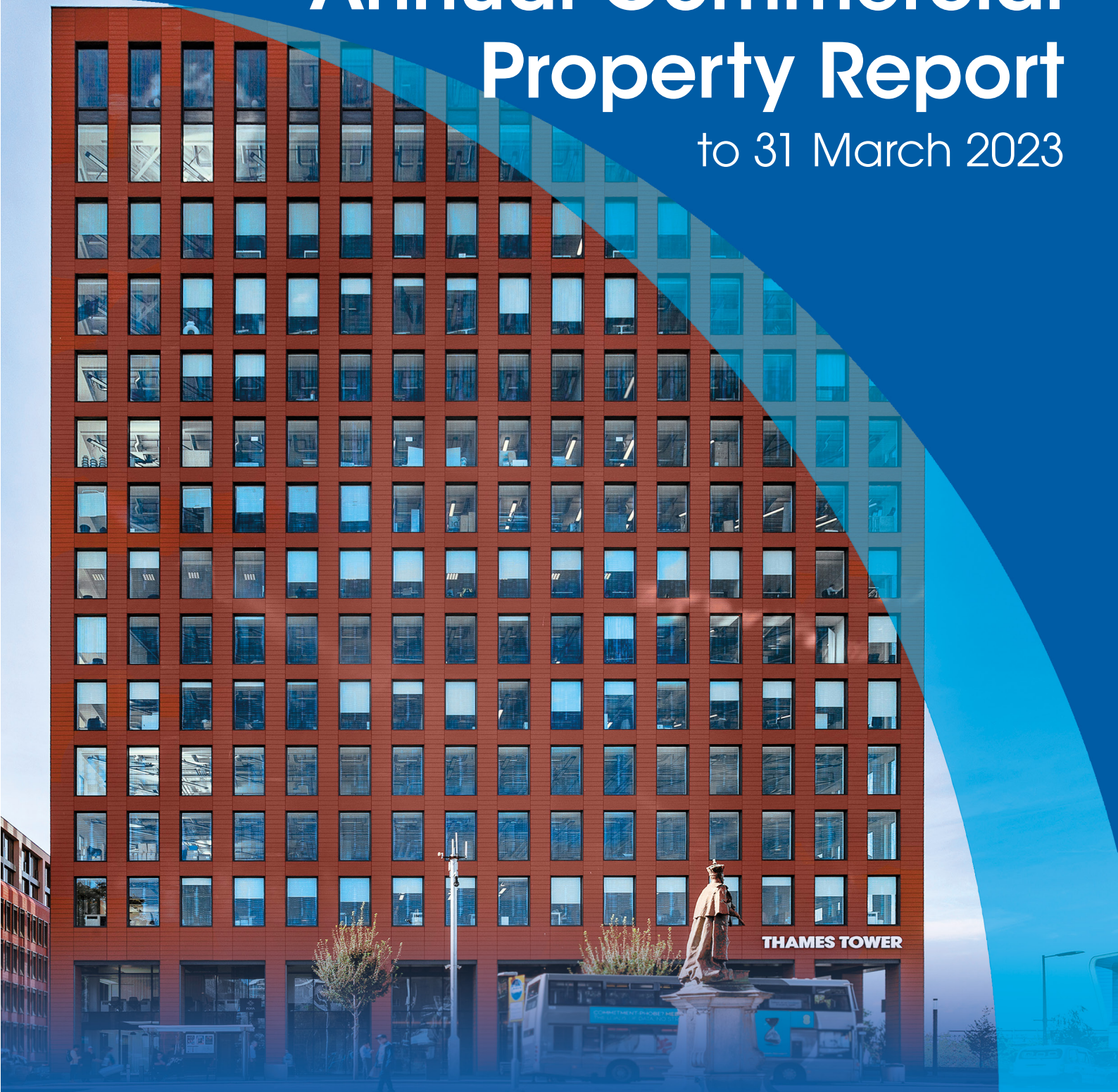


Spelthorne Borough Council Annual Commercial Property Report to 31 March 2023



Contents

1	Introduction	1
2	Property Market Overview	2
3	Portfolio Valuation	6
4	Key Performance Indicators	8
5	Lettings	15
	Asset Profile:	
	BP Campus, Sunbury Business Park, Sunbury	17
	Asset Profile:	
	12 Hammersmith Grove, Hammersmith, London	18
	Asset Profile:	
	3 Roundwood Avenue, Stockley Park	19
	Asset Profile:	
	World Business Centre 4, Newall Road, Heathrow Airport	20
	Asset Profile:	
	Elmbrook House, 18-19 Station Road, Sunbury-on-Thames	21
	Asset Profile:	
	Charter Building, Uxbridge	22
	Asset Profile:	
	Thames Tower, Reading	23
	Asset Profile:	
	The Porter Building, Slough	24
	Asset Profile:	
	Elmsleigh Shopping Centre, Staines	25
	Asset Profile:	
	Communications House, South Street, Staines	26
	Asset Profile:	
	The Summit Centre, Sunbury	27
	Appendix A - Key Performance Indicators	28

1 Introduction

The Annual Commercial Property report is produced by the Asset Management Team at Spelthorne Borough Council. It includes an analysis of the commercial property portfolio owned by the Council as at 31 March 2023.

The commercial portfolio is wholly owned by Spelthorne Borough Council; it comprises of the investment and regeneration portfolio. The objective of the investment portfolio is to generate revenue to support the services delivered by the Council to residents and businesses of Spelthorne. The regeneration portfolio holds assets with development potential to facilitate urban regeneration within the Borough and meet the need for additional affordable housing.

Commercial Portfolio Key Facts (at 31/3/2023)	
Net Asset Value 31 March 2023	£776.1 million
Number of property holdings	11
Average Lot size	£70.55 million
Net Income Received	£47.46 million
Vacancy rate (as % of rental value)	13.14%
Rent collection (% collected over FY22/23)	99.76%
Sinking Fund Balance	£37.716 million (£32.356 million at 31 March 2022)

2 Property Market Overview

South East Offices April 2022 to March 2023

The property market faced another challenging year to end of March 2023. Inflationary pressure, rising interest rates, the fall out from the Truss mini budget and the forecasts of a recession negatively impacted on the market. The investment market saw a reduction of transactional activity across all sectors in the UK. In the South East office market, by the end of 2022, transaction volumes were 14% down on the five year average¹. The reduced stock of buildings on the market and limited transactions affected pricing, causing yields to soften and capital values to decrease.

During the period, the letting market was characterised by subdued demand from occupiers looking for new space and take up levels were low. The amount of floorspace let was well below the 10 year average over the 12 months to March 2023². Occupiers continue to downsize now that hybrid working patterns have become the new normal. As a result, occupiers are using lease events (break option and lease expiries) as an opportunity to re-evaluate their space requirements. The majority of letting activity was focused on units of less than 10,000 sq.ft. with a continuing trend towards a reduction in the average transaction size. The consequence of downsizing was an increase in the vacancy rate across the South East office market.

Occupiers also decided to downsize due to wider economic concerns. Occupational costs had increased during the year due to rising energy prices, inflationary increases on building service charges (for example, cleaners, maintenance, security) and the central government business rates revaluation that took effect from April 2023. These cost pressures led some tenant to re-negotiate the terms of their lease. This could involve surrendering part of their space or requesting additional rent free periods as an incentive to stay in the building. The expense of moving offices and the generous incentives offered by landlords to retain tenants has meant more occupiers are staying put and renewing their leases. This has contributed to the low level of transactions seen in the office market.

Across the portfolio the Council saw the effect of occupiers downsizing. In January 2023, the Council agreed a surrender with WeWork at 12 Hammersmith Grove following the insolvency of the business operation within the building. At the Porter Building, the tenant Orange Business

¹ South East Offices Snapshot Q4 2022 - Colliers

² Thames Valley & South East Office Market Report 2023 – Lambert Smith Hampton

Holdings downsized their office at the break in their lease. As a Landlord the Council had to work hard to retain tenants and in November 2022 the Council was able to retain Ericsson as a tenant at Thames Tower, Reading by offering them a financial incentive to stay.

Most of the letting activity was focused on high quality buildings, known as grade A. Letting of grade A office buildings accounted for c.70% of all space leased across the South East³. The drive towards carbon net zero and the need for corporate occupiers to meet their energy efficiency targets is influencing the letting market. By 2027 it is proposed that buildings will need to comply with minimum energy efficiency standards (MEES) of an EPC rating of C or above. Analysis indicates that 54% of office buildings in the South East fall short and will require significant investment to upgrade and meet this requirement⁴. Quite rightly occupiers do not want to pay for the cost of building improvements nor suffer the disturbance as landlords upgrade their buildings. Advantageously, 75% of the Council's investment portfolio has an EPC rating of A or B.

The flight to grade A space is also driven by occupiers seeking a high quality office environment with social events and amenities to retain staff. Occupiers are seeking facilities akin to a high-class hotel such as a concierge service, business lounge, coffee shop, gym or exercise studio, bike stores & repair stations, showers, changing rooms and a community events programme. Tenants seem willing to pay for this additional value and often, if the move is to a smaller office, the step up to a grade A building can remain affordable.

A two-tier market is developing between primary and secondary buildings. Generally rental levels remained steady on grade A buildings but rents on secondary property came under intense pressure. Consequently, rental levels fell across all office property in the South East. Fortunately, the Council's investment properties are still regarded as best in class and with limited new development in the pipeline the Council is well placed to benefit from an improvement in the property cycle.

3 South East Offices Snapshot Q1 2023 - Colliers

4 M25 & SE Markets Report – Knight Frank

Retail Market April 2022 to March 2023

Consumer confidence fell over the first half of the financial year April to September 2022 but has seen a strong recovery since October 2022 although it is still at historically low levels. Footfall numbers have not recovered to pre-Covid levels, however, a new consumer shopping pattern appears to be evolving, namely less frequent shops but with spend per head increasing significantly when shoppers do visit retail centres. It is apparent that consumers remain keen to visit physical stores despite online sales momentum continuing. Service-led retail i.e. health and beauty (including brow and nail bars), opticians, food outlets, book and music stores, remain important and have a place in the evolving retail climate, helping to retain vibrancy in town centres.

Staines remains a vibrant town with a high occupancy rate of retail units. The two Centres, Two Rivers and the Elmsleigh, work well in tandem to provide the consumer with a well-rounded retail offering. Each centre attracts different retailers with shoppers inclined to visit both centres. Footfall within the Elmsleigh Centre for the 12 months to 31 March 2023 was up 58% on the previous year, however this figure is distorted due to low numbers in the preceding period due to the pandemic.

Turnover across all retailers within the Elmsleigh shopping centre was up 117%. This increase in retail sales by value is a trend reflected in the wider retail market. Whilst consumers were spending more the volume of retail sales continued its downward trajectory from April to December 2022. Retail sales volumes did increase moderately month on month in the first half of 2023 but it was still at a very low base. Low consumer confidence and falling retail sales volumes were the effect of wider economic concerns namely the rapid rise in inflation (CPI 11.1% October 2022) which created the biggest fall in real household disposable income since records began in the 1960's. This was exacerbated by significant increases in energy bills and has been widely reported in the press as the 'cost of living crisis'.

More positively, some households (typically higher income ones) are tapping into savings accumulated during the pandemic or reducing the proportion of their income that they save. Discretionary spending is most under pressure, as households delay big-ticket and non-essential purchases. As inflationary pressure eases and real incomes start to recover it is expected that consumer purchasing power and retail sales will pick up.

Nationally, average retail rental values were in decline for 18 months prior to the pandemic, a trend which that accelerated sharply during the lockdowns.

However, rental values levelled off in early 2022, and have been broadly flat since.

The all-retail trend masks significant variation, depending on the type of property and location. The retail warehouse subsector, for example has performed considerably better than other sub-sectors. The average shopping centre rental values are 23.1% lower than five years ago but have been broadly static over the year. Likewise, standard high street retail units having experienced a drop in rental value of nearly 30% since December 2017 have now levelled off, with little change in the six months to March 2023.⁵ At the Elmsleigh Centre the Council has largely absorbed the fall in rental values, agreeing to lower market rents as leases have been renewed over the last few years.

New lettings within Elmsleigh in the past 12 months have been HMV in the former Top Shop unit and Shoezone, who opened a new concept store with their own and multibrands within the store. Deichmann also refitted their unit and a surrender was agreed with Decathlon, who vacated during the pandemic, to facilitate a new library.

⁵ Carter Jonas Valuation Report Elmsleigh Centre, March 2023

3 Portfolio Valuation

The investment and regeneration portfolio is independently valued annually at the 31 March to comply with the Council's accounting obligations. At the 31 March 2023 Carter Jonas LLP valued the portfolio at £776.1 million. The investment portfolio is valued on a market value basis in accordance with the RICS Professional and Global Valuation Standards.

Commercial Property Assets - Valuation table

Investment Portfolio			
Address	Sector	Value (£m) March 2022	Value (£m) March 2023
Elmbrook House, Station Road, Sunbury-on-Thames	Offices	£6.25	£4.50
3 Roundwood Avenue, Stockley Park	Offices	£16.40	£11.00
World Business Centre 4, Heathrow	Offices	£45.10	£36.10
12 Hammersmith Grove, London	Offices	£162.00	£140.25
The Charter Building, Uxbridge	Offices	£99.00	£80.00
The Porter Building, Slough	Offices	£57.35	£45.50
BP Campus, Sunbury	Offices	£386.80	£302.35
Thames Tower, Reading	Offices	£109.84	£103.70
Sub total		£882.74	£723.40

Regeneration Portfolio			
Address	Sector	Value (£m) March 2022	Value (£m) March 2023
The Summit Centre, Sunbury-on-Thames	Office/ Industrial	£14.00	£13.00
Communications House, South Street, Staines-upon- Thames	Office	£14.70	£14.90
Elmsleigh Centre	Retail	£27.85	£24.80
Sub total		£56.55	£52.70
Total	All Properties	£939.29	£776.10

- The total estimated value of the Council's commercial property portfolio at 31 March 2023 is £776.10 million.
- The total portfolio declined in value by 17.37% compared to 31 March 2022.
- The investment properties saw a greater reduction in capital value in comparison to the properties held for regeneration purposes.
- With the exception of Communications House in Staines all properties declined in value.
- No properties were bought or sold during the 12 month period.

4 Key Performance Indicators

The Council has set a number of key performance indicators for the investment portfolio. The key performance indicators (KPI's) set targets for the management of the investment portfolio and focus on income, expenditure, portfolio and tenant risk. The key performance indicators were agreed in July 2023. They form part of the Asset Management Strategy 2023/24 - 2027/28 which was adopted by the Council in December 2023. The performance of the portfolio to March 2023 has been measured against the revised KPI's. A copy of the KPI's can be found as Appendix A.

4.1 Financial (Income & Expenditure) - Key Portfolio Indicators

The Council's budget setting process involves forecasting the income generated from the investment portfolio and irrecoverable expenditure for the upcoming financial year. On an annual basis forecasts are provided for the next 5 years together with a detailed budget for the next 12 months. Budget setting takes place in the Autumn/Winter prior to the 1 April start of the financial year.

The investment properties benefit from a contractual income stream governed by the rent agreed under the lease. Whilst the lease contract allows the Council to budget the net receivable income with some accuracy there is an element of unpredictability and risk due to tenant default, insolvency, rent reviews, lease renewal negotiations or the exercise of break options.

Irrecoverable expenditure relates to the costs that the Council as the landlord incurs in the effective management of the properties. This may include expenditure associated with vacant property such as business rates, insurance and service charge as well as refurbishment costs, letting costs and professional fees.

The net receivable income and the irrecoverable expenditure are monitored on a monthly basis and reported quarterly to committee members throughout the financial year. The income, expenditure and net position is noted below by property. These figures are before financing costs, management set aside and sinking fund contributions have been deducted. The Council seeks to meet or exceed the budget expectations on net income and match or underspend the non-recoverable revenue target.

Income*	2022/23 Budget	2022/23 Actual
Thames Tower	£6,622,500	£6,194,873
Charter	£11,043,500	£10,176,776
Porter	£3,416,800	£2,754,321
12 HSG	£9,545,800	£9,545,076
WBC4	£2,457,600	£2,488,431
Stockley Park	£956,600	£758,716
Elmbrook House	£477,200	£5,465
BP SW Corner	£2,115,300	£2,150,214
BP Main Site	£17,332,300	£17,535,232
Investment Props Misc	£0	£0
Total	£53,967,600	£51,609,102

*Income includes rent, insurance reimbursements received from tenants, filming licences, licences, rent top ups, lease surrender receipts, contributions from dilapidations.

Operating Costs	2022/23 Budget	2022/23 Actual
Thames Tower	£525,800	£242,569
Charter	£4,227,000	£1,237,869
Porter	£1,372,500	£608,594
12 HSG	£729,000	£725,896
WBC4	£7,500	£39,808
Stockley Park	£1,299,300	£705,060
Elmbrook House	£0	£282,648
BP SW Corner	£0	£34,792
BP Main Site	£0	£202,393
Investment Props Misc	£ 0	£71,330
Total	£8,161,100	£4,150,959

Net Exp/Income	2022/23 Budget	2022/23 Actual
Thames Tower	£6,096,700	£5,952,304
Charter	£6,816,500	£8,938,906
Porter	£2,044,300	£2,145,727
12 HSG	£8,816,800	£8,819,180
WBC4	£2,450,100	£2,448,623
Stockley Park	-£342,700	£53,655
Elmbrook House	£477,200	-£277,183
BP SW Corner	£2,115,300	£2,115,422
BP Main Site	£17,332,300	£17,332,839
Investment Props Misc	£0	-£71,330
Total	£45,806,500	£47,458,143

- The Council received a net rental income of £51.61 million from the investment portfolio for the financial year ending 31 March 2023. This was 4.37% below budget.
- The rental income received was lower than forecast on the following buildings; Thames Tower, Charter Building, Porter Building, Stockley Park and Elmbrook House.
- The operating costs were significantly lower than budgeted. Irrecoverable revenue expenditure was 49.14% lower than forecast.
- The net position (net income less expenditure) was positive for the Council. The Council received a net income of £47.46 million before finance costs, management set aside and sinking fund movements. This exceeded the budget by 3.61%.

4.2 Lease Event Management

Good estate management requires the timely agreement of rent reviews and lease expiries. The Council aims to instigate all rent reviews where an uplift is forecast prior to the rent review date and all lease expiries (where they are contracted out of the Landlord & Tenant Act 1954) prior to the expiry date to maintain security of income.

Lease renewals completed to 31 March 2023

Property	No. of lease renewals	Contracted Rent (£) p.a	Estimated Rental Value (£) p.a	Rent Achieved (£) p.a.	Uplift on ERV %
Elmsleigh Centre and High Street, Staines	6	424,500	223,100	345,730	54.97%
Summit Centre, Sunbury	3	79,000	96,200	81,000	-15.80%
Communications House, Staines	2	1,006,680	1,009,700	1,006,680	-0.30%
Total	11	1,510,180	1,329,000	1,433,410	38.87%

Rent reviews completed to 31 March 2023

Property	Sector	Rent Review Date	Contracted Rent (£) p.a	Rent Achieved (£) p.a.	Uplift %
WBC4, Heathrow	Office	29/11/2022	£2,457,622.88	£2,457,622.88	0%

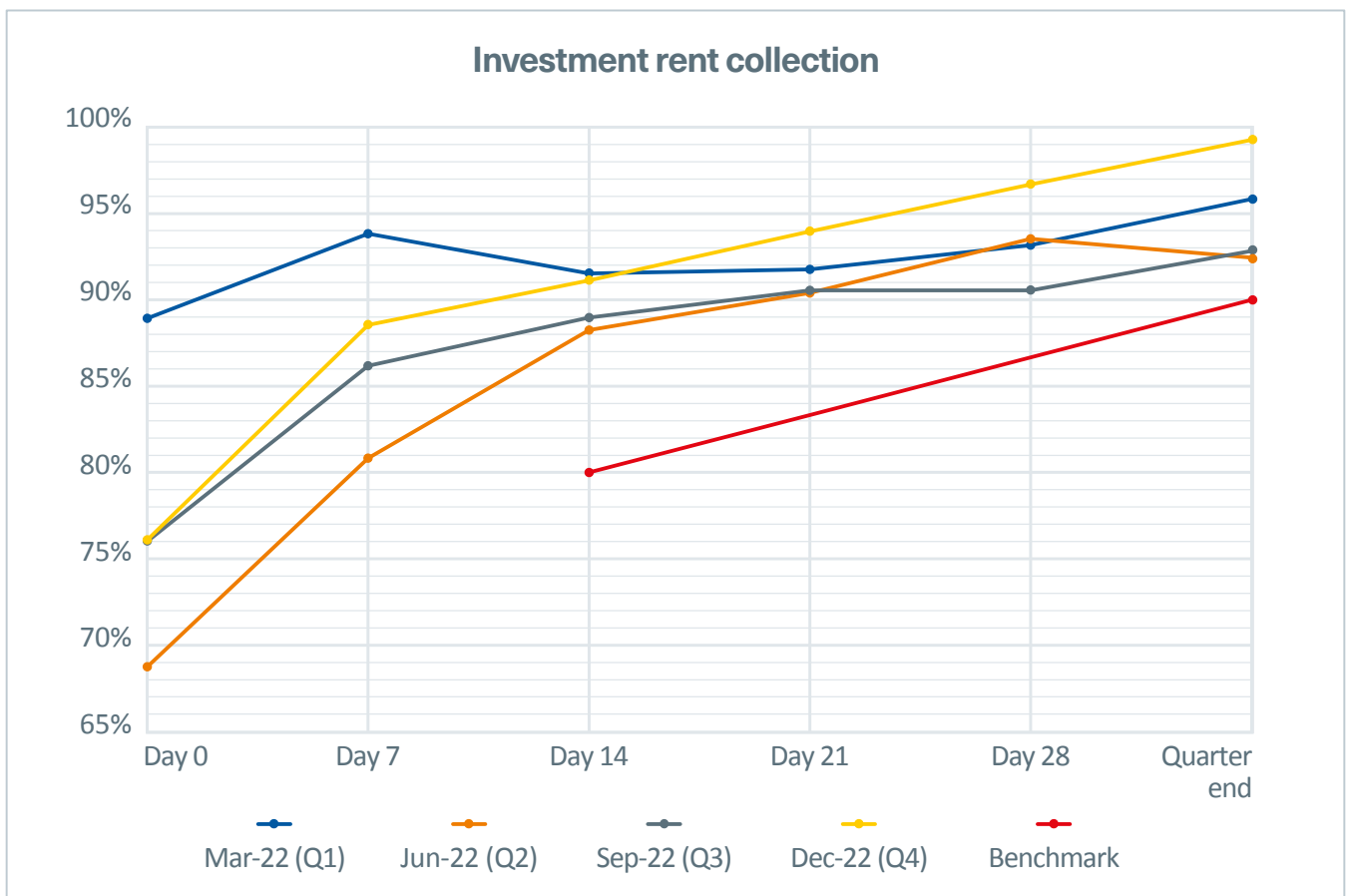
4.3 Tenant Risk

Tenant default poses a great risk to the performance of the portfolio. To ensure that current occupier risk is identified and mitigated the Council monitors the credit rating of all the tenants. A review of the credit ratings and a 'RAG' risk score is undertaken on a bi-annual basis using a credit monitoring source (currently Dun & Bradstreet & Experian).

Top 10 tenants (by rent) 31/03/2023		
Property	% of Portfolio Rent	D&B Risk Rating
BP International Ltd	42.69%	low-Med
Amadeus IT Services Uk Ltd	5.39%	low-Med
Dazn Media Services Ltd	4.29%	low-Med
Creative Artists Agency UK Ltd	4.21%	medium
MDSOL Europe Ltd	3.84%	low
Ericsson Ltd	3.15%	low
For a Thames Tower Limited	3.12%	medium
BMI Group Management UK Ltd	2.15%	low
Mattel UK Limited	2.04%	low-Med
Regeneron UK Limited	1.87%	low
Total of Top 10	72.75%	

- BP International is the Council's largest tenant contributing 43% towards the total portfolio income.
- The Council has a large exposure to a relatively small number of tenants. The top ten tenants contribute 73% towards the total portfolio income.
- The top 10 tenants present a low to medium risk of tenant default and are considered strong covenants.

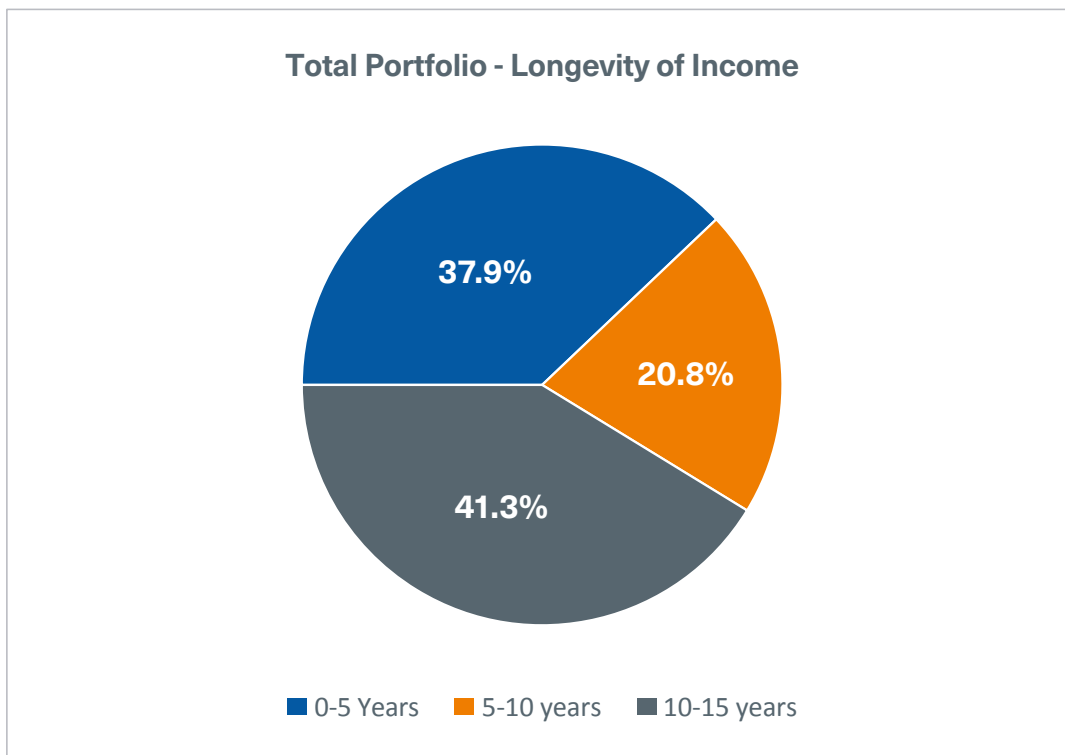
The Council has rigorous processes in place to monitor the collection of rent and identify potential problem tenants. The Council commits to collecting 80% of all quarterly demanded rents within 14 days of the due date and 90% of all rent by the quarter end.



- The Council exceeded the portfolio target over the four quarters of the 22/23 financial year.
- In the financial year 99.76% of all rent was collected.

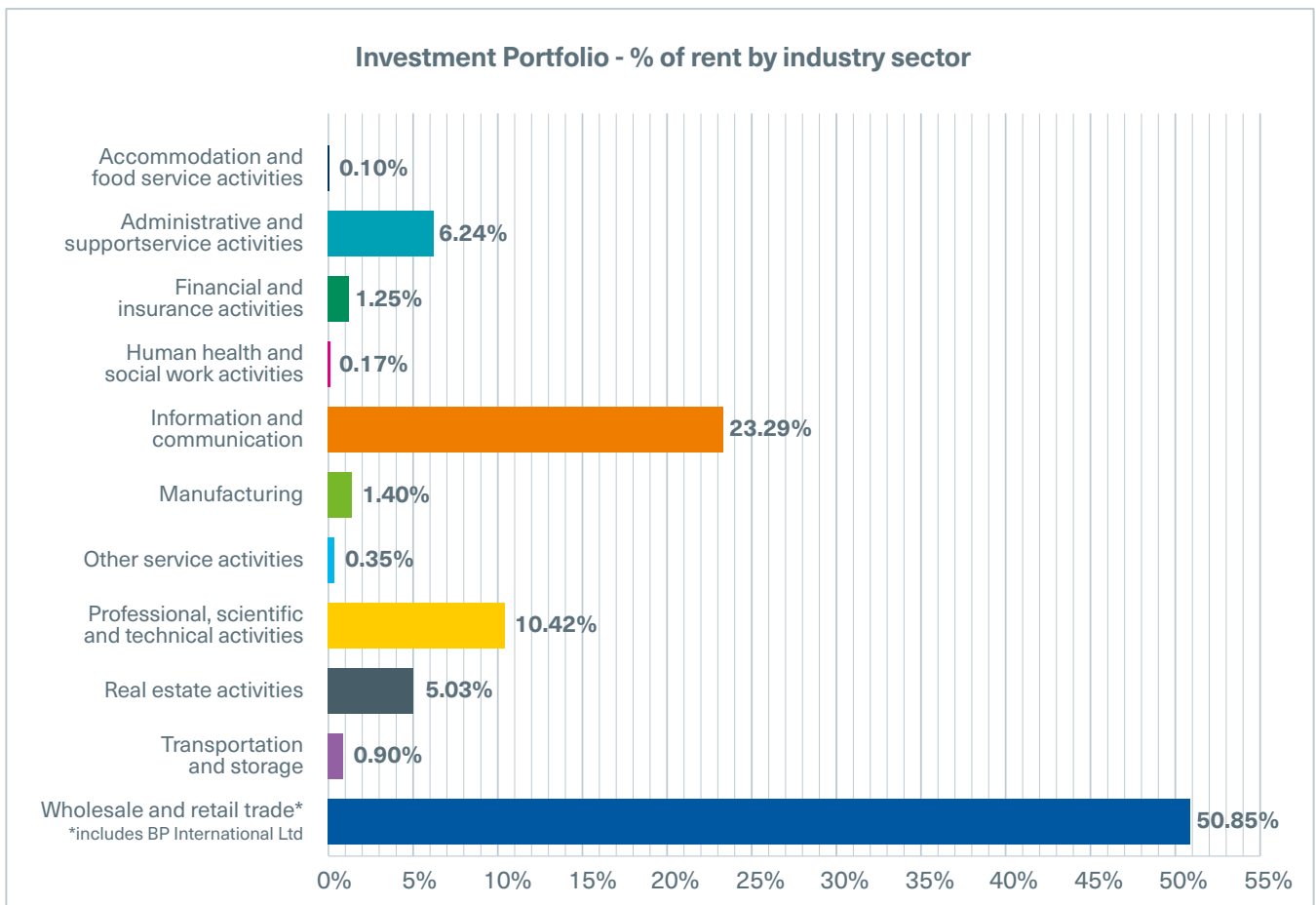
4.3 Portfolio Risk

The Council aims to have a good balance between short, medium and long term income. Active asset management ensures that there are strategies in place to preserve longevity of income. The portfolio weighted average unexpired lease term (WAULT) should exceed the market average lease length on new lettings. The weighted average unexpired lease term of the investment portfolio is 7 years and 11 months.



- The length of income is fairly evenly distributed between short, medium and longer term income.
- The majority of the Council's income (41%) is secured for between 10-15 years.
- The income from BP International Plc at Sunbury Business Park accounts for the long term income secured until 2036.
- The office market trend, firmly evident post Covid-19 is for greater lease flexibility. This means tenants are requiring shorter leases (3 or 5 years) with tenant break options often at year 3 and year 5 in a 10 year lease term.

Portfolio risk is reduced by geographical, sector and tenant diversification. The Council's investment strategy was to invest in property within the borough or high quality properties located in the Heathrow economic area. The portfolio is highly weighted towards offices with 95.13% offices, 1.68% light industrial and 3.2% retail. Despite being highly geared towards offices the tenants within the portfolio are active in a diverse range of industry sectors.



5 Lettings

Despite a challenging leasing market, the Council completed on five new lettings which increased the contracted rental income, after the expiry of rent free periods by £872,109 per annum.

New Lettings completed to 31 March 2023

Date Completed	Property	Sector	Area sq.ft	Contracted Rent (£) p.a.	Estimated Rental Value (£) p.a.
Sep-22	Part 4th floor Charter Building, Uxbridge	Office	3,378	129,411	127,000
Oct-22	Units 15/16 Elmsleigh Centre, Staines	Retail	6,154	75,000	67,100
Oct-22	Unit 32A Elmsleigh Centre, Staines	Retail	1,171	45,000	45,000
Oct-22	Part 3rd floor Charter Building	Office	18,344	622,698	587,000
Nov-22	91 High Street, Staines	Retail	682	-	38,700
Total			25,669	872,109	864,800

In line with the wider South East office market the Council's vacancy rate increased over the 12 months from 6.34% to 11.68% in March 2023 (as a % of floor area). Tenant insolvency and downsizing were the main reasons for the increase in void rate at 12 Hammersmith Grove, Elmbrook House and 3 Roundwood Avenue. The letting market in the Thames Valley has been challenging with very low enquiries levels and few transactions taking place. The vacant space at 12 Hammersmith Grove was under offer at the year end and the letting completed in September 2023.

Total vacant floor space across the commercial portfolio – Void table

Investment Portfolio					
Property	Town	Portfolio	Sq.ft to Let	% of Property total floor area	% of ERV
12 Hammersmith Grove	Hammersmith	Investment	54,698.00	3.43%	5.21%
Porter Building	Slough	Investment	28,316.00	1.77%	1.77%
Elmbrook House	Sunbury	Investment	19,480.00	1.22%	0.84%
The Charter Building	Uxbridge	Investment	57,764.00	3.62%	3.49%
3 Roundwood Avenue	Stockley Park	Investment	42,907.00	2.69%	2.74%
Sub-total			203,165.00	12.73%	14.05%
Regeneration Portfolio					
Property	Town	Portfolio	Sq.ft to Let	% of Property total floor area	% of ERV
Communications House	Staines	Regeneration	9,370.00	2.50%	4.33%
Elmsleigh Centre	Staines	Regeneration	17,740.00	4.73%	N/A *
Sub-total			27,110.00	7.22%	4.33%
Total Portfolio Void			230,275.00	11.68%	13.14%

* under offer for future community use.

The vacancy rate poses a significant challenge for the Council. In March a survey undertaken by the Royal Institute of Chartered Surveyors noted that over 75% of respondents thought that the market was still on a downward trajectory or was at the bottom of the property cycle. However, going forwards as the office market starts to recover, the Council's grade A buildings are well placed to attract the occupier demand.

Asset Profile: BP Campus, Sunbury Business Park, Sunbury



Asset Details

Sector: Office/Business Park	Tenure: Freehold	Independent Valuation: £302.35 million (31 March 2023)	Purchase Price: £384.9 million (Sep/Dec 2016)
Property Description:	<p>The main site is arranged as a campus style development comprising of eight buildings constructed between 2000 and 2014. They are of steel framed construction with glazed and aluminium cladding under a flat roof. They are fitted out as offices with a Grade A specification although some of the accommodation includes laboratories and a lecture hall.</p> <p>The SW corner site comprises of 4 buildings dating from the 1950's to 2000. The offices, laboratories and warehouse are of a basic internal specification in line with the age of the property. There is good parking including a multi-storey car park.</p>		
Total Area: 732,559 sq.ft	Contracted rent: £19.447 million pa	ERV: £19.447 million pa	Vacancy % 0%
Key Tenant:	BP International Ltd		

Asset Strategy Summary

Long term hold with the lease on the main campus expiring in 2036 and SW corner in 2028 with five yearly indexed linked rent reviews. Currently exploring redevelopment options for alternative uses on the SW corner when the lease expires.

Asset Profile: 12 Hammersmith Grove, Hammersmith, London



Asset Details

Sector: Office	Tenure: Long Leasehold	Independent Valuation: £140.25 million (31 March 2023)	Purchase Price: £170 million (January 2018)
Property Description:	The property is located in a prime position in Hammersmith, close to Hammersmith Underground station and within easy access to the A4/M4 corridor and Heathrow. The landmark building was completed in February 2016. The multi-let office building provides Grade A accommodation over ground and ten upper floors.		
Net Lettable Area: 170,011 sq.ft	Contracted rent: £6.574 million pa	ERV: £9.114 million pa	Vacancy % 32%
Key Tenant:	Dazn Media Services, Creative Arts Agency, Medidata Europe Ltd, Research Instruments Ltd and All Nippon Airways Co Ltd.		

Asset Strategy Summary

The grade A building remains one of the best buildings in Hammersmith. At the valuation date the ground, 1st, 2nd and 3rd floor were vacant. Following a letting to IWG which completed in September 2023 the property is fully let. The building is multi-let with the leases expiring in 2027 and 2028. The focus is on tenant retention and asset management initiatives to extend the leases.

Asset Profile: 3 Roundwood Avenue, Stockley Park



Asset Details

Sector: Office/Business Park	Tenure: Freehold	Independent Valuation: £11 million (31 March 2023)	Purchase Price: £21.40 million (July 2017)
Property Description:	Stockley Park is a well-established business park located near Uxbridge with good transport connections to J4 of the M4, M25, Heathrow Airport and Central London via Hayes and Harlington Rail Station, Uxbridge Underground station and Crossrail. The property comprises of a stand-alone grade A office building over ground and first floor. The property was built in 1990 and was comprehensively refurbished in 2014 and 2016. It is a two storey, steel-framed building with glazed atrium reception. A car park provides 136 car parking spaces, a ratio of 3.17 spaces per 1,000sq.ft.		
Net Lettable Area: 42,961 sq.ft	Contracted rent: £0 million pa	ERV: £1.46 million pa	Vacancy % 100%
Key Tenant:	Vacant		

Asset Strategy Summary

The building is currently vacant. A £3.25 million comprehensive refurbishment programme commenced in June 2022. The refurbishment work involves sub-dividing the ground floor office into 4 smaller suites, improving the communal areas with a new reception, mezzanine, coffee lounge, showers, lockers and WC's, EV charging stations and adding approximately 1,364 sq.ft net lettable floor area to meet occupier requirements. Substantial improvements to the mechanical & electrical systems are also being undertaken to improve the buildings EPC and sustainability ratings. The project is to complete December 2023. The strategy post refurbishment is to re-let the property and minimise void costs where possible.

Asset Profile: World Business Centre 4, Newall Road, Heathrow Airport



Asset Details

Sector: Office	Tenure: Part freehold and part leasehold	Independent Valuation: £36.10 million (31 March 2023)	Purchase Price: £47.248 million (September 2017)
Property Description:	Located to the north of Heathrow airport it is a stand-alone office building adjacent to World Business Centre 1, 2 & 3. A modern, grade A building completed in 2018 it provides open plan accommodation over ground and three upper floors. There is an underground car park providing a car parking ratio of 1:556sq.ft. It is a single-let building on full repairing and insuring terms.		
Net Lettable Area: 89,282 sq.ft	Contracted rent: £2.457 million pa	ERV: £2.370 million pa	Vacancy % 0%
Key Tenant:	Amadeus IT Services UK Ltd		

Asset Strategy Summary

Long term hold to benefit from the rental income. The lease expires in 2032. Asset well placed to withstand market movement due to grade A building, close proximity to Heathrow and good lease length to a tenant of substantial financial strength. The rent review in 2022 was agreed at nil increase. Opportunities to extend the lease and preserve income will be monitored.

Asset Profile: Elmbrook House, 18-19 Station Road, Sunbury-on-Thames



Asset Details

Sector: Office	Tenure: Freehold	Independent Valuation: £4.5 million (31 March 2023)	Purchase Price: £7.160 million (December 2016)
Property Description:	The property was constructed in the mid 1990's and comprehensively refurbished in 2016. It is a three storey concrete framed structure with brick elevations and a hipped slate covered roof located next to Sunbury station. Internally the office space benefits from air conditioning, suspended ceilings with LED lighting and raised access floors. The property provides office accommodation over ground with two upper floors and excellent car parking (91 spaces 1:214 sq.ft)		
Net Lettable Area: 19,480 sq.ft	Contracted rent: £0 pa	ERV: £0.458 million pa	Vacancy % 100%
Key Tenant:	Vacant		

Asset Strategy Summary

The property has been vacant since March 2022. The common areas have been redecorated and the building has been marketed to let on a multi-let basis on short term leases. The 1st and 2nd floor are currently under offer to let. The short-term strategy is to complete the lettings and let the ground floor to minimise the cost of holding a vacant building and provide a rental income. In Q1 2023 the Council reviewed the feasibility of redeveloping the building for residential redevelopment but it was considered economically unviable, and the Council decided to proceed with the letting interest. The Council will continue to monitor the feasibility for future redevelopment.

Asset Profile: Charter Building, Uxbridge



Asset Details

Sector: Office	Tenure: Freehold	Independent Valuation: £80 million (31 March 2023)	Purchase Price: £135.98 million (August 2018)
Property Description:	The property is located in Uxbridge town centre within close proximity to the train station & well connected to Central London and Heathrow. Completed in 2017 it provides modern, high quality office accommodation over lower ground and five upper floors. The building benefits from a large reception area and five storey atrium, decked roof terraces, coffee shop, concierge service and 326 car parking spaces. The open plan floorplates of c.54,000 sq.ft provide flexible space that can be split in size to accommodate tenants from 3,000 sqft upwards.		
Net Lettable Area: 233,031 sq.ft	Contracted rent: £3.893 million pa	ERV: £7.392 million pa	Vacancy (as % of floor area): 25%
Key Tenant:	IWG t/a Spaces, Tracelink Europe, Parkside Recruitment, AVA Security, Regeneron, Insight Direct, Validity International, Lavazza Coffee (UK) Ltd, Tempur Sealy, Treetops, UBC Late Stage, Intellian, Yoplait		

Asset Strategy Summary

The short-term strategy is to let the vacant space on the 2nd and part 4th floor so the building is fully income producing at rents that are at or above the market rate and minimise void costs. In order to meet occupier demand for smaller office suites (sub 10,000 sq.ft) the 2nd floor has been sub-divided. The separation work costing £500K was completed in October 2023 and formal marketing has commenced.

Asset Profile: Thames Tower, Reading



Asset Details

Sector: Office	Tenure: Freehold	Independent Valuation: £103.7 million (31 March 2023)	Purchase Price: £119.32 million (August 2018)
Property Description:	An iconic building completed in 2017 it provides high quality office space in Reading town centre adjacent to the train station. It provides Grade A office accommodation over basement, ground and 14 upper floors. Floor plates of c.14,000sq.ft allow for sub-division and multiple occupation. Occupier facilities include a private roof terrace, café, tenant events/concierge service, showers, bike store and lockers. The area surrounding Thames Tower known as Station Hill is subject to redevelopment providing further office, retail, residential and public open space thereby improving the location.		
Net Lettable Area: 190,868 sq.ft	Contracted rent: £6.916million pa	ERV: £6.930 million pa	Vacancy (as % of floor area): 0%
Key Tenant:	Fora, Pret a Manger, Clarkslegal, Make a Wish, Riot Games, HSBC, MBNL, Ericsson, BDO, Austin Fraser, Objective Corporation, ISIO Group, BMI.		

Asset Strategy Summary

The building is multi-let with a range of lease expiry dates. In the current challenging market the strategy is to maintain income by retaining tenants where there are upcoming lease breaks and expiries. The Asset Manager has managed to retain Make a Wish, Riot Games and Ericsson – all of which had break options. Although fully let at 31/3/2023 the 13th floor will become vacant in December 2023 as the tenant has exercised a break option. A letting agent has been appointed and the key will be to re-furbish and re-let the space quickly to minimise the void period and costs.

Asset Profile: The Porter Building, Slough



Asset Details

Sector: Office	Tenure: Freehold	Independent Valuation: £45.5 million (31 March 2023)	Purchase Price: £66.47 million (August 2018)
Property Description:	The building was developed in 2017 to a high specification with excellent environmental credentials. It is located in a prominent position in Slough town centre opposite the train and bus station. It provides Grade A office accommodation over ground and four upper floors on floor plates of c.27,000 sq.ft allowing for sub-division and multiple occupation. The property benefits from a communal roof terrace, concierge service, shower facilities and basement car parking for 100 cars & 100 cycle spaces.		
Net Lettable Area: 117,388 sq.ft	Contracted rent: £1.863 million pa	ERV: £3.970 million pa	Vacancy (as % of floor area): 24%
Key Tenant:	Starbucks, Spaces, Mattel, Orange Business Services, AFL Fleet Management		

Asset Strategy Summary

The 1st floor became vacant in September 2022. A full refurbishment of the floor to Cat A at £430K was completed between March-May 2022. The floor is being actively marketed through joint agents. Negotiations to retain the 4th floor tenant resulted in an agreement for a new letting and surrender of part with the separation costs incurred by the tenant. In the current market the strategy is to maintain income by retaining tenants. Where space is vacant initiatives are undertaken to minimise void costs.

Asset Profile: Elmsleigh Shopping Centre, Staines



Asset Details

Sector: Retail	Tenure: Freehold	Independent Valuation: £24.8million (31 March 2023)	Purchase Price: £39.325 million (February 2020)
Property Description:	The Elmsleigh Shopping Centre is a modern (refurbished in 2007), covered shopping mall fronting the High Street and with access at the rear to Friends Walk and bus station. Adjoining the Centre is a multi-storey car park. The freehold was purchased by Spelthorne in February 2020 and in January 2021 105-107 High Street was acquired. The asset also includes 1-6 Friends Walk, 77 High Street, 91-93 High Street, 101-103 High Street, and Tothill multi-storey car park. The shopping centre arranged across two floors together with the adjacent premises contains 50 separate retailers plus additional mall kiosks, the Centre is anchored by Primark and Matalan.		
Net Lettable Area: 232,551 sq.ft	Contracted rent: £2.98 million pa (some leases are subject to turnover rents)	ERV: £3.26 million pa	Vacancy (as % of floor area): 4.79%
Key Tenant:	Matalan, Primark, Tesco, Sports Direct, H&M, New Look, Body Shop, Claires Accessories, Costa Coffee, Superdrug, Waterstones, Vision Express etc.		

Asset Strategy Summary

A strategic long-term regeneration investment for the Council, Elmsleigh Centre is also a focal point at the heart of the community. The short-term strategy is to maintain tenant income and mitigate exposure to voids. The vision for the shopping centre is to improve the tenant mix and offer an improved retail and leisure offer. The shopping centre, adjacent retail units and car park offer longer term opportunities to create new residential units through development. The Council is committed to promote and improve Staines as a thriving centre.

Asset Profile: Communications House, South Street, Staines



Asset Details

Sector: Office	Tenure: Freehold	Independent Valuation: £14.9 million (31 March 2023)	Purchase Price: £11.70 million (July 2018)
Property Description:	The property is located in Staines town centre adjacent to the Tothill car park and the Elmsleigh Shopping Centre. Constructed in 1981 and refurbished internally in 2013 it provides office accommodation over ground and five upper floors. The building is an 'L' shaped, brick construction with a flat roof.		
Net Lettable Area: 48,194 sq.ft	Contracted rent: £1.01 million pa	ERV: £1.25 million pa	Vacancy (as % of floor area): 19.44%
Key Tenant:	Samsung Electronics (UK) Ltd, Anglo Gold Ashanti Holdings Plc.		

Asset Strategy Summary

The property was acquired for redevelopment in conjunction with other property assets owned by the Council nearby. With development plans under-review negotiations are ongoing to renew the leases with the existing tenants. The vacant space is currently being marketed on competitive terms and void costs are being mitigated where possible.

Asset Profile: The Summit Centre, Sunbury



Asset Details

Sector: Light Industrial/Office	Tenure: Freehold	Independent Valuation: £13 million (31 March 2023)	Purchase Price: £13.79 million (September 2019)
Property Description:	The site of 4.47 acres includes a mix of industrial and office accommodation constructed during the 1970's and 1980's. Units 3 & 4 provide a two storey office and R&D space over 56,412 sq.ft. 33 Hanworth Road provides 1970's style office accommodation with a warehouse to the rear totalling 10,627 sq.ft. There is a terrace of six, small industrial units (units 1a-f) ranging in size from 997 to 1,196 sq.ft.		
Net Lettable Area: 73,411 sq.ft	Contracted rent: 1.042 million pa	ERV: £1.112 million pa	Vacancy (as % of floor area): 0%
Key Tenant:	Johnson Controls/ADT Fire and Security plc, SSS Gears, Sandrair International Ltd, LP Custom Clearance.		

Asset Strategy Summary

To reduce the impact of voids during 2023 when leases expire on Unit 4 and 1st floor 33 Hanworth Road by marketing the buildings to let and mitigating costs. The longer-term strategy is to redevelop the site.

Appendix 1: Key Performance Indicators (July 2023)

	Responsibility	Reason	Data Source	Benchmark	Performance against Benchmark	Comments
Financial (income)						
Portfolio Income Growth	Asset Management	To assess how SBC portfolio compares to budget in terms of net receivable income	Monitoring reports/financial outturn	Target is to match or exceed Budget income outturn	Budget net receivable income £53,967,600 Actual net receivable income £51,609,102	Net income below budget largely due to vacancies at Elmbrook House and Stockley Park.
Financial (expenditure)						
Irrecoverable Revenue Expenditure	Asset Management	To monitor expenditure on refurbishments and holding costs against Budget	Monitoring reports/financial outturn	Target = Budget	Budget irrecoverable revenue expenditure £8,161,100 Actual net irrecoverable expenditure £4,150,959	Spent less than budgeted. Despite the Council receiving lower than forecast income due to lower expenditure the net position was positive compared to budget.

	Responsibility	Reason	Data Source	Benchmark	Performance against Benchmark	Comments
Lease Event Management						
Rent Reviews	Asset Management	To avoid delays in recording rental uplifts and for good estate management reasons	Asset Management	All reversionary rent reviews to be instigated prior to rent review date unless by exception	No reversionary rent reviews to action during FY 22/23.	There were no rent reviews to action during the financial year where an uplift could be secured.
Lease Expiries	Asset Management	To avoid delays in recording rental uplifts and for good estate management reasons	Asset Management	All contracted out expiries to be instigated prior to expiry date unless by exception	All lease expiries were instigated by the expiry date. Only few outstanding lease renewal negotiations at the Elmsleigh Centre.	See Lease renewal table on page 10 to see a list of completed lease renewals.

	Responsibility	Reason	Data Source	Benchmark	Performance against Benchmark	Comments
Tenant Risk						
Regular review of occupier credit ratings	Asset Management	To ensure that current and future occupier risk is identified and mitigated against	Dun & Bradstreet & Experian	Target = bi-annual reporting	RAG rating for top 10 tenants provided. Bi-annual updates to be provided as part of Asset Management reporting of Business Plans and review.	RAG rating for top 10 tenants provided on page 11.
Rent collection (lease rent only, exc turnover)	Asset Management	Regular monitoring of rent collection to assist with Finance budgeting and to identify problem tenants	Cushman JLL	80% within 14 days 90% by Qtr end	March 22 Qrt Day 14: 91.53% June 22 Qrt Day 14: 88.24% Sept 22 Qrt Day 14: 88.97% Dec 22 Qrt Day 14: 91.13% March 22 Quarter End: 95.83% June 22 Quarter End: 92.44% Sept 22 Quarter End: 92.84% Dec 22 Quarter End: 99.27%	Exceeded benchmark across all quarters during the financial year. 99.76% of all annual rent collected.

	Responsibility	Reason	Data Source	Benchmark	Performance against Benchmark	Comments
Portfolio Risk						
Portfolio Weighted Average Unexpired Lease Term to exceed market average lease length on new letting	Income	To ensure strategies are in place to preserve longevity of income	Annual Valuation	Property Advisors / MSCI Property Index	Investment portfolio weighted average unexpired lease term to expiry (March 2023) was 7 years 11 months.	The investment portfolio weighted average unexpired lease term exceeds the average market lease length.