

Uttlesford Property Portfolio Q3 Report 1 October 2023 – 31 December 2023

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Glossary of Terms

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

Summary

In February 2023 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 possible. Since that date the opportunity at Stane Retail Park has not materialised as the developer is retaining ownership due to the downturn in the market.

To date £250,709,231 has been committed with an agreed further loan to Aspire (CRP) Ltd of £17,760,000 giving a total allocation of £268,469,231.

The yield of the committed portfolio is 5.12% and this rises to 5.37% when the additional loan is 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	63,896,500	2,814,950	4.41
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	1,702,670	6.31
6	Distribution Warehouse, Gloucester	42,692,000	2,293,433	5.37
7	Headquarters, Tewkesbury	37,749,262	1,680,500	4.45
	Total	250,709,231	12,832,099	5.12

- Loan payments on the £21,060,000 loan to Aspire (CRP) Ltd do not start until 1/4/2025

Portfolio Summary – Agreed loans not yet drawn down or interest payments not yet started

Asset No.	Asset	Acquisition Price £	Rent p.a. £
1	Agreed loans to Aspire (CRP) Ltd	17,760,000	1,332,000
1	Loan to Aspire (CRP) Ltd 6/12/2023	3,300,000	247,500
	Total	21,060,000	1,579,500

Portfolio Combined – Committed and Agreed

	Portfolio	Acquisition Price £	Rent p.a. £	Yield %
1	Committed	250,709,231	13,079,599	5.12
2	Agreed not yet drawn down	17,760,000	1,332,000	7.50
	Total	268,469,231	14,411,599	5.37

Net Income to the Council (NIC)

The NIC for the 2023/24 financial year (as forecast to the 31 March 2024) is as follows.

	Acquisition Cost £	Net Income to the Council (NIC) £	NIC Yield %
Rent		12,832,099	
Less			
Cost of borrowing		-8,410,000	
Managing Agent		-194,282	
	250,709,231	4,227,817	1.69

- Loan payments on the £21,060,000 loan to Aspire (CRP) Ltd do not start until 1/4/2025
- It should be noted that this is the commercial position. Local Authority accounting treatment, including that of rent free periods and Minimum Revenue Provision, along with a May 2023 rent start date for the headquarters building in Tewkesbury reduces the net rent sum further.

Asset Valuation

The valuation for the overall portfolio has decreased by £6,900,000 in this quarter following a £6,200,000 increase in the previous quarter. The valuation for the whole portfolio is now £269,100,000 compared to an acquisition price of £250,709,231

Portfolio Assets – Quarterly Update

The main message coming from the external advisers is that the investment market has continued to be relatively quiet over the last quarter with transactions still being impacted by the rate of borrowing as the Bank of England tries to battle inflation.

Interest rates, and therefore the cost of borrowing, are expected to remain at or about existing levels for a large part of 2024.

Chesterford Research Park

Funding

The Council has loaned Aspire (CRP) Ltd a total of £63,896,500 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. Loans given to date are;

Drawdown Date	Amount £	Loan Term	Rate %	Repayment Basis	Loan Interest Receivable 2023/24 £
03/05/2017	47,250,000	50 years	4.0	Interest Only	1,890,000
26/03/2018	223,000	49 years 1 month	4.0	Interest Only	8,920
02/01/2019	2,518,000	48 years 4 months	4.0	Interest Only	100,720
20/08/2019	3,000,000	20 years	4.5	Principal & Interest	230,628
09/06/2020	1,250,000	20 years	4.5	Principal & Interest	96,095
01/07/2020	2,600,000	20 years	4.5	Principal & Interest	199,878
15/03/2021	2,975,500	20 years	4.5	Principal & Interest	228,745
26/08/2021	780,000	20 years	4.5	Principal & Interest	59,963
06/12/2023	3,300,000	50 years	7.5	Interest Only commencing 1/4/2025	0
Total of Loans	63,896,500			Annual payment from Aspire (CRP) Ltd	2,814,950

- The Council has the ability to request the repayment of any or all loans at any point in time

At the Full Council meeting in August the Council agreed to loan Aspire (CRP) Ltd a further £21,060,000 for the development of Building 800 and phase 1 of the solar farm. This will be drawn down over the coming two years with repayments commencing on 1 April 2025. The first drawdown of £3,300,000 was made in December of this quarter.

At the September Planning Committee full permission was obtained for a new building covering Plots 1100 and 1200. Outline permission was also obtained for a further four plots. The Park will shortly go out to tender for the construction of Building 1100/1200 and a further loan request will be made by Aspire (CRP) Ltd to the Council in due course.

Vacant units

At the time of reporting this information was not available.

Valuation

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.

Individual unit valuations are shown on the next page.

Building	March 2022	June 2022	September 2022	December 2022	March 2023	June 2023	September 2023	December 2023
Mansion House	4,220,000	2,890,000	4,150,000	2,310,000	2,460,000	2,840,000	2,910,000	3,420,000
Science Village	25,300,000	27,100,000	27,100,000	27,250,000	28,200,000	28,250,000	29,400,000	28,250,000
Nucleus	-3,384,502	-5,427,101	-5,335,543	-8,406,769	-8,377,472	-8,366,665	-8,353,586	-8,874,194
Garden Cottage	150,500	150,400	-47,345	-119,241	-126,649	-117,609	-115,623	-255,499
Older perm buildings	3,050,000	3,950,000	4,430,000	3,900,000	4,450,000	4,400,000	4,480,000	4,470,000
Older temp buildings	2,430	895,200	892,900	822,300	820,000	817,400	814,600	813,000
Building 60	34,800,000	36,100,000	36,150,000	37,450,000	39,700,000	41,150,000	41,250,000	39,100,000
Building 200	23,300,000	26,100,000	26,200,000	23,350,000	23,450,000	23,450,000	23,550,000	22,350,000
Building 300	35,450,000	36,550,000	36,550,000	37,450,000	39,350,000	40,650,000	40,850,000	38,700,000
Building 400	6,640,000	7,760,000	7,760,000	7,180,000	7,190,000	7,180,000	7,190,000	7,200,000
Building 600/700	50,150,000	53,300,000	53,400,000	47,700,000	45,300,000	45,450,000	45,550,000	45,650,000
Building 900	13,950,000	13,300,000	13,300,000	12,700,000	12,700,000	12,650,000	12,650,000	12,650,000
Building 50	8,980,000	9,690,000	9,660,000	8,920,000	8,890,000	8,860,000	8,840,000	8,820,000
Miscellaneous	1,640,000	1,640,000	1,630,000	1,650,000	1,650,000	1,640,000	1,640,000	1,630,000
Estate s/c shortfall	-3,674,823	-6,162,761	-6,068,248	-11,743,206	-11,761,056	-11,802,458	-11,835,291	-14,407,239
Development Land	13,150,000	13,150,000	13,500,000	16,400,000	16,200,000	16,750,000	16,750,000	17,800,000
Estate Capex	-5,400,071	-6,660,278	-6,118,161	-6,088,161	-6,088,161	-6,088,161	-6,088,161	-5,675,906
Value	£208,300,000	£214,500,000	£217,250,000	£201,250,000	£204,000,000	£207,800,000	£209,500,000	£203,550,000

As can be seen from the valuation figures, the Park is currently valued at £203,550,000 which gives a value per investor of £101,775,000 a potential pre-tax profit of £37,878,500

It should be noted that this valuation is based on the sale value of the whole of the Park. Should the Council request Aspire (CRP) Ltd to sell it's 50% share the value would not be that shown above as any potential buyers would discount the value on the basis of it only being a share, not the whole, for sale. In addition, the value would likely be reduced further as Aspire (CRP) Ltd are not the asset managers, that is a function undertaken by Aviva.

Without testing the market it is very difficult to estimate the value of selling only a 50% share. Life sciences remains a premium investment as does the Cambridge/Oxford corridor which means that the discount may be reduced compared to a non-life sciences park elsewhere in the country.

As the asset is owned by Aspire (CRP) Limited any sale would be liable to tax. Below are estimates of returns to the Council, for a number of sale price options, to demonstrate the impact of tax, and potential discounting as set out above.

Approximate sale receipt				
Sale price (£)	101,775,000	95,000,000	90,000,000	85,000,000
Less				
land agents	-1,221,300	-1,140,000	-1,080,000	-1,020,000
solicitors	-508,875	-475,000	-450,000	-425,000
Subject to Tax	100,044,825	93,385,000	88,470,000	83,555,000
Tax	-9,037,081	-7,372,125	-6,143,375	-4,914,625
Balance to the Council	91,007,744	86,012,875	82,326,625	78,640,375

Top 10 Tenants by Rent

At the time of reporting this information was not available.

Rent Paid

At the time of reporting this information was not available.



SKYWAY HOUSE

PARSONAGE ROAD, TAKELEY, BISHOP'S STORTFORD CM22 6PU

TENANT:	WESTON HOMES PLC
LEASE TERM:	FRI 25 YEARS FROM 30.06.2020 EXPIRING 29.06.2045
FLOOR AREA:	47,951 SQ FT NIA PLUS CIRCA 142 CAR PARKING SPACES (79 SURFACE AND 63 BASEMENT)
PASSING RENT:	£1,128,000 P.A. EXC (£23.52 P.S.FT)
NEXT RENT REVIEW DATE:	30.06.2025
BASIS OF RENT REVIEW:	FIXED REVIEW TO £1,276,228 P.A. EXC ON 30.06.2025 (13.14% UPLIFT EVERY 5 YEARS)

DATE OF LAST PROPERTY INSPECTION

18th December 2023. Next inspection due June 2024.

RENT COLLECTION

The tenant pays quarterly in advance on the usual quarter days.

The December 2023 quarter's rent was paid on time.

INSURANCE

UDC insure and recover the cost from Weston Homes (WH).

Insurance Renewal w.e.f. 01.10.2023 AJ Gallagher renewed the policy with RSA as a two year deal was agreed in 2022. WH have paid the premium for the year to 30.09.2024.

SERVICE CHARGE

N/A

MANAGEMENT ISSUES

CW confirmed that PC was achieved on 14th September 2020.

The building is fully occupied, the rear of the 2nd floor has been fitted out as high specification director's offices.

The tenant provides ML with copies of their Risk Assessments and up to date compliance certification.

ASSET MANAGEMENT OPPORTUNITIES AND GREEN INITIATIVES

WH have acquired approx. 220 acres of farmland to the rear of the property, including a 7 acre field at the rear of the building.

The majority of the land is leased back to a local farmer. The planning appeal for the development of the land for residential and employment use was turned down in August 2022. However, the land is allocated for residential development/amenity green space in the draft Local Plan.

WH obtained planning permission for an extension to their car park on part of the 7 acre field they own at the rear of Skyway House and Weston Business Centre to provide 124 new car parking spaces. This has improved the parking ratio of the building. UDC agreed to vary the rights granted in WH's lease to allow them to access the new car parking spaces from the car parking area behind Skyway House and a Deed of Variation has been completed.

ML have recommended that if possible UDC acquire the completed car park and lease it back to the tenant as this would improve the investment value. Preliminary discussions have taken place but we understand that the timing is not right for either party.

WH have obtained planning permission for approximately 3,500 square metres of employment space on the remainder of the 7 acre field. The new access road has been constructed between Skyway House and Weston Business Centre on land owned by Aegon. The road will be adopted if WH obtain planning permission for the residential development on the parcel of land adjoining the employment land once completed. UDC have agreed to vary their rights over WH's land once the road has been adopted as these rights will not be needed once the property is accessed from the adopted highway. Hogan Lovell instructed.

The Property has an EPC rating of A16 and BREEAM rating of very good.

There is a grey water recycling system and all the lights are LED with most on sensors. There are 16 electrical vehicle charging points in the car park at the front of the building. The tenant has installed electric vehicle charging points in all the spaces in the basement car park.





1 DEER PARK ROAD

FAIRWAYS BUSINESS PARK, LIVINGSTON EH54 8AF

TENANT:	VETERINARY SPECIALISTS (SCOTLAND) LTD
LEASE TERM:	FRI LEASE 20 YEARS FROM 10.09.2019 LEASE EXPIRY 09.09.2039
FLOOR AREA:	30,855 SQ FT PLUS CIRCA 160 CAR PARKING SPACES
AGREED RENT:	£372,546 P.A. EXC (£12.07 P.S.FT)
RENT COMMENCEMENT DATE:	10.09.2023
NEXT RENT REVIEW DATE:	10.09.2024
BASIS OF RENT REVIEW:	FIXED FIRST REVIEW TO £411,320 P.A. EXC



DATE OF LAST PROPERTY INSPECTION

25th September 2023.

Next inspection March 2024.

RENT COLLECTION

The tenant had a four year rent-free period, rent payable w.e.f 10.9.2023. The tenant has paid the last quarter's rent on time.

The Lease provides for quarterly payments on 28th February, 28th May, 28th August and 28th November, although a side letter allows the tenant to pay monthly on 1st of each month, they have chosen to pay quarterly in accordance with the lease.

INSURANCE

UDC responsible, subject to recovery from tenant.

Insurance renewed with RSA w.e.f. 01.10.2023. The tenant has paid the premium for the year to 30.09.2024.

SERVICE CHARGE

N/A.

MANAGEMENT ISSUES

The building was constructed as an office building in 2002 and was converted in 2019 to a Veterinary Hospital fully fitted and refurbished with state of the art facilities including operating theatres, a CT and X-ray room and intensive care facilities.

The tenant currently 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. However the tenant is now using a small area of the vacant 1st floor space as a meeting area and uses some of the space for storage.

The tenant provides ML with copies of their Risk Assessments and compliance certification. The tenant has obtained an updated 5 yearly Electrical Certificate for the whole building and an updated Fire Risk Assessment. ML have been provided with copies.

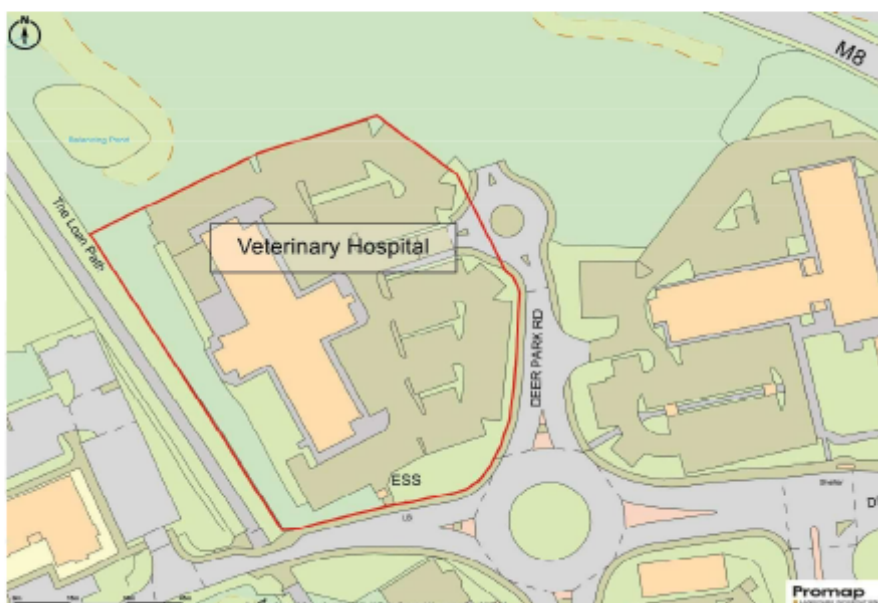
Linnaeus Group (part of the Mars group of companies) acquired Veterinary Specialist (Scotland) Ltd from Pets at Home in 2021. UDC refused consent for an assignment of the lease to Linnaeus Veterinary Ltd as the Pets At Home Guarantee would fall away on assignment.

The tenant has advised that the mobile MRI scanner is now permanent and they would like to erect fencing around the area and make alterations to the walkways and also create a dog run. ML are awaiting plans. All the works will then be incorporated in a Licence for Alterations.

ASSET MANAGEMENT OPPORTUNITIES AND GREEN INITIATIVES

Linnaeus have advised that they have plans to grow the business and will be looking to convert 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, installed new entrance and exit barriers, undertaken some repairs to the tarmac and kerbs, and the landscaping is now better maintained.

The tenant has advised that they would like to install some electric charging points in the car park, ML are awaiting further details.





WAITROSE DISTRIBUTION CENTRE
MATRIX PARK, WESTERN AVENUE, CHORLEY, LANCASHIRE PR7 7NB

TENANT:	WAITROSE LTD
LEASE TERM:	FRI LEASE 30 YEARS FROM 30.04.2012 LEASE EXPIRY 29.04.2042
FLOOR AREA:	421,809 SQ FT PLUS CIRCA 400 CAR PARKING SPACES AT THE FRONT OF THE BUILDING
SITE AREA:	31.14 ACRES, APPROX 29% SITE COVERAGE
PASSING RENT:	£2,840,000 P.A. EXC (£6.73 P.S.FT)
NEXT RENT REVIEW DATE:	30.04.2027
BASIS OF RENT REVIEW:	HIGHER OF OPEN MARKET RENT OR RPI (CAP & COLLAR OF 5% & 2% P.A COMPOUNDED)



DATE OF LAST PROPERTY INSPECTION

15th November 2023. Next inspection May 2024.

RENT COLLECTION

The tenant reverted to quarterly rent payments from the June 2021 quarter as agreed with ML. December 2023 quarter's rent received on time.

INSURANCE

UDC insure and recover the cost from Waitrose.

A J Gallagher instructed to renew the insurance policy with RSA w.e.f. 01.10.2023. ML have recharged the tenant the cost of the premium for the year to 30.09.2024.

SERVICE CHARGE

Matrix Park Management Company administer the service charge for the estate, the service charge year is 1st June to 31st May. UDC pay 44.27% of the total budget, Matrix invoice UDC quarterly and ML recharge to Waitrose. Matrix issue a budget for the year. Total budget for the current year 1st June 2023 to 31st May 2024 is £70,205 + VAT. Waitrose are up to date with payments.

RENT REVIEW

Rent reviewed as at 30th April 2022. Agreed at £2,840,000 p.a. which is a 25% increase from the 2017 rent. Rent Review memorandum signed and uplift in rent paid by Waitrose.

Next rent review 30th April 2027.

MANAGEMENT ISSUES

Waitrose have sublet part of the 2nd floor offices to ABOVE (formerly Amey). The sub-lease expired on 1st June 2023. UDC have approved the renewal of the sub-lease for a term of 3 years w.e.f. 5th June 2023. New sub-lease still to be completed.

Waitrose have 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. They are using the surplus space to store goods for other customers. Waitrose are permitted in accordance with the lease to grant a Distribution Underlease to a Distribution Services Provider without the Landlord's consent.

GXO are maintaining the property well. They are undertaking repairs to the service yard and are repainting the road markings. They are also gradually changing the remaining lights to LED.

Risk Assessments and Compliance certification - GXO have provided ML with copies of all their up-to-date certification.

ASSET MANAGEMENT OPPORTUNITIES AND 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 originally intended to be used for an incineration/ recycling plant to provide heating to some areas of the building, this was abandoned some time ago. The land is included within Waitrose's demise.





**STANE RETAIL PARK
STANWAY, COLCHESTER CO3 8AU**

TENANT:	B&Q LIMITED	ALDI STORES LTD
LEASE TERM:	15 YEARS FROM 01.11.2021 (TENANT RIGHT TO RENEW) END DATE - 30TH OCTOBER 2036	25 YEARS FROM 01.11.2021 (TENANT BREAK ON 01.11.2041) END DATE - 30TH OCTOBER 2046
RENT COMMENCEMENT DATE:	20TH APRIL 2023	23RD MAY 2022
COMMENCING RENT:	£1,342,275 P.A. EXC (£16.50 P.S.FT ON TARGET) (81,350 SQ FT)	£360,395 P.A. EXC (19.50 P.S.FT ON TARGET) (18,482 SQ FT - ACTUAL)
ACTUAL FLOOR AREAS:	STORE: 81,350 SQ FT BUILDERS YARD: 15,973 SQ FT GARDEN CENTRE: 19,170 SQ FT	
NEXT RENT REVIEW DATES:	01.11.2026 & 01.11.2031	01.11.2026, 01.11.2031, 01.11.2036 & 01.11.2041
BASIS OF RENT REVIEW:	5 YEARLY RPI (0-2% P.A. COMPOUNDED)	5 YEARLY, RPI (1% & 3% P.A. COMPOUNDED)
TOTAL RENT RECEIVED (FROM PHASE 1):	£1,702,670 P.A. EXC	



Uttlesford District Council own part only (Phase 1 - B&Q and Aldi) of the Stane Retail Park, together with shared use of the Common Areas (including 628 car park spaces). Mark Liell manage the whole retail park, including the second phase for UDC and Churchmanor Estates, who retain Phase 2 at present.

DATE OF LAST PROPERTY INSPECTION

13th December 2023. Next formal half yearly inspection to take place in June 2024. Intervening regular visits undertaken.

RENT COLLECTION

All rental payments up to date. B&Q pay monthly as per their side letter. MER's 2023 rent for the EV charging points has been paid. We are awaiting confirmation that the 2024 RPI rent review figures have been accepted.

INSURANCE

UDC insure the units within their ownership. Insurance Policy renewed with RSA w.e.f. 01.10.2023. Fully recoverable.

SERVICE CHARGE

ML manage the service charge, which commenced as at 1st November 2021 when Phase 1 was PC'd. 100% recoverable from the tenants and Churchmanor (the developer). No arrears. Current service charge budget for year ending 31st December 2024 of £194,700 + VAT. The 2023 year end reconciliation has begun. The budget apportionment schedules have been adapted to reflect the split of unit A6.

TENANT LINE-UP (THE WHOLE)

All units now occupied. Card Factory opened on 17/09/2023 in unit A6a. Pets Corner opened on 06/10/2023 in unit A6b.

MANAGEMENT ISSUES

Part (Phase 2) of the site remains in Churchmanor's ownership. Practical completion of Phase 2 took place in April 2022. UDC have now taken ownership of the Common Areas including the car park.

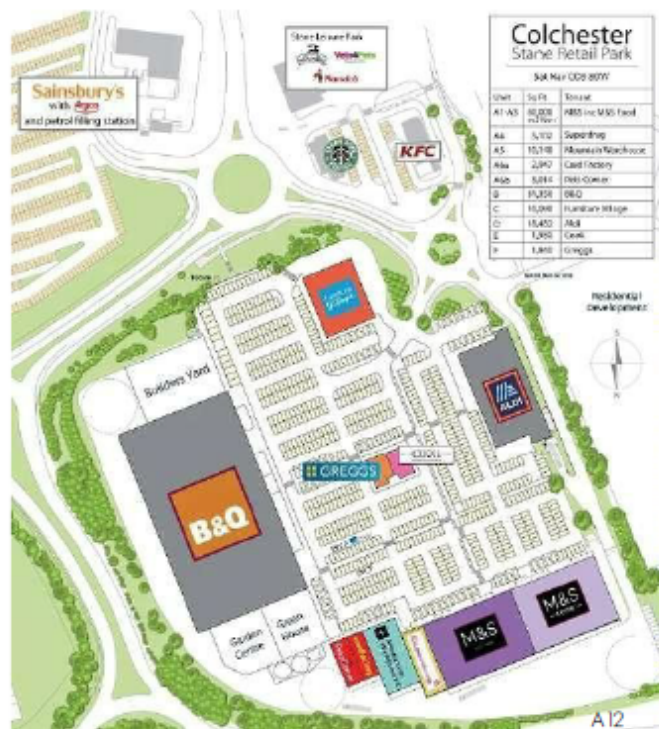
Wider management updates:

- All upkeep and maintenance contracts (drains, winter maintenance, litter picking and landscaping) are now in place, litter picking and landscaping were re-tendered.
- Churchmanor have instructed the replacement of some areas of vegetation including semi mature trees. This work is to take place in 2024.
- Complaints have been received about cars mounting the footpath at the end of Wombat Street. Churchmanor are looking at the installation of bollards.

- Internal car park congestion is still being reported as an issue. Churchmanor are working with Highways England and Essex County Council to produce a long term solution to enable easier access onto the wider road network at peak times.
- A new one way directional route has been installed to help alleviate congestion on the park, including signage and alligator teeth.
- Security improvements. 6 CCTV cameras were installed at the park and radios have been issued to all tenants.
- Car parking usage overseen by Green Parking (4 hour limit). Soft monitoring/action taken to breaches/abuse, to minimise customer and staff upset.

ASSET MANAGEMENT OPPORTUNITIES AND GREEN INITIATIVES

- Electric charging points have proved popular. MER installed a further 10 (5 portals) charging outlets in advance of original schedule.
- UDC's ownership of the whole would be preferable by adding Phase 2 (which includes an all formats M&S store which contributes c50% of the Phase 2 rent) to the existing B&Q and Aldi. Phase 2 remains available to purchase subject to future discussions, provided Churchmanor do not sell to another.





AMAZON DISTRIBUTION CENTRE
CENTRE SEVERN, BARNWOOD, GLOUCESTER GL4 3UR

TENANT:	AMAZON UK SERVICES LTD (NOT CURRENTLY IN OCCUPATION)
LEASE TERMS:	FRI LEASE 15 YEARS FROM 18.03.2022 LEASE EXPIRY 17.03.2037
FLOOR AREA:	WAREHOUSE AND OFFICES: 122,756.79 SQ FT ADJACENT 4 LEVEL MULTI-STOREY VAN PARK (408 SPACES), SURFACE CAR PARK (150 CAR SPACES AND 118 VAN SPACES), 11.23 ACRES.
PASSING RENT:	£2,293,433.49 P.A. EXC
RENT COMMENCEMENT DATE:	18.03.2022
NEXT RENT REVIEW DATE:	18.03.2027
BASIS OF REVIEW:	5 YEARLY, CPI (COLLAR AND CAP OF 1% AND 3% COMPOUNDED ANNUALLY)



DATE OF LAST PROPERTY INSPECTION

25th October 2023.

Next inspection due May 2024.

RENT COLLECTION

Amazon pay rent quarterly in advance on 1st January, 1st April, 1st July and 1st October.

Quarterly rent due on 1st January 2024 received on time. Next quarter due 1st April 2024.

INSURANCE

UDC insure the building and recover the cost from Amazon.

Insurance policy renewal w.e.f. 03.08.2023, however as Amazon are not intending to occupy the building and are looking to sub-let AXA reduced capacity to 50%. RSA co-insure the building and provide 30%, Aspen brought in to cover the remaining 20%. This has significantly increased the cost of the premium. New premium £145,624.35 for the year to 03.08.2024. Amazon have paid the premium.

SERVICE CHARGE

A management company has been set up to look after the estate's common areas and administer the service charge. The ownership of the management company is split between the freeholders based on area. (UDC hold a 54% share of the Management Company). Bulleys Chartered Surveyors administer the service charge and prepared a service charge budget of £22,325. Bulleys to invoice UDC, ML to recharge Amazon. However, ML are still awaiting an invoice from Bulleys, they have advised that they cannot issue a demand until they have a VAT number.

MANAGEMENT ISSUES

Practical completion took place on 4th March 2022. Lease to Amazon completed on 18th March 2022. Amazon have advised that they are now not intending to occupy the property and are looking to sub-let. The property is therefore currently vacant. Amazon have 2 guards providing 24 hour security at the building, which is a condition of the insurance. Bowmer Kirkland (BK), the original contractor, are undertaking the snagging works. ML awaiting confirmation that the works have been completed.

There was extensive cracking to the van deck stair towers. The rectification works have been completed by BK and Cushman Wakefield have advised that all the snagging works identified have now been completed.

Amazon have appointed Cushman Wakefield to manage the property.

Amazon have instructed CW to market a sub-lease of the building. We understand that there is currently no detailed prospective tenant discussions taking place.

ASSET MANAGEMENT OPPORTUNITIES AND GREEN INITIATIVES

Amazon have an option to extend the lease for a further 5 years on expiry of current lease in March 2037.

The front car park area is protected by temporary fencing. This may present scope for "unwanted" visitors to gain access. Amazon however currently have 24 hour security.

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 of A24. There are 10 EV charging points in the car park at the front of the building and the infrastructure for further charging points in the car park.





MOOG CONTROLS LTD

ASHCHURCH ROAD, TEWKESBURY, GLOUCESTERSHIRE GL20 8JN

TENANT:

MOOG CONTROLS LTD

LEASE TERMS:

NEW FRI LEASE FOR A TERM OF 35 YEARS FROM 23.05.2023
LEASE EXPIRY 22.05.2058

FLOOR AREA:

WAREHOUSE AND OFFICES: **209,010 SQ FT**
SERVICE YARD AND EXTERNAL STORAGE BUILDING
365 CAR PARKING SPACES

SITE AREA:

9.5 ACRES (APPROXIMATELY 42% SITE COVERAGE)

PASSING RENT:

£1,680,500 P.A. EXC

RENT COMMENCEMENT DATE:

23.05.2023

NEXT RENT REVIEW DATE:

23.05.2028

BASIS OF REVIEW:

5 YEARLY, RPI (COLLAR AND CAP OF 2% AND 4% COMPOUNDED ANNUALLY)

DATE OF LAST PROPERTY INSPECTION

25th October 2023.

Next inspection due May 2024.

RENT COLLECTION

The tenant pays quarterly in advance on the usual quarter days. The tenant paid the December quarter's rent on time.

INSURANCE

UDC insure the building and recover the cost from MOOG. The insurance has been placed with AXA who insure the other UDC investment properties. The tenant has been invoiced and paid the full cost of the premium from the rent commencement date until 30th September 2024. Cushman & Wakefield provided an updated RCA to include the tenant's fitting out works which the Landlord's insures.

SERVICE CHARGE

N/A

MANAGEMENT ISSUES

PC was achieved on 16th May subject to an extensive snagging list. Completion of the lease took place on 15th August 2023, but backdated to 23rd May 2023.

The building has been constructed to a very high specification and MOOG are undertaking extensive fitting out works at an estimated cost of approx. £30 million.

The building is a state-of-the-art headquarters building for MOOG and is used for the research, development and production of highly specialist component parts for the aerospace industry. The tenant has moved their staff into the offices and some of the labs and manufacturing space are in use. Their Category B fit out works have been completed and the Category C works and the full move are expected to be completed by the end of April 2024.

The landscaping has been replanted in some areas, however it still requires attention to bring it all up to standard as a lot of the plants died.

ASSET MANAGEMENT OPPORTUNITIES AND GREEN INITIATIVES

Once fully operational the property will be a flag ship HQ building for MOOG. The 25,000 sq ft extension to the building has been constructed to give MOOG future expansion space, in the meantime this area will not be fully fitted out and will be used for storage.

The property has an A+ (-11) EPC rating and a BREEAM excellent rating.

The photovoltaic cells on the roof are expected to generate approx. 20% of the electricity and there is a rainwater harvesting system to be used for all the toilet facilities. A horizontal brise soleil system has been installed along the south facing elevation to reduce heat gain. 11 EC charging points have been installed with the infrastructure for up to 40 EV charging points when required.



Portfolio Valuation

The Council employ CBRE to provide a quarterly valuation of the Council owned assets, their yield sheet report is attached at Appendix One. In summary, as at the end of quarter 3 the position is as shown below

	Price paid (including future commitments)	Amount paid as at 31 December 2023	DEC 2022	MAR 2023	JUN 2023	SEP 2023	Valuation as at 31 December 2023
	£	£	£	£	£	£	£
Colchester, Stane RP	27,004,322	26,504,322	27,250,000	28,275,000	28,200,000	27,550,000	27,125,000
Chorley, Waitrose RDC	54,608,773	54,608,773	54,400,000	54,400,000	53,600,000	52,200,000	50,900,000
Livingston, 1 Deer Park Road	4,758,374	4,758,374	4,750,000	4,750,000	4,750,000	4,750,000	4,675,000
Takeley, Skyway House	20,000,000	20,000,000	17,625,000	16,250,000	15,950,000	15,650,000	15,425,000
Gloucester, Amazon	42,692,000	42,278,237	41,000,000	41,000,000	39,500,000	38,200,000	36,300,000
Tewkesbury, MOOG HQ	37,749,262	37,464,079	23,750,000	23,900,000	23,900,000	32,900,000	32,900,000
	186,812,731	185,613,785	168,775,000	168,575,000	165,900,000	171,250,000	167,325,000

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 2023	DEC 2022	MAR 2023	JUN 2023	SEP 2023	Valuation as at 31 December 2023
	£	£	£	£	£	£	£
Colchester, Stane RP	27,004,322	26,504,322	27,250,000	28,275,000	28,200,000	27,550,000	27,125,000
Chorley, Waitrose RDC	54,608,773	54,608,773	54,400,000	54,400,000	53,600,000	52,200,000	50,900,000
Livingston, 1 Deer Park Road	4,758,374	4,758,374	4,750,000	4,750,000	4,750,000	4,750,000	4,675,000
Takeley, Skyway House	20,000,000	20,000,000	17,625,000	16,250,000	15,950,000	15,650,000	15,425,000
Gloucester, Amazon	42,692,000	42,278,237	41,000,000	41,000,000	39,500,000	38,200,000	36,300,000
Tewkesbury, MOOG HQ	37,749,262	37,464,079	23,750,000	23,900,000	23,900,000	32,900,000	32,900,000
	186,812,731	185,613,785	168,775,000	168,575,000	165,900,000	171,250,000	167,325,000
Aspire (CRP) Ltd	63,896,500	63,896,500	100,625,000	102,000,000	103,900,000	104,750,000	101,775,000
Total Portfolio	250,709,231	249,510,285	269,400,000	270,575,000	269,800,000	276,000,000	269,100,000

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. On the following page is a snapshot of the arranged external funding as at 16 January 2024 which totals £209,098,673

Borrowing as at 16/01/24

GF/HRA	Date	Lender	Amount (£)	Maturity	Rate (%)
GF	07-Jun-22	Crawley Borough Council	5,000,000	06-Jun-24	2.25
GF	23-May-23	South Oxfordshire District Council	3,000,000	21-May-24	4.60
GF	23-May-23	South Oxfordshire District Council	1,000,000	21-May-24	4.60
GF	23-May-23	Bridgend County Borough Council	4,000,000	21-May-24	4.60
GF	04-Aug-23	Gloucestershire County Council	5,000,000	02-Aug-24	5.30
GF	03-Jul-23	West Yorkshire Combined Authority	4,500,000	17-Jun-24	5.20
GF	29-Aug-23	Barnsley Metropolitan Borough Council	5,000,000	29-May-24	5.20
GF	19-Jul-23	North Hertfordshire District Council	2,000,000	19-Jan-24	5.20
GF	04-Aug-23	Hyndburn Borough Council	2,000,000	02-Aug-24	5.20
GF	04-Aug-23	Local Government Association	1,500,000	02-Aug-24	5.55
GF	04-Aug-23	Local Government Association	1,500,000	02-Aug-24	5.55
GF	19-Jul-23	Police & Crime Commissioner for Avon & Somerset	5,000,000	01-Jul-24	5.80
GF	12-Sep-23	North Northamptonshire Council	5,000,000	10-Sep-24	5.70
GF	12-Sep-23	South Oxfordshire District Council	7,000,000	10-Sep-24	5.70
GF	07-Sep-23	Northern Ireland Housing Executive	5,000,000	07-May-24	5.70
GF	07-Sep-23	The Vale of Glamorgan Council	3,000,000	07-May-24	5.70
GF	01-Sep-23	Royal Borough of Kingston Upon Thames	5,000,000	01-Mar-24	5.75
GF	11-Sep-23	London Borough of Sutton	5,000,000	11-Jun-24	5.76
GF	21-Sep-23	East Suffolk Council	5,000,000	15-Jul-24	5.80
GF	13-Nov-23	East Suffolk Council	4,000,000	15-Jul-24	5.60
GF	05-Dec-23	Cornwall Council	15,000,000	05-Aug-24	5.75
GF	05-Jul-17	Phoenix Life Ltd	35,784,992	05-Jul-57	2.86
GF	22-Sep-22	Public Works Loans Board	29,813,681	22-Sep-71	4.28
GF	29-Sep-22	Public Works Loans Board	50,000,000	27-Sep-30	4.16
Total			209,098,673		

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			

23-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	ongoing		

Progress Update (December 2023)

- No further long term borrowing is planned at the present time

23-IB-02 INTEREST RATES

Interest rates increase leading to a further reduction in net income	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	AW	2	4	8	<ul style="list-style-type: none"> Phoenix loan and 2 x PWLB loans are secured 	
		Current Likelihood	Current Impact	Current Score	Further Action	
		3	4	12	<ul style="list-style-type: none"> Evaluate sale of one or more assets Consider additional PWLB loans 	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	AW	ongoing		

Progress Update (December 2023)

- Base rate has stayed static for the last 3 months, as therefore has the cost of borrowing. Over the next few of years the investment net contribution will be lower than in previous years, recovering towards the end of the five year period as reflected in the Council's MTFS

23-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	<ul style="list-style-type: none"> • Additional financial due diligence undertaken ahead of all purchases • Monitoring of tenants both financial information and news channels 	
		Current Likelihood	Current Impact	Current Score	Further Action	
		1	3	3		
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	AW	ongoing		

Progress Update (December 2023)

- 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

23-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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Monitor procedures as part of the inspection process 	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	AW	ongoing		

Progress Update (December 2023)

- Discussions with all tenants on fire safety etc. 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

23-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	<ul style="list-style-type: none"> • Tenants checked as part of initial due diligence • Continuous monitoring of tenants both financial information and news channels 	
		Current Likelihood	Current Impact	Current Score	Further Action	
		1	3	3		
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	3	3	AW	ongoing		

Progress Update (December 2023)

- No adverse or positive news stories this quarter