



To: Councillor: Richard Robertson - Chair George Owers – Executive Councillor for Finance & Resources Tim Bick – Opposition Spokesperson	Return to: Dave Prinsep Head of Property Services The Guildhall Cambridge CB2 9QJ
To Officer: Caroline Ryba – Head of Finance	
Date: 27 November 2015	Tel: 7431
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MEMBER CONSULTATION

This is a formal consultation letter seeking your views in the following circumstances:

- ✓ Councillors: your views are sought on a matter which officers are required to consult you prior to exercising delegated powers.

Please reply in writing by **12 noon on 4 December 2015** by completing and returning one copy of this consultation letter.

Subject :	Acquisition of Cambridge Road Retail Park, Haverhill, Suffolk. CB9 7GS.
Background:	Strategy and Resources Scrutiny Committee on 19/01/2015 approved the allocation of £8.0m for investment in acquiring commercial property. A retail warehouse investment has been identified as meeting the criteria set out in that report and Head of Property is seeking to exercise his delegated authority to acquire the Cambridge Road Retail Park investment.
Recommended Action:	That the Head of Property Services exercises his delegated powers to approve the purchase of the Cambridge Road Retail Park investment for £7,000,000 plus acquisition costs.

Member Response:

I support / do not support the action recommended above.

Member Comments/Reason:

Signed **Councillor**

Date



Cambridge City Council

To: Executive Councillor for Finance and Resources:
Councillor George Owers

Report by: Philip Taylor – Senior Estates Surveyor

Relevant scrutiny committee: Strategy & Resources Scrutiny Committee

Wards affected: None

ACQUISITION OF Cambridge Road Retail Park, Haverhill, Suffolk. CB9 7GS.

1. Executive summary

- 1.1 On 19/01/2015 Strategy and Resources Scrutiny Committee approved the funding allocation of £8.0m for investment in acquiring commercial property. A retail warehouse investment has been identified meeting the criteria set out in that report and Head of Property is seeking to acquire this property under the delegated authority granted at the above meeting. The property proposed to be acquired is the Cambridge Road Retail Park in Haverhill.

2. Recommendations

It is recommended that the Head of Property Services:

- 2.1 Approve the purchase of the Cambridge Road Retail Park for £7,000,000 plus acquisition costs.

3. Background

- 3.1 The 19/01/2015 committee report set out some objectives to be met in relation to any investment acquisition and the proposed purchase meets these objectives, namely;
- Relatively close location in Haverhill, Suffolk some 18 miles away
 - Rate of return above the target rate at 6.1% after taking acquisition costs into account
 - Good environmental performance – the largest unit of 35,057 sq ft has an EPC rating of B and the smaller unit of 3,887 sq ft a rating of C.

- Excellent ratings for most of the income with B&Q and Halfords as tenants– c97% of income from tenants with Dun and Bradstreet ratings of 5A1 which is as good as it can be.
 - Full tenant repairing leases so relatively low management and low maintenance with other costs recharged to the tenants.
 - The property is in good condition and there is potential for further development on the site in the future subject to planning.
- 3.2 Harvey Spack Field have been marketing the investment as part of a larger portfolio but has agreed to split the portfolio and sell individual properties. MP Real Estate has been undertaking extensive searches to identify suitable investments for the Council and identified this one. They were instructed to undertake due diligence and submit an offer on the Council's behalf.
- 3.3 A conditional offer of £7,000,000 has been accepted subject to:
- Contract
 - Verification of the information contained within the investment brochure and tenancy schedule
 - Satisfactory measured, building and desktop environmental surveys
 - Purchase proceeding by way of a Transfer of Going Concern (TOGC)
 - Simultaneous exchange and completion within 20 working days of receipt of legal contract documentation.
- 3.4 This is a modern purpose built retail warehouse scheme in Haverhill with B&Q, Halfords and We Buy Any Car as tenants. There is a large Sainsburys store and petrol station next to this property and is considered well located. The lease to B&Q runs until 2028 and Halfords until 2020. There is potentially further income growth through a solar scheme and possibly a future development opportunity. Haverhill has recently approved new development in the region of 2,500 new homes to the north east of Haverhill and although this is still some time off, should help with robustness of investment in the future.

4. Implications

(a) Financial Implications

- 4.1 The purchase price agreed is £7m and there will be the usual acquisition costs including Stamp Duty Land Tax, agent's fee, survey fees and legal fees estimated in the region of 5% (of which 4% is Stamp Duty Land Tax).

- 4.2 Fully tenanted and producing £451,625 per annum, the initial return is 6.1% taking account of acquisition costs, which exceeds the Council's required target return. There is a rent review due on the Halfords unit in December 2015 and so this may see an increase.
- 4.3 The transaction will be treated as a Transfer of a Going Concern (TOGC) which will protect the Council's partial VAT exemption. This takes any transaction outside the scope of VAT.
- 4.4 An election to charge VAT will need to be submitted to HMRC to comply with TOGC requirements. The Council's VAT Officer has been consulted and is comfortable that the transaction adheres to the HMRC's requirements.
- 4.5 The balance remaining in the capital plan for commercial property investment is £6,349,000. This acquisition, taking into account costs of acquisition, will be about £7,350,000 and so there is a shortfall of approximately £1m. Finance has confirmed that funding is available to complete the purchase within the timeframe set out by the vendor and the source of funding can be resolved afterwards. There are several potential sources of funding and the Head of Property Services could consider the disposal of other commercial property if necessary to fund this acquisition to improve the overall portfolio

(b) Staffing Implications

- 4.6 MP Real Estate has acted for the Council in acquiring the investment, working closely with Property Services in identifying and reviewing investment opportunities.
- 4.7 The day to day management will be dealt with by the existing Property Services team within existing capacity as the acquisition will require low management input and is relatively local.

(c) Equality and Poverty Implications

- 4.8 An Equality Impact Assessment has not been conducted as this will be an acquisition of tenanted commercial property to generate an income stream. The property is modern and compliant with current DDA requirements.

(d) Environmental Implications

- 4.9 The property has good EPC ratings of B and C and will therefore have a low positive impact on the wider property portfolio overall.

(e) **Procurement**

4.10 We appointed MP Real Estate to acquire the investment on behalf of the Council. Due to the expediency required we did not obtain quotes from any other agencies and having spoken the Council's Procurement Officer recognise that we need to get a waiver exemption signed by the Director for Business Transformation for fees, which will amount to 0.75% of the purchase price, which is considered below industry standard of 1%.

(f) **Consultation and communication**

4.11 This is a specialised area and so no public consultation has taken place. Internal consultation has taken place with Finance.

(g) **Community Safety**

4.12 There are no Community Safety implications.

5. Background papers

These background papers were used in the preparation of this report:

Strategy & Resource Scrutiny Committee – Commercial Property Investment Report 19/01/2015

MP Real Estate Pre-Bid Review

Harvey Spack Field investment particulars

6. Appendices

None.

7. Inspection of Papers

To inspect the background papers or if you have a query on the report please contact:

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