



*Photograph: Aikman Avenue Shops*

### **Purpose:**

In response to matters arising at the meeting of 15 June 2021 and a request by the Commission for an update on the Neighbourhood / Housing Estate Shops including: the make-up of the units and their spread of use; the management and maintenance of the units; and their performance in the context of the Corporate Estate.

# **Neighbourhood Shops Update**

September 2021

## **1. Corporate Estate Overview**

## **2. The Council's Retail Holdings**

- Size and Scope
- Benchmark Comparison

## **3. Neighbourhood Retail Offer**

- Location / Values
- Tenancies / Management
- Sector Performance

## **4. Capital Investment & Maintenance**

## Corporate Estate - Overview

The Corporate Estate is a commercial property portfolio consisting of the land and property owned and directly managed by the City Council predominantly for income generation or capital appreciation purposes.

The portfolio consists of land, small business units, office space, industrial units, along with city centre retail units and neighbourhood shops that are leased out to private sector organisations across the city. In addition, the Council leases out car parks, farms and grazing land as well as other land that houses anything from warehouses and factories, to sports facilities and substations.

Income is generated by letting out the land and property for market-competitive rents.



Locally-based – Leicester and Leicestershire



372 Sites / 1105 Lettable Units (including land) / 96% Occupancy



A diverse portfolio to minimise risk - ensuring that the Council has a balance of security, liquidity and yield



Generating a stable and sustainable revenue income – just over £7 million gross / £5 million net revenue contribution p.a.



Supporting local businesses by providing competitively-priced business accommodation



Valued at £113 million (March 2020)

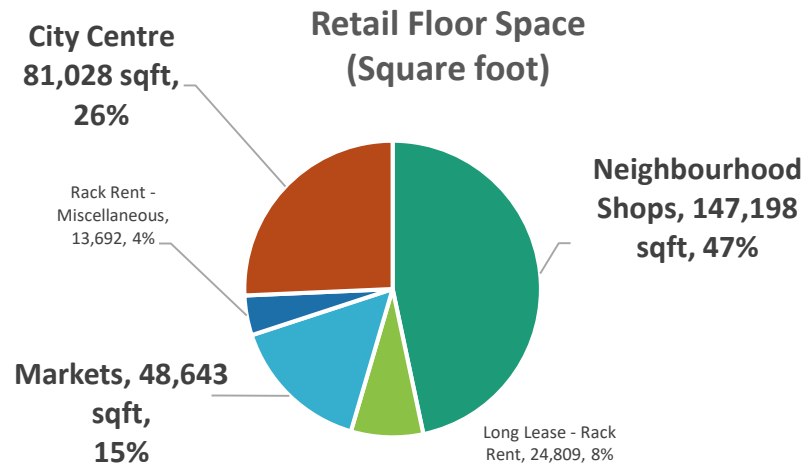


Accounting for more than 10% of the GIA of the Council's estate, has a significant role in our commitment to address the Climate Emergency

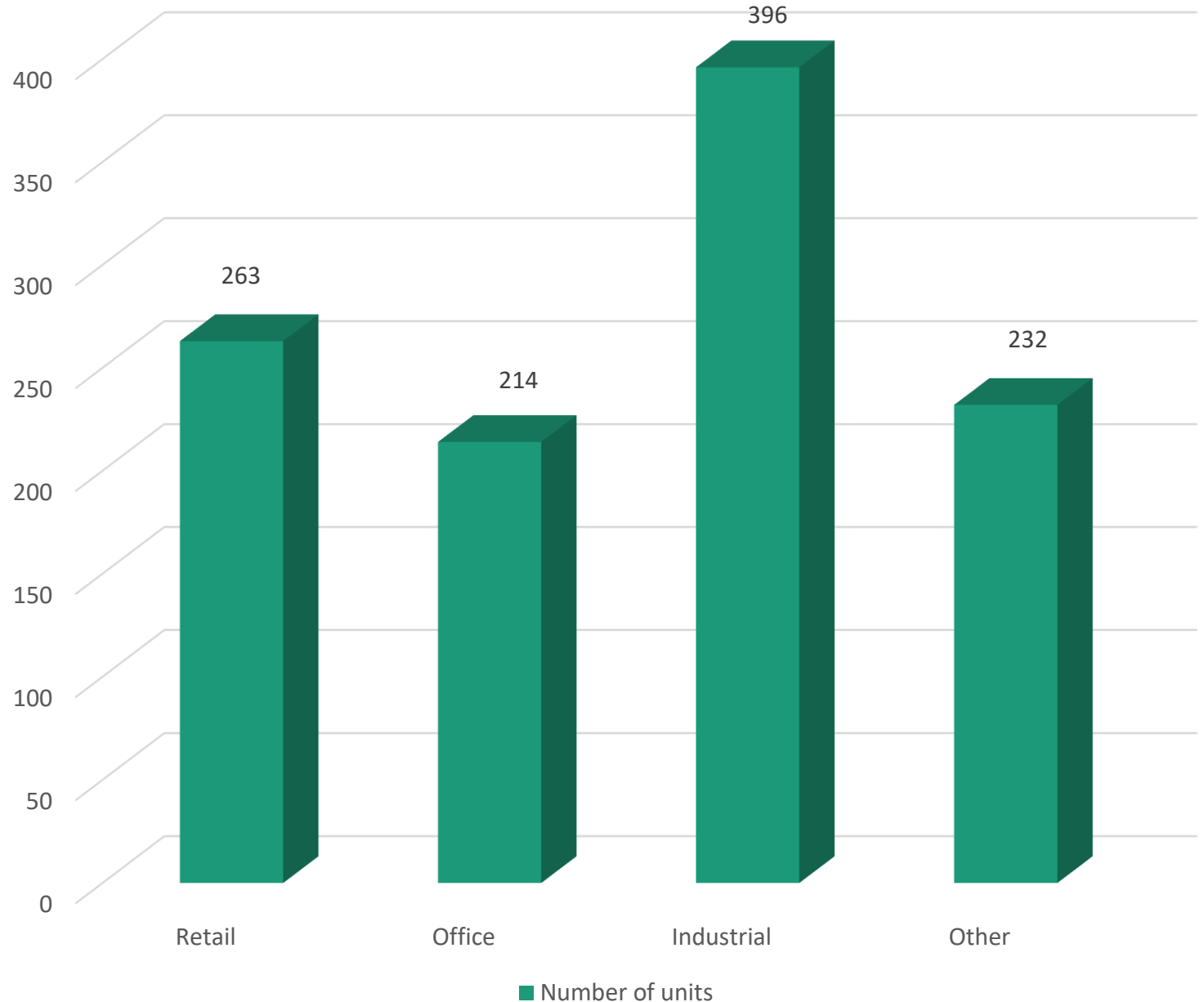
## The Council's Retail Holdings Size and Scope

Our land and property portfolio is made up of a number of lettable units. The block diagram shows us that - of the 210 sites and 1105 lettable units - 263 (24%) of these units are in the retail sector, generating an annual income of almost £1.4 million.

Our retail portfolio is made up of 263 units – 112 neighbourhood shops and 151 other retail spaces, with a gross internal area (GIA) of 315,000 square feet. The floor space is around one quarter (26%) of the overall floor space of our Corporate Estate.



## Corporate Estate Assets (Lettable units)



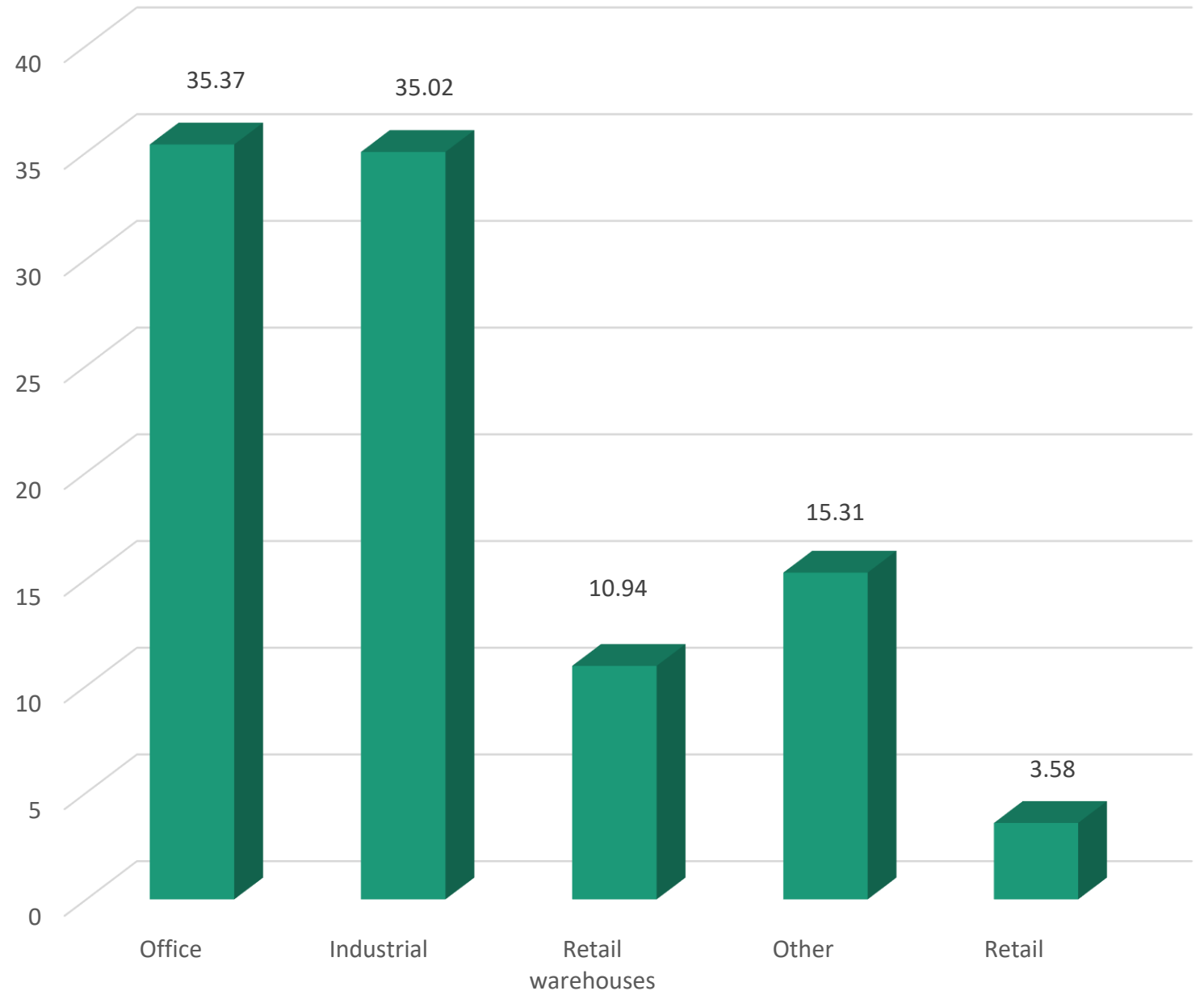
## The Council's Retail Holdings

### Benchmark Comparison

The CCLA Local Authorities' Property Fund has been used as a benchmark for the Council's Corporate Estate. The CCLA\* reports the make-up of their property portfolio in terms of sector balance. Industrial units make up 35.02% of their portfolio; the office sector 35.37%, with the most significant difference being the fund's investment in the retail sector – only 3.58% (or 14.52% if we include retail warehouses) as compared to 23.80% in the Corporate Estate.

This emphasises the fact that, whilst the Council's portfolio is well-balanced, our investment in the retail sector is not purely for income generation, but also to provide a range of accommodation for our city centre and neighbourhood shopkeepers.

CCLA - Asset Allocation Percentages

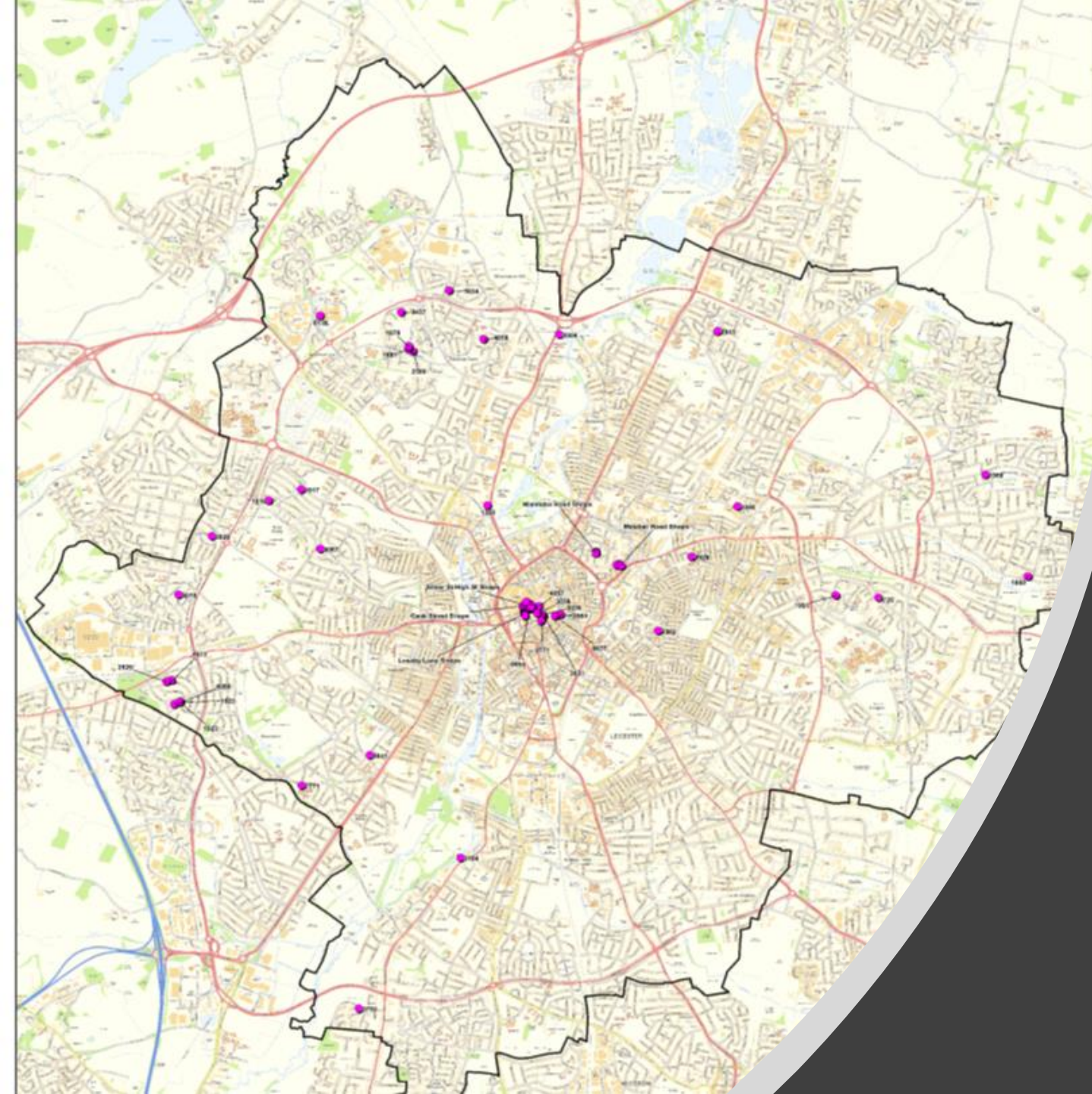


# Council Owned Neighbourhood Retail

## Property Name

## Total Net Valuation

Cross Hedge Close 11	£45,000
Hopyard Close 1-5	£64,000
Aikman Avenue 277-311	£1,264,000
Bewcastle Grove 12-22	£465,000
Thurncourt Road 166-200	£1,144,000
Home Farm Square 1, 5-8	£474,400
Bonney Road 56	£78,000
Cantrell Road 7	£90,000
Cantrell Road 9	£129,000
Charnwood Walk 5-11	£356,000
Hastings Road 80-86	£211,000
Lockerbie Walk 1-6	£381,000
Malabar Road 22-46	£940,500
Melbourne Road 100-114	£690,000
Netherhall Road 83-119	£855,000
Radstone Walk 35-41	£168,900
Home Farm Close Supermarket	£320,000
Malabar Road 26	
Malabar Road 34-38	
Malabar Road 48-50	
Manitoba Road 84	£148,000
Manitoba Road 86	
Manitoba Road 88	
Musson Road 6	£84,000
Heyford Road 73-75	£216,000
Manitoba Road 82	
Marwood Road 8-20 No 10 not included	£261,000
Sharmon Crescent 29-39	£334,000
Heyford Road 69-71	£122,000
Cantrell Road 29	£81,000
Aikman Avenue 120	£69,000



# Neighbourhood Shops

## Tenancies and Management

There are a range of tenants and businesses that occupy the spaces available in the neighbourhoods, including: small supermarkets, opticians, pharmacies, laundrettes, bookmakers and food takeaways.

Many of the businesses have been in situ for more than 10 years with current tenancy end dates ranging from 2021 through to 2029.

Most leases are full repairing and insuring leases meaning that the tenant has responsibility for general repairs and maintenance, with the Council retaining responsibility for the structures.

Rents range from around £5,000 up to around £30,000 subject to the size and location of the units.

Currently at 90% occupancy (with some units remaining vacant due to pending internal works).



112 Neighbourhood Shops – transferred from the HRA to the Corporate Estate in 2018 and managed by EBS



Valued at £9 million (March 2020)



Provide a good balance of non-competing day-time and night-time retail businesses and services to support local communities



Generating a moderate but stable revenue income from rents – around £750,000 p.a.



Supporting local businesses by providing competitively-priced business accommodation (generally on full R&I leases)



Occupied by a range of businesses including a significant number of long-term tenants



Management issues generally relate to litter / fly-tipping and overgrown vegetation – licensing promoted by City Wardens

# Retail Sector Performance

Portfolio Sector	Yield	Indicator	Performance Review
City Centre Retail	8.8%	Good Yield / Turbulent	City Centre retail space that brings in an excellent yield. Yield performance is high due to the historic nature of the holdings and subsequent increase in value. The sector is particularly affected by current market turbulence. The Council plans to invest in some sites to maintain and / or enhance yield levels, with consideration being given to acquisitions (at the right price point) in line with our strategy to maintain an ongoing presence in City Centre retail.
Ground Lease Retail	5.8%	Good Yield / Low Risk	Longer-length leases with a lower risk than the City Centre retail space. A stable performer with low risk attached.
Neighbourhood Retail	3.1%	Low Yield / Held for Community Benefit	Based in community settings on our local authority housing estates, and generally tied to our housing portfolio by way of flats above the shops, this sector is held to provide communities with local, convenient, neighbourhood shopping facilities. High occupancy levels (more than 90%). Investment of almost £1 million in improvements – work already underway. Whilst there is potential to increase yield in future, given the challenging environment for small businesses, this would be a medium to long-term strategy.



# Neighbourhood Shops

## Capital Investment and Maintenance

Despite the challenges brought about by current market conditions, the Council will continue to:

- Support the local economy by maintaining a balance of commercialism and social value in our property offer;
- Acknowledge the importance of our locally-based shops in serving the communities, investing in improvements in this sector, including the Council's retail area improvement scheme;
- Invest in our estate to improve its appearance, longevity, and energy efficiency, and to ensure it continues to meet energy performance legislation.



*Bewcastle Grove Shops*



# Neighbourhood Shops

## Capital Investment and Maintenance

Current programme of works includes improvements and or replacements to the following:

- Electrics (inc. meters)
- Guttering, downpipes, fascias and soffits;
- Garage doors, car parking and paving
- Brickwork and canopies;
- Flat roofs;
- Timberwork inc. doors and windows;
- Paintwork;
- Vegetation clearance.



Neighbourhood Shops  
Capital Investment and Maintenance

Aikman Avenue  
Bewcastle Grove  
Bonney Road  
Hastings Road  
Heyford Road  
Hopyard Close  
Malabar Road  
Manitoba Road  
Marwood Road  
Melbourne Road  
Musson Road  
Netherhall Road  
Sharmon Crescent  
Thurncourt Road



*Hastings Road Garages*



The co-operative food

ENGLAND