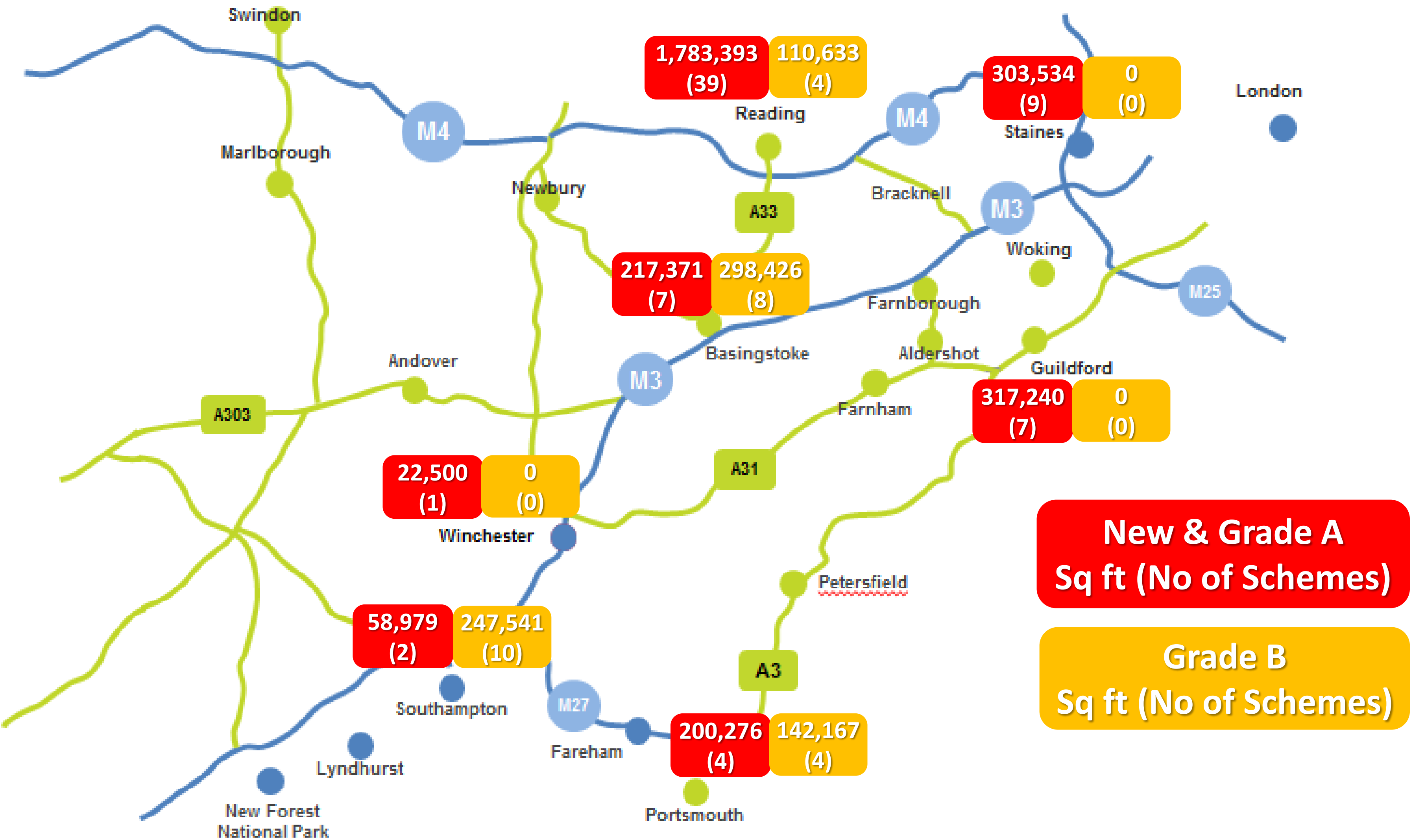
RENTAL VALUES



Source Knight Frank Research

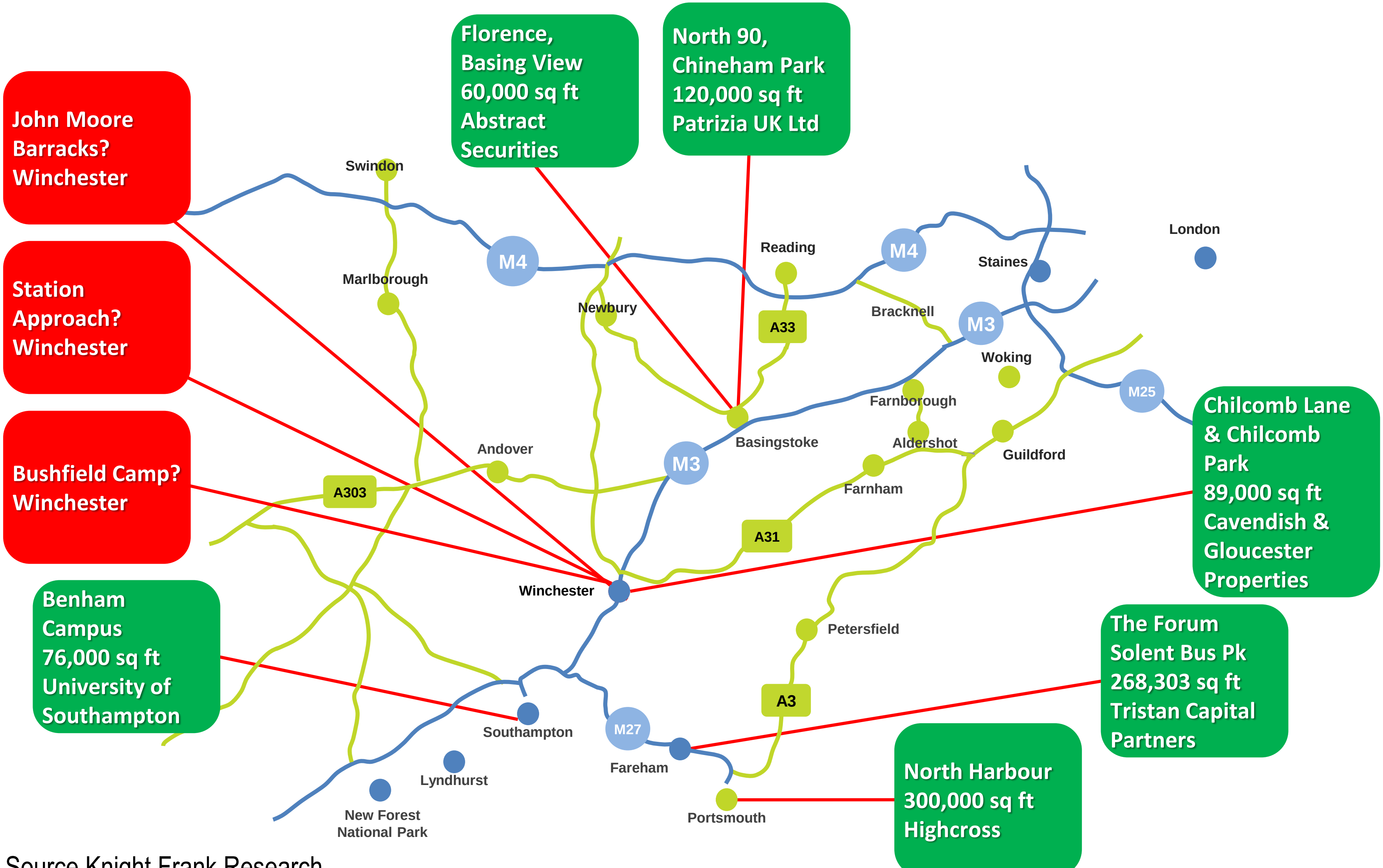
REGIONAL SUPPLY

Key existing buildings and site opportunities



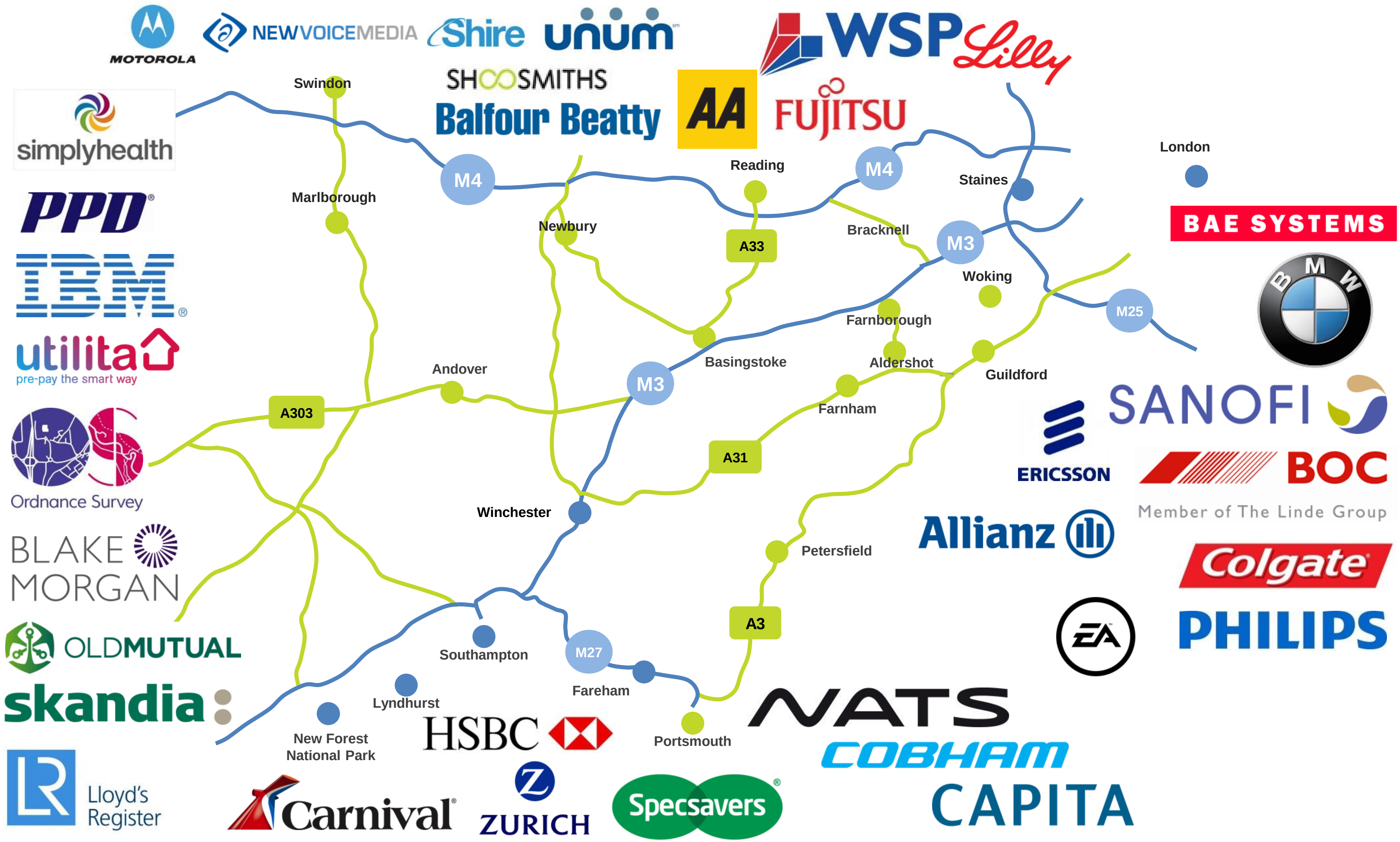
Source Knight Frank Research

DEVELOPMENT SITES



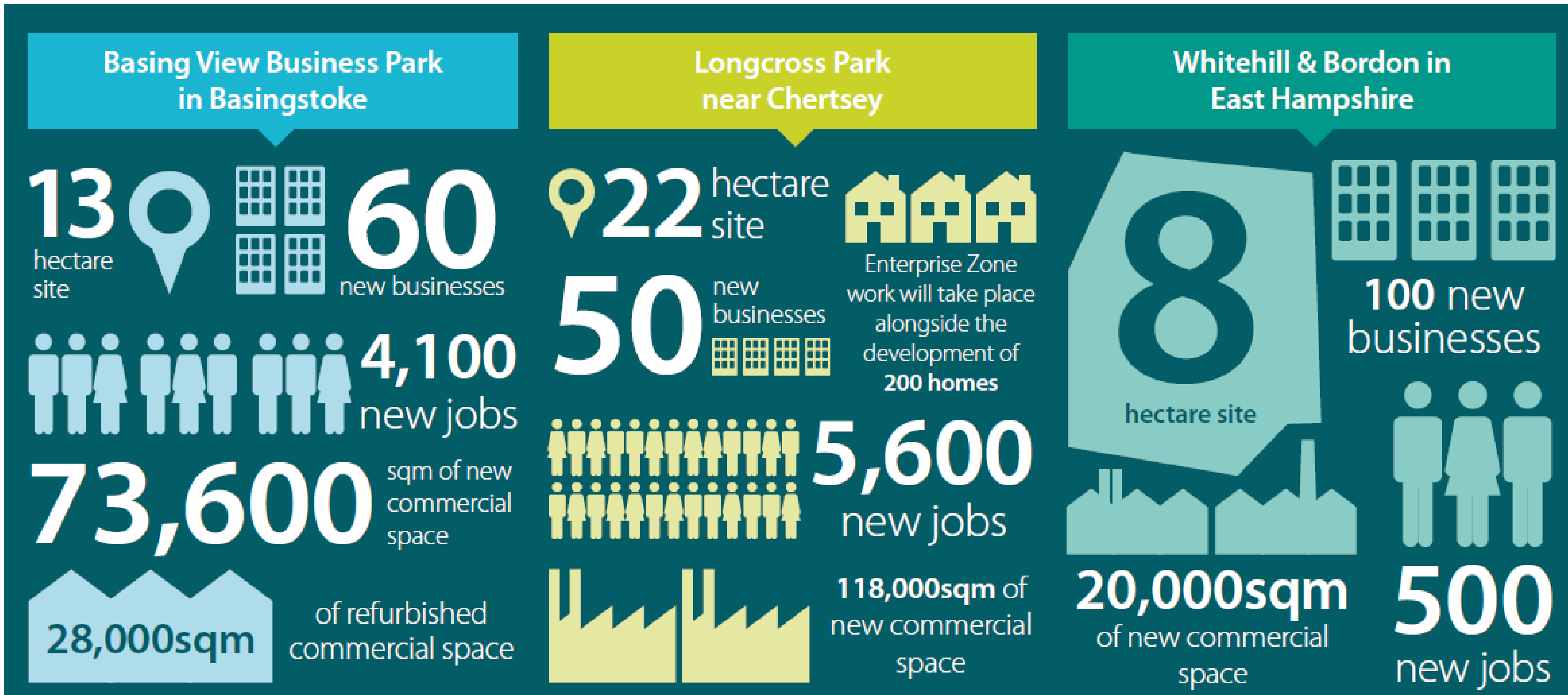
Source Knight Frank Research

REGIONAL OCCUPIERS



Source Knight Frank Research

REGIONAL ENTERPRISE ZONES



13 hectares **740,000 sq ft but just 60,000 sq ft spec development**	**22 hectares** **1.2m sq ft** **No spec development**	**8 hectares** **200,000 sq ft** **No spec development**

- Winchester specific opportunities limited – opportunity and choice would support micro economic growth forecast and attract/retain employment

MARKET DYNAMICS SUMMARY

- Regional influence – lower M3
- Winchester lacks scale and hence does not compete with other centres
- Local schemes can capture quality occupier demand
- Pre-let commitment is scarce
- Broad range of sectors active
- Values can support development
- Clarity of supply essential and range of choice beneficial
- Regional business can generate occupier demand

Regional Employment Base

HOW WINCHESTER FITS

- Supply can be responsive to sectors/employment growth projections – this includes Bushfield Camp
- Business and professional services, knowledge/tech/creative sectors and office based retail services – all relevant to Bushfield
- Local government and public service sector potential – scale and expansion

Source DTZ Report 2011

WHY WINCHESTER?

- Cathedral City – cachet and prestige – Cambridge/Oxford
- Connectivity – Road/rail access
- People – quality of workforce/educated
- Lifestyle – retail, housing, education
- Exclusive – brand value, limited opportunity

Cathedral

College

Housing

M3/Train

INNOVATION - EDUCATION

- University of Winchester
- Sparsholt College
- Southampton Science Park
- University of Southampton
- Southampton Solent University
- Basingstoke College of Technology

- Strong correlation between education + innovation + talent availability + employment opportunity
- Regional city examples – Guildford, Oxford, Cambridge and Greater London

WHAT WINCHESTER COULD DELIVER TO ATTRACT EMPLOYMENT – THE REAL ESTATE CONTEXT

Knight Frank

- A clear vision
- A credible plan detailing specific opportunities
- Promotion of the opportunity to a broad range of employers
- A drive to provide quality and architecturally sensitive schemes
- A project that attracts talent to remain in the city
- An approach which accommodates new and existing business to grow
- Promotion of close integration with regional universities and colleges – knowledge pool
- A location that is attractive to inward investors, funds and corporates

WHY WINCHESTER SUMMARY

- Cathedral city – cachet
- Capturing educational opportunity
- Expanding employment base
- Focus of quality but deliverable projects
- Range of choice to attract diverse occupier base

Occupier Considerations

OCCUPIER CONSIDERATIONS

- Talent – staff retention (cost of loss = 143% of basic salary)
- Accessibility – infrastructure and technology
- Risk mitigation – cost neutrality
- Brand – supportive of image/market positioning
- Design – inspiring, creative, flexible

INGREDIENTS FOR A SUCCESSFUL WORKPLACE

Knight Frank

Design Criteria	•High quality architecture •Materials and design •Efficiency and flexibility •Sustainability considerations •BREEAM | LEED | WELLNESS •Open spaces / landscaped areas
Critical Mass	• Careful master planning • Considerate phasing • Adaptability – technological change
Delivery/Certainty	• Professional team • Quality performance • Clarity of timelines • Certainty and risk mitigation • Brand and market positioning – significant for Winchester

WHAT DOES SUCCESS LOOK LIKE?

- Professional team – procurement experience
- Infrastructure investment – ready to go site
- Integrated public transport AND parking provision
- Brand – market positioning – quality profile
- Commitment – success supporting success
- Progressive Local Authority – Ray Morgan (Woking), Sir Howard Bernstein (Manchester)

DESIGNING A NEW BUSINESS ENVIRONMENT

REAL ESTATE COSTS

STRATEGIES FOR REAL ESTATE COSTS ARE EVOLVING

Cost Cutting → Cost Control → Selective Investment → "Cost Neutral"

PUTTING REAL ESTATE IN CONTEXT

55% of operating costs
People

30%
Other business costs

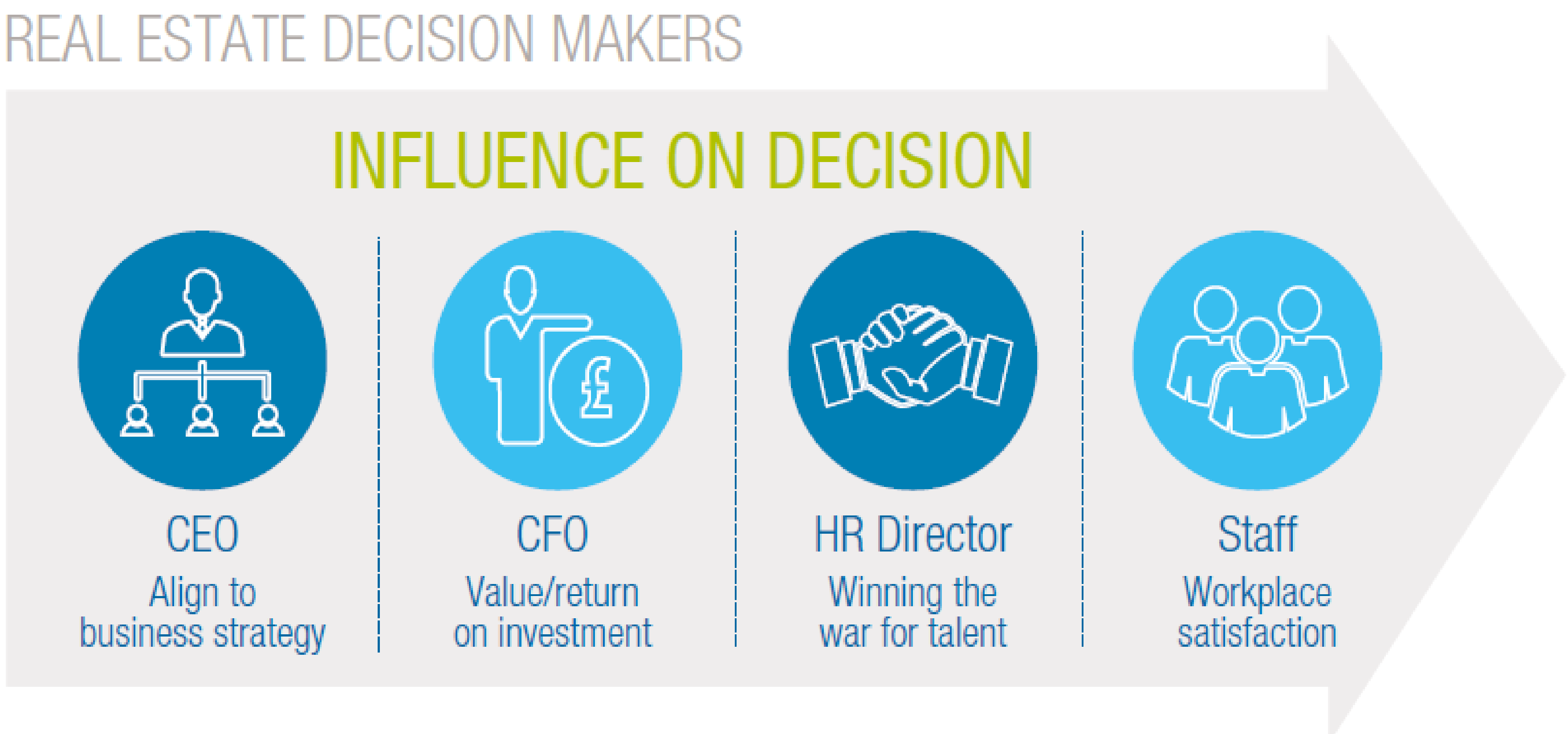
15%
Real Estate

METRICS ARE BROADENING

Rental costs £ per sq ft → Total occupancy costs → Real Estate As a % of total operating costs

Source: : Knight Frank Research; British Council for Offices

THE GROWING INFLUENCE OF THE DECISION MAKER



Source: Knight Frank Research

OCCUPIER CONSIDERATIONS SUMMARY

- War for talent – employee focus
- Technology impact
- Designing brand awareness
- Certainty and clarity – delivery
- Quality and flexibility of environment
- Risk awareness – cost neutrality
- The opportunity for Winchester is tangible

Knight Frank

QUESTIONS & DISCUSSION