

Appendix 7 - Investment Decision Matrix for Mackadown Lane headlease acquisition

Criteria	Criteria description	Comments	Weighted score	Exceptional	Good	Acceptable	Marginal	Poor
				5	4	3	2	1
Portfolio Strategy Context	The extent to which the property meets the strategy and contributes to the achievement of a diversified portfolio.	The property grows income which is a key aim of the Property Strategy. Car parking occupational leases add to the mix of industrial and retail.	12		✓			
Location: Macro	Quality of the area with regard to the property use.	This is a high growth area - near to the airport and very valuable for logistics.	12		✓			
Location: Micro	Quality of the locality within the wider area with regard to property use.	Close to the airport and also surrounded by BCC land which could lead to marriage value. However part of the site has airport planning restrictions.	9			✓		
Tenant Covenant	Ability of the tenants to pay the rent for the duration of the lease - credit rating.	All tenants have good credit ratings.	12		✓			
Building Quality	Quality of the building compared to Grade A.	There are no substantial buildings but the site is hard surfaced and the surface is in good condition.	12		✓			
Lease Term	Length for which income is secured.	Terms of 8 years and 10 years (up to break clauses) provides good security for operational leases.	12		✓			
Lease Structure	Rent reviews, tenant repairing obligations.	The leases are FRI and hence there are no costs for the Landlord. Other terms are standard.	15	✓				
Rental Growth Prospects	Rent review timing and likelihood of an increase/decrease.	There are no remaining reviews on four of the five leases and RPI increases capped at 4% every five years on the most valuable lease.	15	✓				
Occupational Demand	Anticipated demand from alternative occupiers if tenants leave.	The demand for car parking in this area is good and increasing with airport volumes.	12		✓			
Management Intensity	Complexity / costs of managing the property.	Low management intensity as leases are FRI and have no reviews except one RPI review every five years.	10	✓				
Liquidity	Ability to quickly sell the property in return for cash.	We think this will have fair liquidity. The land is not Registered which will increase sale time slightly.	6			✓		
Alternative Use / Underlying Value	The opportunity to explore added value by changing use.	There is good scope for alternative use as industrial and storage land and alternative use values at the time would need investigation.	8		✓			
Tenure	Freehold / leasehold, ground rent considerations.	Freehold with no restrictions.	10	✓				
Asset Management Opportunities	Opportunities to add value.	There is probably little scope to add value initially but this changes when the leases expire as alternative uses may be sought.	2				✓	
Financial Return		There is a good yield on the outlay - around 8.2%.	16		✓			

Weighted score

163

out of maximum 200