

Corporate Affairs and Local Economy Overview and Scrutiny Panel

Commercial and Residential Property Annual Report 2021/22

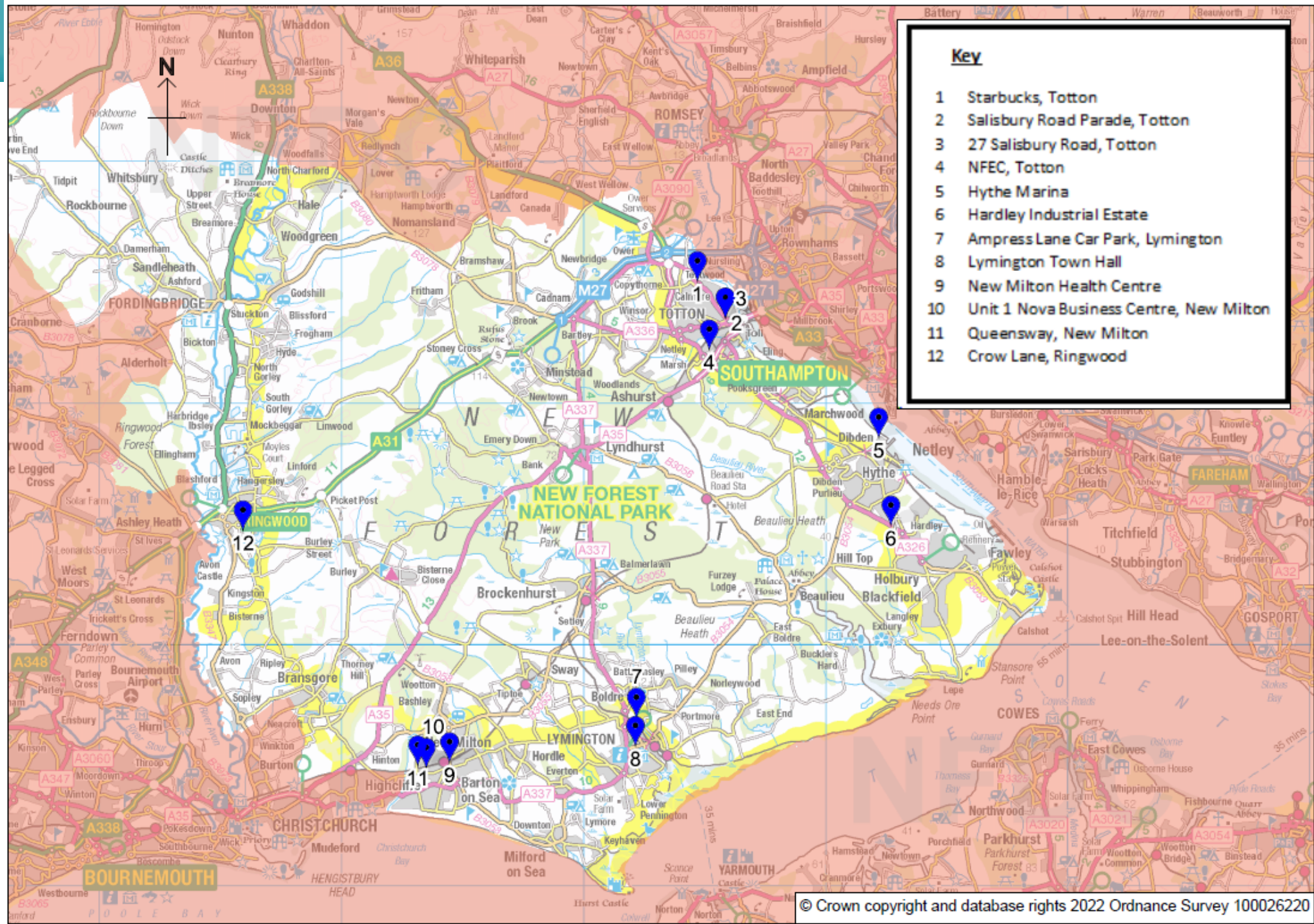
23 June 2022

Within this update

- Commercial Property report 2021/22
 - Aims and Objectives – a reminder
 - Investment Activity
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 - Financial dashboard
 - Overview of 2021/22 and current activities into 2022/23
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 - Aims and Objectives – a reminder
 - Investment Activity
 - Return to NFDC
 - Financial dashboard
 - Overview of 2021/22 and current activities into 2022/23
- Summary and Panel Recommendation

Commercial Property Aims and objectives – a reminder

- To acquire commercial property within the District
- To secure economic development benefits and to make a return
- Original portfolio fund of £30M financed from reserves and supplemental borrowing (Public Works Loan Board) when required
- The Property Investment Panel (PIP) comprises the Chief Executive, Executive Head Financial & Corporate Services (Chief Finance Officer), Executive Head Housing & Governance, Portfolio Holder Finance, Investment & Corporate Services and Chairman of the Corporate Overview & Scrutiny Committee.
 - PIP meet regularly. Its terms of reference are to receive reports, provide governance and decision making in respect of real estate assets made under the Council's Asset Investment Strategy and the commercial property portfolio held by the Council more broadly.
 - The PIP's remit also includes an overview of operational real estate development



- Key**
- 1 Starbucks, Totton
 - 2 Salisbury Road Parade, Totton
 - 3 27 Salisbury Road, Totton
 - 4 NFEC, Totton
 - 5 Hythe Marina
 - 6 Hardley Industrial Estate
 - 7 Ampress Lane Car Park, Lymington
 - 8 Lymington Town Hall
 - 9 New Milton Health Centre
 - 10 Unit 1 Nova Business Centre, New Milton
 - 11 Queensway, New Milton
 - 12 Crow Lane, Ringwood

Commercial Property Strategy Investment Activity

	Existing Employment Site £M's	Development Site (Crow Lane) £M's	Total £M's
2017/18	2.20	-	2.20
2018/19	0.25	-	0.25
2019/20	2.50	2.17	4.67
2020/21	3.26	-	3.26
2021/22	3.27	2.60	5.87
2022/23 (asset under construction)	-	5.68	5.68
Total	11.48	10.45	21.93
Remaining			8.07

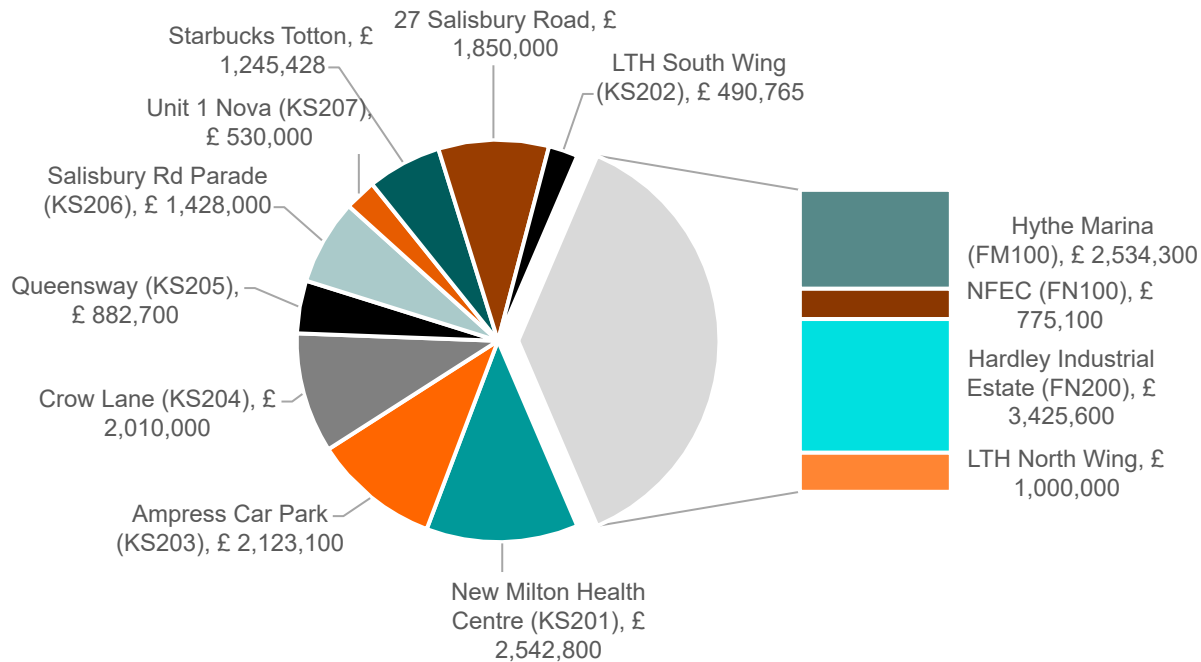
Commercial Property Net Income Summary

The Medium Term Financial Plan allows for the net income (after costs and MRP) from investments made to date, and a target based on additional net income to be achieved over the next 2 financial years.

Annual Budget	2019/20 £'000's	2020/21 £'000's	2021/22 £'000's	2022/23 £'000's	2023/24 £'000's	2024/25 £'000's
Within General Fund Budget	-100	-62	-166	-165		
Forecast Assumption in MTFP					-250	-250
TOTAL CUMULATIVE	-100	-162	-328	-493	-743	-993

Financial Dashboard: Book Value & Rental Income, Strategy Acquisitions

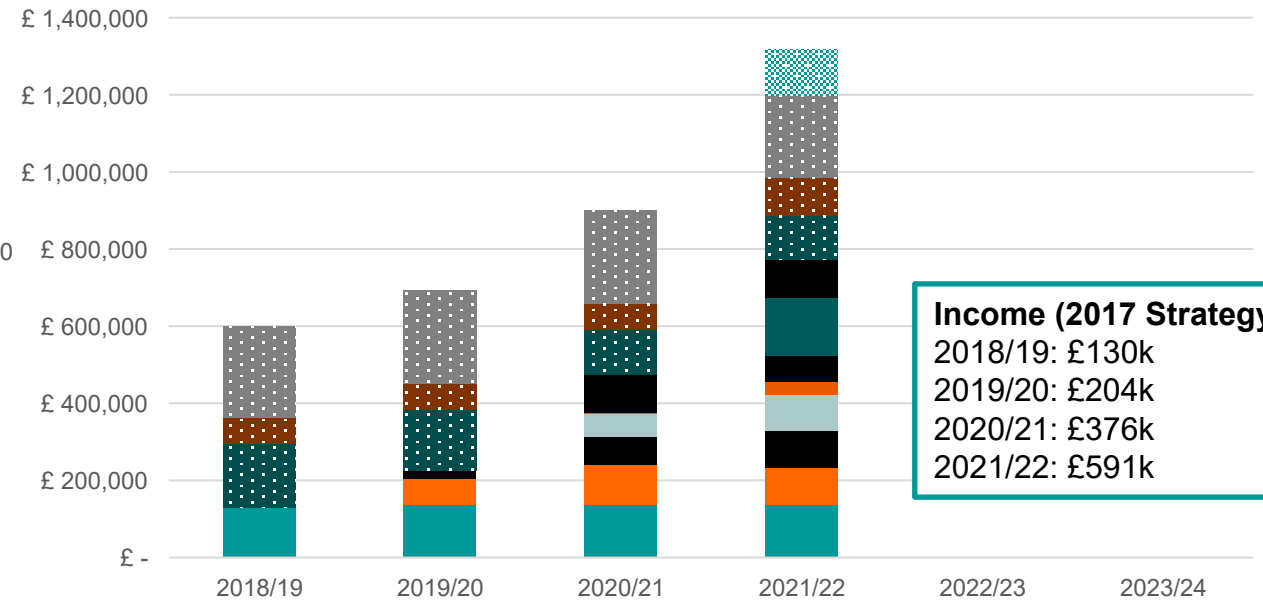
Balance Sheet Value: 2021/22
(All Investment Properties)



Total Value (all properties) = £20.84m

Total Value (pursuant to 2017 Strategy) = £13.103m*
*not including assets under construction

Operating Income
(All Investment Properties)



Income (2017 Strategy)
2018/19: £130k
2019/20: £204k
2020/21: £376k
2021/22: £591k

- New Milton Health Centre (KS201)
- Ampress Car Park (KS203)
- Crow Lane (KS204)
- Queensway (KS205)
- Salisbury Rd Parade (KS206)
- Starbucks Totton
- New Milton M&S
- Hythe Marina (FM100)
- LTH South Wing (KS202)
- Hardley Industrial Estate (FN200)
- LTH North Wing

What we did in 2021/22 (Purchases)

Drive Thru & café unit Totton

- Completed October 2021
- Freehold purchase
- New build let to national UK chain and franchised from a global outlet.
- a 20-year lease
- New employment and an attractive new facility for local use and passing trade.



27 Salisbury Road Totton

- Completed December 2021
- Compliments the Council's adjacent ownership of a parade shops and adjacent to the Council's car park
- 3 leases mixed use building of a gym a retail shop and offices
- Supporting local employment and amenities



What we did in 2021/22 (Development)

Crow Lane Ringwood Summary

- New business park development of 5 buildings for light industrial use (16 units) and 2 buildings for offices (8 units)
- Main contractors Amiri appointed September 2021
- Start on site December 2021
- Construction well under way
- Marketing agents appointed
- Additional PV panels to be incorporated into development
 - Baseline requirement originally 100m²
 - Further funding granted from the sustainability fund to increase provision to around 555m² – estimated to be enough to offset the energy use of the four largest industrial units
- EV charging points to be installed to all units
- Contractors maintaining high standards of site health & safety
- Internal governance through monthly project meetings with the Technical advisor and regular reports to Property Panel
- Target for completion of development: November 2022



What we did in 2021/22 (Operational)

Hardley

- A report commissioned in 2021 was clear in confirming that Hardley would be a good fit as an operational depot for the Council, and in line with the operational arrangements required from the new (proposed) Waste Strategy
- Project had been on hold pending finalisation of the new (proposed) Waste Strategy
- Project governance provided by the Waste Programme Board
 - Detailed Project definition document now agreed
 - Design team remobilised to work up detailed designs and costs estimates
 - Thereafter contractor procurement and evaluation presentation to Council
 - Target completion estimate: Summer 2024
- Site use: to support waste & transport, street scene and open space, housing maintenance, new office, workshop, yard and parking areas

Commercial Property Current activities into 2022/23

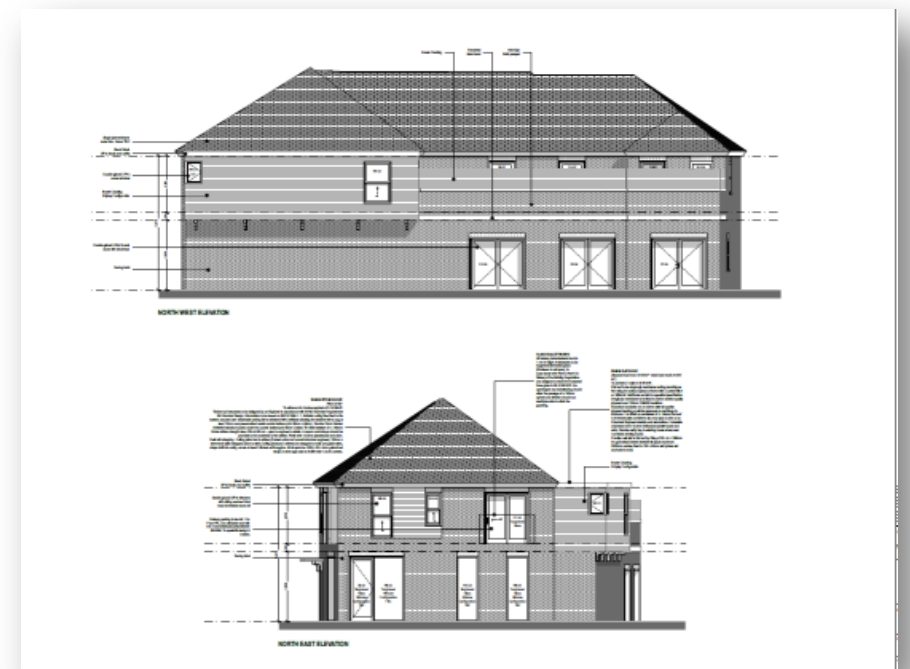
New property purchase

- Property acquired “subject to contract” following competitive marketing by the seller
- To promote objective of more vibrant high streets, promote economic development and local employment
- Cabinet approval 4 May 2022
- Important investment which will attract other retail and leisure businesses

4-6 Rumbridge Street Totton

- Joint acquisition venture with NFDC Housing Development
- New build of 7 flats and one commercial unit
- Housing Development offer of £1.4M accepted for whole development of which £235,000 relates to the commercial retail element.
- Contracts exchanged and practical completion anticipated Summer 2022

We maintain an active interest in several other potential investments including office and industrial properties



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GOOD QUALITY HOMES FOR HOUSEHOLDS
WITH A CONNECTION TO THE NEW FOREST

Appletree Property Holdings Limited

Aims and Objectives

- To operate as a commercial enterprise, offering market rental properties in the District to people with a local connection.
- Aim to be a “landlord of choice” in this market
- £10M in the pot, financed by NFDC through equity and loans at a commercial rate of interest
- Loans secured by legal charge
- At present a £6M funding tranche has been made available by Investment Panel
- A General Fund, not a Housing Revenue Account, project

Selecting Properties and Tenants

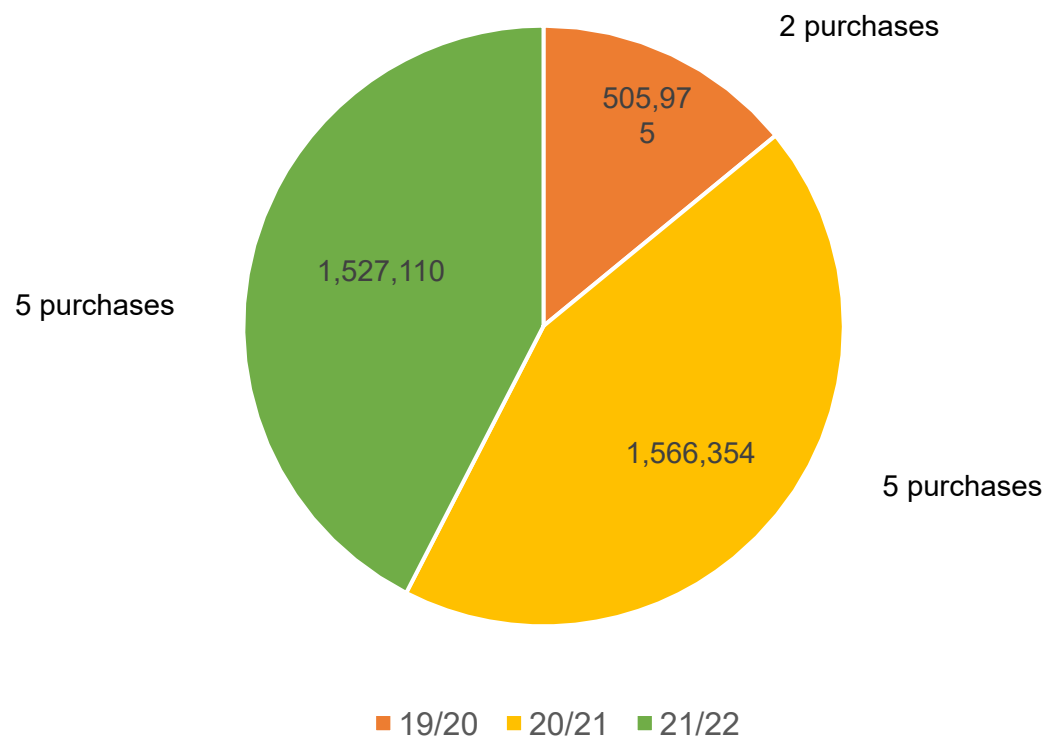
- Seeking modern lettable properties in the District
- 2- and 3-bedroom houses in good condition and in areas of high demand
- The tenants are credit checked for affordability and there is a preference for those with a local connection
- Tenancies are short term 7-12 months.

Appletree Property Holdings Limited
Investment Activity and Steady State Annual Rent 19/20 to 21/22

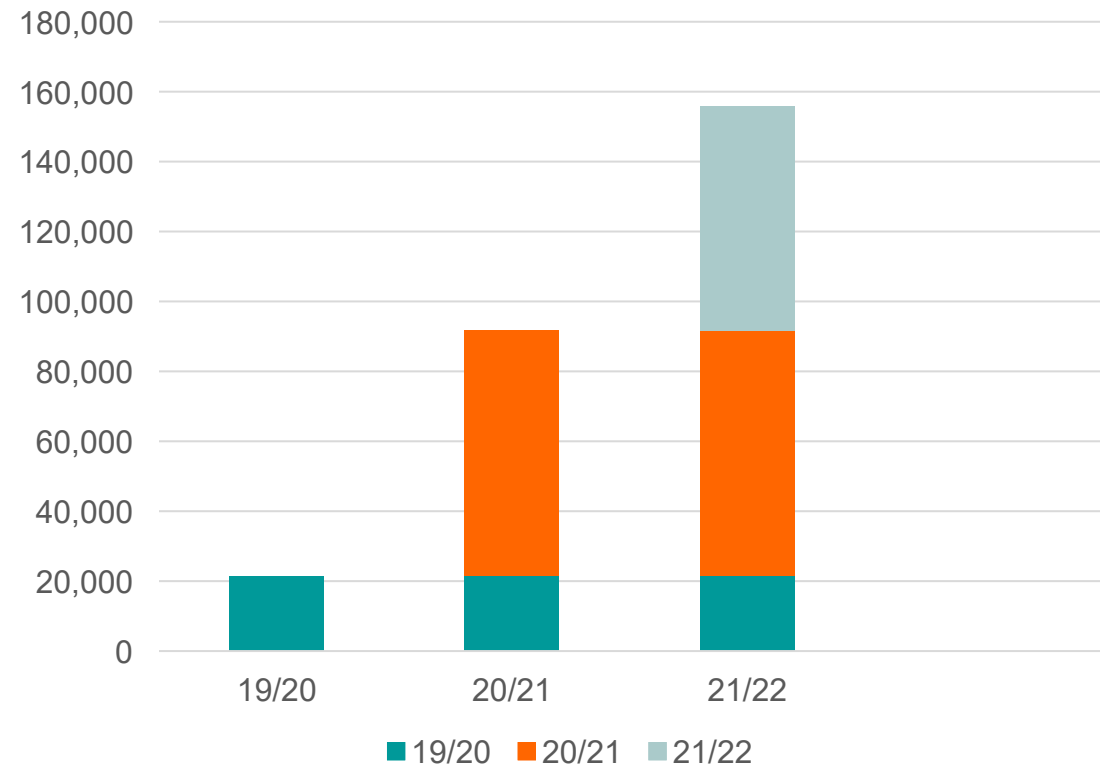
Year	Acquisitions	Total Cost £	Monthly Rent £'s	Steady State Annual Rent £
19/20	2	505,975	1,790	21,480
20/21	5	1,566,354	5,840	70,080
21/22	5	1,527,110	5,345	64,140
TOTAL	12	3,599,439	12,975	155,700
22/23 to date	1	360,440	1,250	15,000

Appletree Property Holdings Limited Financial Dashboard 21/22

Acquisitions to 21/22



Steady State Annual Rent £



Appletree Property Holdings Limited Return to NFDC 19/20 to 21/22

Year	Equity £	Debt £	Interest rate (% over BE)	Return £ (full year)	Blended Yield %
19/20	201,700	304,275	4.75	14,453	2.86
20/21	342,600	1,223,754	4.75	58,128	3.71
21/22	371,300	1,155,810	4.75	54,901	3.60
TOTAL	915,600	2,683,839		127,482	3.54
22/23 to date	91,100	269,340	4.75	12,794	3.55

Appletree Property Holdings Limited Vacancy Periods

Acquisitions		
Year	No of Properties acquired	Average Void Periods (days)
19/20	2	68
20/21	5	82
21/22	5	78

Re Lettings		
Year	No of Properties relet	Average Void Periods (days)
21/22	2	47

- Redecoration, carpets
- Minor works
- Utility safety check and remedial works
- Clean and lock change
- Inventory
- Lead in times following completion

- Gas safety check and service
- Electrical safety check
- Clean
- Inventory
- Advance notice of vacancy

Appletree Property Holdings Limited

What we did in 21/22 and overall

Property purchases in 2021/22

- 5 properties acquired in 2021/2022
- Properties in all areas of the district are being considered

... and overall

- 12 properties in the portfolio
- The 12 properties acquired are located: one in Lymington, five in Totton, two in Ashurst Bridge, three in Blackfield and one in Calmore
- 5 x 2 bed properties, 7 x 3 bed properties

.... and ongoing

- Since 1st April 2022, 1 more property acquired for £360K, proposed monthly rent £1,250, £15,000 annual rent, with a full year return to the Council of £12,794 and a blended yield of 3.55%
- 4 further properties under offer

Loans from the Council to the Company are secured by legal charges

Summary

Commercial Property Summary

- £22M commercial property acquired or under construction in line with strategy
- Properties acquired all within the District helping to sustain local employment viability and vitality
- Income yield is tracking expectations, with net income ahead of strategy due to being fully internally funded to date
- Crow Lane development under construction with c150-200 direct jobs being supported once open and fully let

Appletree Holdings Summary

- Presently approval has been given for £6 million of the £10 million pot to be invested in the project
- Expenditure to date is £3,963,584 with a further £1,513,160 committed (4 properties under offer) - totals £5,476,744
- Income yield in line with strategy forecast

Recommendation

- Panel asked to note performance to date in the delivery of the commercial and residential strategies and the continuation of both projects.
- Panel asked to note that an update of the Asset Investment Strategy 2017 will be prepared for Q3 2022 to ensure aims and objectives and the funding pool(s) remain appropriate.