



Hinckley & Bosworth
Borough Council

A Borough to be proud of

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

FINANCE AND PERFORMANCE COMMITTEE – 30 January 2017

WARDS AFFECTED: ALL WARDS

INVESTMENT PROPERTY PERFORMANCE

Report of the Director (Corporate Services)

1. PURPOSE OF REPORT

1.1 To inform members of the current performance of HBBC's Commercial Estates.

2. RECOMMENDATION

2.1 That the committee notes the current performance.

3. BACKGROUND TO THE REPORT

3.1 The Estates Team is responsible for investment property with a current annual revenue of £1,880,000.

3.2 The investment property portfolio includes Block C of The Crescent, The former Co-op Site, The Atkins Building, industrial premises and land and small retail and offices.

3.3 Large Retail & Leisure

HBBC owns Block C of the Crescent and the former Co-op Site in Hinckley.

Block C of the Crescent comprises 10 units available for A1-A5 town centre uses and Leisure. These properties are let on leases of between 10-25 years. The current tenants for the site include Cineworld, Tarro Lounge, Rossini, FAB Noodle, Elbow Room Alehouse and Mobility & Lifestyle. A new lease has been agreed with Tasty PLC who will bring their Wildwood brand to the development. Tasty PLC is expected to begin its fit-out by the end of March 2017.

The current headline rent for the site is £330,643.

The recently acquired former Co-op site comprises of c.33,000 square feet of retail space serviced by a 115 space car park. An experienced regional letting agent has been instructed to market the site with a suggested achievable rent of £100,000.

3.4 The Atkins Building

The Atkins Building is run as a business centre and offers 48 offices and rooms, 30 of which are serviced. Offices are let on a short term lease or licence basis (1-3 yrs). All leases are granted without the security of tenure provision of the Landlord & Tenant Act 1954 (LTA 1954). This provision obliges HBBC to offer the current tenant a lease renewal. There is currently one office under offer. The current rent roll for the site is £178,700.

3.5 Industrial Units

Estates holds 89 industrial units within Hinckley, Market Bosworth and Merrylees. Industrial units are typically let on short term leases of three years, however a handful have been let on a 5 year term. 18 leases fall outside of the LTA 1954.

The revision of leases for HBBC's commercial properties to better reflect current commercial practices has been completed. All new lease grants are outside of the LTA 1954. All new leases include an annual RPI indexed rental uplift with a collar and cap at 1%-4.5% respectively.

3.5.1 Greenfields Business Park

Greenfields Business Park comprises of 16 industrial units and six hybrid units built to BREEAM (2007) 'Very Good' and 'Excellent' accredited standards respectively.

Total lettable space is 40,000 sq.ft offered in units of between 1,000-3,000 sq.ft.

There are currently 2 units being marketed and one unit under offer.

The current rent roll is £174,159.

3.5.2 Sketchley Meadows Industrial Estate

Comprises of 26 industrial units of between 814-2,312 sq.ft.

The site is fully occupied.

The current rent roll is £137,200.

3.5.3 Hinckley Business Park

Comprises of 14 industrial units split across two plots on the Brindley Road Estate. The units range in size between 537-3,229 sq.ft.

The site is fully occupied.

The current rent roll is £93,000.

3.5.4 Sunnyside Park

Comprises 11 units of between 926-1,664 sq.ft

The site is fully occupied.

The current rent roll is £61,700.

3.5.5 Merrylees Industrial Estate

Comprises 15 units split across two plots on the Merrylees Estate.

Units range in size from 650-2,766 sq.ft.

The site is fully occupied.

The current rent roll is £90,900.

3.5.6 Market Bosworth

Comprises of a single unit of 1,925 sq. ft.

The unit is let at a rent of £12,000

Negotiations are progressing with a developer about the feasibility of consolidating HBBC's interests at Market Bosworth, by disposing of the existing site, which fronts Station Road, and redeveloping new units to the rear with the proceeds.

Further details will be brought forward for decision making purposes following the completion of the first feasibility stage.

3.6 Industrial Land Plots

Estates holds 19 ground lease land plots across the Sketchley Lane, Harrowbrook and Brindley Road Estate in Hinckley and Station Road Industrial Estate, Market Bosworth.

The ground leases are typically of a 99 year term with reversion dates ranging between 2062 and 2083.

The current rent roll is £107,300.

3.7 Small Retail and miscellaneous

Estates holds a number of smaller retail units on Castle Street and Church Walk in Hinckley and Atkins Way in Burbage. These are let on short term leases.

We also own office/miscellaneous property on Station Road in Hinckley. These are let on 10 year lease terms.

The Burbage Common Visitor Centre is let on a 5 year term.

All units are occupied.

The current rent roll is £70,000

4 Yield Commentary

4.1 The investment yield commentary, below, has been prepared by Sturgis, Snow & Astill, an independent RICS Property Consultant experienced in the local commercial property market.

4.2 Investment yield reflects the risk an investor is willing to assume when purchasing a property as an investment.

4.3 The assessment is made, by comparing yields of the most recent similar property transactions and making adjustments based on some of the following factors:

- The type of property
- Length of any existing Lease
- Lease provisions and clauses
- Rent and rental growth provisions
- Covenant strength of Tenant

4.4 HBBC's leases include the following factors:

- Mostly short term leases of 3 years
- New leases fall outside of the LTA 1954
- Index rental growth with a collar and cap of 1%-4.5% respectively
- Friendly term including a rolling break clause.

4.5 The national average yield for commercial property has moved from 9% in June 2014 to 8.25% in December 2016

4.6 The investment yield is used as one method of calculation of capital value for a property. Simply stated, the capital value is arrived at by multiplying the rent by the reciprocal of the yield:

$$\text{Capital Value} = \text{Rent} \times \frac{1}{\text{Yield}}$$

4.7 In this context it is better for a landlord to have lower yields.

4.8 The yield assessment for individual sites is shown below:

Sketchley Meadows	8.50%
Hinckley Business Park	9.25%
Merrylees	8.75%
Greenfields Business Park	8.00%
Sunnyside Park	8.25%
Station Road, Mkt. Bosworth	8.25%
The Atkins Building	8.25%

Sketchley Meadows Plots	4.75%
Hinckley Business Park Plots	4.75%
Station Road, Mkt. Bosworth Plots	4.25%
Harrowbrook Plots	4.75%

39 Atkins Way, Burbage	8.50%
61 Atkins Way, Burbage	8.75%
39 Castle Street, Hinckley	7.25%
1 Church Walk, Hinckley	9.00%
3 Church Walk, Hinckley	7.75%

3 Station Road, Hinckley	7.00%
5 Station Road, Hinckley	7.25%

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

4.1 No Exemptions

5. FINANCIAL IMPLICATIONS (AW)

5.1 None

6. LEGAL IMPLICATIONS (AR)

6.1 None

7. CORPORATE PLAN IMPLICATIONS

7.1 The performance of HBBC's investment property supports the MTFS

8. CONSULTATION

8.1 None

9. RISK IMPLICATIONS

9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Poor performance of the investment property will have a negative financial impact on the MTFS	Robust management and monitoring	Malcolm Evans

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

10.1 Changes in future performance will be impact assessed to understand any impacts on our community (ie ability for those on lower incomes to pay)

11. CORPORATE IMPLICATIONS

11.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications

- Human Resources implications
 - Planning implications
 - Data Protection implications
 - Voluntary Sector
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Background papers: Civica reports
Yield Report – Sturgis, Snow and Astill – December 2016

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