



Commercialism in Property Estate

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BUCKINGHAMSHIRE

- County in South East
- c528k residents
- Served by 5 Councils
- Unitary Council for Bucks




Commercialism in LA Property Mgmt.?

- Building New or 'sweating' Retained property portfolios to generate a profit in order to increase revenue budgets.

 - **Drivers for increased Commercial activity in LA**
 1. Change in LA asset management approach
ongoing revenue away from disposals, OPE
 2. Reduction in Govnt. funding since 2010.
40% spending cuts since 2010
- *Bucks & Dorset first to lose all Revenue Support Grant funding
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BCC Commercial Approach

From 2014 – 2016

- I. New Property Asset Management Plan (PAMP)
 - II. Re-organisation of Property Services
 - III. Corporate Landlord Model
 - IV. Buying Investment Commercial Properties
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BCC Commercial Approach

PAMP delivered:

- **An Asset Register** “you can’t manage what you can’t measure” – **(The LASR)**


An investigation into the Council’s land and buildings at asset level to understand how they are performing and can be changed to best support the council’s needs

- Corporate landlord model – centralised property mgmt.
 - ‘Sweat’ the assets and Disposal as last resort.
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INVESTMENT PORTFOLIO



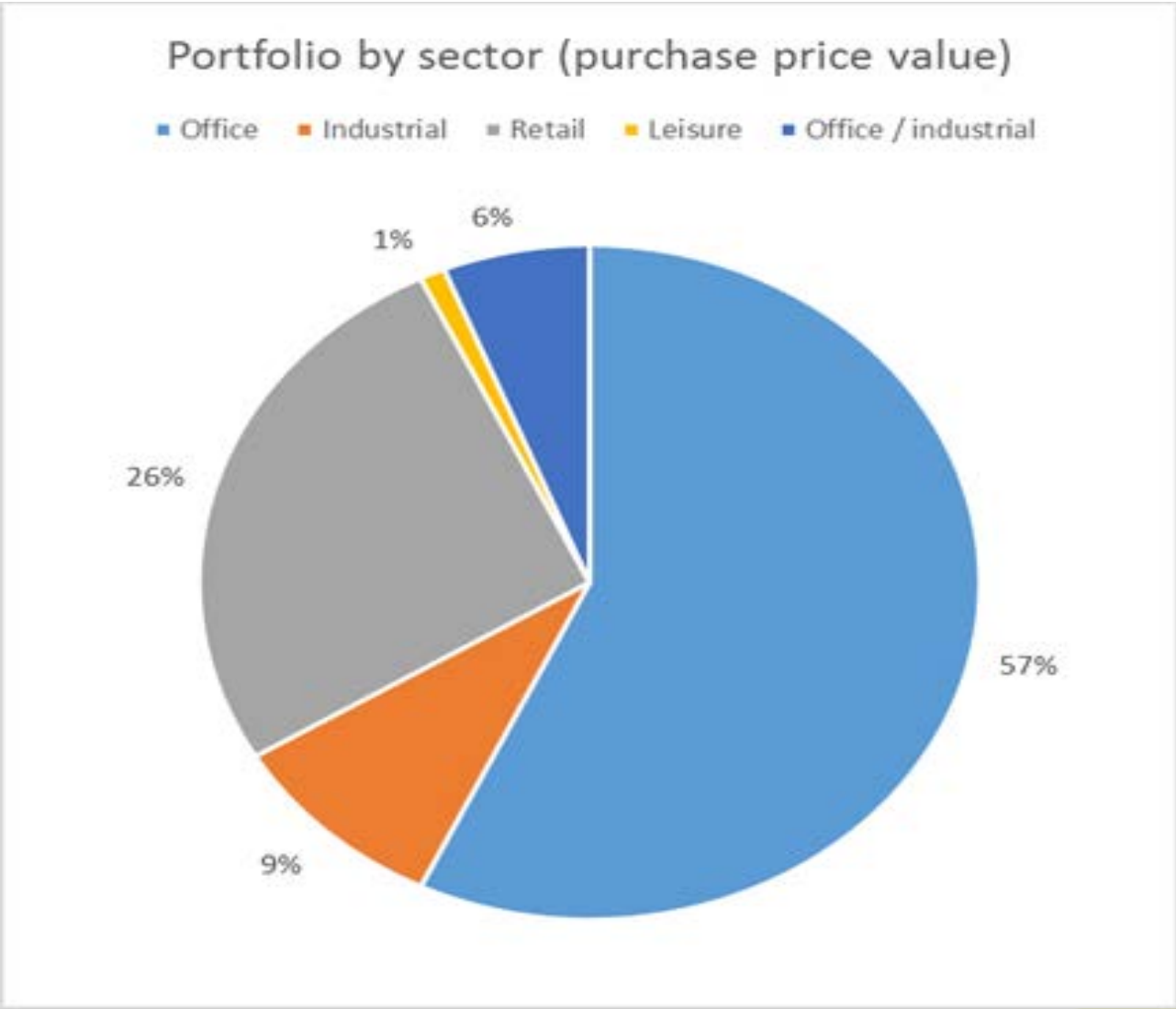
INVESTMENT CRITERIA/STRATEGY

- Lot size range **£5 - £30m**. Exceptions can be made for **high value strategic purchases**.
 - Target rate of return is a **net initial yield of 6.00%** after the deduction of purchaser's costs.
 - Only **strong covenant Tenants** and/or strong **parent company guarantee** to be considered.
 - Lease length to be generally **5 years or greater**.
 - **All sectors** of the commercial property market to be considered and a mix of sectors to create a **balanced** portfolio.
 - A preference for purchases to be in locations within but not limited to the Bucks County.
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LEGAL JUSTIFICATION

- Local Govnt. Act 2003
 - Section 1 – provides general power to borrow
 - Section 12 – provides general power to invest
- DCLG 2010 guidance recommends LA to prepare annual investment strategy (issued under s15 of 2003 Act).
- Local Govnt. Act 1972
 - Section 120 – power for acquisition of land by agreement inside or outside area.
- Localism Act 2011
 - Section 1 – General Power of Competence – blanket approval to do reasonable investment “a shift from can’t do” to “can do”.
 - **Restrictions** – anything done for “commercial purposes” must be done “through a company” – company within meaning of s.1(1) Companies Act 2006

BCC INVESTMENT PROPERTIES



OUR LATEST ACQUISITION

Assumed Purchase Price (000)	Purchaser's Costs (000)	Borrowing Costs p.a. (000)	Mgmt. Costs	Income per annum (000)	NIY %	Sinking Fund
£43,012	£2,922	£1,750	£41,708	£2,876	6.25	£143,822
£44,898	£3,044	£1,825	£41,708	£2,876	6.00	£143,822

- Bought at @ 6.25% NIY and net income of **£1.084m pa.**
- WAULT is 7.7 years

RESULTS OF BCC COMMERCIAL APPROACH

- Paradigm shift in asset management.
 - Reduced waste – surplus properties / centralised mgmt.
 - Increased revenue & capital receipts (**c£26m receipts**).
 - 2014 – income from corporate portfolio was **c£750k** pa
 - 2018 – income is at **c£10.3m** (£9.3m gross income from investment properties).
 - **6.43%** blended yield
 - WAULT across portfolio is **7.88 years**
 - Active asset management
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Active Asset Management

- Annual Business Plan to set strategy
- Key initiatives quantified and prioritised
- Lease event management
- Leasing and void management
- Overseeing revenue and capital projects
- Market intelligence
- Tenant engagement
- Ad-hoc investment advisory



Key Issues (Active Management via CJ)

- Service charge administration
 - Treasury management
 - Rent reviews
 - Lease renewals
 - Lease restructuring
 - Refurbishment

 - **CJ Specialist Knowledge – Investment Advisory**
 - Annual Business Plans
 - Identification and prioritisation of added value initiatives
 - Portfolio benchmarking and forecasting, quarterly reports.
 - Tenant engagement, Lease event management
 - Management of revenue and capital projects
 - Co-ordination of branding, marketing and leasing strategies
 - Market intelligence
 - Inspections
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Key Issues (Active Asset Management)

An Integrated Platform

