

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT**PROPERTY INSPECTION 2015****Purpose of the Report**

1. To report on the recent property inspection.

Information and Advice

2. The Fund has a significant portfolio of directly held UK commercial property and strategic land opportunities and, as part of the fiduciary duties of members, each year a visit is arranged to inspect a number of these sites. This year's visit took place on 14 to 15 October 2015 and was attended by the following members of the Sub-Committee as well as officers of the County Council and representatives Aberdeen Asset Management.

Attendees	
Councillor Reg Adair	County Councillor
Councillor Mike Pringle	County Councillor
Councillor Chris Barnfather	County Councillor
Councillor Sheila Place	County Councillor
Councillor John Wilkinson	County Councillor
Chris King	Trade Union Representative
Alan Woodward	Trade Union Representative
William Bourne	Independent Adviser

3. Five properties were viewed and the Aberdeen representatives were able to answer questions from the Sub-Committee members. Training was also held on the second day.
4. The first property viewed was Technology Retail Park, Rugby. This is a newly developed, four unit retail park, located close to the town centre in an area that is being redeveloped. All of the units were pre-let and three of the tenants are currently trading. The last unit is practically complete and is expected to be occupied shortly. The visit enabled members to see the location of the site and the quality of the units.
5. The second property was another new development in Bagshot, comprising a large unit let to Waitrose with a second adjoining unit. The second unit is not pre-let but the developer is responsible for letting the unit for a period following practical completion. Negotiations are already underway with a number of retailers. Again the visit demonstrated the quality of development and also the flexibility of the construction. Unit two has been sub-divided into smaller units but this can be changed relatively easily to accommodate different needs in future.

6. The last property on day one was a newly acquired car dealership in Crawley (near to Gatwick). The unit is well located close to the Manor Royal Business District, the biggest business park within the Gatwick Diamond area. The property is arranged as three units trading as Volkswagen, Toyota and Euro Car Parts. The two dealerships have showroom and servicing areas inside as well as parking space outside for both car sales and customers. A representative from the tenant was present to show members the site as well as answer questions.
7. Day two began with training provided by Aberdeen Asset Management. Scott Griffiths presented a slightly different look at the Aberdeen approach entitled “What we look for when investing in property”. This was a useful reminder (or introduction for new members) of the key characteristics of property investment including:
 - Property returns are mostly about income
 - Property is a long term asset class
 - Durability of income is vital
 - Asset selection is critical
 - Permanent changes in quality should lead to sale
 - Some assets (but not all) are an inflation hedge
8. This lead into a session presented by Graham Hardie covering leases with RPI/fixed uplifts. The Fund currently has properties valued at £89 million (27% of the portfolio) with leases that have RPI/fixed uplift provisions. These leases provide certainty of rental growth and can provide a degree of inflation hedging although they can lead to over-renting where the uplift is higher than the prevailing rental growth. Aberdeen use a number of assumptions when assessing whether these leases are appropriate for the Fund.
9. The first visit on day two was a retail warehouse in Harlow, Essex. This is one of the longest holdings in the portfolio (purchased in 1993) and is consequently of a lower quality than the new developments viewed on day one. Aberdeen have been working on securing leases for the two units and improving the access road. This was a useful property to visit to emphasise the quality of new assets being purchased for the Fund.
10. The final visit was to Chippenham Drive, Milton Keynes, a 180,000 sq ft distribution unit on a large industrial estate. The unit is vacant and is currently being refurbished following the expiry of the former tenant’s lease. Discussions are already underway with a number of potential occupiers. Members were able to see the size of the unit and appreciate the location, close to the M1 and the brand new development, Magna Park.

Statutory and Policy Implications

11. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That it be noted that regular property inspections are regarded as an important part of fulfilling members' fiduciary duties.
- 2) That the report be noted.

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Constitutional Comments

12. Because this report is for noting only, no Constitutional Comments are required.

Financial Comments (SRC 21/10/15)

13. There are no direct financial implications arising from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None