

# Resources and Transformation Overview and Scrutiny Panel

## Commercial and Residential Property Annual Report 2022/23

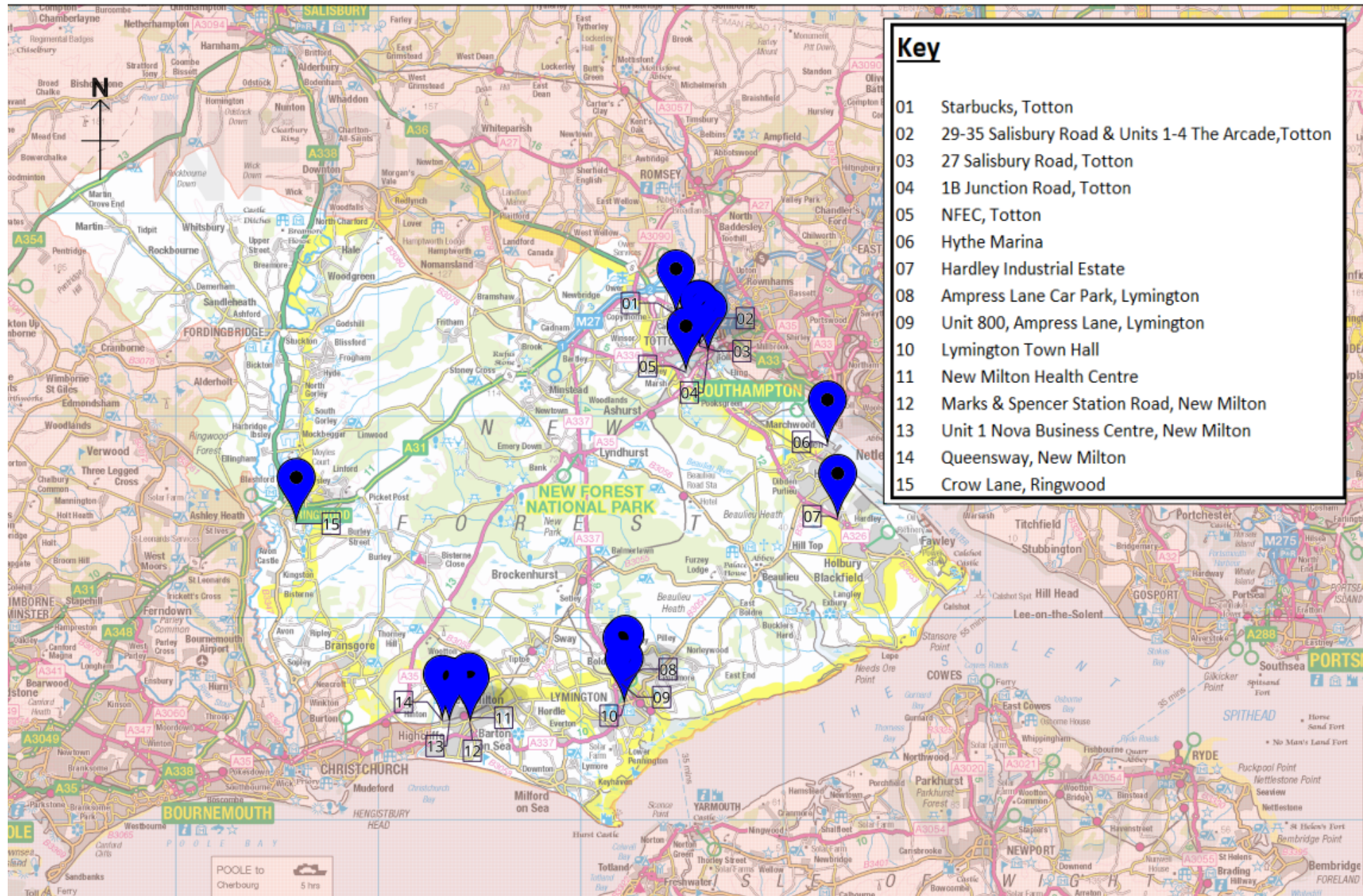
22 June 2023

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## 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 internal cash and reserves
- Council approved (12 Dec 2022) a revised and updated asset investment strategy with a further £20M available financed from internal cash and reserves and supplemental borrowing (Public Works Loan Board) when required
- The Commercial Property Panel (CPP) comprises the Chief Executive, Strategic Director Corporate Resource and Transformation (Chief Finance Officer), Strategic Director Housing, Communities & Governance, Portfolio Holder - Finance & Corporate and Chairman of the Resources & Transformation Overview & Scrutiny Committee.
  - CPP 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 CPP's remit also includes an overview of operational real estate development



### Commercial Property Strategy Investment Activity

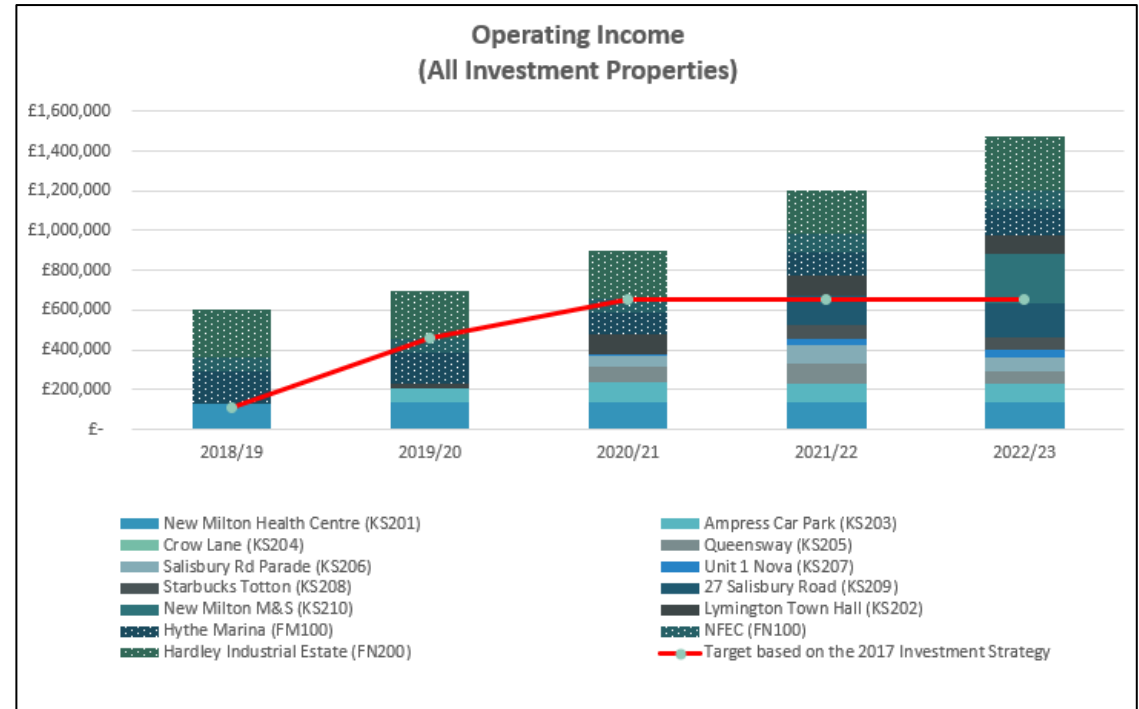
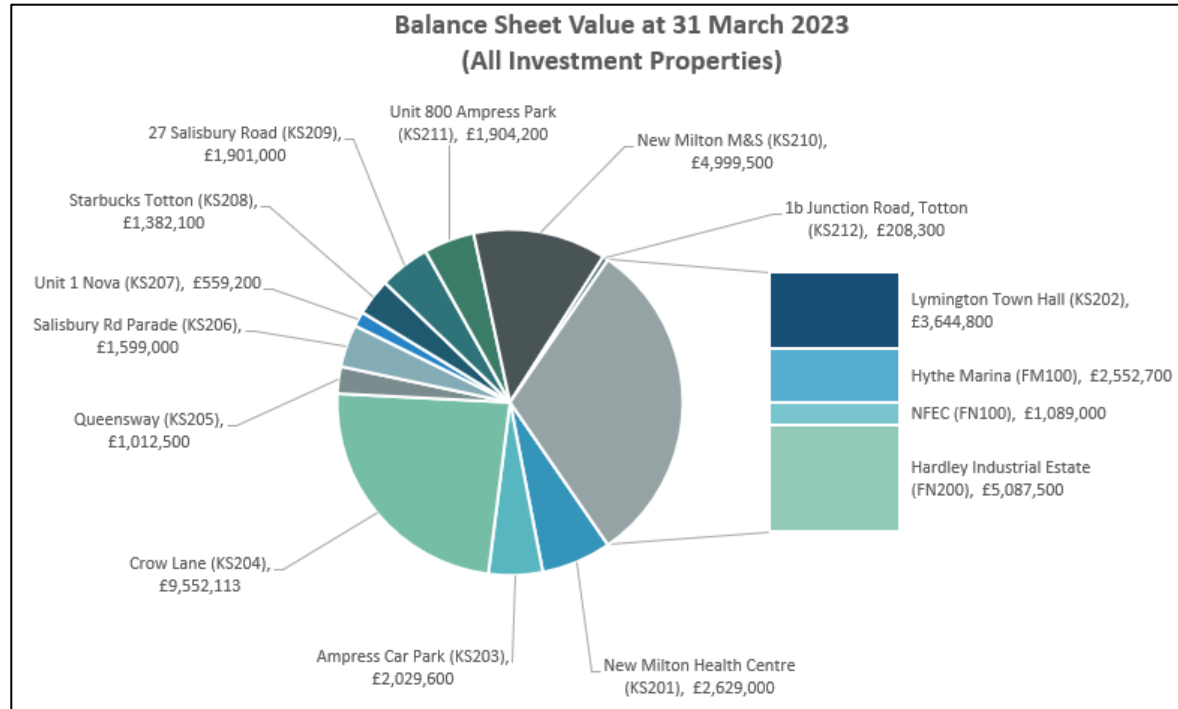
	Existing Employment Site £M's	Development Site (Platinum Jubilee) £M's	Total £M's
2017/18	2.20	-	2.20
2018/19	0.25	-	0.25
2019/20	2.53	2.25	4.78
2020/21	3.26	0.17	3.43
2021/22	3.27	2.53	5.80
2022/23	7.75	5.01	12.76
<b>Total</b>	<b>19.26</b>	<b>9.96</b>	<b>29.22</b>

## 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	2025/26 £'000's
Within General Fund Budget	-100	-62	-166	-165	-470		
Forecast Assumption in MTFP						-200	-200
<b>TOTAL CUMULATIVE</b>	<b>-100</b>	<b>-162</b>	<b>-328</b>	<b>-493</b>	<b>-963</b>	<b>-1,163</b>	<b>-1,363</b>

## Commercial Financial Dashboard: Balance Sheet Value & Operating Income



## Financial Dashboard: Annual Rate of Return

Property	Balance Sheet Value at 31/03/23	Net Income 2022/23	Annual Rate of Return at 31/03/23
Hythe Marina	2,552,700	134,571	5.27%
New Forest Enterprise Centre	1,089,000	89,748	8.24%
Hardley Industrial Estate	5,087,500	270,544	5.32%
Lymington Town Hall	3,644,800	91,821	2.52%
	<b>12,374,000</b>	<b>586,684</b>	<b>4.74%</b>
<b><u>2017 Investment Strategy</u></b>			
New Milton Health Centre	2,629,000	135,260	5.14%
Ampress Car Park	2,029,600	97,363	4.80%
The Parade, Salisbury Road Totton	1,599,000	74,323	4.65%
Queensway, New Milton	1,012,500	57,835	5.71%
Unit 1 Nova Business Park, New Milton	559,200	35,000	6.26%
Drive-Thru, Salisbury Rd, Totton (purchased 21/22)	1,382,100	66,259	4.79%
27 Salisbury Road (purchased 21/22)	1,901,000	168,861	8.88%
	<b>11,112,400</b>	<b>634,901</b>	<b>5.71%</b>
85 Station Road, New Milton (purchased 22/23, projected income)	4,999,500	249,881	5.00%
Unit 800 Ampress Park (purchased 22/23, projected income)	1,904,200	94,650	4.97%
1b Junction Road, Totton (purchased 22/23)	208,300	0	
Platinum Jubilee - Crow Lane (completion 2023)	9,552,113	0	
	<b>16,664,113</b>	<b>344,531</b>	

Capital appreciation for assets acquired under the 2017 Investment Strategy = £543k



## What we did in 2022/23 (Purchases)

### **Marks & Spencers New Milton**

- Completed July 2022
- Freehold purchase
- New 10-year lease to M&S
- Newly refurbished unit which provides local economic benefit through a vibrant high street

### **Unit 800 Ampress Park Lymington**

- Completed March 2023
- Modern clean unit
- Supporting local employment within an important business park

### **1B Junction Road Totton**

- Small ground floor retail unit acquired as part of a larger Housing Development which secured 7 new residential flats in the building
- Presently on the market to let

## What we did in 2022/23 (Development)

### Platinum Jubilee Business Park

- New business park development of 7 buildings for light industrial use (16 units) and 2 buildings for offices (4 units)
- Main contractors Amiri
- Practical Completion achieved 27 April 2023
- The development will be delivered below the overall budget. Negotiations are ongoing with the contractor to agree the final accounts.
- Heads of terms agreed for 64% of the available space let (May 2023) for 9 tenants (at agreed annual rents totalling £401,000)
- Leases now completed for units C2, D3, D2, D4, B2 and G (as at 12 June 2023)
- Tenant businesses include a healthcare technology company, a specialist heating supplier, a social media agency and a swimming pool design and build company.
- Additional PV panels were incorporated into development where most appropriate (units A – D) providing an average of 4kW of electricity per unit and an estimated annual carbon saving of over 13 tonnes for the Estate.
- EV charging provision for ALL units (20 charging stations installed on the site with 2 outlets per charging station)
- Amiri maintained very high standards of site health & safety throughout the construction, achieving over 71,000 safe hours of working.

## Platinum Jubilee: Images

images courtesy of Amiri



## Sustainability Features (Images courtesy of Amiri)

- EPC Rated – A
- Solar roof panels (PV)
- Electric vehicle charging points
- Cycle stores
- BREEAM – Very Good



PV roof panels to Blocks A, B, C and D



Cycle & Waste bin stores



High levels of natural light



EV Charging Points for all units

Contact 📞 02380 285564

Out of hours 📞 02380 285250



APPLETREE PROPERTY  
LETTINGS LTD

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## WELCOME TO APPLETREE PROPERTY LETTINGS LTD

WE ARE A LOCAL LANDLORD PROVIDING  
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 (up to 40%) and loans at a commercial rate of interest
- Loans made by NFDC to Appletree Property are secured by legal charges
- At present a £8M funding tranche has been made available
- 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
- Company offers tenancies typically 7-12 months.

## Appletree Property Holdings Limited

### Structure and Governance

- Appletree Property Holdings Limited is a private limited holding company whose sole shareholder is NFDC.
- The company has 2 subsidiaries, Appletree Property Lettings Limited and Appletree Residential Developments Limited.
- The Board comprises 4 Directors, 2 Officers and 2 Members, the Chairman being Cllr Steve Davies.
- Board meetings are held about every 3 months, considering in particular the Property Manager's business update report to the Board.
- the Annual General Meeting is held in October each year, including the annual presentation to the shareholder.
- The Company's annual accounts are prepared by external accountants.
- The Company has no employees, The Council's Property Manager is the day to day manager of the lettings business, supported by the Council's Property Management Officer, all reporting to the Service Manager, Estates & Valuation and through to the Board.

**Appletree Property Holdings Limited**  
**Investment Activity and Steady State Annual Rent 19/20 to 22/23**

<b>Year of purchase</b>	<b>Acquisitions</b>	<b>Total Cost £</b>	<b>Monthly Rent £'s</b>	<b>Steady State Annual Rent £</b>
19/20	2	505,975	1,990	23,880
20/21	5	1,566,354	6,030	72,360
21/22	5	1,527,110	5,690	68,280
22/23	4	1,481,654	5,735	68,820
<b>TOTAL</b>	<b>16</b>	<b>5,081,093</b>	<b>19,445</b>	<b>233,340</b>



## Appletree Property Holdings Limited

### Return to NFDC 19/20 to 22/23

Year	Equity £	Debt £	Interest Return £ (full year)	Mgmt Fee (@6%) £	Return on overall investment %
19/20	201,700	304,275	16,735	1,433	3.59
20/21	342,600	1,223,754	59,352	4,342	4.07
21/22	371,300	1,155,810	57,732	4,096	4.05
22/23	441,800	1,039,854	61,101	4,129	4.40
<b>TOTAL</b>	<b>1,357,400</b>	<b>3,723,693</b>	<b>194,920</b>	<b>14,000</b>	<b>4.11</b>

## Appletree Property Holdings Limited Vacancy Periods

Acquisitions		
Year	No of Properties acquired	Average Void Periods (days) per year
19/20	2	68
20/21	5	82
21/22	5	85
22/23	4	125

Re Lettings		
Year	No of Properties relet	Average Void Periods (days)
21/22	2	47
22/23	6	26

- Higher 22/23 average due to acquisition of 2 properties that required considerable refurbishment works and 1 property which had 2 applicants refused due to affordability concerns.

## Appletree Property Holdings Limited

### What we did in 22/23 and overall

#### Property purchases in 2022/23

- 4 properties acquired in 2022/2023
- Properties in all areas of the district are being considered

#### ... and overall

- 16 properties in the portfolio
- The 16 properties acquired are located: one in Lymington, seven in Totton, two in Ashurst Bridge, five in Blackfield and one in Calmore
- 5 x 2 bed properties, 11 x 3 bed properties

#### .... and ongoing

- Since 1<sup>st</sup> April 2023 there have been no further offers or purchases to date because of increased interest rates (loans made by NFDC linked to base rate) and a lack of suitable properties in the market. House prices may fall in response to interest rate rises over the next few months and the company remains engaged with local agents.

## Summary

### Commercial Property Summary

- £29.22M commercial property spent to acquire or construct 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
- Platinum Jubilee Business Park has been completed with estimated 150-200 direct jobs being supported once fully let
- Further commercial property investments presently “on pause” save for exceptional opportunities

### Appletree Holdings Summary

- Presently approval has been given for £8 million of the £10 million pot to be invested in the project
- Expenditure to date is £5,081,093.
- 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.