

Investment Decision Matrix for The Parade / Newhall Walk, Sutton Coldfield Acquisition

Criteria	Criteria Description	Comments	Weighted Score	Exceptional (5)	Good (4)	Acceptable (3)	Marginal (2)	Poor (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 retail.	12		x			
Location: Macro	Quality of the area with regard to the property use.	Tactical position in the heart of Sutton Coldfield – strategic land holding for future redevelopment and regeneration of the Town in accordance with the towns Masterplan.	12		x			
Location: Micro	Quality of the locality within the wider area with regard to property use.	This acquisition by BCC could bring together two adjacent sites creating central ownership (separated by South Parade) in excess of 8 acres. The subject site is approximately 5.4 acres. The Red Rose Centre and various ancillary landholding (already in BCC's ownership) are estimated at c.3 acres. These ownerships are in decline (occupationally and physically) and larger scale ownership may assist regeneration of BCC's declining existing assets and specifically the relocation of car parking.	15	x				
Tenant Covenant	Ability of the tenants to pay the rent for the duration of the lease - credit rating.	The majority of tenants have good credit ratings. Please see separate appendix with Creditsafe summaries.	12		x			
Building Quality	Quality of the building compared to Grade A.	The retail park is considered to be in fair condition, commensurate with its age, use and construction, subject to maintenance issues, compliance matters and defects which require attention in the short to medium terms. However, we did not identify any significant defects that could not be attended to by the implementation of a planned preventative maintenance programme (PPM).	12		x			
Lease Term	Length for which income is secured.	WAULT of 5.1 years to expiry and 4.1 years to break as per the tenancy schedule in the Heads of Terms.	9			x		
Lease Structure	Rent reviews, tenant repairing obligations.	The leases are FRI and hence there are no costs for the Landlord. Other terms are standard. A summary of non-recoverable (service charge caps) and car park income deductibles is detailed in Appendix 4 of the Avison Young Management Report.	0					
Rental Growth Prospects	Rent review timing and likelihood of an increase/decrease.	There may be scope for an increase in rent in some of the units - we have detailed this in a separate tenancy schedule document.	9			x		
Occupational Demand	Anticipated demand from alternative occupiers if tenants leave.	The demand for retail units in this area is good. Some units are viable for leisure uses.	12		x			
Management Intensity	Complexity / costs of managing the property.	Low management intensity as leases are FRI. There are some complexities around the treatment of car park income and dealing with tenant service charge caps and dealing with the void space within the scheme, but these can be effectively managed via the use of a professional managing agent.	0					
Liquidity	Ability to quickly sell the property in return for cash.	We think this will have fair liquidity.	8		x			
Alternative Use / Underlying Value	The opportunity to explore added value by changing use.	The Gross Development Value of redevelopment will be sizeable, but no scheme has been worked up to analyse. Note – any future scheme could have residential included as part of a mixed-use scheme to help meet Birmingham's housing targets.	10	x				
Tenure	Freehold / leasehold, ground rent considerations.	Part long leasehold and part freehold with no restrictions.	8		x			
Asset Management Opportunities	Opportunities to add value.	There is probably little scope to add value initially (beyond lease renewals / rent reviews) but this changes when the leases expire and alternative uses may be sought as part of a wider development.	0					
Financial Return		There is a good yield on the outlay - around 11.28%.	20	x				
			139	out of maximum 200				