

Update on Corporate Property Strategy

November 2020



Corporate Property Strategy update

- 2018 / 2019 Corporate Property Strategy approved by Cabinet in November 2018
- Investment Property Strategy which deals with assets within the commercial portfolio approved by Cabinet in July 2019
- External advisers Avison Young appointed to commence review of the portfolio July 2020

Recap on the property estate

- BCC is the single largest property owner in Birmingham
- It is the largest land estate of any Local Authority in the country
- The portfolio (excluding housing, infrastructure and schools) has a value of £2.4 billion
- 6500 assets within the commercial and operational estates
- The portfolio contributes around £32 million of income to support front line services
- Contributes to delivery of housing numbers through delivery of development and regeneration schemes ; Smithfield etc

Investment Portfolio

- Cabinet approved : The investment portfolio will focus on maximising returns to reinvest and delivery greater returns to support service delivery”

- To deliver on this the portfolio needs to be
 - i. Operationally efficient
 - ii. Improve gross to net income
 - iii. Helping the city to meet its housing targets
 - iv. Supporting communities by influencing regeneration
 - v. Becoming sustainable

Initial findings

- Review work ongoing to determine how to transform this management intensive commercial into an investment portfolio – protecting the Council from risk by being over exposed to certain asset classes
- Short lease portfolio – £21 million gross income 55% of which comes from offices, shops and carparks
- Standard shops and offices are the costliest assets to manage and can be subject to highest vacancy rates
- 10.99 % of industrial income comes from 329 tenants
- Minor interests portfolio of 575 tenants generates £32,341
- Utilities portfolio 1,807 interests generates £999,534

Opportunities

- Using this detailed data we can now move to determine which assets should be held and improved – which asset managed and then sold – or simply sold
- Significant opportunity to use the city centre long leasehold portfolio to promote regeneration and housing development opportunities
- Link in with localities to identify assets which can support regeneration
- Significant opportunity to engage with over 500 tenants who currently hold long leasehold interests (where there is no strategic need to hold) to determine whether they would want to acquire the BCC freehold or extend their lease – important to enable investment in the asset – a small number of these are already in train

Impact of Covid on the property portfolio

- **Government Intervention on Rent Recovery**
- Government severely restricted credit control measures and the ability of landlords to take rent recovery action against commercial tenants for non-payment (Coronavirus Act 2020). Initially a moratorium until 30th June, extended to 30th September, and no recovery action may now be taken until at least 1st January 2021.
- A voluntary ‘Code of Practice’ was introduced which encourages landlords and tenants to work collaboratively to find resolution in relation to payment of rent.

Impact of Covid on income

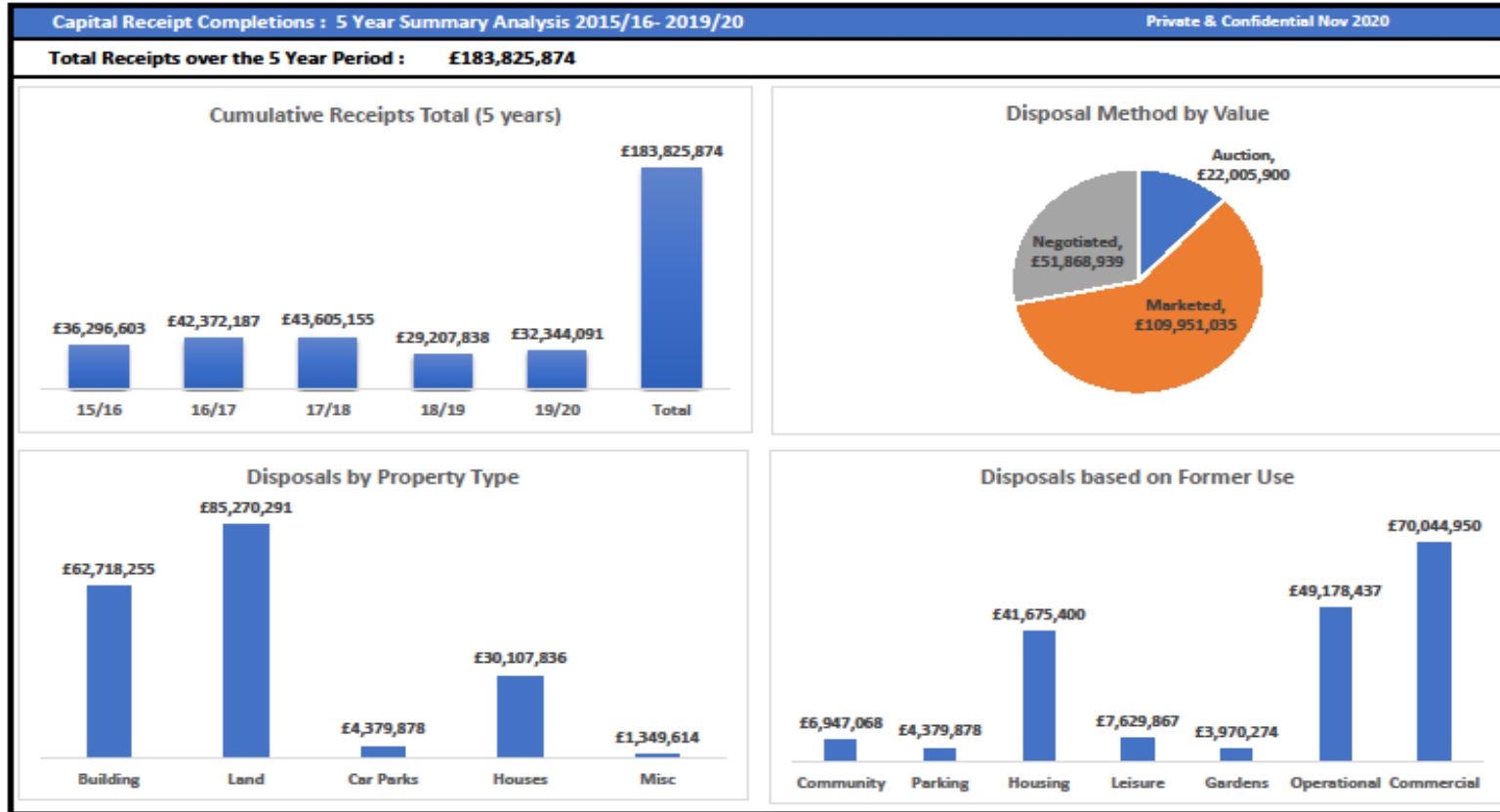
Comparative analysis of BCC 90 day (3 month) collection rates (2019 v 2020)

Financial Quarter	Collection rate within 30 days of due date
March 2019	92.5%
June 2019	89.7%
September 2019	90.0%
December 2019	92.5%
March 2020	77.4%
June 2020	68.0%

'Benchmarked' analysis of BCC collection rates in 2020

Financial Quarter	BCC collection %	AY 'worst LA'	AY 'all LA'	AY 'all client'
March 2020	78.2%	68.5%	87.9%	87.1%
June 2020	75.4%	68.7%	84.8%	88.5%

Disposals over last 5 financial years



Disposals from the commercial portfolio since property strategy implemented 1 April 2019 - 31 March 2020

SITE ADDRESS	DISPOSALS METHOD	VALUE £
*(5% Refundable deposit on) Murdoch Chambers & Pitman Buildings, 159 -161 Corporation Street	Marketed	155,000
260 Summer Lane, Newtown	Negotiated	94,000
93 Buckingham Street, City	Negotiated	83,000
10 Haden Street, City	Negotiated	45,000
119 Pershore Road, Edgbaston	Negotiated	30,862
58 - 60 Caroline St, Jewellery Quarter,	Marketed	1,125,000
Sydenham Road Business Centre (61-87 Sydenham Road & 1-6 Ruckley Avenue, Sparkbrook	Marketed	675,000
(Instalment 5) Fmr Cedar House, William St, Ladywood	Marketed	260,000
257 Moseley Road, Moseley	Negotiated	220,000

Disposals from the commercial portfolio since property strategy implemented April 2019 - 31 March 2020

SITE ADDRESS	DISPOSALS METHOD	VALUE £
72-78 Crompton Road, Nechells	Auction	310,000
35 Wilson Road, Lozells	Auction	220,000
(Instalment 6) Cedar House, William St, Ladywood	Marketed	1,499,375
(Premium for lease extension & regear) Priory & Cannon House, Priory Square	Negotiated	1,450,000
Retail Shop, 3 College Road, Handsworth	Negotiated	163,000
Land at Heaton St, Hockley	Negotiated	160,000
(5% Deposit) sites at corner of Princip St/Lancaster Street, City	Negotiated	30,700
TOTAL		6,520,937