

---

**Subject:** PROPERTY INVESTMENT UPDATE

**Meeting and Date:** Governance 27<sup>th</sup> September 2018

**Report of:** Director of Finance, Housing & Community

**Portfolio Holder:** Corporate Resources and Performance

---

**Purpose of the report:** To present an update on the Property Investment Strategy to Governance Committee.

---

**Recommendations:** That the report be noted.

---

## 1. Summary

1.1 Governance Committee on 30<sup>th</sup> July 2018 requested an update on the progress on the Property Investment Strategy to date. This report provides that update.

## 2. Background

2.1 On 30 November 2016 Council approved the Investment Property Strategy. At the same time Council also approved a capital budget of £200 million, for the acquisition of commercial and residential assets for the economic regeneration and well-being of the district and for investment purposes. This budget will only be utilised if appropriate business cases can be made for each project and would generally require borrowing to finance the purchases.

2.2 This report summarises progress to date.

## 3. Projects Undertaken

### Transfer of Garages

3.1 In March 2017 Cabinet approved the transfer of garages, shops and land from the HRA to the General Fund, the transfer was forecast to deliver circa £286k net income for the General Fund.

3.2 For the financial year 2017/18 a net income of £295k was achieved, this level is forecast to be exceeded in 2018/19 once the letting of the Aylesham shops is completed.

### B&Q Whitfield

3.3 The B&Q property is a modern purpose built retail warehouse constructed in 2008 providing 62,180 sq. ft. with external garden centre and builder's yard. The site extends to approximately 8.8 acres (3.56 hectares) and is situated in a highly prominent position, adjacent to and visible from the A2. The property is let entirely to B&Q plc until May 2028.

3.4 In September 2017 the purchase of the freehold was completed for £16.29m resulting in a total cost, including Stamp Duty, external fees, internal recharges, etc., of £17.25m.

3.5 The lease income is £1.1m per annum, increasing to £1.2m from 2023. Based on funding this purchase from PWLB borrowing over 40 years annual costs, including

borrowing and management, were forecast at £800k per annum, resulting in a retained income of £268k. This equates to a gross return of 6.2% and a net return of 1.6%.

#### Whitfield Court

- 3.6 Whitfield Court is a modern multi-let business park comprising of 14 office and light industrial units totalling 45,636 sq. ft. Situated on the established White Cliffs Business Park and easily accessible from the A2. The freehold is currently let to seven tenants with an average unexpired lease term of 8.15 years to expiry and 5.26 years to break.
- 3.7 In December 2017 the purchase of the freehold was completed for £4.25m, resulting in a total cost, including Stamp Duty, external fees, internal recharges, etc., of £4.5m.
- 3.8 The total lease income (based on all units being let) is £337k per annum. Annual costs, including borrowing and management, were forecast at £217k per annum, resulting in a retained income of £120k. This equates to a gross return of 7.47% and a net return of 2.65%.

#### Former Co-op Building, Castle Street, Dover

- 3.9 The site was previously occupied by the Co-op retail store and remains partially occupied by Action Carpets on a secure tenancy. It is considered that the site has longer term development potential for retail, residential or mixed used development (all subject to financial evaluation and appropriate planning consent).
- 3.10 In April 2018 the purchase of the freehold was completed for £625k, resulting in a total cost, including Stamp Duty, external fees, internal recharges, etc., of £660k. At that time the site was proposed to be demolished and converted into car parking for the area, with a forecast net income after costs of £12k per annum (if funded from internal resources).
- 3.11 In July 2018 Cabinet approved a proposal to bring into temporary use the former Co-op building as a Mean-While space to provide an area to support community activities and to enable entrepreneurs and new businesses to market test their products/services.
- 3.12 This project is now in progress; officers worked closely with Dover Big Local and Red Zebra CIO over the summer to ensure all suitability and governance checks were conducted, the building passed all necessary health and safety inspections and the building lease was agreed and signed on 22nd August 2018. A planning application for change of use and permitted signage has been submitted to DDC for consideration, with a decision expected by early October. Since signing the lease Dover Big Local has been in occupation of the building with its various contractors and designers to prepare the building for an anticipated opening at the end of October 18.
- 3.13 Options for the long term future of the site continue to be developed by officers for future consideration by Members.

#### **4. 2018/19 Budget Forecast**

- 4.1 The 2018/19 budget includes an income forecast in excess of £650k consisting of:
- £304k net income from garages and shops;

- £238k net income from B&Q;
  - £115k net income from Whitfield Court.
- 4.2 Additionally, the Co-op investment is developing our voluntary sector, building social capital, raising local skill levels, encouraging entrepreneurship and stimulating the local economy.
- 4.3 The MTFP forecasts an increase in this income level of £100k per annum. The Property Investment Group, comprising of officers from Property Services, Finance, Legal, Housing and Development Management continue to monitor opportunities for investment, both commercial and residential, across the district.

5. **Background Papers**

Property Investment Report – Council 30 November 2016

Contact Officer: Helen Lamb, extension 42063