



Hinckley & Bosworth  
Borough Council

Forward timetable of consultation and decision making

Finance & Performance Scrutiny                      25 July 2022

Wards affected:    All wards

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## Performance of HBBC's Commercial Estate

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### Report of the Director of Corporate Services

#### 1. Purpose of report

- 1.1 To provide Members with an overview of the council's Commercial Estate and comment upon how the Estate is performing following the pandemic and under current market conditions.

#### 2. Recommendation

- 2.1 That the report be noted.

#### 3. Background to the report

- 3.1 The council holds a commercial property portfolio that consists of industrial units, restaurants, retail premises, office space and ground lease plots.

The portfolio provides income to the council in the form of rent and supports the local economy by providing employment and business premises let on reasonable terms.

This report provides an overview of the property types, the occupancy levels, income, lease terms and costs associated with maintaining the portfolio.

#### 4. Commercial Property Portfolio

- 4.1 Industrial Units

- 4.1.1 Hinckley Business Park, Brindley Road, Hinckley

##### *Location*

Hinckley Business Park is part of a large employment area located approximately one mile to the west of Hinckley town centre.

It stands at the eastern end of Brindley Road, a short distance away from the junction with Dodwells Bridge Road. The site lies not far from the major junction with the A5 and has easy access to the M69 and M42 motorway links.

*Description*

The site consists of two distinct developments: Units 12-17 & Units 24-31.

Units 12 – 17 are constructed in a single terraced block, separated in to the 6 units with a tarmac surfaced access yard. The block is modern and purpose-built. It is constructed with brick faced lower elevations and metal cladding and roof with roof lights above. The accommodation consists of warehouse space with a block-built office and toilets. The units range in size from 2,291 – 3,229 sq.ft

The second comprises two rows of single-storey purpose-built industrial units with metal cladding façade and roof set in a yard with a concrete apron in front of each unit. While there were 8 units originally constructed on site, unit 28-31 were combined to form a single, larger floor plan unit. The 5 units range in size from 537 – 3,232 sq. ft

The use classes for the site are light industrial, industrial and warehouse and logistics.

#### 4.1.2 Greenfields Business Park, Wheatfield Way, Hinckley

*Location*

Greenfields is located within a well-established employment area located on the south side of the A47 Hinckley perimeter road.

It is immediately adjacent to Sunnyside Industrial Estate and its primary access is via Sunnyside on Wheatfield Way.

*Description*

Greenfields Business Park was developed on what was a disused part of the former Middlefield Lane Depot. It comprises of 18 business units, ranging from 1,000 – 3,000 sq.ft. and totalling c.40,000. sq.ft. Of the 18 units 12 are modern industrial and 6 are hybrid (ground floor workshop/warehouse space with high quality office space on the 1<sup>st</sup> floor).

These blocks are spread across the development and present attractively with low level natural stone walls and timber cladding above. The roofs have been constructed with sedum roof finish. The site is gated and has an attractively landscaped setting.

The use class for the site is light industrial.

#### 4.1.3 Merrylees Industrial Estate, Leeseide, Desford

### *Location*

Merrylees Industrial Estate is located on Leaside and The Sidings near to Desford and is about 4 miles from Junction 21A of the M1. It sits in an area of generally open countryside about 7.5 miles to the north of Hinckley.

### *Description*

The site consists of two distinct elements within a larger overall development: Units 1-10 and Units A-E.

Units 1-10 Merrylees sit on the west side of Leaside and comprises two terraced blocks of single storey purpose-built industrial units. The units are steel frame construction with metal clad sides and roof slopes. Each unit faces onto a concrete forecourt and a tarmac access road. The units range in size from 662 – 1,329sq.ft

Units A-E are located on the east side of Leaside and comprises a terrace of modern single storey purpose built industrial units. They have brick lower elevations and metal cladding and roofs. The units face onto a concrete surfaced loading/unloading area with car parking. The units range in size from 1,847 – 2,282 sq.ft

The use classes for the site are light industrial, industrial and warehouse and logistics.

#### 4.1.4 Sketchley Meadows Industrial Estate, Sketchley Lane, Hinckley

### *Location*

Sketchley Meadows forms part of the Sketchley Lane Industrial Estate, located on the A5 just over one mile the M69 motorway. Sketchley Meadows itself stands at the northern tip of the wider estate.

The roundabout access off the A5, from which Sketchley Lane derives, also serves the Logix Park Development.

### *Description*

The estate comprises three terraced blocks of purpose-built industrial buildings. Each block is constructed in brick, with metal roof with roof lights. Each block faces onto a concrete surfaced loading/unloading area, served by a tarmac access road. Each unit has a car parking space located in front of it, with a communal car parking area. There are 26 units on site which range in size from 814 – 2,312 sq.ft

The use classes for the site are light industrial, industrial and warehouse and logistics.

#### 4.1.5 Sunnyside Park, Wheatfield Way, Hinckley

### *Location*

Sunnyside Park is located on Wheatfield Way, Hinckley. It sits on the edge of a large and well-established employment area just to the south of the A47 and approximately 1 mile to the north of Hinckley town centre.

#### *Description*

The estate comprises three terraced blocks of purpose-built industrial units with concrete surfaced forecourts accessed directly off Wheatfield Way. Two of the blocks have full height metal cladding and roof. The third block has brick elevations with a metal roof with roof lights, above. The site is served by a communal car park. The 11 units range in size from 926 – 1,664 sq.ft.

The use class for the site is light industrial.

#### 4.1.6 Unit 1, (Plot 9) Station Road Industrial Estate, Market Bosworth

##### *Location*

The property is located at the front of a small industrial estate located on the south side of Station Road in Market Bosworth.

Market Bosworth itself is just over 10 miles to the west of Leicester, some 5 miles to the north of Hinckley and just under 12 miles to the east of Tamworth.

The estate lies at the entrance to the proposed Station Fields development site. The proposed development includes c. 150 new homes as well new and additional industrial units. The council is currently negotiating with developers to realise the development.

##### *Description*

The property comprises a detached brick built industrial unit with metal roof and roof lights. It has a single storey brick addition with a flat roof above. The accommodation comprises a workshop/warehouse space with small office, kitchen and toilet facilities within the addition. The unit has an area of 1,925 sq.ft

The use classes for the site are light industrial, industrial and warehouse and logistics.

#### 4.2 Ground Lease plots

In addition to the purpose built industrial units, the council lets plots of land within key industrial locations within Hinckley and Market Bosworth.

Arrangements for the ground lease plots are based on the site being developed by the original occupier and are let for either 99 year or 125 year terms.

There are 4 ground lease plots at Sketchley Meadows, 7 at Harrowbrook and 2 at Hinckley Business Park in Hinckley and 5 plots at Station Road in Market Bosworth.

## 4.3 Retail & Miscellaneous

### 4.3.1 Crescent, Hinckley

The council own Block C of the Crescent Development. Block C consists of 10 units comprising a cinema, 6 large restaurant/retail units and 3 small retail units. Units 3 & 4 were combined in order to accommodate Tasty PLC's (Wildwood) space requirements.

The remainder of the development consists of a Sainsbury's store and large/medium retail and restaurant units. The controlling/managing interest for The Crescent sits with Telelink Estates who acquired the remainder of the site in November 2017.

### 4.3.2 Small retail and other uses

The council also own 5 small retail units; 3 on the corner of Castle Street and Church Walk and 2 within a parade of shops on Atkins Way, Burbage and office and school premises on Station Road, Hinckley. We also let the café space at the Burbage Common Visitor Centre.

## 5. Current Letting Position

### 5.1 Industrial Units (82 lettable units)

We currently have 7 vacant industrial units. Of these, 4 have leases agreed subject to contract. The 3 remaining units have become available recently and are subject to ongoing enquiries.

The number of units becoming vacant has risen within the last 12-18 months. The reasons for Tenants vacating include Tenants moving to become owner/occupiers and Tenant's businesses outgrowing their current unit's space. Where appropriate, we work with existing Tenants who require more space by offering them larger units with the council portfolio.

Only one incidence of a Tenant vacating an industrial unit is attributable to the Covid 19 pandemic. In this instance the Tenant needed to downsize due to the adverse effect of the pandemic on their business. The council were able to support the Tenant by offering them a suitable, alternative unit within the council portfolio.

We are currently negotiating terms for lease renewals on 17 units.

Interest in the council's small industrial property remains strong with a database of enquiries being maintained. Enquiries are received via the commercial property page on the council's website, via Boxpod, an external property website and via word of mouth from existing Tenants.

### 5.2 Ground Lease plots (19 plots)

The ground lease plots are all occupied.

The original leases, agreed between 1963 and 1987, have lease terms of either 99 or 125 years.

The council is sometimes approached by the existing Tenant (Assignor) for consent to assign the interest in the lease (the remaining term) to a new Tenant (Assignee). The lease terms permit this with the Landlord's consent which cannot be unreasonably withheld.

### 5.3 The Crescent – Block C units (10 properties)

There are currently 3 vacant units within Block C at the Crescent.

C1 & C2, at 4,287 and 4,451 sq.ft. respectively, face onto the main mall of The Crescent between Wildwood (C3 & 4) and the entrance to Cineworld (C10). The units are being marketed by FHP (regional/national agents) and Ward Surveyors (local agents) with a view to attracting a restaurant/retail operator. The units are currently a shell fit specification to allow any incoming Tenant the option\* to fit out the property to a specification that best suits their requirements.

\*subject to a Crescent fit-out guide which includes guidance on the design of the shop-front.

C9 at 1,065 sq.ft. faces on to Station Road. It is currently being marketed by Ward Surveyors. It has a basic (white box) internal fit-out and a shop front.

Lettings at The Crescent have proven to be challenging with the fall-out of the Covid 19 pandemic leading to lack of certainty and higher risks perceived within the restaurant/leisure sectors.

The current economic environment with high inflation and cost of living pressures is adding further risk to the operators within this sector.

Ward Surveyors are currently engaging with parties who have expressed interest in C1, C2 and C9.

Wetherspoons are interested in a potential long leasehold acquisition of C1/C2. Wetherspoons have currently already negotiated terms with Telelink for the potential acquisition of A1/A2. It is understood that Wetherspoons remain open to the possibility of acquiring C1/C2, (instead of A1/A2) subject to advantageous terms being agreed. A valuation is currently being sought to advise on current market value.

A separate expression of interest has been received in the lease of part or possibly all of C1 as a stand alone. The interested party is an expanding national pizza chain. The unit would be leased by a chain franchisee.

Interest has been received in C9 from a takeaway pizza outlet.

Consideration will be given to the nature of each party's market offering to ensure that it does not adversely affect an incumbent Tenant.

#### 5.4 Small retail and other use premises (8 properties)

All 8 properties are occupied.

We are currently negotiating lease renewals on 7 of the 8 retail/other use properties.

The Tenant of 39 Castle Street has decided to vacate at the end of their lease term (30<sup>th</sup> June 2022) to concentrate on developing their business in larger properties in city locations. We are currently engaging with 2 parties who have expressed an interest in taking a lease.

## 6. Lease Terms

### 6.1 Industrial Units

Below is a summary of the typical terms offered for leases of the council's industrial property:

Term: 3-6 years.

Rent: Market rate. This is periodically assessed by a RICS qualified valuation surveyor. Where a lease is granted for a term longer than 3 years we will apply a review of rent, based on the market assessment on the 3<sup>rd</sup> anniversary.

Break option: At any point of the Lease Term (rolling break clause), the Tenant can give the council notice of their intention to terminate the Lease with 3 months written notice. This level of flexibility is helpful to small/start-up businesses who are looking at a business lease for the first time.

Costs and outgoings: The Tenant is responsible for all utilities and any other costs associated with the occupation of the property.

Repairs and decoration: the tenant is responsible for the internal repairs and decoration of the unit.

Maintenance Rent/Service Charge: the costs of maintenance of the common areas of the respective estate are recovered from the Tenant as part of their Rents.

Insurance: The council insures the building and recovers the cost from the Tenant.

Permitted Use: (depending on site) Light industrial, industrial, warehouse and logistics.

Assignment and sub-letting: Assignment of the Lease is permitted with the Landlord's consent. Assignment in part or sub-letting is not permitted.

## 6.2 Ground Lease plots

Terms: Terms are typically for 99 or 125 years

Rent and rent review: The rent is assessed and negotiated, at each review interval, by a RICS qualified valuation surveyor. The rent reviewed period is as agreed under the terms of the original lease and is typically either 5, 7 or 33 years.

Break option: There are no break options in the council's ground leases

Costs and outgoings: The Tenant is responsible for all utilities and any other costs associated with the occupation of the property.

Repairs and decoration: the tenant is responsible for all repairs and decoration of the property. This includes any yard space and boundary where it is defined under as being the Tenant's responsibility under the Lease.

Maintenance Rent/Service Charge: the costs of maintenance of the common areas of the respective estate are recovered from the Tenant as part of their Rents.

Insurance: The Tenant is responsible for obtaining suitable insurance for the property.

Permitted Use: (depending on site) Light industrial, industrial, warehouse and logistics.

Assignment and sub-letting: Assignment of the Lease is permitted with the Landlord's consent. Sub-letting is permitted subject to conditions with the respective lease.

## 6.3 Crescent Units

The Crescent leases are individually negotiated.

Typically, we seek a minimum of a 10-year term with a break option after 5 years.

## 6.4 Small retail and other use premises

Term: 3-6 years

Rent: Market rate. This is periodically assessed by a RICS qualified valuation surveyor. Where a lease is granted for a term longer than 3 years, we will apply a review of rent, based on the market assessment on the 3<sup>rd</sup> anniversary.



Break option: At any point of the Lease Term (rolling break clause), the Tenant can give the council notice of their intention to terminate the Lease with 3 months written notice. This level of flexibility is helpful to small/start-up businesses who are looking at a business lease for the first time.

Costs and outgoings: The Tenant is responsible for all utilities and any other costs associated with the occupation of the property.

Repairs and decoration: The tenant is typically responsible for the internal repairs and internal decoration of the unit.

Insurance: The council insures the building and recovers the cost from the Tenant.

Permitted Use: Retail. Other Town Centre uses will be considered in consultation with Planning.

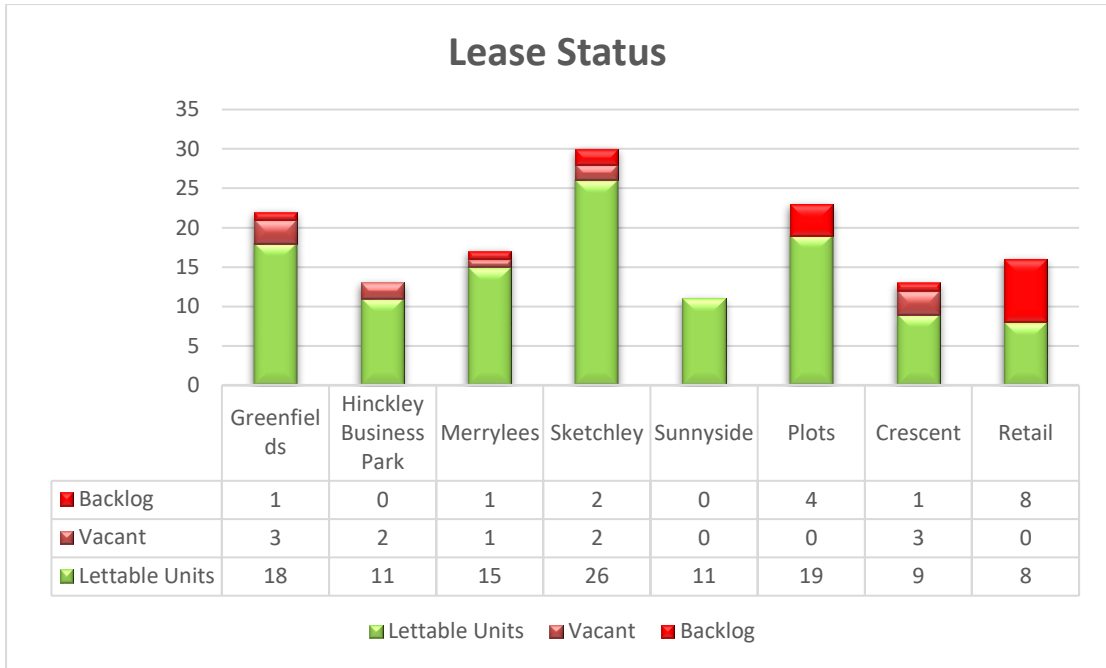
Assignment and sub-letting: Assignment of the Lease is permitted with the Landlord's consent. Assignment in part or sub-letting is not permitted.

## **7. Backlog Matters**

A backlog matter is defined as a matter where an arrangement exists that requires a formal agreement but where no formal record have been completed. This can include a situation where a Tenant is in occupation of a property under a lease that has since expired or has exercised a right under a lease without completing the appropriate consent formality.

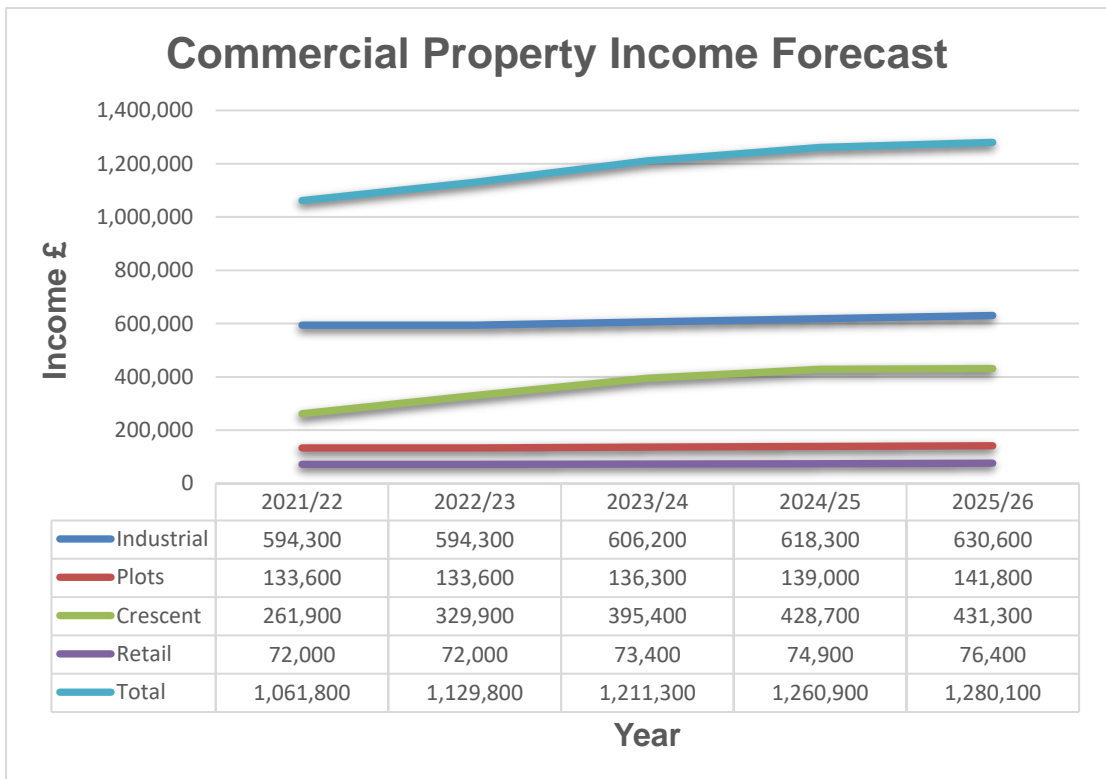
As at June 2022 there are 17 backlog matters being progressed. Of these, 12 matters relate to lease renewals, of which 7 relate to leases that require updating to current standards.

A graphic breakdown of lease matters by property type is shown, below:



## 8. Income Forecast

The following forecast assumes a cautious recovery to the current market situation following the Covid19 pandemic and high inflation rates:



## 9. Maintenance Spend

Spend on maintenance is required to keep the respective properties compliant, in a suitable state of repair and attractive to the respective market.

The majority of the spend listed below is recovered either via service charge or maintenance rent. However, an element is spent on Landlord's works to improve a property's let ability e.g. installing basic kitchen facilities where none exist.

Ref	2017/18	2018/19	2019/20	2020/21	2020/21
Industrial	55,900	74,860	68,580	55,345	79,335
Plots	0	0	0	0	0
Crescent	55	3,390	6,060	500	1,200
Retail	530	630	1,550	780	14,970
Total	56,485	78,880	76,190	56,625	95,505

## 10. Exemptions

Exemptions in accordance with the Access to Information procedure rules

This report does not contain information that make it subject to any exemptions

## 11. Financial Implications (AW)

- 11.1 The income from the Commercial Estate is included in the annual and MTFS budgets. As leases are renewed and rents agreed these forecasts will be updated. No additional new costs are income have been noted within the report, therefore these no significant changes are expected to the budgeted position.

## 12. Legal Implications (IS)

- 12.1 The Estates team to update Legal with detail on upcoming instructions to ensure legal capacity and resource can be managed. Thereafter, to continue to provide heads of terms and all required evidence to progress with the instruction.
- 12.2 The continuation of fortnightly/monthly update meetings between Legal and Estates.
- 12.3 The Estates team to ensure any consents/restrictions applicable to a specific estate regarding a letting have been sought and liaise with Legal.
- 12.3 Legal to annually review the precedent documents held for the commercial properties.

No further implications have been identified within this report.

### **13. Corporate Plan Implications**

- 13.1 The contents of this report support the delivery of the Corporate Plan by:
- 13.2 People  
Helping maximise people's potential through employment and skills support
- 13.3 Place  
Keeping our town centre vibrant and viable  
Maintaining safe and attractive places to work
- 13.4 Prosperity  
Supporting economic growth and encouraging investment that will provide new jobs and places to work  
Boost opportunities for training and employment  
Supporting businesses to maintain local employment opportunities  
Support direct investment in economic opportunities where opportunities arise

### **14. Consultation**

- 14.1 No consultation has been necessary in the production of this report.

### **15. Risk Implications**

- 15.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 15.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. The BCMG will assist in risk mitigation for the delivery of priority and ordinary council services / duties.
- 15.3 The council's commercial property complies with the current requirements of the MEES regulations (see section 13, below) for having an EPC rating of 'E' or above. However, it is anticipated that this standard will be changed over time. Current consultations are assessing the potential for requiring a minimum rating of 'D' by 2025 and 'C' by 2030.

We are currently assessing each of our properties EPC ratings and investigating options for maintaining the required rating in the most cost-effective manner.

### **16. Knowing Your Community – Equality and Rural Implications**

- 16.1 No implications have been identified within this report.

### **17. Climate Implications**

- 17.1 The council is obliged to manage the climate impact of its investment portfolio in terms of energy efficiency, and by implication the CO<sub>2</sub> emissions, via the

Minimum Energy Efficiency Standards (MEES) which sits under The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015. Under this legislation, the council is required to obtain an Energy Performance Certificate (EPC) for each of its leasehold properties. Further, from 1<sup>st</sup> April 2018, the MEES regulations made it unlawful to granting a new or renewal lease on a property with an EPC rating below an 'E' rating.

## **18. Corporate Implications**

18.1 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:	None	
Contact officer:	Malcolm Evans	5614
	Estates & Asset Manager	
Executive member:	Cllr K. Lynch	