



REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT

PROPERTY INSPECTION 2016

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 12th/13th October 2016 and was attended by the following members of the Sub-Committee as well as officers of the County Council and representatives from 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
Councillor Parry Tsimbiridis	County Councillor
Chris King	Trade Union Representative
Alan Woodward	Trade Union Representative
William Bourne	Independent Adviser

- 3. Six 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 Castlewood Business Park, South Normanton. This is a newly developed and very large warehouse facility occupied by Alloga UK and used for the sorting and distribution of pharmaceuticals and controlled drugs. The building has been constructed to a very high specification, including a 12 metre eaves height and 33 loading doors, making it one of the largest properties in the Fund’s portfolio.
- 5. The next two properties were smaller units in Sutton-in-Ashfield and Mansfield, which form part of the Fund’s local investment portfolio. Bakkavor Foods Ltd in Sutton-in-Ashfield produces sauces for other food manufacturers, and it is on a long lease, which provides the Fund with a durable source of income. Andrew Page motor factors in Mansfield occupies one of the units at Isabella Court, owned by the Fund, and a representative of the company

gave a short talk on how it operates. As Isabella Court is multi-let, this forms a particular focus for Aberdeen's asset management work, ensuring that tenants are likely to extend their leases.

6. The last property on day one was a currently empty property in Lands Lane in Leeds city centre. It is planned that a change of use can be implemented and that 'A3' (food and drink) businesses will occupy the property.
7. Day two began with training provided by Aberdeen Asset Management. Rachel Aird gave an Economic Overview presentation which highlighted the impact of recent global events on property indicators. Graham Hardie then gave a presentation on the subject of 'Value Investing' wherein he outlined the approach taken by Aberdeen Asset Management in assessing the real value of a property and its likely income stream, and investing on this basis. The opposite approach – buying assets when they appear to be cheap – is a lot riskier and not a long-term strategy suitable for a pension fund. Furthermore, when assets appear cheap, it is usually for a reason yet to materialise. Following this Scott Griffiths gave a transactional update, which highlighted how the 'Value Investing' approach works in practical situations relevant to the fund.
8. Josh Levy from Lambert Smith Hampton then gave a presentation on the Manchester property market success story. Manchester has grown significantly over the twenty years since the IRA bomb, and this it seems has been due to a number of political and commercial factors in which Manchester City Council has been actively involved. The city also benefits from having distinctive areas outside of the centre which act as hubs for cultural and commercial activity. Josh heralded Manchester as the centre for the so-called Northern Powerhouse, but a certain rivalry with Liverpool and Leeds was also acknowledged. How these relations unfold will be determined in the course of time.
9. The first visit on day two was to an industrial unit in Brooke Park, Handforth, Cheshire. This was part of a larger estate owned by the Fund and is occupied by an Aston Martin service centre. Such high quality occupation helps generate a good income stream for the Fund and the current construction of a nearby relief road linking the A6 to Manchester Airport will only serve to make the property more accessible and thereby enhance the Fund's income stream.
10. The final visit was to a Marks & Spencer in Northwich, Cheshire. This too provides a strong income stream on a long-term lease, although it was noted that the surrounding area in the town centre is changing due to the construction of a large area set aside for retail and leisure activity.

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 17/10/16)

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