



Uttlesford Property Portfolio Q3 Report 1 October 2022 – 31 December 2022

Prepared by: The Asset Management Team – February 2023

Contents

	Page
Glossary of Terms	2
Summary	2
The Valuation Process	4
Portfolio Assets – Quarterly Update	5
Agreed Acquisitions	12
Portfolio Valuation	12
Future Asset Acquisitions	13
Financing	14
Risks	15

Glossary of Terms

Acquisition Price	The purchase price of the asset excluding one-off costs such as Stamp Duty, agents and legal fees
Rent	Total of actual rent paid by tenants and loan repayments made by Aspire (CRP) Ltd
Yield	Rent as a percentage of Acquisition Price
Net Rent	Rent less the costs of borrowing and estate management
Net Income to the Council (NIC)	Net Rent as a percentage of Acquisition Price

Summary

In February 2022, the Council adopted the Commercial Strategy and in so doing confirmed that due to changes in Government and CIPFA policies the portfolio was complete, although further acquisition at Stane Retail Park and more development at Chesterford Research Park was likely.

To date £247,469,231 has been committed with an option for a further estimated £49,474,500 giving a total allocation just under the £300,000,000 target. Stane Retail Park Phase 2 is an estimate of likely cost, the Council can acquire all/part/none of Phase 2 as viability and funds permit.

The yield of the committed portfolio is 5.21% and this rises to 5.22% when the option items are included. This yield reflects the risk appetite of the Council and the desire for well-known/established brands as tenants.

Portfolio Summary – Committed

Asset No.	Asset	Acquisition Price £	Rent p.a. £	Yield %
1	Loan to Aspire (CRP) Ltd	60,656,500	2,796,057	4.61
2	Skyway House, Takeley	20,000,000	1,128,000	5.64
3	1 Deerpark Road, Livingston	4,758,374	372,546	7.83
4	Regional Distribution Centre, Chorley	54,608,773	2,840,000	5.20
5	Stane Retail Park – Phase 1	27,004,322	1,784,024	6.61
6	Distribution Warehouse, Gloucester	42,692,000	2,293,433	5.37
7	Headquarters, Tewkesbury	37,749,262	1,667,000	4.42
	Total	247,469,231	12,881,060	5.21

Portfolio Summary – Option

Asset No.	Asset	Acquisition Price £	Rent p.a. £	Yield %
1	Stane Retail Park - Phase 2	35,000,000	1,750,000	5.00
2	Future loans to Aspire (CRP) Ltd	14,474,500	868,470	6.00
	Total	49,474,500	2,618,470	5.29

Portfolio Combined – Committed and Option

	Portfolio	Acquisition Price £	Rent p.a. £	Yield %
1	Committed	247,469,231	12,881,060	5.21
2	Option	49,474,500	2,618,470	5.29
	Total	296,943,731	15,499,530	5.22

It should be noted that the figures above are current estimates. Actual price and rent for Tewkesbury will depend upon the final measured survey of the completed building.

Net Income to the Council (NIC)

The NIC for the 2022/23 financial year (as forecast at 31 December 2022) is as follows.

	Full Acquisition Price £	Net Rent p.a. £	NIC %
Rent		12,881,060	
Less			
Cost of borrowing		-4,457,303	
Brokerage fees		-142,737	
Managing Agent		-194,282	
	247,469,231	8,086,738	3.27

Asset Valuation

The valuation for the overall portfolio has reduced by a further £20,676,802 in this quarter following an £18,710,928 drop in the previous quarter. The valuation for the whole portfolio is now £269,400,000 compared to an acquisition price paid to date of £237,862,889

The advice of the market experts is the initial drop in market values for all assets and classes of assets (not just those owned by Uttlesford District Council) was as a direct response from the markets to the September 2022 mini budget. The continued decline is as the markets adjust to significantly higher interest rates.

It is forecast that the markets will level off over the coming months before beginning to regain lost ground during the third quarter of this calendar year.

The Valuation Process

The process for establishing the value of an asset portfolio is both subjective and complex. The valuation for the preceding quarter starts on the first day of the new quarter and takes several weeks to finalise. An indicative timescale is shown below.

Week One of new quarter	<p>Valuation team meet to discuss market conditions at the end of the preceding quarter, taking account of numerous contributing factors including, but not limited to</p> <ul style="list-style-type: none"> • Sales and purchases in the quarter • Economic conditions • Interest rates • Potential buyers and sellers active in the market <p>This work will be undertaken for each asset class (e.g. offices, life sciences, warehouses etc.) and any associated sub-asset classes (for warehouses, logistics, manufacturing and data centres are examples</p>
Week Two	<p>Valuation team agree core principles to apply to individual portfolios. Initial valuations applied.</p>
Week Three	<p>Valuer discusses with UDC Asset Team any individual circumstances in the quarter being valued, that affect the core values, such as</p> <ul style="list-style-type: none"> • Additional payments made to developers in the quarter (Moog) • Stage of final lease signing (Moog) • Rent increases • Rent defaults <p>These are then entered into the valuation model and initial values for the quarter established.</p> <p>Prior to submission to UDC Asset Team there is a process of internal validation checks to make sure consistency across the valuation spectrum</p>
Week Four	<p>Draft valuations sent to UDC Asset Team, along with supporting evidence for sense checking. Discussion held with valuer to confirm acceptance of the draft figures or to challenge assumptions</p>
Week Five	<p>Final valuations issued</p>

The above is the process for the UDC owned assets, for CRP the valuations go to the Park Board for final approval before they are issued.

Portfolio Assets – Quarterly Update

The main message coming from CBRE, the external valuers is that towards the end of the December quarter the number of bids on assets, and therefore the number of bidders in the market was increasing, but pricing is still adjusting to the higher interest rates.

With interest rates continuing to rise this uncertainty will continue into the summer months.

Chesterford Research Park

The Council has loaned Aspire (CRP) Ltd a total of £60,656,500 for the acquisition and further development of the Park. As far as the Council Portfolio is concerned the ‘asset’ is the loan which the company makes repayments on each year. However, in this section additional information is provided with regards the value of the investment.

Vacant units

Void	Comment
Garden Cottage- Suite 1 and 2	Comprises 315 sq.ft. Current ERV of £10,670pa.
Garden Cottage- Suite 4 Grd	Comprises 129 sq ft. Current ERV of £4,520pa.
The Mansion- Suite 7B	Comprises 955 sq ft. Current ERV of £47,400pa.

Park void rate of 0.52%

Valuation

Building	March 2022	June 2022	September 2022	December 2022
Mansion House	4,220,000	2,890,000	4,150,000	2,310,000
Science Village	25,300,000	27,100,000	27,100,000	27,250,000
Nucleus	-3,384,502	-5,427,101	-5,335,543	-8,406,769
Garden Cottage	150,500	150,400	-47,345	-119,241
Older perm buildings (25,52)	3,050,000	3,950,000	4,430,000	3,900,000
Older temp buildings (4)	2,430	895,200	892,900	822,300
Building 60	34,800,000	36,100,000	36,150,000	37,450,000
Building 200	23,300,000	26,100,000	26,200,000	23,350,000
Building 300	35,450,000	36,550,000	36,550,000	37,450,000
Building 400	6,640,000	7,760,000	7,760,000	7,180,000
Building 600/700	50,150,000	53,300,000	53,400,000	47,700,000
Building 900	13,950,000	13,300,000	13,300,000	12,700,000
Building 50	8,980,000	9,690,000	9,660,000	8,920,000
Miscellaneous	1,640,000	1,640,000	1,630,000	1,650,000
Estate S/C Shortfall	-3,674,823	-6,162,761	-6,068,248	-11,743,206
Development Land	13,150,000	13,150,000	13,500,000	16,400,000
Estate Capex	-5,400,071	-6,660,278	-6,118,161	-6,088,161
Total	208,300,000	214,500,000	217,250,000	201,250,000

The Nucleus negative sum is based on an assumption that the building will operate at a loss for the next eight years, and uses the current actual position as the basis for the calculation.

Due to the costs incurred at the Park there has been a complete re-work of the service charges. The charges for the Nucleus and the Estate (mainly undeveloped plots) have increased by £8,750,000, which accounts for approximately half of the quarterly drop in value.

As can be seen from the valuation figures, the Park is currently valued at £201,250,000 which gives a value per investor of £100,625,000 a potential profit of £39,968,500

Top 10 Tenants by Rent

Tenant	Rental Exposure pa	% of Total Contracted Rent
1. Charles River Discovery Research Services UK Limited	£2,000,000.00	20.55
2. Lonza Biologics plc	£909,150.00	9.34
3. Astrazeneca Limited	£818,838.00	8.41
4. Domainex Limited	£720,000.00	7.40
5. Microbiotica Limited	£668,430.00	6.87
6. Superdielectrics Limited	£465,850.00	4.79
7. Oncologica UK Limited	£437,608.00	4.50
8. Biocrucible Limited	£414,672.00	4.26
9. AbCellera Biologics UK Limited	£414,672.00	4.26
10. Illumina Cambridge Limited	£386,750.00	3.97
	£7,116,092.76	74.34

Rent Paid

100% of rent due was received on time for the December quarter date. 100% of the service charge has also been received on time.



Skyway House Parsonage Road Takeley

QUARTERLY PROPERTY MANAGEMENT REPORT – END DECEMBER 2022

	COMMENTS		
PROPERTY (ADDRESS)	Skyway House Parsonage Road Takeley Bishop's Stortford Herts CM22 6PU (HQ office building)	Tenant: Lease Term: Floor Area: Passing Rent: Next Rent Review Date: Basis of Rent Review:	Weston Homes Plc FRI 25 years from 30.6.20 (22 years 6 months unexpired) 47,951 sq ft £1,128,000 p.a exc 30.6.2025 Fixed Review to £1,276,228 p.a exc on 30.6.2025 (13.14% uplift every 5 years)
DATE OF LAST PROPERTY INSPECTION	8 th December 2022. Next inspection due June 2023.		
RENT COLLECTION	The tenant pays quarterly in advance on the usual quarter days. The 2022 quarter's rent was paid on time.		
INSURANCE	UDC responsible, subject to recovery from Weston Homes. Cushman & Wakefield (CW) undertook an updated desktop Reinstatement Cost Assessment (RCA) and the insurer RSA increased the Buildings Declared Value w.e.f. 08.08.2022. Insurance Renewal w.e.f. 01.10.2022 AJ Gallagher obtained competitive quotes from RSA & AXA. RSA offered a reduction in the rate of 0.5% so policy renewed with RSA. ML invoiced Weston Homes for premium for the year to 30.09.2023 and the monies have been received.		
SERVICE CHARGE	N/A		
MANAGEMENT ISSUES	<p>CW confirmed that PC was achieved on 14th September 2020.</p> <p>Weston Homes have provided the certification required and have advised that the snagging works in respect of the Section 278 agreement have been completed, however, the final certificate cannot be issued until the Council have signed off the works as complete. We understand that Weston Homes are now intending to widen the bell mouth as part of the proposed redevelopment of the 7 acre field at the rear of Skyway House for employment uses, so the S278 will be overridden. ML have copies of the tenant's Risk Assessments and compliance certification and obtain copies of updated compliance certification from the tenant.</p> <p>The building is now fully occupied, the rear of the 2nd floor has been fitted out as high specification director's offices.</p> <p>UDC have agreed to grant Weston Homes a Deed of Variation to allow them to use the access road around Skyway House for a permanent access to the new car parking spaces they are constructing on part of the 7 acre field. Hogan Lovell instructed.</p>		
ASSET MANAGEMENT OPPORTUNITIES & GREEN INITIATIVES	<p>Weston Homes have an interest in approx. 220 acres of farmland to the rear of the property, including a 7 acre field at the rear of the building, which they own.</p> <p>The planning appeal for the development of the wider land parcel for residential and employment use was turned down in August 2022. Weston Homes have since obtained planning permission for 124 car parking spaces on part of the 7 acre field closest to the buildings to extend the car parking for both Skyway House and Weston Business Centre. Weston Homes have also submitted a planning application for 3,568 sq m of employment space on the remainder of the 7 acre parcel.</p> <p>The Property has an EPC rating of A16 and a BREEAM rating of very good.</p> <p>There is a grey water recycling system, and all the lights are LED with most on sensors. There are 16 electrical vehicle charging points. The tenant has installed electric power points in all the spaces in the basement car park as all their company cars are now electric.</p>		



1 Deer Park Road Fairways Business Park Livingston

QUARTERLY PROPERTY MANAGEMENT REPORT – END DECEMBER 2022

	COMMENTS		
PROPERTY (ADDRESS)	1 Deer Park Road Fairways Business Park Livingston EH54 8AF (Private Veterinary Hospital)	Tenant: Lease Term: Floor Area: Agreed Rent: Rent Commencement Date: Next Rent Review Date: Basis of Review:	Veterinary Specialists (Scotland) Ltd FRI lease 20 years from 10.9.2019 (16 years 9 months unexpired) 30,855 sq ft £372,546 p.a exc 10.9.2023 10.9.2024 Fixed Review to £411,320 p.a exc
DATE OF LAST PROPERTY INSPECTION	21 st September 2022 Next inspection March 2023.		
RENT COLLECTION	The tenant has a four-year rent-free period, the rent commencement date is 10.9.2023. The Lease provides for quarterly payments, however, a side letter has been signed to allow the tenant to pay monthly on 1 st of each month.		
INSURANCE	UDC responsible, subject to recovery from tenant. Cushman & Wakefield (CW) instructed to undertake a revised Insurance Reinstatement Cost Assessment (RCA). The insurer RSA increased the Buildings Declared Value w.e.f. 08.08.2022. AJ Gallagher obtained competitive quotes from RSA & AXA for the renewal of insurance w.e.f. 01.10.2022. Insurance placed with RSA as they offered a 0.5% reduction in the premium rate. ML have invoiced the tenant for the premium for the year to 30.09.2023 and the monies have been received.		
SERVICE CHARGE	N/A		
MANAGEMENT ISSUES	<p>The building was constructed as an office building in 2002 and was converted in 2019 to a Veterinary Hospital fully fitted and refurbished with up-to-date facilities.</p> <p>The Tenant only occupies the ground and a small part of the 1st floor. The majority of the second and whole of the third floors are vacant.</p> <p>VSS's architects have provided a copy of the completed Building Warrant.</p> <p>The tenant has provided ML with copies of their Risk Assessments and compliance certification. ML to request updated copies.</p> <p>Linnaeus Group (part of the Mars group of companies) acquired Veterinary Specialist (Scotland) Ltd from Pets at Home earlier this year. UDC refused consent for an assignment of the lease to Linnaeus Veterinary Ltd as the Pets At Home Guarantee would fall away on assignment.</p> <p>ML have advised the tenant that they require a Licence for Alterations for the mobile MRI scanner now that it is more permanent. ML awaiting further details from the tenant.</p>		
ASSET MANAGEMENT OPPORTUNITIES & GREEN INITIATIVES	<p>Linnaeus have advised that they have plans to grow the business and are looking into converting the rest of the 1st floor and 2nd floors to provide additional theatres, clinical areas and offices to enable them to expand the business. The tenant has tidied up the car park and installed new entrance and exit barriers and have appointed a contractor to undertake some repairs to the tarmac and kerbs, these works are still outstanding. They have plans to improve the outside environment by undertaking more planting and improving the car park maintenance.</p> <p>The tenant has advised that they would like to install 2 electric charging points in the car park. ML awaiting further details.</p>		

QUARTERLY PROPERTY MANAGEMENT REPORT – END DECEMBER 2022

	COMMENTS		
PROPERTY (ADDRESS)	Waitrose Distribution Centre Matrix Park Western Avenue Chorley Lancashire PR7 7NB	Tenant: Lease Term: Floor Area: Passing Rent: Next Rent Review Date: Basis of Rent Review:	Waitrose Ltd FRI Lease 30 years from 30.4.2012 (unexpired term of 19 years 4 months) 421,809 sq ft £2,840,000 p.a 30.4.2022 Higher of open market rent or RPI (cap & collar of 5% & 2% p.a compounded)
DATE OF LAST PROPERTY INSPECTION	16 th November 2022. Next inspection due May 2023.		
RENT COLLECTION	The tenant reverted to quarterly rent payments from the June 2021 quarter as agreed with ML. December 2022 quarter's rent received on time.		
INSURANCE	UDC responsible, subject to recovery from Waitrose. Cushman & Wakefield (CW) undertook an updated desktop Reinstatement Cost Assessment (RCA). The insurer RSA increased the Buildings Declared Value w.e.f. 08.08.2022. AJ Gallagher obtained quotes from RSA and AXA for the insurance renewal. Policy renewed with RSA w.e.f. 01.10.2022 as they offered a 0.5% reduction in the rate. ML have charged out the premium for the year to 30.09.2023 and received payment.		
SERVICE CHARGE	Matrix Park Management Company administer the service charge for the estate, the service charge year is 1 st June to 31 st May. UDC pay 44.27% of the total budget, Matrix invoice UDC quarterly and ML recharge Waitrose. Matrix have issued an increased budget from 1 st June 2022 for the current year. Matrix have provided the reconciliation of 2021/2022 service charge and there was a significant overspend, due to the cost of removing travellers and landscape maintenance. Matrix have refunded Waitrose the costs of snow clearance for the unadopted roads on the estate charged in the service charge year 2020/2021, following a query by Waitrose's cost consultant and have adjusted the 2021/2022 and 2022/2023 budgets to take account of these credits. ML liaising with Waitrose regarding the outstanding payments and credit notes, following the reconciliation.		
RENT REVIEW	Rent reviewed as at 30 th April 2022. Agreed at £2,840,000 p.a. which is a 25% increase from the passing rent. Rent Review memorandum signed and uplift in rent paid by Waitrose.		
MANAGEMENT ISSUES	Waitrose have sublet part of the 2 nd floor offices to Amey. The Sub-lease was renewed for a term of 18 months from 6.12.2021. Waitrose signed a 5 year Distribution Service Agreement with XPO Logistics in March 2021, GXO (part of XPO Logistics) are now occupying the property, GXO advised that the building is now operating at full capacity. Waitrose are permitted in accordance with the lease to grant a Distribution Underlease to a Distribution Services Provider without the Landlord's consent. Risk Assessments and Compliance certification – GXO have provided ML with copies of all their up-to-date certification.		
ASSET MANAGEMENT OPPORTUNITIES & GREEN INITIATIVES	There is approx. 2 acres of surplus development land on eastern side of site included in the lease to Waitrose. We understand that the land was intended to be used for an incineration/recycling plant to provide heating to some areas of the building, this was abandoned some time ago. ML received an approach from a developer interested in the land, however an offer has not been forthcoming. Waitrose are likely to require a premium for release of the land from their demise.		

Stane Retail Park



QUARTERLY PROPERTY MANAGEMENT REPORT – END DECEMBER 2022

PROPERTY (ADDRESS)	COMMENTS			
	Tenants:	B&Q Ltd	Aldi Stores Ltd	
Stane Retail Park (Phase 1) Western Bypass Colchester Essex CO3 8AU	<p>Lease Term:</p> <p>Rent Commencement Date:</p> <p>Commencing Rent:</p> <p>Next Rent Review Date:</p> <p>Basis of Rent Review:</p>	<p>15 years from 1st November 2021 (Tenant right to renew) (13 years 9 months unexpired)</p> <p>20th April 2023</p> <p>£1,342,275 p.a.exc. (£16.50 p.s.ft. on 81,350sqft)</p> <p>01/11/26 & 01/11/31</p> <p>5 yearly RPI (0-2% p.a. compounded)</p>	<p>25 years from 1st November 2021 (Tenant break on 01/11/2041) (23 years 9 months unexpired)</p> <p>23rd May 2022</p> <p>£360,395 p.a.exc. (£19.50 p.s.ft. on 18,482 sqft)</p> <p>01/11/2026, 01/11/31, 01/11/36 & 01/11/41</p> <p>5 yearly, RPI (1% and 3% p.a. compounded)</p>	
LAST PROPERTY INSPECTION DATE	7 th September 2022. Next formal half year inspection to take place in January 2023.			
RENT COLLECTION	B&Q have a rent free period until 20 th April 2023. Aldi commenced payments in May 2022 and are up to date. December quarter's rent was paid on time.			
INSURANCE	UDC insure the units within their ownership. Insurance Policy renewed with RSA w.e.f. 01.10.2022, as RSA offered a 0.5% reduction in the rate.			
SERVICE CHARGE	ML manage the service charge relating to the entire retail park. The new Service charge budget commenced as of 01/01/2023. It is 100% recoverable from the tenants and Churchmanor (the developer). Current service charge budget c£194,700 + VAT p.a. The reconciliation relating to the year end 31/12/2022 service charge is underway and will be distributed to all relevant parties when complete.			
TENANT LINE UP (the whole)	B&Q, Aldi, M&S, Greggs, Cook, Superdrug and Mountain Warehouse are now open. Only Unit A6 remains unoccupied, Unit C (Furniture Village) is now trading. Occupier discussions in hand.			
MANAGEMENT ISSUES	<p>Part of the site remains in Churchmanor's ownership. Practical Completion of balance took place in April 2022 and have prepared a budget. Lettings of Phase 2, which are retained by Churchmanor are now limited to one unit (A6).</p> <p>A number of outstanding works are still to be completed, and the Health and Safety report highlighted others. Items to be addressed are:</p> <ul style="list-style-type: none"> B&Q need more external storage space. May seek to demise part of external shared yard, provided UDC buy and control the balance. All upkeep and maintenance contracts (drains, winter maintenance, litter picking and landscaping) are now in place, following informal tenders. New tenders to take place in the next 2 months, in respect of landscaping and cleaning. CCTV is being installed in the car park. There have been no further issues of joy riding in the car park after closing. 			
	<ul style="list-style-type: none"> Tenants have been told to ensure that all of their staff are inputted correctly on the Green Parking system. Additional fine cancellations will incur a £15 administration charge. Some tenants have made comments regarding the arrangement of the car park. An onsite meeting with the tenants has been arranged for 19/01/23. 			
ASSET MANAGEMENT OPPORTUNITIES & GREEN INITIATIVES	<ul style="list-style-type: none"> Electric charging points proving popular. MER are installing further charging outlets in advance of original schedule. Awaiting confirmation that new supplemental licence has been completed. UDC's ownership of whole currently seems unlikely, following the decision not to proceed with the purchase of the majority of Phase 2 at £28m. However, the investment market is temporarily in turmoil, and it remains to be seen whether Churchmanor choose to sell at the moment or hold and revisit when the remaining letting has completed. Interest rates may have fallen by then, offering the opportunity to revisit. Alternatively UDC may be approached by the purchaser of Phase 2 to buy B&Q and Aldi. 			

Amazon Distribution Centre

QUARTERLY PROPERTY MANAGEMENT REPORT – END DECEMBER 2022

	COMMENTS		
PROPERTY (ADDRESS)	Amazon Distribution Centre Centre Severn Barnwood Gloucester GL4 3UR	Tenant: Lease Term: Floor Area: Passing Rent: Rent Commencement Date: Next Rent Review Date: Basis of Review:	Amazon UK Services Ltd FRI lease 15 years from 18.03.2022 (14 years and 6 months unexpired) 122,756.79 sq ft £2,293,433.49 18.03.2022 18.03.2027 5 yearly, CPI (cap and collar of 1% and 3% pa compounded).
DATE OF LAST PROPERTY INSPECTION	26 th October 2022. Next inspection due in April 2023.		
RENT COLLECTION	Amazon pay rent quarterly on 1 st January 1 st April, 1 st July and 1 st October. Quarterly rent due on January 2023 received on 23 rd December 2022.		
INSURANCE	A J Gallagher obtained competitive quotes and placed the insurance with AXA, however as Amazon are not intending to occupy the building until August 2023, AXA reduced their capacity to 70% of the sum insured and increased the rating. A J Gallagher brought in RSA to co-insure the building w.e.f. 03.08.2022 (previous policy cancelled). A new policy issued at a cost of £118,359.82. Amazon have paid the premium.		
SERVICE CHARGE	A management company has been set up to look after the estate's common areas. The ownership of the management company is split between the freeholders based on area. UDC hold a 54% share. The service charge deed provides for the management company to administer the service charge and UDC are to pay a fair proportion of the costs, quarterly on account. The costs are to be reclaimed from Amazon. Bulleys Chartered Surveyors appointed to administer the service charge and have prepared a service charge budget. Total budget is £22,325. ML still awaiting an invoice. Bulleys have advised that they cannot issue demand until they have a VAT number, which is awaited.		
MANAGEMENT ISSUES	<p>Practical completion took place on 4th March 2022.</p> <p>Lease to Amazon completed on 18th March 2022. Amazon have advised that they are not intending to occupy the property until August 2023 at the earliest. They have 2 guards providing 24-hour security at the building. ML have advised that it is a condition of the insurance. Bowmer Kirkland (BK) are currently undertaking the snagging works.</p> <p>ML identified that there is extensive cracking to the van deck stair towers. Adam Smith at CW awaiting a report from BK and their proposals for rectification. We understand that the landscaping rectification works to replace the dead trees and reseed have been completed. ML reinspected on 26th October, the building was cleaner and looking better on the day of inspection. However the landscaping is still not being maintained and there were a lot of weeds on the day of inspection. ML have chased Amazon to maintain the outside areas. Amazon have advised that they have appointed Cushman Wakefield to manage the property. ML to meet them on site when they next inspect.</p> <p>Amazon requested UDC grant a Licence For Alterations to undertake some works including installing a new door to the warehouse, new internal windows and a new guard hut. However this has now been withdrawn and we understand that Amazon may be looking to sublet the building.</p>		
ASSET MANAGEMENT OPPORTUNITIES & GREEN INITIATIVES	<p>Amazon have an option to extend the lease for a further 5 years on expiry of current lease in March 2037.</p> <p>The front car park area is not fenced (ie insecure), due to a planning stipulation. This may present scope for "unwanted" visitors to gain access. Amazon however have 24 hour security.</p> <p>The property is situated on a site area of 11.5 acres and therefore has a low site cover of 25%. The building has an EPC rating A24.</p>		

Agreed Acquisitions

HEADQUARTERS AND WAREHOUSE, TEWKESBURY

In March 2021 the Council acquired a site in Tewkesbury, Gloucestershire for a new build head office and warehouse with a pre-let 35 year lease. The developer has set up a time lapse video stream so that the Council can see progress. A snapshot is provided below and the stream is available at <https://barberry.reachtimelapse.co.uk/projectmeteor/>



Completion is expected in March 2023.

Portfolio Valuation

The Council employ CBRE to provide a quarterly valuation of the Council owned assets. In summary, as at the end of quarter 2 the position is as shown below

	Price paid (including future commitments)	Amount paid as at 31 December 2022	DEC 2021	MAR 2022	JUN 2022	SEP 2022	DEC 2022
	£	£	£	£	£	£	£
Colchester, Stane RP	27,004,322	27,004,322	30,600,000	30,975,000	30,975,000	29,100,000	27,250,000
Chorley, Waitrose RDC	54,608,773	54,608,773	65,700,000	67,500,000	67,500,000	61,150,000	54,400,000
Livingston, 1 Deer Park Road	4,758,374	4,758,374	5,200,000	5,300,000	5,300,000	5,000,000	4,750,000
Takeley, Skyway House	20,000,000	20,000,000	19,900,000	19,950,000	19,950,000	18,350,000	17,625,000
Gloucester, Amazon	42,692,000	42,278,237	37,650,000	42,100,000	50,750,000	43,900,000	41,000,000
Tewkesbury, MOOG HQ	37,749,262	28,556,683	21,050,000	24,650,000	27,150,000	24,000,000	23,750,000
	186,812,731	177,206,389	180,100,000	190,475,000	201,625,000	181,500,000	168,775,000

When the loan to Aspire (CRP) Ltd is included the total asset valuation is as shown below

	Price paid (including future commitments)	Amount paid as at 31 December 2022	DEC 2021	MAR 2022	JUN 2022	SEP 2022	DEC 2022
	£	£	£	£	£	£	£
Colchester, Stane RP	27,004,322	27,004,322	30,600,000	30,975,000	30,975,000	29,100,000	27,250,000
Chorley, Waitrose RDC	54,608,773	54,608,773	65,700,000	67,500,000	67,500,000	61,150,000	54,400,000
Livingston, 1 Deer Park Road	4,758,374	4,758,374	5,200,000	5,300,000	5,300,000	5,000,000	4,750,000
Takeley, Skyway House	20,000,000	20,000,000	19,900,000	19,950,000	19,950,000	18,350,000	17,625,000
Gloucester, Amazon	42,692,000	42,278,237	37,650,000	42,100,000	50,750,000	43,900,000	41,000,000
Tewkesbury, MOOG HQ	37,749,262	28,556,683	21,050,000	24,650,000	27,150,000	24,000,000	23,750,000
	186,812,731	177,206,389	180,100,000	190,475,000	201,625,000	181,500,000	168,775,000
Aspire (CRP) Ltd	60,656,500	60,656,500	97,337,500	104,161,767	107,162,730	108,576,802	100,625,000
Total Portfolio	247,469,231	237,862,889	277,437,500	294,636,767	308,787,730	290,076,802	269,400,000

Future Asset Acquisitions

Stane Retail Park Phase 2

At the request of the Council the owner developer has agreed to let the whole of Phase 2 before presenting the option to purchase to the Council. Currently there is one unit remaining to be let but it is understood that discussions are on-going with potential tenants.

Councils can continue to invest in commercial assets where it is done so as to increase the value of an existing asset. It is the opinion of our agent and valuers that acquiring phase 2 will significantly increase the value and appeal of phase 1.

With the downturn in the market following the mini-budget by the Government in September 2022 it was no longer viable for the Council to consider acquiring phase 2 and the developer was notified of this. At the same time the developer decided to retain phase 2 as the likely sale price would not be viable for them. When the market situation resolves itself a final decision on the possible acquisition of phase 2 will be made.



Financing

The Portfolio is financed from three sources

1. Internal borrowing – when the Council has excess funds to invest
2. Loans from PWLB and Phoenix Life Ltd
3. Borrowing from other local authorities

The split between 1 and 3 above varies on a week to week basis. Below is a snapshot of the external funding as at 6 February 2023 which totals £211,595,244.

Borrowing as at 06/02/23				
Date	Lender	Amount (£)	Maturity	Rate
18-Jun-20	Oxfordshire County Council	5,000,000	19-Jun-23	1.20%
24-May-22	London Borough of Newham	8,000,000	23-May-23	1.20%
06-Dec-22	West Midlands Combined Authority	11,500,000	05-Dec-23	1.80%
25-Jul-22	West Yorkshire Combined Authority	6,000,000	07-Jun-23	1.25%
30-Jun-22	Salford City Council	2,000,000	29-Jun-23	1.30%
30-Jun-22	Local Government Association	1,500,000	29-Jun-23	1.30%
30-Jun-22	Local Government Association	1,500,000	29-Jun-23	1.30%
13-Sep-22	East Sussex County Council	5,000,000	12-Sep-23	3.00%
08-Sep-22	Buckinghamshire Council	10,000,000	04-Aug-23	3.00%
08-Sep-22	Blaenau Gwent Borough Council	5,000,000	07-Sep-23	3.00%
08-Sep-22	Northern Ireland Housing Executive	10,000,000	07-Sep-23	3.00%
13-Sep-22	South Oxfordshire District Council	7,000,000	12-Sep-23	3.00%
13-Sep-22	South Lakeland District Council	3,000,000	12-Sep-23	3.00%
13-Sep-22	South Ribble Borough Council	3,000,000	07-Sep-23	3.00%
30-Nov-22	West Midlands Combined Authority	7,000,000	29-Nov-23	3.05%
01-Feb-23	Furness Building Society	5,000,000	02-May-23	3.80%
07-Jun-23	Crawley Borough Council	5,000,000	06-Jun-24	2.25%
05-Jul-17	Phoenix Life Ltd	36,095,244	05-Jul-57	2.86%
22-Sep-22	Public Works Loans Board	30,000,000	22-Sep-71	4.28%
29-Sep-22	Public Works Loans Board	50,000,000	27-Sep-30	4.16%
		211,595,244		

Risks

Likelihood Scores

Score	Probability
1 (Little Likelihood)	Less than 10%
2 (Some Likelihood)	10% to 50%
3 (Significant Likelihood)	51% to 90%
4 (Near Certainty)	More than 90%

Impact Scores

Score	Impact Level on Strategic Objectives
1	Minor impact/delay/difficulty
2	Small impact/delay/difficulty
3	Considerable impact/delay/difficulty
4	Extreme impact/delay/Difficulty

Each risk score for likelihood and impact is plotted onto a risk matrix to produce its score. A green score indicates risks which the organisation is most prepared to accept and red those which are less likely to be accepted.

		1	2	3	4
LIKELIHOOD	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
		IMPACT			

21-IB-01 LONG TERM BORROWING

The council is unable to secure long term borrowing	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	AW	2	4	8	<ul style="list-style-type: none"> • Phoenix loan is secured • 2 x PWLB loans are secured 	
		Current Likelihood	Current Impact	Current Score	Further Action	
		2	4	8	<ul style="list-style-type: none"> • Evaluate sale of one or more assets 	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	AW	31.03.2023		

Progress Update (December 2022)

- The current borrowing is sufficient to repay outstanding loans through to June 2023 thereby reducing exposure to short term borrowing cost fluctuations
- No further long term borrowing is planned at the present time

21-IB-02 INTEREST RATES

Interest rates increase leading to a reduced net income	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	AW	2	4	8	<ul style="list-style-type: none"> • Phoenix loan is secured so part mitigation • 2 x PWLB loans are secured 	
		Current Likelihood	Current Impact	Current Score	Further Action	
		2	4	8	<ul style="list-style-type: none"> • Evaluate sale of one or more assets 	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	AW	31.03.2023		

Progress Update (December 2022)

- The current borrowing is sufficient to repay outstanding loans through to June 2023 thereby reducing exposure to short term borrowing cost fluctuations.
- Over the next few of years the investment net contribution will be lower than in 2022/23 this is reflected in the Council's five year MTFS

21-IB-03 TENANT DEFAULT

Tenants default on rental payments either short term or because of business failure	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	AW	2	4	8	• Additional financial due diligence undertaken ahead of all purchases	
		Current Likelihood	Current Impact	Current Score	Further Action	
		1	3	3	• Continuous monitoring of tenants both financial information and news channels	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	AW	31.03.2023		

Progress Update (December 2022)

- Tenants passed the viability test and no adverse financial reports this quarter
- Commercial asset reserve will enable short term rent losses to be covered without detriment to council services

21-IB-04 BUILDING LOSS

Loss of building due to fire/flood leading to no rent being received for duration of the repair/reinstatement	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	AW	1	4	4	• UDC fully insures the building and recharges the tenant • Copies of fire safety procedures/test etc. held by agent	
		Current Likelihood	Current Impact	Current Score	Further Action	
		1	4	4	• Monitor procedures as part of the inspection process	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	AW	31.03.2023		

Progress Update (December 2022)

- Discussions with all tenants on fire etc. safety. Inspections check for issues and ensure maintenance repairs etc. are undertaken
- Commercial asset reserve will enable short term loss in rent to be covered without detriment to council services

21-IB-05 REPUTATION

Actions of tenants affect the reputation of the Council	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	AW	1	4	4	• Tenants checked as part of initial due diligence	
		Current Likelihood	Current Impact	Current Score	Further Action	
		1	3	3	• Continuous monitoring of tenants both financial information and news channels	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	3	3	AW	31.03.2023		

Progress Update (December 2022)

- No adverse or positive news stories this quarter