

Resources and Transformation Overview and Scrutiny Panel

Commercial and Residential Report

June 2025

Summary areas

- Commercial Property 2024/25
 - Aims and Objectives Investment Activity
 - Investment Locations
 - Financial dashboard
 - Overview of 2024/25
- Residential Property Company report 2024/25
 - Aims and Objectives Investment Activity
 - Governance
 - Financial dashboard
 - Overview of 2024/25
- Panel Recommendation

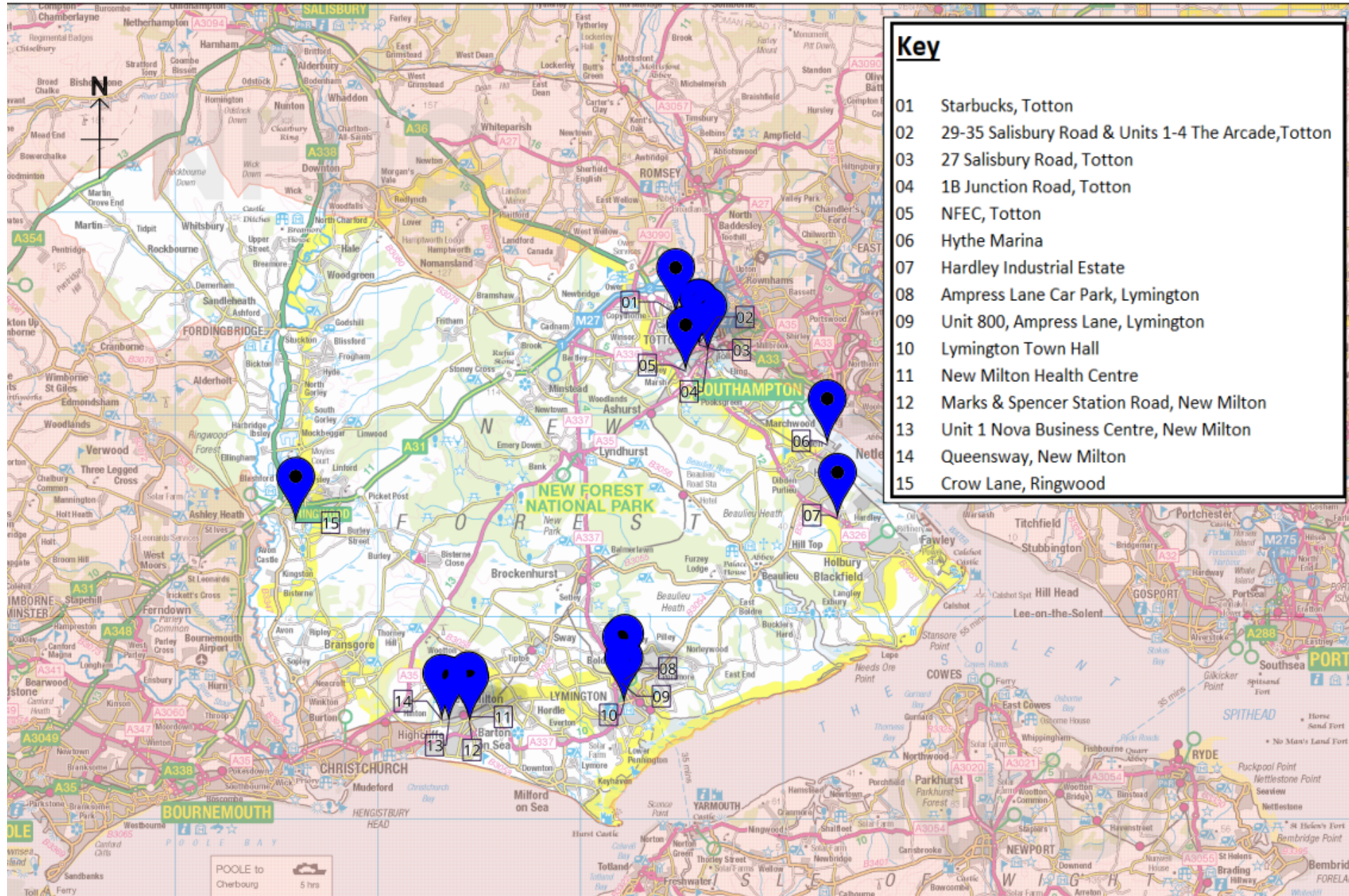


Commercial Property – Aims and Objectives

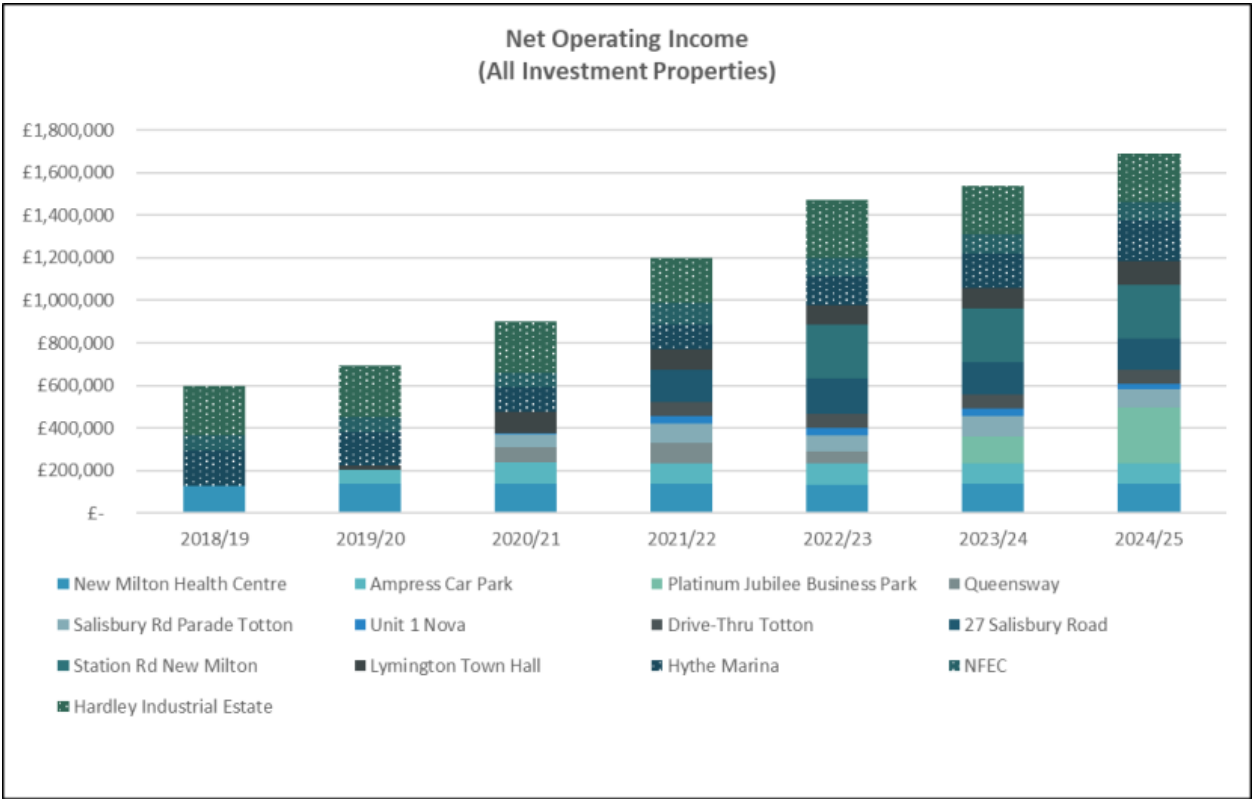
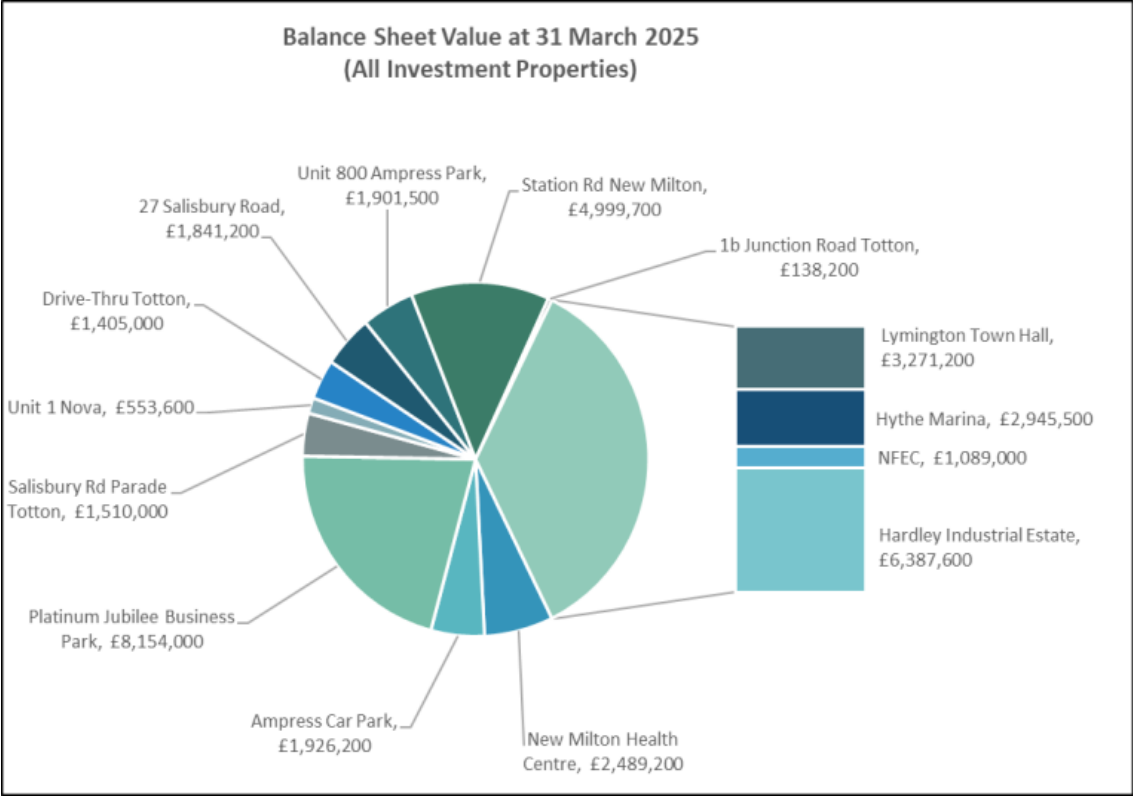


- To acquire commercial property within the District
- To secure economic development benefits and to make a return
- Original portfolio fund of £30 million (2017) financed from internal cash and reserves
- Council approved (2022) a revised and updated asset investment strategy with a further £20 million 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 - Locations



Commercial Financial Dashboard – Balance sheet value and operating income



Commercial Financial Dashboard – Annual Rate of Return

	Acquisition Cost	Balance Sheet Value at 31/03/25	Net Operating Income 2024/25	ARR at 31/03/25
<u>Property</u>	£000s	£000s	£000s	%
Hythe Marina		2,946	191	6.48
New Forest Enterprise Centre		1,089	86	7.93
Hardley Industrial Estate		6,388	226	3.54
Lymington Town Hall		3,271	113	3.46
		13,693	616	4.50
<u>2017 Investment Strategy</u>				
New Milton Health Centre	2,100	2,489	137	5.51
Ampress Car Park, Lymington	2,100	1,926	96	4.97
The Parade, Salisbury Road, Totton	1,450	1,510	90	5.98
Unit 1 Nova Business Park, New Milton	530	554	23	4.07
Drive-Thru, Salisbury Rd, Totton	1,245	1,405	66	4.70
27 Salisbury Road, Totton	1,850	1,841	149	8.07
85 Station Road, New Milton	5,100	5,000	250	5.00
Unit 800 Ampress Park, Lymington	1,971	1,902	95	4.98
Platinum Jubilee Business Park	10,067	8,154	262	3.22
1b Junction Road, Totton	235	138	9	6.58
	26,648	24,919	1,176	4.72

Key things we did in 2024/25

Platinum Jubilee Business Park - Ringwood

- The business park is now 2 years since completion and 72 % of the of the business space is let. Another unit is let STC with completion due July 2025 which will result in 80% of the floorspace let with an annual income of £522,000.
- This has provided 11 different companies with brand new business space to operate from including: an ICT company and a commercial artist



Key things we did in 2024/25

Queensway – New Milton

- Contractors commenced the refurbishment works in October 2024.
- Contract value circa £600,000.
- Works delayed due to additional unforeseen structural works required.
- Gulls have nested on the roof and due to their protected status work has been suspended until they have left nests.
- Programmed completion now pushed back to October 2025.
- Continuing with dilapidations claim against previous tenant.
- Yard in use for NFDC operational rollout of new wheelie bins.
- Property now changed from investment to operational use for 6-18 months.



Key things we did in 2024/25

Salisbury Road Arcade - Totton

- Refurbished arcade and a branding
- Contact sum circa £200,000
- Aesthetic appearance of the shopping arcade vastly improved. Asbestos materials removed.
- Planned official opening event later in the summer.

Before



After



Key things we did in 2024/25

Lease Extensions

- 27 Salisbury Road, Totton: vacated office space successfully relet on a 12-year lease, £26,500 per annum
- Junction Road, Totton: new 10-year lease agreed, £12,000 per annum



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
- £10 million in the budget, 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 £8 million 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 assured shorthold periodic tenancies

Appletree Property Holdings Limited – Governance



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 Alan O'Sullivan.
- 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 via senior management and through to the Board.

Appletree Property Holdings Limited

Investment Activity and Steady State Annual Rent

2019/20 to 2022/23



Year of purchase	Acquisitions	Total Cost £	Monthly Rent £'s	Steady State Annual Rent £
19/20	2	510,784	1,770	21,240
20/21	5	1,568,518	5,710	68,520
21/22	5	1,538,545	5,590	67,080
22/23	4	1,482,543	5,735	68,820
TOTAL	16	5,100,390	18,805	225,660

*Acquisitions paused June 2023 due to rise in interest rates

Appletree Property Holdings Limited

Return to NFDC 2019/20 to 2024/25



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
23/24	0	0	0	0	0
24/25	0	0	0	0	0
TOTAL	1,357,400	3,723,693	194,920	14,000	4.11

Appletree Property Holdings Limited

Void 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
23/24	0	N/A
24/25	0	N/A

Re Lettings		
Year	No of Properties relet	Average Void Periods (days)
21/22	2	47
22/23	6	26
23/24	6	57
24/25	4	35

- Higher 2022/23 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 2024/25



Acquisitions

- Acquisitions programme paused since June 2023 due to interest rate rises

Lettings

- 4 new lettings in 2024/25, providing good quality homes for 10 people with local connection
- Void times for re-lets 35 days (previous years' average 57 days)

Finance

- Rental income increased from £240,108pa to £254,712pa (as at 01/04/25)
- Board of Directors agreed increase of 3.6% to all rents in 2025 (rent review clause allows rent to be increased upon anniversary of tenancy)

Recommendations

The panel are asked to note the update regarding commercial and residential properties.

