

Corporate Estate Annual Report

for the Year Ended March 2025



Contents

1.	FOREWORD FROM THE DIRECTOR	3
2.	Background to the Council's Land and Property Holdings	4
3.	Executive Summary	9
4.	Understanding Our Corporate Estate	11
	Portfolio Key Facts	11
	Scope of the Estate	12
5.	VALUATION	20
6.	PORTFOLIO PERFORMANCE	22
	Occupancy:.....	22
	Revenue Performance:.....	23
	Gross Rental Income - Corporate Estate Income by Sector:	24
	Yield in Detail:	34
	The Haymarket Shopping Centre:	37
7.	CLIMATE EMERGENCY	39
8.	FINANCIAL STATEMENT	41
	Corporate Estate Out-turn for the Year Ending 31 March 2025:.....	41
9.	MANAGING RISK	42
10.	FUTURE OUTLOOK AND STRATEGY FOR 2024/2025	43
	Market Commentary:.....	53
11.	CLOSING STATEMENT	61

1. FOREWORD FROM THE DIRECTOR



Welcome to Leicester City Council's Corporate Estate Annual Report for the year ended March 2025.


In closing the financial year 2024/25, we present a set of very positive results for the Council's commercial real estate portfolio against a testing prior year for the sector. The year started slowly as commercial real estate markets began to stabilise against a backdrop geopolitical and economic uncertainty, albeit unevenly across sectors.

Our commercial real estate portfolio performance this year echoes that of the wider sentiment of the UK market analysts, demonstrating the stabilisation of performance coupled with steady rental growth, which has contributed to a positive shift in overall returns. With an average gross yield of 7.96% across the whole portfolio being considered a very good result compared to national benchmarks. Managing the pressure around operational running costs and the wider economic impact on our tenants, has been driven by higher utility and maintenance/construction costs as we continue to drive our sustainability and quality agendas forwards. However, geopolitical uncertainties, the lingering impact of higher interest rates, and evolving workplace trends for traditional offices have tempered a full-scale rebound.

The overall valuation of our portfolio has seen a positive increase, increasing by nearly 5% to £154m for 24/25. At £12.3m our gross rental income has seen excellent growth, being up by 9% from last year. The successful continuation of a focussed lease review programme has enabled us to engage more closely and meaningfully with our tenants, to support them in navigating market challenges. The upsurge in global utility costs alongside increasing repairs and maintenance costs have resulted in operational management and running costs increasing which naturally impacts business viability. Combined with increased NI costs, this has challenged business viability. Despite these challenges, we achieved a net operating income of £6.1m providing for a positive, solid return.

The Council's Corporate Estate portfolio has been built over a century of investment and it's fair to say that we are in it for the long-haul. We will continue to invest and dis-invest locally, pro-actively managing our portfolio purposefully, yet empathetically, to ensure we support our tenants and the long-term economic prosperity of Leicester. We continue to operate our portfolio commercially, with a major and continued focus on Environmental, Social, Governance (ESG) as we seek to protect and create value by reducing our carbon footprint in order to meet our net zero targets. With top performers in the retail and industrial sectors returning strong rental growth and a positive return to capital growth, coupled with new investment in office and industrial spaces such as Blackbird Road Industrial Estate, the city's future remains positive with signs of recovery as interest rates fall.

In closing, the commercial property outlook for 2025/26 shows tentative signs of recovery, and I am cautiously encouraged by growing signs of confidence returning to the main commercial real estate sectors. Leicester's fundamentals as a City, such as location, infrastructure and regeneration ambition allow us to maintain a strong position for growth. We will continue to guide our public-sector ambition of strengthening Leicester's commercial real estate portfolio through 2025 and beyond.



Matthew Wallace BSc (Hons), MBA, DipProjMan, FRICS
Director of Estates and Building Services

2. Background to the Council's Land and Property Holdings

Leicester City Council holds a diverse portfolio of land and property assets ranging from historic buildings such as the 13th century Guildhall to the more recent strategic investments for The Corporate Estate of the Haymarket Shopping Centre in 2019/20 and The Heathers Industrial Estate in 2023/24. For the most-part, however, the wider estate owned by the Council is held and managed in order to provide front line services for the city's residents in the form of homes, schools, leisure centres, and neighbourhood centres as well as Green Flag parks, playgrounds and open spaces providing areas for leisure and recreation. There is also critical infrastructure such as bridges, footpaths, cycle paths and car parks that aid the smooth running of the city.

The grouping of land and property assets, known as the Corporate Estate, is held for commercial reasons. It is the Council's investment portfolio that is managed in-house, and provides local businesses with commercial premises, offices, shops, industrial units, and workspaces for new business start-ups, which generates an income for the Council that is used to re-invest in its services.

The Council's Property Holdings

HOLDING	DETAILS
The Operational Estate	The land and property held to support the main business of the Council, including: <ul style="list-style-type: none">• property utilised for the provision of front-line services to the public such as museums, libraries, leisure centres, and neighbourhood centres;• playgrounds, parks and open spaces;• property leased to community groups and charities;• property occupied by Council staff in order to support delivery of Council services – such as City Hall, Town Hall and Council depots;• cultural, historical and heritage assets.
Schools	Includes both community and maintained schools as well as academy schools.
Housing	The Council's housing stock.
Highways	Includes roads, footpaths and bridges as well as land and buildings that may be required for future transport development schemes.
Strategic/Regeneration	Property and land acquired for strategic purposes, to promote regeneration and redevelopment of the city.
The Corporate Estate	The land and properties held by the Council for income generation which supports general Council services, rather than to provide accommodation for the Council or direct services to the communities. Provides a wide range of accommodation for local businesses.

This annual report focusses on the performance of the Corporate Estate for the financial year from 1 April 2024 to 31 March 2025.



The Corporate Estate — A Long-Term Investment

Leicester City Council has been investing in land and property for generations, enabled by the special powers afforded through parliament, including the 1956 Leicester Corporation Act that gave the Leicester Corporation the powers to buy, sell and manage land and property for highways, education, planning and investment purposes, and more recently — in terms of holding and managing land and property for investment purposes — the Local Government Act 1972.

The Council's Corporate Estate, and our investments in and management of land and property has benefited from our successful long-term strategic planning of the portfolio. As opposed to other local authorities that in recent years have been taking significant risk when it comes to their investment in property and continue to be reliant on their investments to shore up gaps in their budgets.

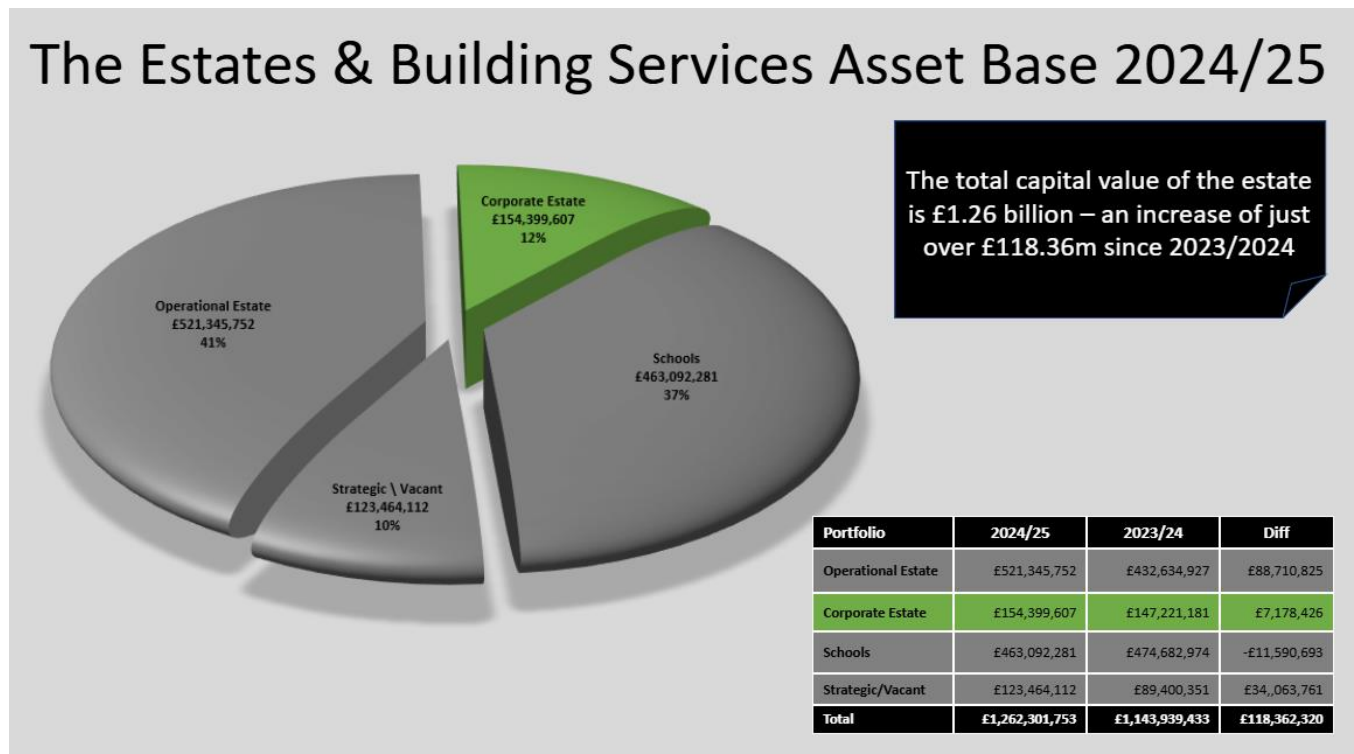
Whilst other investors are significantly influenced by how the market is performing at any given time, as a public body we can take a long-term view of the needs of the city — something that other investors are not always able to consider. The benefits we receive today, in terms of a growth in value and income to the Council, along with our ability to bring forward land for redevelopment, are a direct result of the prudent investment and wise management of the Corporate Estate portfolio throughout the years.

Our FY 2024/25 report demonstrates clearly why our long-term views, and balanced approach are working well and will continue to do so in the years to come.



The Corporate Estate — the Council’s investment portfolio — is a small part of a broad range of Leicester City Council land and property holdings, making up 12% of the overall capital asset valuation* of the Estates & Building Services estate (excluding housing and highways).

CHART 1 – ESTATES AND BUILDING SERVICES ASSET BASE



The Estates & Building Services (EBS) capital asset base is valued at £1.26 billion in 2024/25 (this includes: Schools (37%), Operational (41%), Corporate Estate (12%), Regeneration (10%)). The EBS capital asset base excludes Highways and Public Realm (£1.8bn) and Housing (£1.2bn).

** The FY24/25 Annual Audit of Assets is in progress and will complete in October 2025. For the purpose of this report, the figures contained within for valuation will not be formally signed off until reported to Governance & Audit Committee in November 2025, therefore all figures and assumptions are subject to audit.*

Economic Regeneration Workspaces



The land and property in the Corporate Estate portfolio is held for investment purposes, e.g. for the benefit of the city and the generation of ongoing revenue income to support Council services. There are also Council-managed workspaces that sit outside of the Corporate Estate portfolio that are held for economic regeneration purposes and let out to local businesses. Whilst both portfolios generate revenue income to invest back into Council services, and both benefit from high occupancy and strong demand, it is useful to understand the difference between the two portfolios in terms of their main aims.

The economic regeneration workspace portfolio focuses primarily on supporting the growth of priority economic sectors with the service directly managing nine workspaces: LCB Depot, Makers Yard, Phoenix Square Workspace, Dock 1-5 and Gresham Works. This provides a total of 137,000 sq ft of lettable space for local small businesses. This includes new workspaces at Dock 3, 4 and 5 which opened in September 2024 during the period of this 2024/25 Annual Report. Two workspaces with outsourced management via East Midlands Chamber — Leicester Food Park and Friars Mill — provide a further 36,500 sq ft of lettable space. A new workspace, Canopy is due to open in Autumn 2025.

These workspaces are effective in delivering the following:

- Helping to reposition Leicester's economy to grow knowledge-based sectors, including creative industries and innovation/technology businesses.
- Significant job creation performance, supporting over 800 jobs in tenant businesses, rising to over 1,100 jobs with the delivery of the new schemes when they ultimately reach full occupancy.

- Providing a physical focus for clustering, networking, and collaborative working — there is evidence that this increases the survival rate for small businesses who are tenants. For example, the LCB Depot has been driving the delivery of Design Season over recent years, an annual showcase for the city's design strengths.

Workspaces have proved an effective mechanism to kick start the delivery of regeneration areas, particularly through raising investor confidence and ultimately stimulating other private sector investment. This has been the case with St George's Cultural Quarter, Pioneer Park/Space City and Waterside, where workspaces have been the first key regeneration intervention.

The Corporate Estate on the other hand consists of a diverse portfolio with a range of long- and short-term leases in order to balance out risk. It is managed as a commercial operation whilst making a significant contribution to the Council's commitment to support the local economy, maintaining a retail presence in the city centre and neighbourhoods, and supporting local businesses by providing a range of accommodation with space for new business start-up to grow on locally, maintaining good employment prospects in the city.

The largest single sector portfolio in terms of numbers is the office portfolio with 470 lettable units, whilst the four managed workspace buildings house more than 250 lettable units. There are 363 industrial units and almost 300 retail units — more than a third of which are neighbourhood shops. The Corporate Estate all sectors have remained reasonably static year-on-year. There are a further 164 'other' assets that are neither office, industrial nor retail sectors which includes assets such as agricultural holdings and exceptional leasing such as for services and ad-hoc infrastructure.



3. Executive Summary

The commercial property market in the UK is well-established and, despite the commercial real estate market experiencing a steep drop-in buyer activity in FY23/24, a modest recovery was expected in FY24/25 albeit with some anticipated variation by sector. The downward shift in interest rates in August 24, November 24 and February 25 had hoped to improve investment opportunities from a wide range of investors including local authorities, pension funds, and high net-worth individuals in FY24/25, however, barriers continued to impact investment and development of commercial real estate with the market disinvesting in secondary offices and redeveloping these buildings for housing.

The market offers a wide spread of yields that are influenced by both the quality of the assets (e.g., location, sector, condition, supply, and demand) as well as the associated investment risk. A low-risk investment for example would be well-located and leased at a market rent to financially stable tenants on a lease that has more than 10 years until expiry. Whilst net yield is important in determining the actual profitable return achieved, running costs can fluctuate dependent on how efficiently land and property is managed. As a result, gross yield is generally used to compare the financial performance of property investments. 5-6% is considered 'good' rental yield with above 6% being considered 'very good'. This years' results of 7.96% gross yield demonstrates that the Council's commercial real estate holdings are considered 'very good' against a variable UK financial backdrop.

The Corporate Estate is a long-term investment portfolio consisting of the land and property held and directly managed by Leicester City Council predominantly for income generation to support wider Council services and for the most-part, let out at market (or market-competitive) rates.

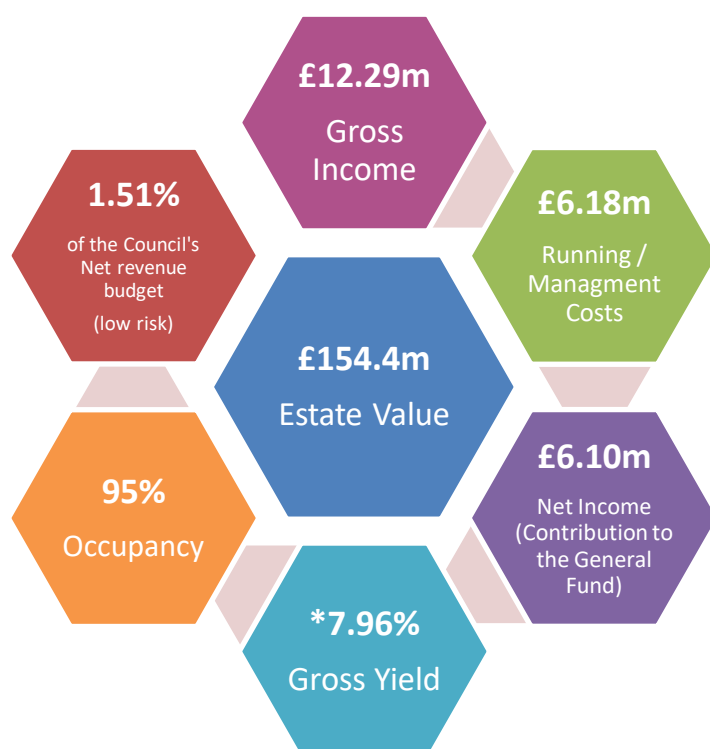
The portfolio is extremely broad and well-balanced, consisting of land, small business units, office space, car parks, industrial units, and city centre retail units/neighbourhood shops that are leased out to private sector organisations across the city. In addition, the Council leases out a significant amount of land that houses a variety of properties from warehouses and factories to sports facilities and sub-stations as well as agricultural holdings such as farms and grazing land.

The Corporate Estate:

- Continues to generate a stable and sustainable revenue income contribution — providing market-competitive returns. Key economic factors such as stubborn inflation and utility costs continue to impact net income in FY24/25; however, yields remain strong and above benchmark averages.
- Is a diverse portfolio — in line with the Council's investment strategy that requires a balance of security, liquidity, and yield to minimise risk.
- Certain assets require significant capital investment in order to maintain overall asset values and meet sustainability targets; necessary investment in repairs and maintenance continues to impact running costs.
- Is wholly invested in our local economic area (Leicester and Leicestershire).
- Includes land and property that is held for economic regeneration purposes (although the capital values are included in this report, income from these investments is not included as the properties are managed separately).
- With a GIA (floor space) accounting for 17% of the Council's estate holdings*, has a continued and significant role to play in our commitment to address the climate emergency.
- Supports the local economy and local businesses by providing a range of competitively priced accommodation.

*Excludes Housing, Highways and the Council's investment in pooled property funds that are governed by Treasury Management.

Summary of Performance for the Year Ended 31 March 2025



*Denotes very good performance against gross yield Benchmarks

Yield Benchmarks used: 3.95

- **CCLA Local Authorities' Property Fund (Annual Report March 2025)** gross yield 4.92%. Up 0.37% on FY23/24. The CCLA benchmarks against the MSCI/AREF Property Fund Digest which returned a gross yield of 4.2%.

Key Performance Factors	2024/2025	2023/2024	2022/2023	2021/2022
Value of the Corporate Estate	£154,399,607	£147,221,180	£151,109,437	£123,031,773
Gross Income	£12,288,765	£11,270,686	£11,462,492	£8,337,033
Running / Management Costs	£6,185,434	£5,593,788	£4,991,567	£2,479,083
Net Income (contribution to the General Fund)	£6,103,331	£5,676,898	£6,470,925	£5,857,950
Net Yield	3.95%	3.86%	4.28%	4.76%
Gross Yield	7.96%	7.66%	7.59%	6.78%
Occupancy	95%	95.50%	96%	95%
% of the Council's Net revenue Budget	1.51%	1.57%	2.02%	2.03%

4. Understanding our Corporate Estate in FY2024/25

Portfolio Key Facts

371 Sites

(Including land)

1,218 Lettable Units

(Including land)

£154.4m

Valuation* at 31 March 2025

1.625m sq ft / 150,990 sq m

Total Gross Internal Area (GIA (floor space))

Accounts for 17% of the total GIA

(floor space) of the estate owned by the Council

119 Hectares / 294 Acres

(excluding farm and agricultural land)

£414,140 p/a Largest single rent

(3.37% of gross rent)

Net income has increased by 7.5% in FY24/25

(Compares to CCLA Local Authorities' Property Fund net income return of 5.1% (Annual Report March 2025). The CCLA benchmarks against the MSCI/AREF Property Fund Digest which returned a net income of 3.7%.)

** The FY24/25 Annual Audit of Assets is in progress and will complete in October 2025. For the purpose of this report, the figures contained within for valuation will not be formally signed off until reported to Governance & Audit Committee in November 2025, therefore all figures and assumptions are subject to audit.*

Scope of the Estate

The Corporate Estate property portfolio provides a broad range of commercial space across the traditional office, retail, and industrial sectors, as well as a significant offering in terms of other less traditional space for rent including advertising hoardings, substations, grazing land, farms, garages, and car parks.

The chart below shows that, in terms of actual sites, the Council holds 59% of its investment holdings in the industrial, retail and office sectors with the other 41% being a wide spread of other land and property (including a number of ground leases and long leases, land, car parks, substations and communication masts, as well as farmland and a handful of residential property (temporarily let while held for re-development purposes)).

CHART 2 – CORPORATE ESTATES SITES



Sites

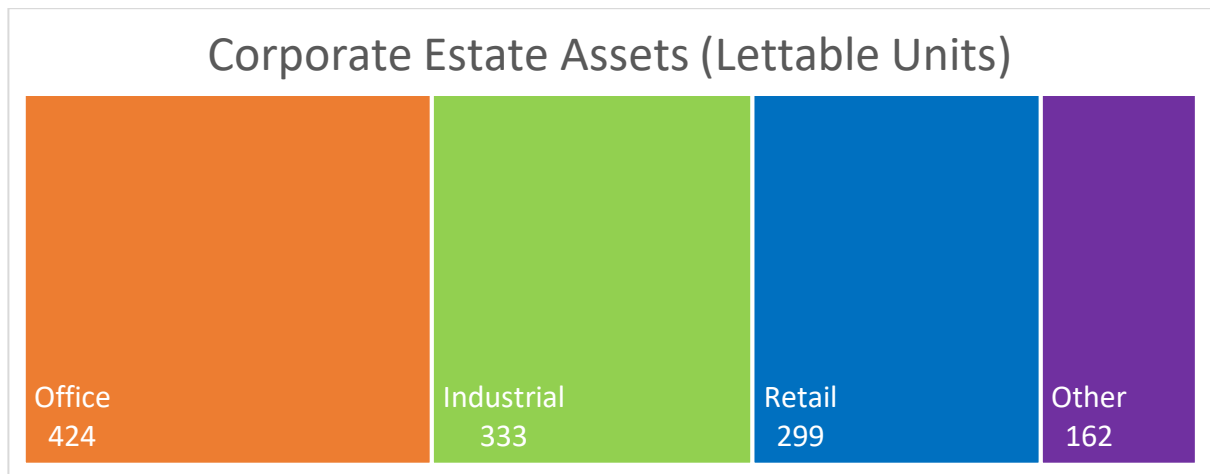
Sector	Sites
Industrial	108
Office	39
Retail	73
Other	152
Total	371

The classification of the estate looks different when we look at lettable units rather than sites. The broad range of assets held in the portfolio, including land that is let on long-term ground leases, provides the Council with a low-risk investment return.

As shown in the chart below, the largest single portfolio held by the Council for investment purposes is the secondary office market portfolio with 470 lettable units – representing 36% of our available units.

The number of lettable units reduced from 1,263 to 1218 due to the closure of Pilot House (22 units) to make way for new business centre re-development of Canopy and due to the demolition of Abbey Court Industrial Units and compound (23 units).

CHART 3 – CORPORATE ESTATE LETTABLE UNITS



Sector	Lettable Units
Industrial (27%)	333
Office (35%)	424
Retail (25%)	299
Other (13%)	162
Total	1218

Compared side by side with the CCLA Local Authorities' Annual Report for FY24/25 we can see in the Chart below, that there is a shift in sector comparators towards Industrial sector investment and away from Office investment with retail investment being reasonably static against last year.

Industrial units make up 43.36% of the CCLA portfolio as compared to 27% of the Corporate Estate. The Council have similarly made significant capital investment in industrial sector growth for future years to develop new industrial sites in the future – which will increase this investment figure over the next two years. The Blackbird Road Industrial Estate completed in October 2024 and supports ESG through the introduction of green leases. Letting of these units began in earnest, with results expected to show in FY25/26.

The Office sector makes up 17.65% of the CCLA portfolio compared to 35% in the Corporate Estate, up from 34% last year. The significant difference here is the movement of Grade B/secondary operational offices into the Corporate Estate for letting into the office market. This initially proved difficult to let post-covid, due to market requirements for Grade A offices, smaller office footprints, with ESG being at the forefront of requirements with net zero carbon buildings being in highest demand. However, the market has shown an improvement in Grade B office interest locally especially for training and education and some government office purposes as general national disinvestment in the office sector has reduced market availability. In line with the national market trends, the Council's strategy remains firm in ensuring that our office stock is asset reviewed with a priority focus on disposal to the HRA for Housing re-development (wherever possible) or via disposal where conversion to residential isn't competitive when compared to private investment and with meeting the highest EPC ratings. There is also a shift in market trend to increase in the return to the workplace, with most companies now insisting on a minimum presence in the office of three working days (driven largely by efficiency, mental health impacts, and team-building contact for junior members of staff/apprentices/new employees). The Council has therefore brought back into use (rather than dispose of) secondary office based on regeneration and solid government office investment demand for its secondary office space. The Council continues to work with its One Public Estate partnerships across Leicester City and Leicestershire to promote, wherever practicable, a positive approach to disposal and investment across all portfolios to enhance local services.

Investment in the Retail sector by the CCLA's fund of 19.42% compares to 25% in the Corporate Estate with the CCLA's main retail investment in large out of town retail warehousing nationally compared to the predominantly local retail and neighbourhood retail shops within the Council's investment portfolio. The investment in the Haymarket Shopping Centre continues to have a positive full-year impact on net income in FY24/25 and capital asset value improving a further £760k.

This emphasises the fact that, whilst our portfolio remains reasonably well-balanced across all categories, the Council's investment in the Retail sector is not purely for income generation. The Council continues to hold and invest in our Retail portfolio for strategic purposes and to support the local economy by providing a range of accommodation for our city centre and neighbourhoods.

CCLA ASSET ALLOCATION – FY24/25 COMPARED TO THE CORPORATE ESTATE FY24/25

CCLA		LCC CORPORATE ESTATE	
Industrial	43.36%	Industrial	27%
Office	17.65%	Office	35%
Retail Warehousing	17.42%		
Retail	2.00%	Retail	25%
Other	13.94%	Other	13%
Cash	5.53%		
Indirect	0.12%		

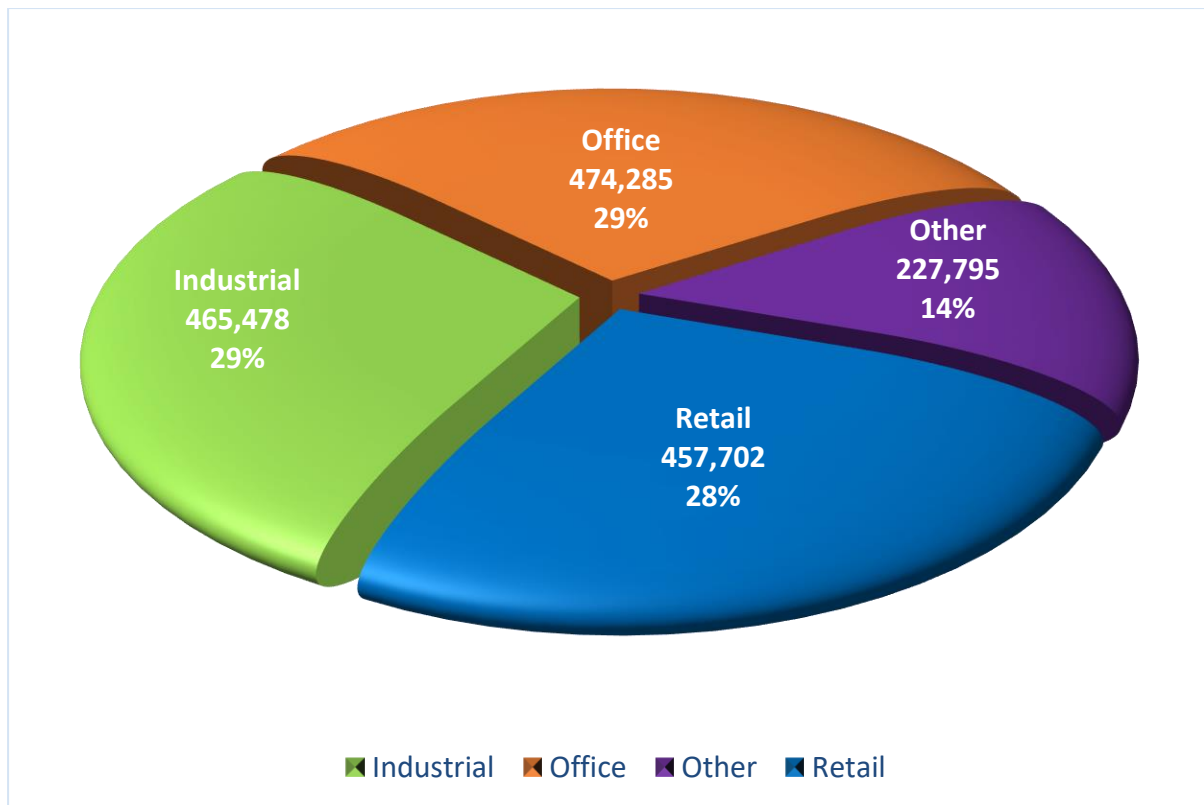
We have continued to support local businesses by maintaining a sizeable Retail portfolio consisting of city centre retail, neighbourhood shops, and other retail spaces at competitive market rents. Alongside this, we continue to offer a considerable portfolio of secondary Office space and managed workspaces to our existing city-wide portfolio that offers around 250 lettable units comprising predominantly small office and workshop/industrial units.

Additionally, the Council's strategy continues to include a growing number of prime Economic Regeneration workspaces in the city which provides for new business start-up units.

Central government's Minimum Energy Efficiency Standards (MEES) Legislation came into force with effect from 1 April 2023. The aim of MEES regulation for commercial property is to help meet the UK government's target to reduce emissions to net zero by 2050. Announcements by the outgoing government in FY23/24 suggested a 'softening' of the legislation, however, this was only applied to the residential market and commercial real estate targets did not change. Investment portfolio continue to feel the pressure of necessary capital investment without enhanced government funding to support the MEES sustainability targets.

The new incoming government maintained stringent legislation which continues to impact the investment portfolio. A minimum EPC rating of E for all commercial real estate lettings, requires that the Council continue to review and invest, where economically viable, in the improved sustainability of the Corporate Estate portfolio and older Regeneration units to maintain capital asset values and the ability to continue to lease older properties. The EPC rating becomes more challenging to meet by 2027 when the minimum EPC rating increases to C and by 2030, B. The Council will continue to invest in their commercial real estate portfolio and continue with their commitment to ESG.

CHART 4 — GIA BY ASSET CATEGORY (SQ FT)



Retail = 457,702 (no movement from 457,702 LY)

Office = 474,285 (no movement from 474,285 LY)

Industrial = 465,478 (down slightly from 478,362 LY)

Other = 227,795 (up slightly from 222,585 LY)

Chart 4, above, shows the lettable floor space available and, like the rest the report, is categorised using the traditional sectors of Office, Retail, Industrial and Other. In terms of floor space, 86% of the space on offer is Industrial, Retail and Office (static against last year, but slightly up in office and slightly down in retail exposure). 57% of floor space offered by our retail sector and industrial sector portfolios which is reasonably static against last year. Office space has remained static year on year whereas industrial has decreased by 12,885 sq ft with the demolition of Abbey Court. Available space has decreased slightly overall year on year by 7,674 sq ft.

CHART 5 — GIA BY ASSET CATEGORY (SQ FT)

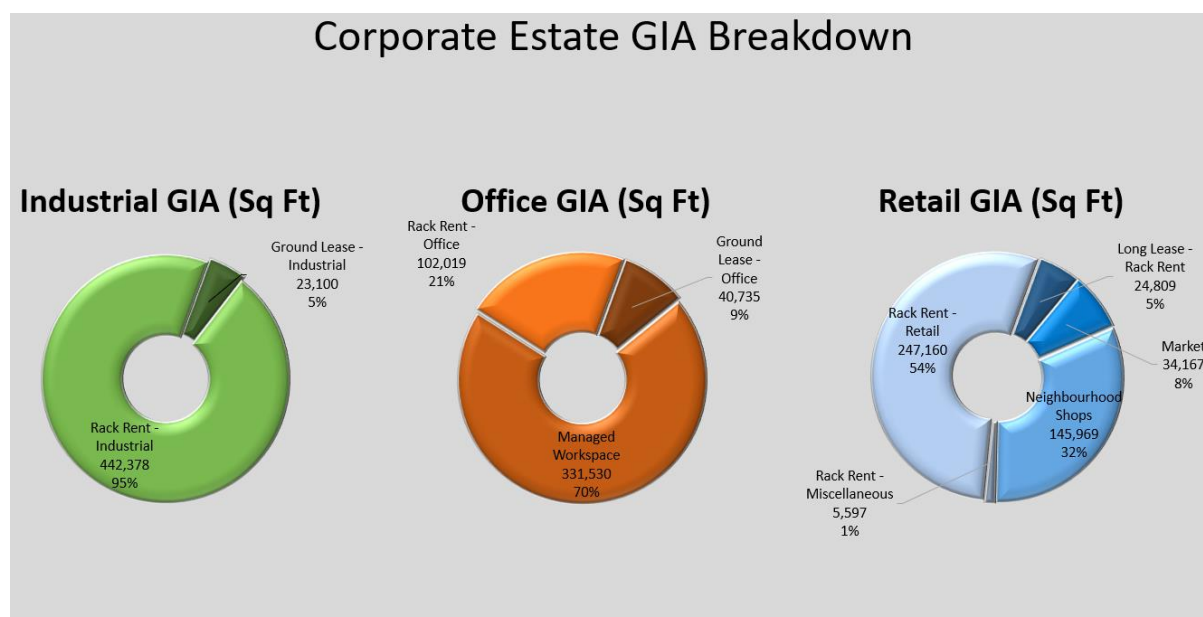


Chart 5a INDUSTRIAL: (left, above) Illustrates the breakdown of the Industrial portfolio across the estate — which represents 29% of the lettable space. The Council’s estate is almost wholly ‘rack rented’ or units on long term leases. Long term leases, along with the ground leases, require little support and provide good security of tenure.

Chart 5b OFFICE: (middle, above) Illustrates the makeup of the floor area of our rented office space — which is 29% of our whole estate. With a focus on new business growth, a growing proportion of our office estate is attributable to managed workspace units (70%). Rack rent makes up 21% of the available office space whilst normally this would be growing in the office sector for onward business growth, the market demand has slowed for office space and particularly Grade B office space — this is reflected here. Ground rents are static between last year to this year at 9%.

Chart 5c RETAIL: (right, above) Making up 28% of our overall Corporate Estate floor space, the chart shows the dispersed nature of our retail space across the city, with 32% of our shop units located within local communities. Our city centre retail estate — including the market — remains significant in the city, and accounts for almost two thirds of the space on offer, with 457,702 sq ft of retail units available across the city. The diverse spread of locations also spreads risk and places the Council in a strong position during financial or market uncertainty.

MAP — LEICESTER RETAIL SITES



Castle

1. High Street 16 & 16 1/2
High Street 27
High Street 29
High Street 40-50
2. Royal Arcade Shops
3. Malcolm Arcade 1-23
4. Silver Street 14-20
Silver Street 29-31
Silver Street 33
Silver Street 35
Silver Street 37
Silver Street 37a-39-41
5. Cank Street 17a-17b
6. Cheapside Kiosk 1 & 2
7. Haymarket House
— Travelodge Hotel
Haymarket Shopping Centre
8. Loseby Lane 1
Loseby Lane 11
Loseby Lane 13
Loseby Lane 15
Loseby Lane 17
Loseby Lane 3
Loseby Lane 5-7
Loseby Lane 9
Loseby Lane 9a
9. Leicester Market — Retail Units
Leicester Market Food Hall
Leicester Outdoor Market and
Green Dragon Square
10. Horsefair Street 11
Horsefair Street 23
Horsefair Street 25-29
11. Corn Exchange
12. Charles Street Retail Units
13. Halford Street 5
14. Granby Street 15-17 — Rear of
7-9 Every Street

Wycliffe

15. Manitoba Road 82
Manitoba Road 84
Manitoba Road 86
Manitoba Road 88
16. Malabar Road 22-46
Malabar Road 26
Malabar Road 34-38
Malabar Road 48-50
17. Melbourne Road 100-114

Abbey

18. St Margarets Way 80
19. Marwood Road 8-20
(No 10 not included)
20. Bewcastle Grove 12-22
21. Abbey Lane/Red Hill Circle

Rushey Mead

22. Lockerbie Walk 1-6

North Evington

23. Hastings Road 80-86
24. Charnwood Walk 5-11

Humberstone & Hamilton

25. Netherhall Road 83-119

Thurncourt

26. Thurncourt Road 166-200

Evington

27. Radstone Walk 35-41
28. Rowlatts Hill Road Supermarket

Aylestone

29. Aylestone Road 473
30. Hopyard Close 1-5

Braunstone Park & Rowley Fields

31. Fosse Road South 300
32. Hallam Crescent East 170
33. Cantrell Road 29
Cantrell Road 7
Cantrell Road 9
34. Heyford Road 69-71
Heyford Road 73-75

Western

35. Sharmon Crescent 29-39
36. Alkman Avenue 120
37. Musson Road 6
38. Alkman Avenue 277-311
39. Bonney Road 56

Beaumont Leys

40. Home Farm Close Supermarket
Home Farm Square 1, 5-8
Home Farm Square 2-4
41. Cross Hedge Close 11

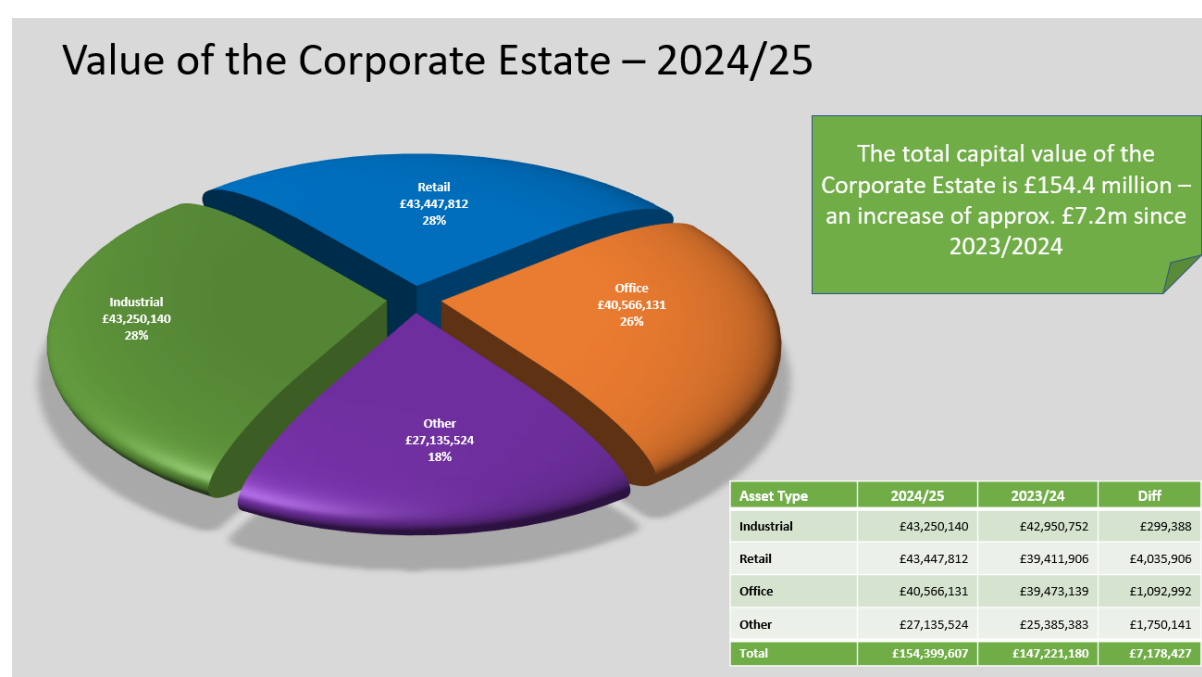
5. VALUATION

The valuation methodology is in line with the RICS Code of Practice for the Commercial Property Sector and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom with effect from 1 April 2024, where 20% of the Council's real estate portfolio was re-valued and the remaining 80% were valued through applying the relevant market indexation.

The Council's commercial real estate portfolio has increased, from £147.2m in FY 2023/24 to £154.4m in FY 2024/25 an increase in value of approximately £7.2m.

The Corporate Estate represents 12.3% of the EBS £1.255 billion valued assets in FY 2024/25. The Corporate Estate Portfolio comprises traditional sectors of Industrial, Office, Retail and Other.

CHART 6 – VALUE OF THE CORPORATE ESTATE – FY2024/25



Local Authority Asset Valuation are a complex changing picture with property being acquired, disposed, repurposed and leased to achieve the Council's wider strategic objectives. As seen above in Chart 6, the overall capital asset valuation of the Council's Corporate Estate portfolio in FY24/25 is up by at 4.88% or £7.2 million from FY23/24 and from £147.2 million to £154.4 million over the last year. The Retail Asset Type saw the highest increase of £4,035,906 (+10.24%), largely driven by rent reviews undertaken on the Neighbourhood Shops and income growth for Haymarket Shopping Centre.

Turning our attention to wider UK market comparators, CBRE's press release in January 2025 detailed 'Strong Results for UK Real Estate at End of 2024, as All Sectors See Capital Values Rise in December'. CBRE's Market Insight quoted '*Both income return, and capital value growth contributed positively to total return in 2024, with capital values for all commercial property rising by 1.8% during the year. Meanwhile, rental values for all commercial property rose by 2.9% in 2024*'. This trend complemented the asset valuation growth seen in the Council's wider portfolio as well as the Corporate Estate portfolio.

Statement by the Valuer for the Year Ending 31 March 2025

In accordance with the instructions of the Chief Finance Officer, we have valued the Corporate Estate portfolio as at 31 March 2025. The valuation has been prepared in accordance with the RICS Red Book Global Standards effective from 31 January 2025 published by the Royal Institution of Chartered Surveyors (RICS) and to conform with the disclosure requirements of that publication. We understand that the Valuation is used for Financial Statement purposes.

The value of the Corporate Estate portfolio asset valuations carried out in the year ending 31 March 2025 is £154,399,607 (One Hundred and Fifty-Four Million, Three Hundred and Ninety-Nine Thousand, Six Hundred and Seven).

The Valuation is for the sole use of the Council and is used for Financial Reporting Purposes only. Details of the basis of our valuation and the individual properties are set out in the individual valuation reports dated 31 March 2025.

Gbolahan Solaymon MRICS and RICS Registered Valuer
Senior Estates Valuation Surveyor

RICS No. 1119552

PORTFOLIO PERFORMANCE

Occupancy:

Industrial	Office	Retail	Other	2024/25 Average	2023/24 Average	2022/23 Average	2021/22 Average
99%	92%	94%	95%	95%	95.5%	96%	95%

Overall availability within the portfolio increased slightly to 95% from 95.5% last year.

Retail void rates in Leicester city centre have increased over 2024/25 due to a combination of structural, economic, and behavioural factors. Namely, retail moves to online only operations, continued retirement post-Covid where otherwise high quality retailers would sell their business interests to others, a lack of interest in physical retail outlets in preference to online only presence has resulted in lease termination. Additionally, a glut in city centre retail property is also driving requests for improved incentivisation. Pockets of retail which requires upgrades on vacancy is taking property out of the market for longer periods of time before re-letting. Secondary office availability has increased as the market faces challenges from remote working trends and the need for properties to meet stricter sustainability standards.

Conversely, industrial continues to be in demand as online services require warehousing.

National market insights from the RICS UK Commercial Property Monitor highlights ongoing weakness in occupier demand for retail, with a net balance of -13% reported in Q1 2025. This sentiment reflects a broader trend of declining demand for secondary high street retail units (RICS, 2025).

Footfall reductions have been a key contributor. MRI data shows Leicester's high street traffic fell by around 4.6% year-on-year, while UK shopping centres recorded declines of 5.8% (MRI Software, 2025; Cluttons, 2025). Reduced consumer activity (impacted by interest rates and national insurance and income taxation) has lowered turnover for occupiers, prompting some closures and discouraging new lettings.

Cost pressures have further exacerbated vacancy. Rising energy prices, staff costs, and business rates have squeezed margins, disproportionately affecting independent and mid-market retailers in secondary units. RICS commentary also highlights tax and rating uncertainty as significant headwinds to market confidence (RICS, 2025).

Finally, shifting consumer behaviour continues to divert spend toward retail parks and online channels. CBRE notes that retail parks remain comparatively resilient, benefitting from convenience-led trips, destination shopping and hybrid working patterns (CBRE, 2025). This polarisation has left Leicester's central high streets particularly vulnerable, driving availability rates upwards through 2024/25.

Whilst most availability is market driven, unit quality and marketing is also key to maintaining occupancy rates. Some availability has been impacted by climate change and particularly freak storms and heavy rain on end of useful lifecycle roofs and buildings has resulted in building fabric failure. Some buildings have closed where dis-investment or wholesale re-development is required.

Revenue Performance:

Without significant change to the portfolio in the last year, the optimisation strategy, along with effective investment planning in previous years, ensured that the revenue position remained solid year-on-year with a slight upturn in revenue of £1,018,079 (+9.1%).

This echoed the RICS UK Commercial Property monitor, in the last quarter of FY24/25, expressing that all-property average projections for rents and capital values marginally positive for the year ahead, although expectations remain weaker across secondary assets.

However, occupier demand remains stagnant, with the retail sector showcasing a negative occupier demand (-12%) which was slightly offset by low positive demand in the industrial (+7%) and office sector (+3%) at Q4 2024. This was a significant change from Q2 and Q3 2024 RICS UK Commercial Property Monitor Forecasting, where occupier demand was at +4% and +5% respectively and there were indications of an upturn.

It should be noted that nationally, prime property continues to outperform secondary units. With footfall crucial for retail, as well as energy costs continuing to rise, the location and relative energy efficiency of prime units are likely encouraging further positive momentum.

For the Council's Corporate Estate, FY24/25 gross income was up by £1,018,079 on FY23/24 with the Haymarket Shopping Centre being a key component in the increase achieved.

The UK Consensus: Survey of Independent Forecasts for UK Commercial Property Investment returned an all-property index average rental value growth of 3.025% in FY24/25. Office returned an average rental value growth of 2.475%. Industrial returned an average rental value growth of 4.25%. Retail returned an average rental value growth of 1.975%. Income was up on overall by 1.825% from FY23/24.

The Corporate Estate achieved an all-property rental value growth of 9.1%, outperforming the national average by 6.075% in FY24/25.

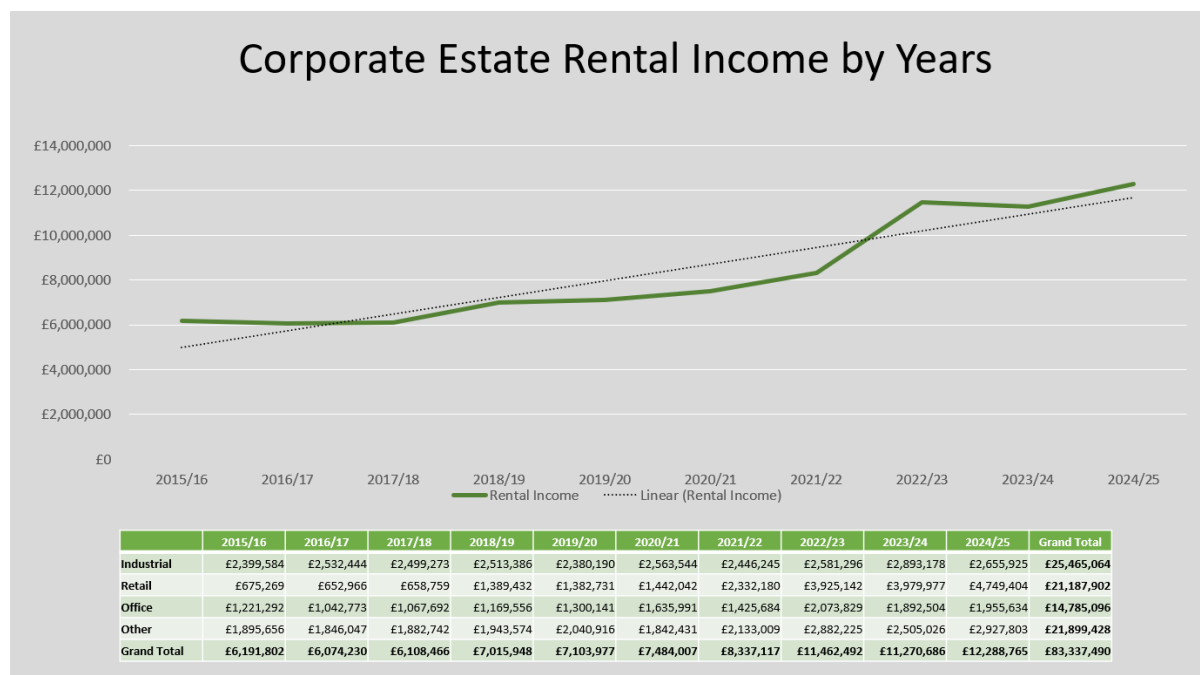
The Retail sector showed the largest income growth this year at 19.33% predominantly due to the performance of the Haymarket Shopping Centre, optimisation of Retail rents, and bringing back into use previously available property.

The Corporate Estate Industrial rental growth reduced slightly due to the demolition of Abbey Court Industrial Estate and the late delivery of Blackbird Road Industrial Estate. The Industrial sector is expected to achieve robust rental growth in FY25/26 when Blackbird Road Industrial Estate is expected to be fully let.

Gross Rental Income – Corporate Estate Income by Sector:

The chart below shows the sector-by-sector gross rental income for the last decade. The Corporate Estate increased overall, from £11.27m to £12.29m an increase of £1.02m.

CHART 7 – CORPORATE ESTATE RENTAL INCOME BY YEARS

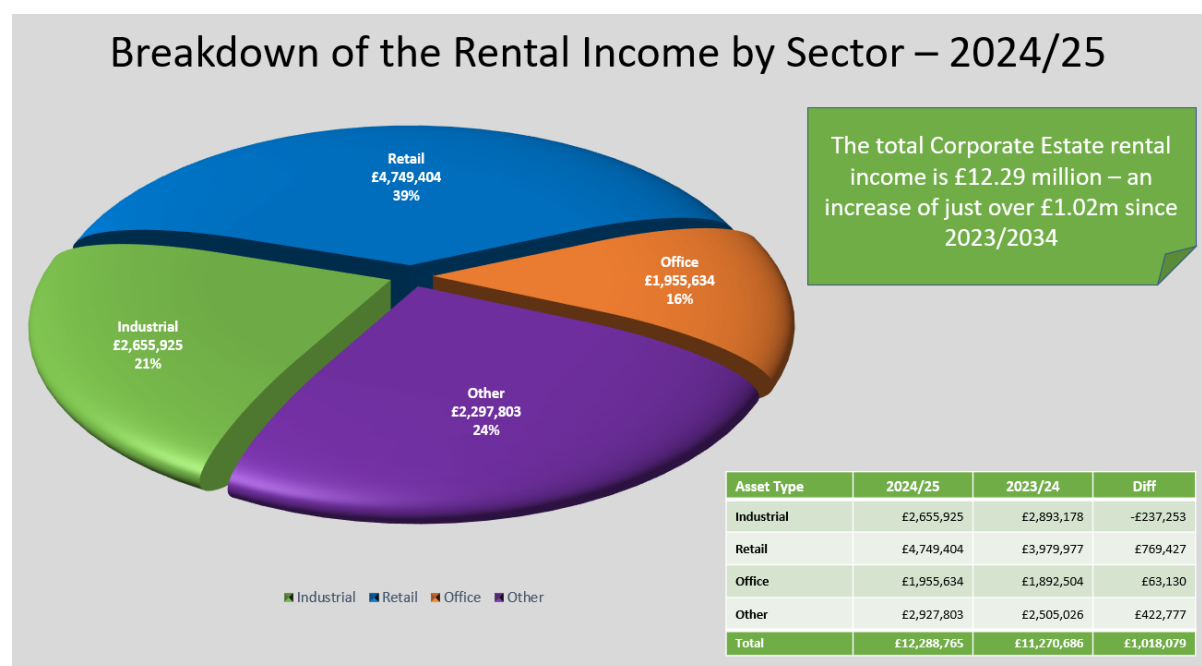


The optimisation of the Corporate Estate has resulted in general improved gross income across all sectors, with offices lagging as a result of the pandemic, incentivisation (rent free periods) and lower rents generally when compared to the wider Leicester market. A key focus in 2025 will be to focus on Office sector availability and either disinvest or re-purpose and improve Office rents in line with market values. The Office sector continues to be challenged by new ways of working and working from home regimes although we are optimistic for secondary office in Leicester due to the lack of new investment for primary office space.

Key highlights include the Retail sector (having remained static in the previous period) increased by £769k (mainly driven by the Haymarket Shopping Centre, rent and service charge optimisation and improved letting of available units).

Over the last 10 years, income has doubled from £6m to £12m, with the most notable increases coming from the last 5 years when the Council started optimising the Corporate Estate with an improvement in these years of £5.1m. Key investments such as the Haymarket Shopping Centre has driven over a million pounds worth of improved income consistently since it's purchase in 2021.

CHART 8 (BELOW) SHOWS THE PERCENTAGE OF GROSS REVENUE INCOME GENERATED BY EACH OF THE SECTORS.



The top five gross income generators represent £1.179m or 9.59% of the Corporate Estate.

Net revenue contribution continues to be hindered by increases in utility costs, availability, and the costs of repairing and maintaining the estate.

Maintenance and building quality/improvement plays a significant role in the short-, medium- and long-term quality of our estate and an improved commitment to maintenance and sustainability of the Corporate Estate remains a significant investment strategy. As we continue to focus on ESG and the government’s implementation of the Minimum Energy Efficiency Standards in the forthcoming year, a further commitment to meeting and wherever economically viable, exceeding the Minimum Energy Efficiency Standards has been made through the introduction of the Cleaner Greener programme. EPC ratings will continue the improvement trajectory to meet the legislative requirements and will continue in earnest along with additional capital investment in both understanding the general condition of our estate and in responding to our climate action plan and sustainability targets.

Financial Year 2024/25			
Gross Revenue Income	Running/Management Costs	Net Revenue Contribution	Year on Year Improvement
£12,288,765	£6,185,434	£6,103,331	7.5%

Market Rents

According to the East Midlands Market Insite 2025 report issued by Innes England, the industrial sector continued to deliver strong results across Leicester, Derby and the Midlands, with good occupier demand, rising rents, generating the confidence for developer and investor support with new supply.

This year's report highlighted the resilience and adaptability of the Midlands' commercial property market, showcasing pockets of notable growth and encouraging activity, despite broader economic challenges.

In Derby, the industrial market has remained a standout performer, with total take-up exceeding 1.0 million sq ft for the fourth consecutive year. The expansion of supply, bolstered by new developments like SmartParc SEGRO and Infinity Park, is testament to the sector's strength, with prime rents climbing by over 44% in the past four years. Meanwhile, office supply challenges persist, with no Grade A space available.

Nottingham city centre continued to attract national operators with take-up again led by those in the food, beverage and leisure sectors. Two existing operators opened second concepts in the city, with ARC Inspiration opening Manahatta and Professionals at Play building on its presence with 15,500 sq ft taken for the Roxy Lanes concept.

Leicester's industrial market saw record investment activity, with transactions totalling £649 million - the highest level in 10 years. While the office market experienced a quieter year, second-hand space drove activity, and key regeneration projects like the Market redevelopment and Granby Street improvements underlined the city's commitment to enhancing its appeal.

In the retail sector, whilst macroeconomic conditions and rising costs continued to put pressure on retailers in 2024, there was positive activity across Nottingham, Derby and Leicester, with exciting new schemes coming forward and national operators opening. Reflecting the economic conditions, total retail closures rose from 10,500 in 2023 to 13,500 in 2024, which shows the challenges retailers are facing. Independent operators were hit the hardest, making up 80% of the total closures. Despite this, national vacancy rates have plateaued with high street and shopping centre voids stabilising at 14% and 17.6% respectively, highlighting retail demand in the market for new outlets. The autumn budget hit the retail and hospitality industry with the 'triple whammy', with rises in National Insurance contributions, minimum wage increases and reduction of business rates relief from 75% to 40%. This prompted 82 CEOs of some of the UK's largest retailers to write an open letter to the government, highlighting the significant impact the budget would have on the sector, with retailers now set to contribute £11bn in business rates alone.

The government also passed legislation in December 2024 introducing 'High Street Rental Auctions', effectively allowing local authorities to offer long-term vacant units to occupiers on short-term bases. It is a welcome step in attempting to revitalise some struggling retail pitches, with Bassetlaw and Mansfield in Nottinghamshire being two of three early adopters. Time will tell how successful the new legislation will be, as it remains to be seen how this process will work in practice. We are seeing an increase in headline and net effective rents being driven by competition between retailers for prime bricks and mortar. Many high streets have seen retailers migrate from various secondary pitches onto the prime, exposing certain areas of city centres to higher vacancy rates. Following Wilko's fall in 2023, several other household retailers fell into administration across 2024 including Carpetright, Ted Baker, The Body Shop and Homebase. The Body Shop was bought seven months after filing for administration, retaining 113 of its 198 UK stores and has finished the year in profit.

Tapi Carpets took on 54 Carpetright stores, and The Range snapped up 70 former Homebase stores. It is reassuring to see solutions have been found for struggling retailers in 2024, helping to reduce voids along the high street and out of town.

The roadside sector remained vibrant with a number of operators competing for sites as well as new entrants to the market, such as Caffè Nero and Chaiiwala, the latest brands to shift their attention to drive-thru sites. With many local planning departments understaffed, delivery of sites has not matched the level of demand in the market.

Leicester

Retail Despite the troubled financial situation last year with Highcross entering receivership in March 2023, there were positives in FY 2024/25. Highcross Shopping Centre had a positive year, with new openings including Card Factory, Prezzybox, Castore, Sunglass Hut, and a Leicester City fan store. Plans have been submitted to refurbish the entrances on East Gate, High Street, Church Gate, and Bond Street, aiming to improve visibility and emphasise the city's cultural heritage. Work is set to start in early 2025.

Not so positive was M&S closing its doors in Gallowtree Gate in August, meaning it no longer has a presence in the city centre. Leicester City Council and the Mayor are discussing the unit's future.

Local brands have relocated to larger, more prominent city centre units alongside new retailers. Currant Affairs moved to St Martin's Square with Sangeeth and Patina, while Heritage Café and Wonderlust opened on Carts Lane and Loseby Lane. Indian fusion restaurant Peara is fitting out a unit on Market Street, and Bread and Honey expanded into adjacent premises on King Street.

Following its city centre closure, M&S expanded its Fosse Park store by 11,500 sq ft to 100,000 sq ft, occupying the adjacent unit as part of its flagship strategy. Elsewhere on the park, plans will split a unit near Skechers into two 2,500 sq ft spaces, offering more affordable rents. Moss Bros, rebranded to Moss, is relocating to the former Regatta premises near Boots.

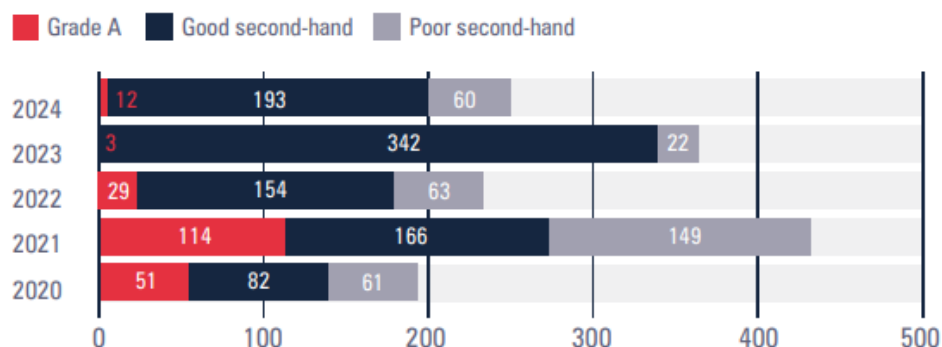
The £7.5m marketplace revamp stalled after the old market's demolition to reassess the site's potential. The opened space provides opportunities for festivals and events and proposed plans include a dismantlable structure for events near the food hall, with 48 stalls. Revised plans entered consultation in October, with a Council decision expected early in 2025.

Granby Street saw £700,000 in upgrades through the High Street Heritage Action Zones programme, widening footpaths and cycleways, creating outdoor seating, and restoring the Grade II listed Grand Hotel's shopfronts to their original design. New signage complements the building as part of wider efforts to improve Granby Street's shopping environment and attract shoppers to the city centre.

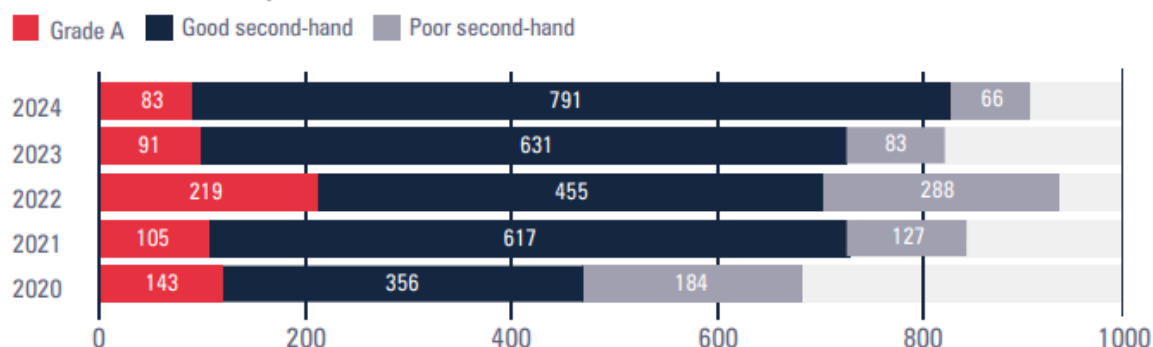
Office take-up in the Leicester office market eased in 2024, with total activity of 264,600 sq ft, some 26% below the 10-year average. Lettings during the year were focused on good quality Grade B space, accounting for 96% of activity, perhaps due to the absence of significant Grade A availability, with a relatively even split between in-town and out-of-town locations. There were several disposals above 15,000 sq ft during the year, with the most significant being the 19,300 sq ft letting to retailer Next at 20 Radar Road and the letting on Western Boulevard of 18,995 sq ft to HSBC. The largest Grade A letting in the city centre was to legal services group Knights, taking 8,800 sq ft at Colton Square, the present mainstay of Grade A space. Availability rose by 17% to 940,000 sq ft, with good Grade B space accounting for 84% of stock. The largest Grade A building currently on the market is the 55,000 sq ft space at Carlton Park.

Prime and secondary rents have remained steady at £20.00 per sq ft and £14.00 per sq ft respectively, primarily due to the lack of brand-new speculative accommodation driving rents on.

Take-up (000 sq ft)



Availability (000 sq ft)



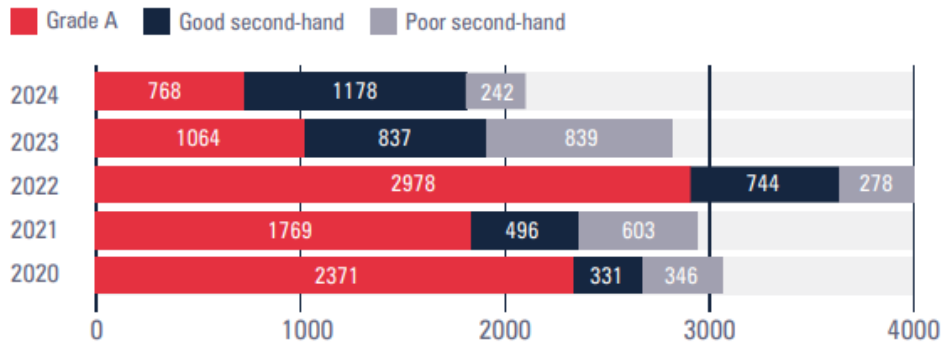
Prime rents (£ sq ft)



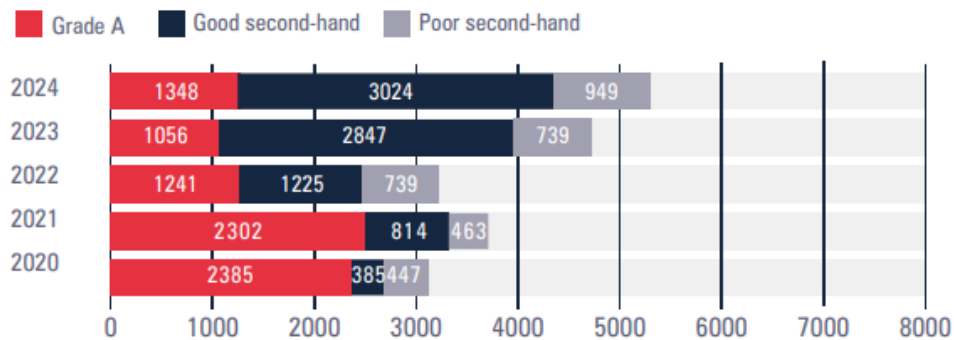
Industrial take-up in the Leicester industrial market eased back to just under 2.2 million sq ft in 2024, following four years of above trend levels of activity. The main slowdown was for larger buildings above 30,000 sq ft where take-up decreased to 1.3 million sq ft from 1.9 million in 2023, though primarily due to the lack of mid-box supply rather than demand. Included in this is big box activity that slowed to 793,100 sq ft across four deals, with the largest transaction being the agreement to lease at MPS9, Magna Park, Lutterworth, where CEF (City Electrical Factors) took 383,150 sq ft. Availability increased, rising to 5.3 million sq ft, with occupiers shedding a number of

larger older buildings. Units of 100,000 sq ft and above account for 75% (6 million sq ft) of the overall supply, with the largest of these being the 761,360 sq ft speculatively built MPN 761 at Magna Park. Prime rents have now reached £10.00 per sq ft, representing growth of 11.1% over the past 12 months and 25% since 2021, while secondary rents continue to reflect the market's strength, rising to £7.50 per sq ft.

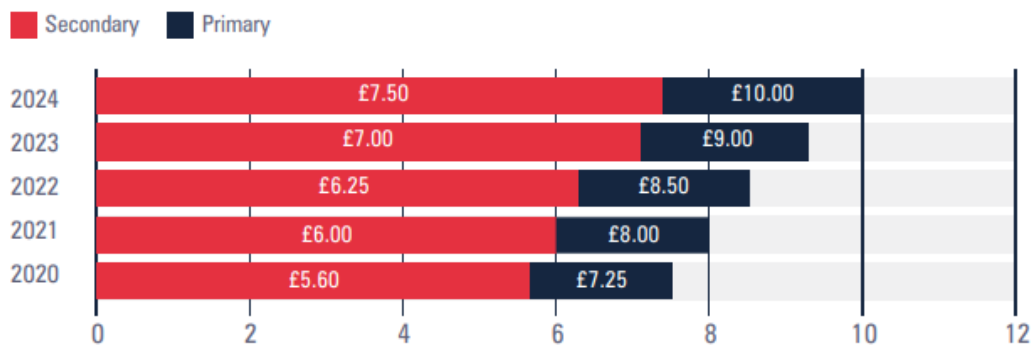
Take-up (000 sq ft)



Availability (000 sq ft)



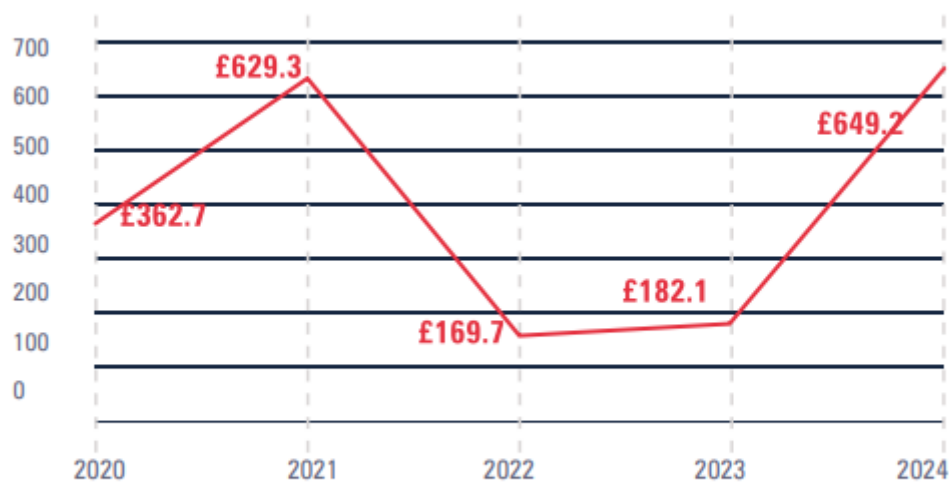
Prime rents (£ sq ft)



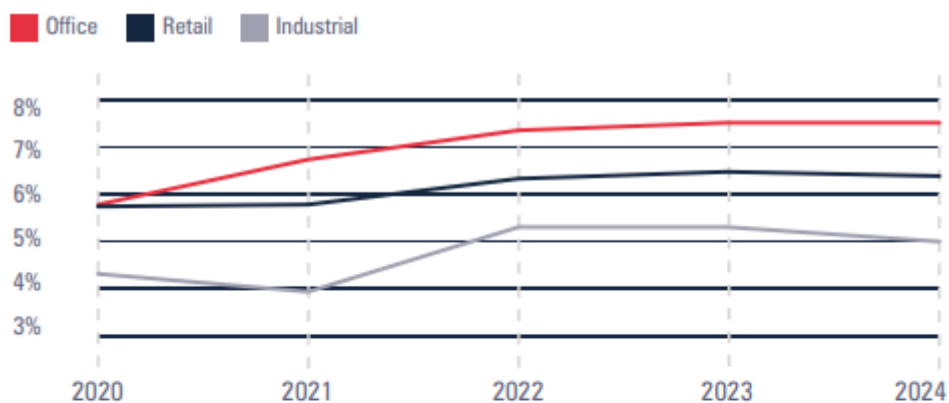
Investment activity in Leicestershire rose to its highest level in 10 years, with a total of £649m in transactions completed in 2024. The industrial sector continued to dominate activity, accounting for 83% of the year's transactions. The big deal of the year was private equity group Lone Star's acquisition of East Midlands-based property business Charles Street Buildings for approximately £570m, known as Project Tiger. Of this, around £390m related to 15 multi-let industrial estates around Leicestershire, totalling about 4.5 million sq ft of industrial space. The deal is understood to

have been underwritten on a stabilised yield of just over 8%. Another notable deal was Aviva's purchase of Leicester Distribution Park for £102.5m, reflecting a net initial yield of 5.0%. The fully let eight-unit prime reversionary M1 logistics park was developed in three phases between 2017 and 2022 and boasts strong ESG credentials. The most significant deal outside of the industrial sector was the £31.5m purchase of the Morrisons store at Gorse Covert Shopping Centre in Loughborough by GR Retail, as part of a two-property portfolio. The purchase price reflected a net initial yield of 7.25%. Overall, despite a challenging first half of the year, prime yields began to stabilise around the midpoint and investment volumes have slowly started to recover from this point. Office and retail prime yields were stable at 7.50% and 6.50% respectively, while industrial yields edged in by 25 basis points to 5.00%.

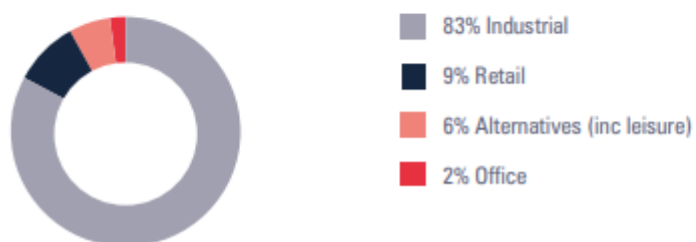
Investment across the county (£m)



Prime yields (%)



Investment by sector



Key Highlights:

Offices:

Prime headline rents: £20.00 per sq ft

Secondary rents £14.00 per sq ft

Industrial:

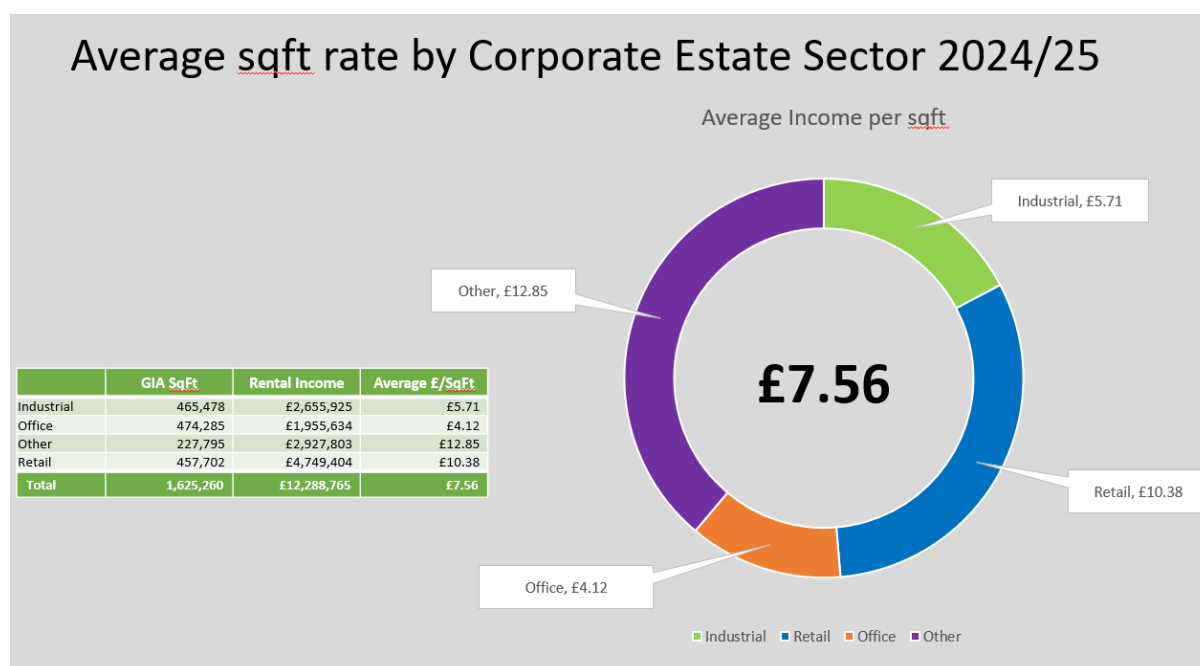
Prime headline rents: £10.00 per sq ft

Secondary rents £7.50 per sq ft

Investment:

Transactions Completed £649.2m

The Council's Corporate Estate continues its optimisation progress in earnest with improved resources across the team, completing a full 'root and branch' review of all rents and service charges. Industrial edged up to £5.71 per sq ft with the acquisition of the Heathers Industrial Estate in FY23/24. The review of secondary office and industrial at our business centre workspaces started in 2024/25 and is anticipated to complete in 2025/26. Retail improved greatly to £10.38 per sq ft from £7.56 per sq ft due to improved occupancy in this sector. Secondary office rents lag the market significantly with optimisation of this sector to come in the next 12-18 months as the secondary office market shows signs of recovery.



Yield:

According to Savills (Market in Minutes: UK Commercial February 2025) the national market showed that their commercial property perspective remains confident that improvement is coming, but that they might have to wait until Q2 of 2025/26 to see it. The buds of improvement are out but are not quite ready to bear fruit. Yield expectation remained static in the last two quarters of 24/25 with yield remaining static across all sectors. The only exception was in major regional UK cities which improved slightly, proving that offices remain in favour with investors.

The UK average prime gross yield was 5.93%, back at levels not seen since July 2023.

At the end of FY24/25 spring anticipated a recovery, and it felt like much of the latent investor and lender sentiment will be holding off a little longer to see how things turn out, but capital is becoming more available for deployment when the winter fog lifts. The issue, as it has been for some months, is lack of stock, with multiple bidders being seen when good stock comes to market.

NIC increase comes into effect in April 2025, the business community seems split on how increased costs will impact profitability and growth prospects next year. It's true that there will be severe headaches for some sectors, retail and hospitality for instance, but business leaders appear equally focussed on wider geopolitical headwinds and the impact these will have on supply chains, global economic security and inflation.

Despite these concerns, British businesses exhibited renewed optimism for the first time in seven months in February 2025, according to the Lloyds Bank Business Barometer, which rose to 49% from 37% in January - the largest increase since late 2020. The improved confidence reflects companies' ability to manage higher costs and uncertainty, following almost a decade of post-Brexit turbulence, and even suggests that hiring plans have increased despite budgetary fears. Conversely, two-thirds of businesses anticipate raising prices in the coming year to mitigate the budget's impact on profitability, which is unlikely to fill those reliant on consumer and construction spending with cheer.

President Trump's narrative continues to keep economic forecasters on their toes. We've probably never seen so many significant moving parts that could accelerate or decelerate the recovery or vanish from speculation to irrelevance in a breath of hot air. With this level of uncertainty, it is understandable that investment activity remains sticky. Trade tariffs could impact the UK which could result in an even stickier 2025.

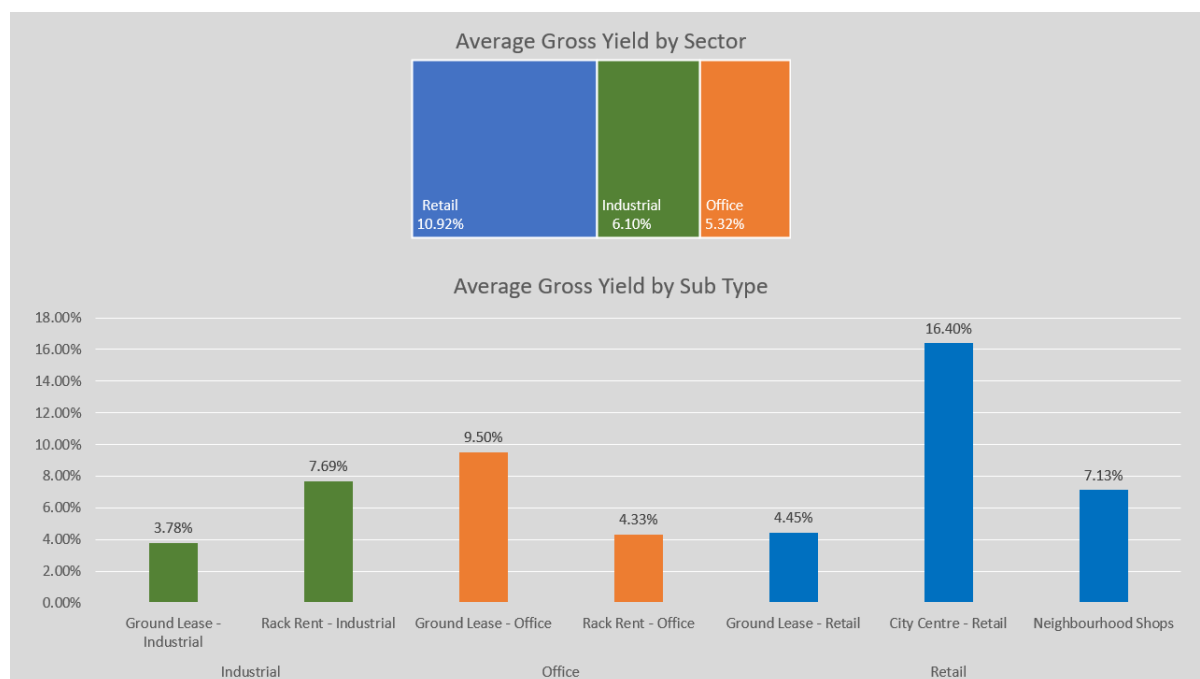
Yields continued to present a very mixed story across the board. Outward pressure can be seen in nine out of 14 sectors with Retail down (6.5%), Offices (6.75%) and Industrial (5%).

The Corporate Estate returned an average gross yield of 7.96% for the year ended March 2025, which is considered 'very good' in commercial real estate market terms, and significantly above the average UK prime rates of the CCLA property funds.

This compares with the CCLA Local Authority Property Fund (used as a benchmark) which returned a gross yield of 4.92%

The Chart below, illustrates the average gross yield by sector for the three main sectors in the last financial year, with the Retail sector returning the highest average yield at 10.92%, widening the gap with the Industrial sector at 6.10%. The main driver for improvement was City Centre retail predominantly driven by the Haymarket Shopping Centre and improvement in letting shops that had previously been void, plus general optimisation in rents.

CHART 9 – AVERAGE GROSS YIELD



Net yield is down predominately due to the upwards pressure in increased utility costs driven largely from increases in electricity and gas due to the Russo/Ukraine War. Gas and electric prices are expected to see slight decreases in early 2026 in the UK, though with significant uncertainty and the possibility of future issues later in the year. While the Price Cap fell in July 2025 and is forecast to dip again around January 2026, analysts like Cornwall Insight predict further fluctuations. Factors such as global events, government policies, and the expansion of renewable energy will influence long-term price stability. Continued increases in the cost of construction and the scarcity of certain supplies, continue to impact repair and maintenance costs.

The strategic decision to reduce the Council's operational office estate has also had an impact on the Corporate Estate as some sites are in the process of being leased. This is anticipated to show improvement next year as the market warms on the secondary office market.

It is important to understand that, in calculating yields, the capital valuation of a portfolio is a significant factor. In line with what has been happening in the rest of the UK, local land values have generally appreciated although, as previously stated, in the case of the Corporate Estate portfolio, such appreciation generally relates to development value rather than existing use of the land. Instances where land and property valuations have decreased minimally, such as the neighbourhood shops, means that yield is affected positively. When we look at the yield performance of some of the sub-sectors, we can see a clearer picture in terms of performance, with a number of sub-sectors

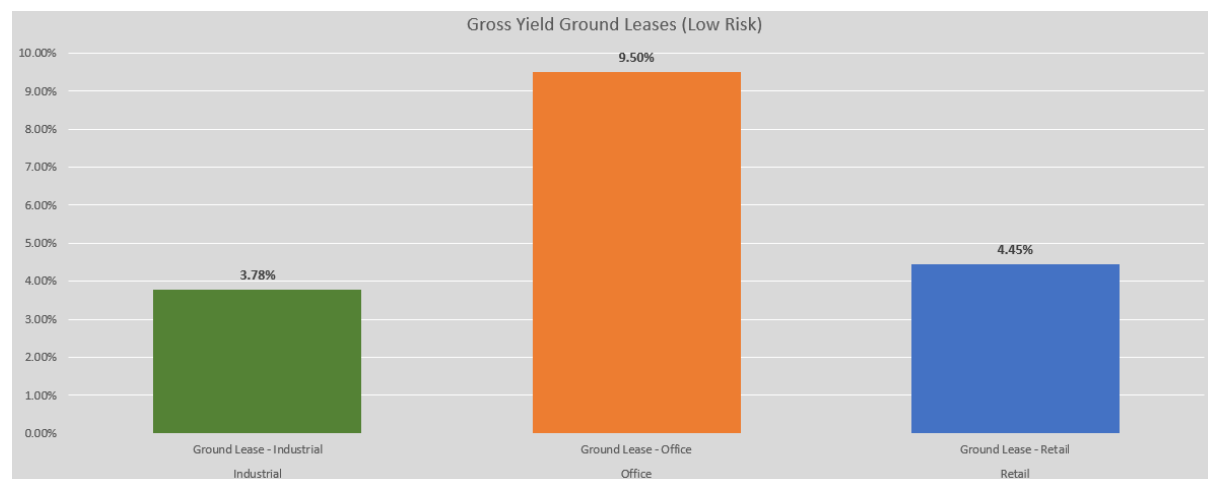
generating excellent gross yields above 8% with City Centre retail providing outstanding yield improvements from 11% to 16.4%. Ground leases in the office sector taking the second spot at 9.5% versus the improvement in rack rent office yields which have shown a slight improvement over last year. City centre retail gross yields remain excellent at 16.4% and up on last year at 5.4% predominantly due to retail starting to show signs of returning to its pre-covid value combined with a slight improvement on take-up in last quarter of FY2024/25.

Yield in Detail:

Gross yield is generally used to compare the financial performance of property investments and as noted above, they are influenced by the quality of the assets (e.g. location, sector, condition, supply and demand) and the associated investment risk. With a balanced portfolio, the Corporate Estate therefore incorporates some 'gold thread income returns' for very low risk investments over longer term investment periods.

Ground leases are generally held in the portfolio as steady, long-term leases that have a strategic role in minimising the revenue risk of the Corporate Estate as a whole. Whilst ground leases in the three main sectors are generally lower than average performers, the impact of planned rent increases in recent years, particularly in the Office sector, means that yield performance has reduced to levels that are aligned to the rest of the portfolio.

CHART 10 – GROSS YIELD GROUND LEASES



Ground lease Industrial = 3.78%

Ground lease Office = 9.50%

Ground lease Retail = 4.45%

It should be noted that a lower yield is not necessarily due to poor performance (and is not always of concern), as low yields are generally related to the low risk involved with the investment. Examples in the Corporate Estate include our ground leases that provide a long-term income; as well as the neighbourhood shops that we hold for purposes that are secondary to income generation.

The average net yield of 3.95% achieved in FY24/25 by the Corporate Estate is almost double at 1.64% above the CCLA Local Authorities Property Fund (Interim Report September 2024) at a 2.31% net yield.

CHART 11 — YIELD CONTRIBUTION BY SECTOR SUB-TYPE

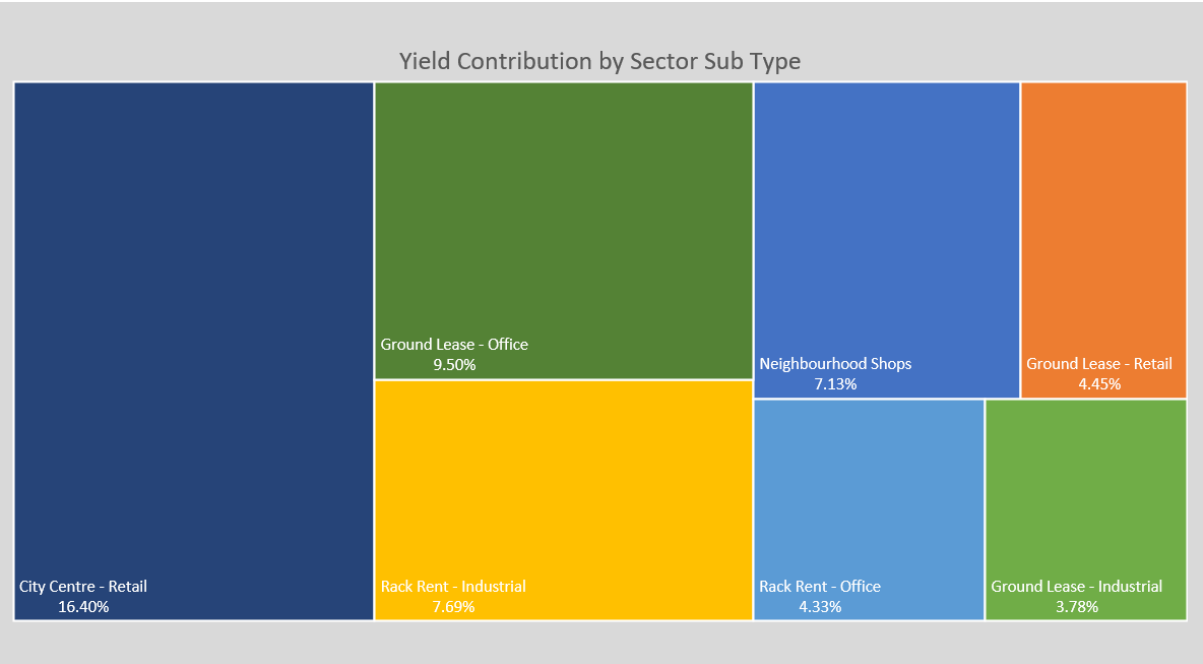


Chart 11 (above) provides a breakdown of yields across a range of sub-sectors within the Retail, Industrial and Office sectors. The City Centre Retail sector has consistently provided an excellent (over 8%) gross yield for the last three years, and continues to do so, with a return to FY22/23 levels this year demonstrating an excellent average gross market yield. The Haymarket Shopping Centre showed an improvement in performance from last year at its full-year results. This combined with general improvements in retail rents, balanced across an improved capital value resulted in a return to form.

Despite the continued general economic turbulence with interest rates falling through the Bank of England base rate downward adjustment, market confidence didn't return, due to anticipated further turbulence in the last quarter of FY24/25 where the market remained subdued as a result of Trump's tariffs and future taxation. In FY24/25, whilst City Centre Retail recovered to its pre-covid level, Office Ground Leases provided continued to provide excellent returns at 9.50%. Neighbourhood Shops have achieved a very good gross yield of 7.13% this year. Further improvements were made in Ground Lease Industrial due to a combination of capital asset valuations and long lease/rent reviews in-year.

Portfolio Sector	Yield	Indicator	Performance Review
Industrial: - Ground Lease Industrial - Rack Rent Industrial	3.78% 7.69%	Lowest Yield/ Low Risk/ Stable Very Good Yield	<p>Slight increase from 2023/24. Our industrial ground leases are generally long-length leases that are low risk in terms in terms of demand and rent volatility and offer us stability and longer-term sustainability – hence the lower-than-average yield.</p> <p>A well-performing sector with long-term tenants that continue to have confidence in the Council as their landlord. up from 2023/24 levels, with opportunity to increase further as rents continue to be aligned to market rates.</p>
Office: - Rack Rent Office - Ground Lease Office	4.33% 9.50%	Good Yield/ Some Risk Excellent High Yield/ Low Risk	<p>Down slightly from 2023/24 levels due to new ways of working. There continues to be some risk in this sector in the future as working practices and hybrid working continues to be defined.</p> <p>These low-risk ground leases provide a stable and sustainable revenue income. Asset valuation improvements contributed to a very healthy yield.</p>
Retail: - City Centre Retail - Ground Lease Retail - Neighbourhood Retail	16.40% 4.45% 7.13%	Excellent High Yield/ Turbulent Good Yield/ Low Risk/ Stable Very Good Yield/Held for Community Benefit	<p>City Centre retail space that brings in an excellent yield. Yield performance is high due to the historic nature of the holdings and subsequent high values, although an increased capital valuation in 2024/25 – due to rising land values and growth in sector holdings combined with improvement through rent reviews has resulted in return to yields last seen in 2022/23.</p> <p>A full year of solid income and improved capital asset value from the Haymarket Shopping Centre continues to prove a good investment.</p> <p>No change. A good solid yield. Longer-length leases with a lower risk that the City Centre retail space. A stable performer with low risk attached.</p> <p>A slight decrease in yield compared to 2023/24 as availability has remained static predominantly due to capital requirements and lower rents. 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, which are now undergoing improvements to shop fronts and interiors to bring locality improvements and availability improvements.</p>



The Haymarket Shopping Centre

In the fourth year of ownership, our short-term goals of continuing to stabilise the performance of the asset, build a single, strong management team and improving the asset's performance in terms of availability remain our key focus.

	FY21/22	FY22/23	FY23/24	FY24/25
Capital Improvement	Part-year (Nov 21 - April 22)	Full year	Full year	Full year
Capital investment	£1m	£0k	£300k	£800k
Gross Income	Part-year so not comparable	£3,114,067	£3,251,071	£4,365,635
Costs		£2,584,067	£2,570,913	£3,050,184
Net Operating Profit		£530,000	£680,158	£1,315,451*
Asset Valuation	£9,500,000	£13,591,000	£14,758,102	£15,517,920
Capital appreciation from initial investment	N/A	43%	55%	63%

*includes one-off adjustment

The asset is a stand-out investment for the Council achieving a capital appreciation from initial investment of 63% from acquisition to present date.

Gross Income has increased by £1,114,564 from 23/24.

Costs are up due to inflation, government impact on staff salaries (NI increases). All service charges are recharged.

Net Operating Profit has increased by £635,293 from 23/24.

Gross yield is outstanding at over 20%, compared to all retail in the City Centre at 16.4%.

Additionally, we have also been proactive in securing long-term sustainable income streams with quality occupiers, most notably agreeing a second unit expansion for Greggs in FY24/25. Improved occupancy rates provided the anticipated potential to improve income further as secondary retail offers good value for money in the market. Structural, society-wide changes in how people use retail space still pose challenges, however, the market change towards discount and general merchandise retailers has been positive for the Haymarket.

Nationally, due to this shift away from quality brands in secondary retail, it is clear that Shopping Centres across the country are still challenged and are anticipated to underperform the All-Property five-year average index of 2.7% with Shopping Centres expected to achieve the weakest rental growth of around 1.4% next year.

The Council is reviewing the Haymarket Shopping Centre as part of its City Centre strategy, balancing the market against the improved results of 24/25.

6. CLIMATE EMERGENCY

The Council's Climate Ready Leicester Plan 2023 to 2028 continues to focus on decarbonisation of our buildings, which contribute to over 60% of our carbon emissions. This work is being delivered through the three key strategies of: energy demand reduction, efficiency improvements and heat decarbonisation.

Our Clean and Green programme is now being procured for LED lighting and Solar PV, which will deliver cost savings and energy savings. We are also exploring new technologies and partnerships to enhance our buildings and ultimately reduce our energy consumption. We are also continuously seeking out further funding for decarbonisation work through regional and national funding programmes. Improvements in environmental cleaning products and recycling of waste and improved energy procurement all contribute to our commitment to the environment.

We continue to work on the three key actions in our Climate Ready Leicester Plan that are currently being delivered through the Corporate Estate:

- **Completion of Blackbird Road Industrial Park**

This new build industrial park scheme has now been completed and provides business units with an exceptional Energy Performance Certificate rating of A. It has PV array roof panels; sustainable drainage, insulated floors and cladding, EV charging for vehicles; skylights for natural lighting combined with LED lighting with PIR movement detectors and timers throughout and provides a modern low carbon energy efficient premises for our tenants. This is a practical demonstration showing the benefits of an energy efficient low carbon building to support our local businesses in saving money on their energy costs. We have launched our green lease scheme in the Park where both tenant and landlord work to ensure that the building is managed efficiently to maximise environmental benefit.

- **Compliance with the MEES legislation - Commercial Buildings (Minimum Energy Efficiency Standards)**

The Council continues its commitment to meeting the Minimum Energy Efficiency Standards:

- Currently an Energy Performance Certificate (EPC) rating of 'E' or above
- Increasing to EPC rating 'C' or above by April 2027 and 'B' or above by April 2030.

- **Energy saving in void buildings and spaces**

- Review and improve the way we manage energy to minimise wastage in void buildings, end of lifecycle buildings and buildings awaiting redevelopment.

The Council will continue in its commitment to its ESG responsibilities (Environmental, Social and corporate Governance) of its buildings, including the continued capital investment in meeting the Mandatory MEES legislation. As Energy Performance targets increase from FY2027/28 and then from FY2030/31 the Council will continue to invest further in its commercial real estate portfolio for the future benefit of its citizens, its tenants and its economy in providing good quality energy efficient commercial real estate. Other key future focuses include Smart Building Technologies, retrofitting and repurposing of existing buildings including incorporating energy-efficient technologies such as LED lighting, high-performance windows, and smart building controls to minimise energy demand. We continue to monitor technological advancements in providing energy-efficient and environmentally responsible buildings by investing and enhancing the long-term value of properties.

Anna Dodd - Energy and Sustainability Manager

Joanne Allen - Head of Sustainability

Statement of the Assistant City Mayor for Environment and Transport



I am delighted that this year has seen the completion of the new Blackbird Road Industrial Park, formerly the Ian Marlowe Centre. It offers such a great prospect for the Council and the City. Firstly, it provides energy efficient premises with solar panels, electric vehicle charge points and an Energy Performance Certificate Rating A for commercial tenants. It can really benefit businesses profitability by reducing costs and providing a great working environment. Secondly it is another flagship for the City to demonstrate that a low carbon future is with us now and can be practically delivered through new business units.

The green leases that have been created as part of this scheme are a chance for both landlord and tenant to work together to maintain the environmental efficiency of the building and the low carbon technologies provided. They provide an excellent opportunity to work in partnership with tenants as we all embrace new technologies to reach our Net Zero aspirations.

Councillor Geoff Whittle
Assistant City Mayor for Environment and Transport

7. FINANCIAL STATEMENT

Corporate Estate Out-turn for the Year Ending 31 March 2024:

Number of units – 1,218

Valuation as at 31/03/25 - £154.4m

The Corporate Estate net return to the Council for the financial year ending 31 March 2025 was £6.103 million. Income generated from these assets is included in the Council's revenue budget.

It was previously highlighted that guidance from MHCLG (Ministry of Housing, Communities & Local Government) and CIPFA (Chartered Institute of Public Finance and Accountancy) warns against investment activity which is disproportionately large in relation to an authority's finances.

With land and property investment income from the Corporate Estate accounting for 1.51% of the Council's net revenue budget in 2024/2025, it continues to represent a manageable risk in relation to the overall revenue budget.

In accordance with the Council's Capital Strategy approved in February 2025 and to be updated in February 2026, the Council will not make commercial investments primarily to generate income. Each investment will benefit the Council's service objectives.

Acquisition of commercial or industrial property can be considered where there are either economic development or service reasons why the city would benefit from the Council's ownership. An example of economic development reasons might be to facilitate a significant business relocation to the city or surrounding area.

Construction or development of commercial or industrial property can be considered for regeneration purposes within Leicester, Leicestershire, and Rutland area where the asset constructed or developed would generate a continuing income stream and have a readily realisable capital value.

Low Carbon Energy Investments which help to reduce climate change can be considered. Any such investment will still be expected to make a positive return, though in making the investment the Council will consider the environmental and social benefits as well as the financial return.

Whilst investment in existing Corporate Estate properties can be considered, government rules no longer allow investment in new Corporate Estate properties primarily to produce income even when this is funded from the sale of existing properties; it has to be part of the wider service objectives for the City, for example economic growth and regeneration.

Stuart McAvoy
Head of Finance

8. MANAGING RISK

In managing its portfolio of commercial land and property, Leicester City Council has the following risk management arrangements in place:

- An Investment Strategy considered by Council, that limits the exposure of the Council's in terms of property investment.
- A varied and balanced land and property portfolio that spreads risk across a number of sectors and investment types.
- A strategy that prioritises security over yield and provides a commitment to support the local economy by providing accommodation for local businesses.
- Contributing 1.51% of the Council's 2024/25 net revenue budget, income from the Council's portfolio of land and property represents a manageable risk in relation to the overall budget.
- Robust governance and transparency around proposed commercial acquisitions and disposals and the performance of the Corporate Estate, ensuring that appropriate due diligence is undertaken in making estate management and investment recommendations.
- A diverse directly employed team with a range of commercial and estate management expertise ensuring the authority has the skills and capacity to make investment recommendations with due regard to risk, and to manage the investments over the long-term.
- In order to maintain capital asset valuation, capital investment will continually be required in order to shoulder the improvements to the estate that are required to maintain the long-term investment and quality of the estate, and, meet ESG and MEEES targets over the short- to medium term.

The Council's Corporate Estate portfolio has remained stable in recent years in terms of its asset numbers, its make-up in terms of sector classification, its overall capital value, and its income.

With recent uncertainty in the market, our strategy to optimise the performance of our existing estate and to take our time in considering our investment and growth options has proved to be a sensible one. Interest rates reductions in FY24/25 was anticipated to stimulate capital investment, however, the markets have remained cautious. The Corporate Estate has had a very positive 9.1% increase in rental income in FY24/25 representing continued optimisation of the investment estate and a further positive impact on a very solid portfolio performance despite an at best, sluggish year economically.

9. FUTURE OUTLOOK AND STRATEGY FOR 2024/2025

The first quarter of 2025 has been steady but cautious across the UK commercial property market. The latest RICS survey shows occupier demand is still fairly weak, with retail recording a net balance of –13% and offices struggling even more. Most surveyors say investors are being selective, favouring safer assets while concerns around global uncertainty, energy and business rates continue to weigh on sentiment (RICS, 2025).

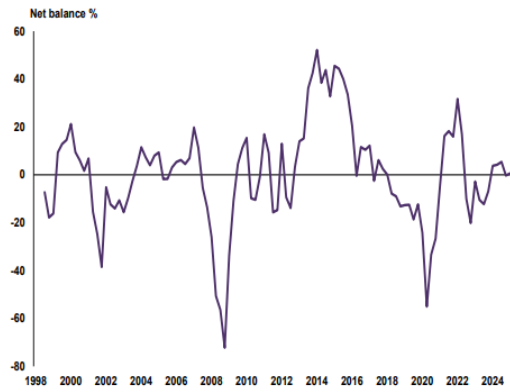
Leicester reflects this national picture but also shows some resilience. Investment activity has been stronger than in some nearby cities, with industrial property and major retail hubs like Fosse Park still attracting demand. In contrast, city-centre high streets are facing challenges, with higher vacancy and softer occupier demand (Innes England, 2025).

Retail performance is increasingly polarised. Footfall data shows Leicester’s high streets down by around 4.6% year-on-year, close to the national trend where shopping centres slipped by about 5.8% (MRI Software, 2025; Cluttons, 2025). Retail parks, however, are proving more resilient, supported by click-and-collect and convenience-driven trips (CBRE, 2025).

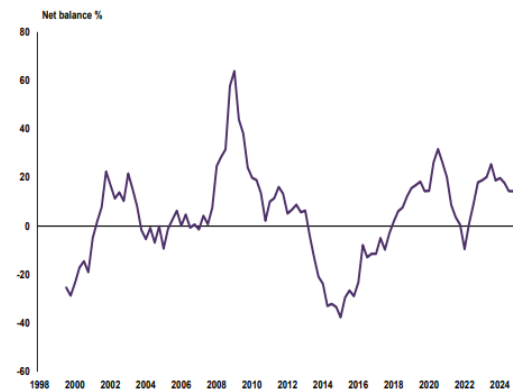
Looking ahead 12–24 months, Leicester is likely to remain a “two-speed” market. Prime and well-located assets — particularly retail parks and logistics — should see stable or gently rising rents with continued investor interest. Secondary retail, by contrast, will likely struggle with rising voids, flat rents and greater occupier turnover. RICS also points to growing interest in repurposing weaker stock into alternative uses, which may become increasingly relevant in Leicester (RICS, 2025).

Commercial property all-sector average charts

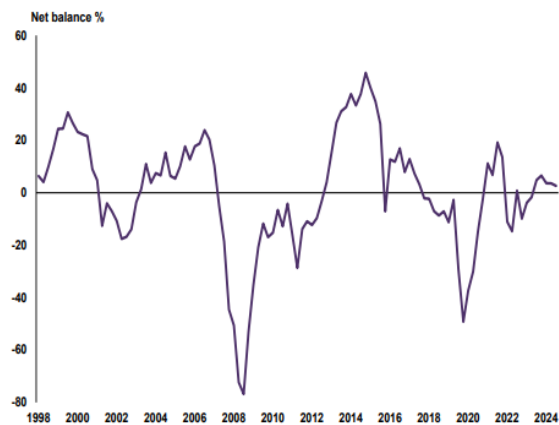
Occupier demand



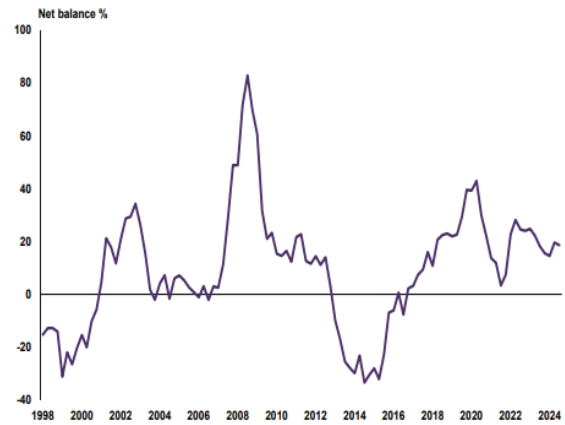
Availability



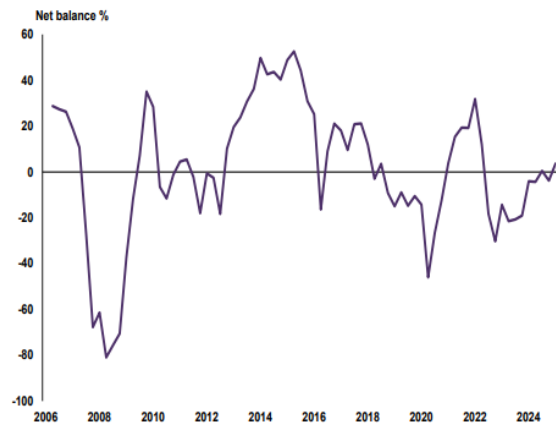
Rent expectations



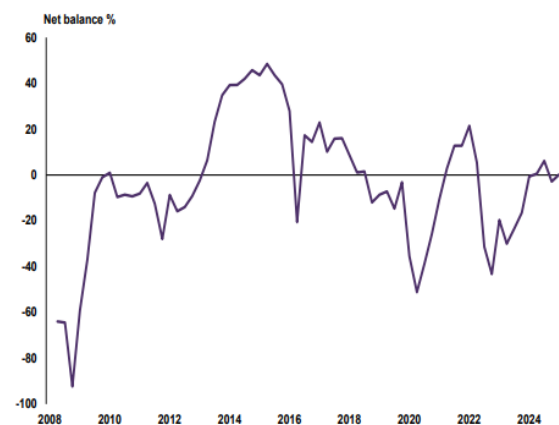
Inducements



Investment enquiries

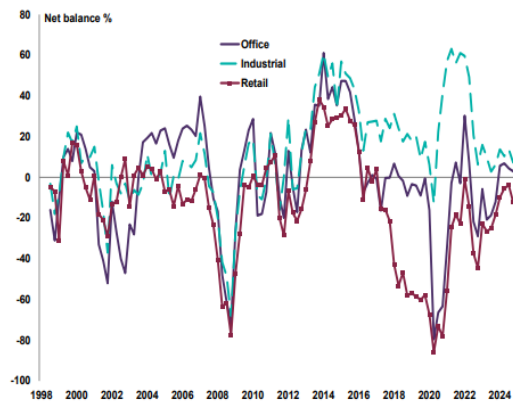


Capital value expectations

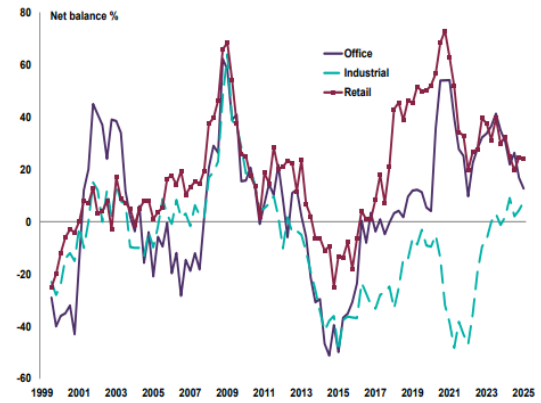


Commercial property - sector breakdown charts

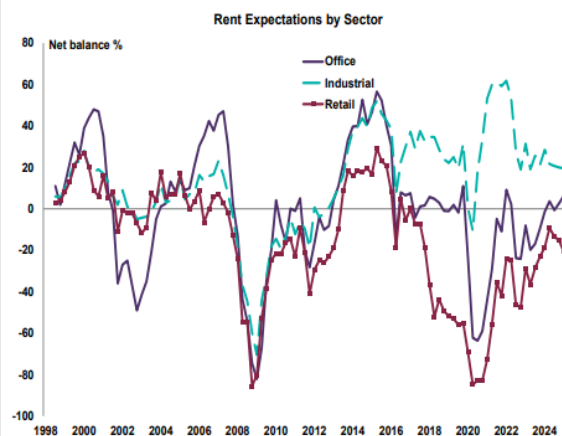
Occupier demand



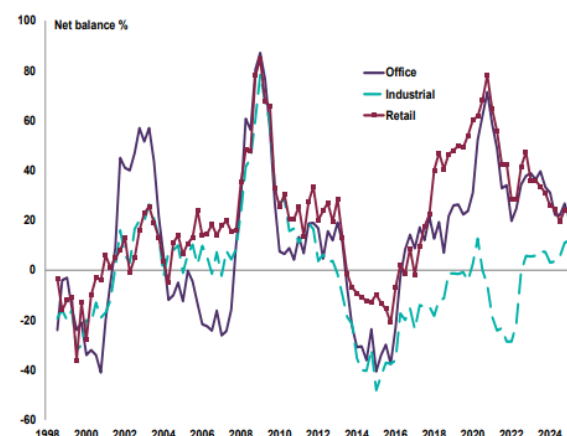
Availability



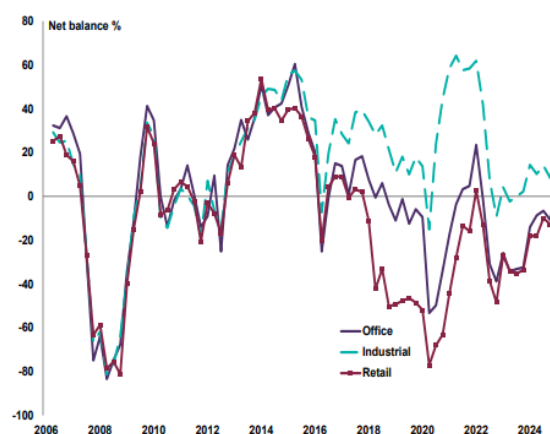
Rent expectations



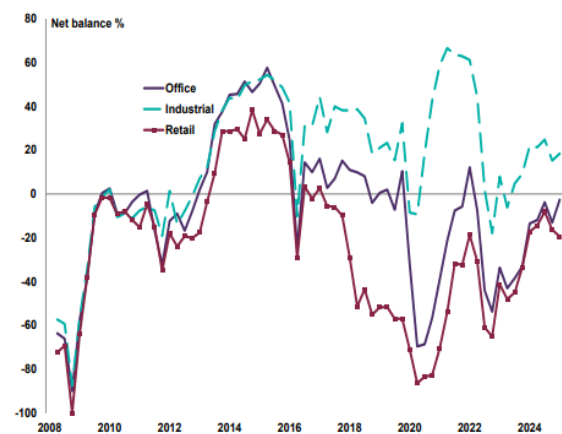
Inducements



Investment enquiries



Capital value expectations



Commercial property - additional charts

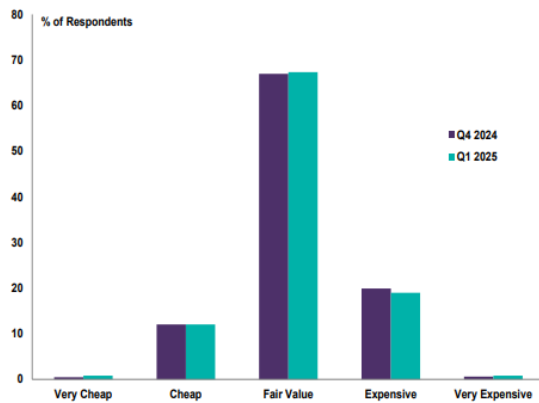
12-month capital value expectations



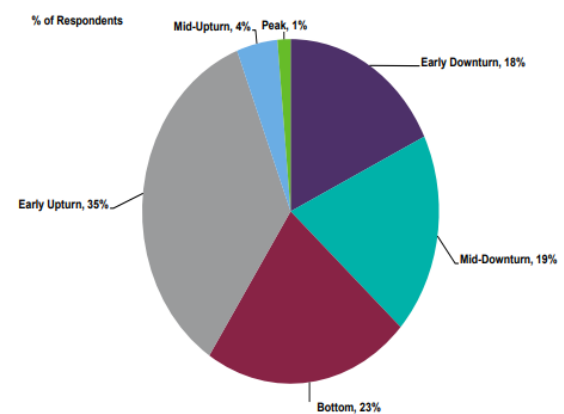
12-month rent expectations



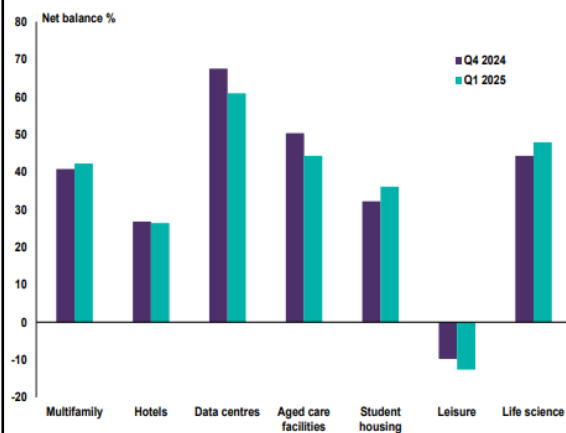
Market valuations



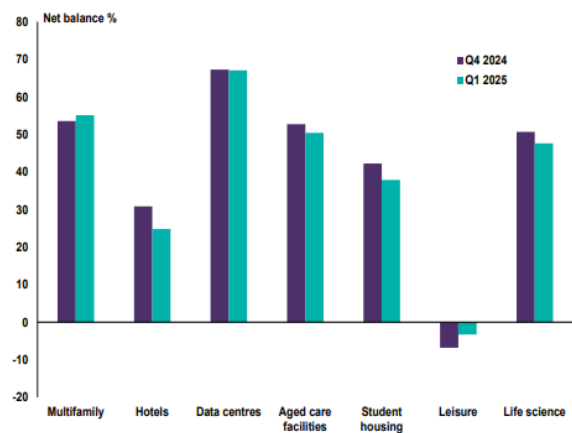
Property cycle



12-month capital value expectations alternatives



12-month Rental expectations alternatives



Other important metrics include:

- Annual CPI inflation is forecast to rise from 2.5 per cent in 2024 to 3.2 per cent in 2025, 0.6 percentage points higher than forecast in October. Wholesale gas prices are expected to peak at around 130 pence a therm in 2025, which is around 30 per cent higher than forecast in October. Oil prices are forecast to average 74 dollars a barrel in 2025, 4 per cent higher than in October. The resulting increases in the Ofgem price cap, coupled with higher food prices and the increase in regulated water bills, are expected to push monthly inflation up to a peak of 3.8 per cent in July 2025. From 2026 onwards, CPI inflation falls rapidly back to around the 2.0 per cent target as energy prices drop, food price inflation falls, and wage growth eases back from currently elevated rates.
- The economic and fiscal outlook has become more challenging since the Autumn Budget. Domestic output stagnated in the second half of 2024 and business and consumer confidence have trended lower recently. European energy prices have risen again, and government bond yields are up by around $\frac{1}{2}$ a percentage point. The outlook has also become more uncertain with two geopolitical risks highlighted in our 2022 *Fiscal risks and sustainability report* beginning to crystallise: upward pressure on defence spending and a tightening of global trade restrictions. And recent UK population, labour force, and output data do not provide a clear signal about domestic economic prospects.
- Against this more challenging and uncertain backdrop, we now expect real GDP growth of 1.0 per cent this year, half the rate in our October forecast, before it recovers to average around $1\frac{3}{4}$ per cent over the rest of the decade. While the Government's planning reforms deliver a modest boost to the level of potential output of 0.2 per cent in 2029, its cumulative growth between 2023 and 2029 is still $\frac{1}{2}$ a percentage point lower than we projected in October, and the level of productivity is over 1 per cent lower. Higher energy and food prices and more persistently high wage growth cause inflation to rebound to a quarterly peak of 3.7 per cent in mid-2025, before returning to target over the rest of the forecast.
- The underlying fiscal outlook has also deteriorated since October. Higher debt interest payments and weaker-than-expected receipts take the current balance from a surplus of £9.9 billion to a deficit of £4.1 billion in 2029-30, before accounting for new policies. Government policies, notably the direct savings from welfare reforms and the reduction in day-to-day departmental spending, and the indirect boost to receipts from planning reforms, raise £14.0 billion in 2029-30, offsetting the underlying deterioration. This means that the fiscal rules for a current balance and for net financial liabilities to be falling in 2029-30 are both met by similar small margins to October of £9.9 billion and £15.1 billion respectively. But borrowing is projected to be £3.5 billion higher and debt 0.6 per cent of GDP higher at the end of the decade than in our October forecast.
- Significant uncertainty surrounds domestic and global economic developments. If the projected recovery in UK productivity growth fails to materialise, and it continues to track its recent trend, then output would be 3.2 per cent lower and the current budget would be 1.4 per cent of GDP in deficit by the end of the decade. A 0.6 percentage point increase in Bank Rate and gilt yield expectations across the forecast would eliminate current balance headroom. And if global trade disputes escalate to include 20 percentage point rises in tariffs between the USA and the rest of the world, this could reduce UK GDP by a peak of 1 per cent and reduce the current surplus in the target year to almost zero.

- Economic outlook

Since the October forecast, developments in outturn data and indicators of business, consumer and market sentiment have on balance, been negative for the economic outlook. The ONS has revised up the historical size of the UK workforce by 1.5 per cent ($\frac{1}{2}$ a million) in 2024. It also revised up the level of real GDP by 0.8 per cent in mid-2024. But real GDP growth largely stagnated over the second half of 2024 rather than continuing to grow, as we expected in the October forecast, meaning the level of output was broadly in line with our previous expectations by the end of 2024. The net effect of these developments was that the measured level of productivity (output per hour worked) at the end of 2024 was 1.3 per cent lower than in the October forecast. In recent months, indicators of both business and consumer confidence have also trended lower. And European gas prices have risen while government bond yields have increased across many advanced economies.

- In our central forecast, real GDP is now projected to grow by 1.0 per cent in 2025, half the 2.0 per cent assumed in October. Around one-third of the lower growth this year reflects what appears to be structural weakness. This is concentrated in productivity, and its trend level is 1.3 per cent lower at the forecast horizon than expected in October. The remaining two-thirds is due to what appear to be cyclical, temporary, factors including higher interest rate expectations, increases in gas prices, and elevated uncertainty. GDP growth is expected to accelerate to 1.9 per cent in 2026 as monetary policy eases, gas prices fall back, and slack in the economy is taken up. Growth then averages $1\frac{3}{4}$ per cent over the rest of the decade. Government policies temporarily boost demand by 0.1 per cent in the middle of the forecast and permanently raise supply by 0.2 per cent at the forecast horizon. Overall, the permanent hit to productivity is partly offset by stronger workforce growth, leaving cumulative growth in potential output between 2023 and 2029 $\frac{1}{2}$ a percentage point lower than forecast in October. There remains considerable uncertainty about how to interpret recent developments in UK labour force, GDP, and productivity data, and in US and global trade policy. We therefore explore the economic and fiscal implications of alternative scenarios for both domestic productivity growth and global tariff policies.
- Interest rate expectations have risen since our October forecast. Bank Rate is expected to fall from its current level of 4.5 per cent to 3.8 per cent from mid-2026 onwards. Expectations are, on average, around a $\frac{1}{4}$ percentage point higher than in the October forecast. UK 10-year gilt yields have also risen by around $\frac{1}{2}$ a percentage point since early October with similar moves in many other advanced economies. Interest rate expectations have remained highly volatile over this period, with 10-year gilt yields varying by a full percentage point between 3.9 and 4.9 per cent.

The performance of our portfolio, despite the economic and market turbulence, shows that the outlook for our Corporate Estate remains solid, although the anticipated growth in hybrid working undoubtedly affected the demand for office space and we will need to maintain high quality space that meets the MEES legislative changes to ensure that occupancy levels and yields remain high. In addition, we should consider the opportunities to continue to develop our space to attract and meet the growing demand for flexible, local, shared office space solutions — presenting an opportunity to enhance and strengthen our local Managed Workspace offer.

According to Steven Lang, Director of Office and Life Sciences at Savills UK (Market in Minutes: UK Commercial — March 2025) “Reviewing the relative performance – and the resulting gap – of the office sector prime yields compared to the rest of the commercial sub-sectors is interesting for investors. We last looked at this seven months ago and flagged that an improving occupational

market for offices was not being reflected in the yield spread. Since the end of last year, beginning as a flicker, there are signs that the gap of office and other sectors is reducing at the same time average prime yields for all non-offices are lowering. This reflects the sentiment regarding improving liquidity, as discussed above. Considering the current gap to 2023 yield levels, supported by occupational positivity in some markets, it is expected that Provincial Offices will trend downward this year.”

The strength of our existing Industrial portfolio, along with our ability to maintain almost 100% occupancy, tells us that our investment activity should continue to be focussed on this sector. Supply of available industrial space is shrinking, particularly in car servicing and whilst demand is high, and optimising and investing in our stock will support a growth in rental and capital values in the coming years, in a sector that currently presents low risk. Whilst supporting our city centre and neighbourhood shopkeepers in a changing market is key in terms of offering more flexible lease structures, we can continue to maintain strong asset values and improve the vibrancy of our city centre and neighbourhood shopping spaces by investing and increasing the service life and the energy efficiency of our stock. This includes both our indoor and outdoor space use, potentially transforming and/or repositioning some of our assets to mixed use in order to optimise benefits and to maintain an attractive retail proposition in the future.

With the Haymarket Shopping Centre under our belt, we continue to assess the potential for more beneficial use of the land in our existing portfolio, whilst maintaining the necessary balance across a broad range of sectors to minimise risk.

Short Term Strategic Focus — Consolidation, Optimisation and Targeted Investment

In our last report we set out our Strategy and the areas of activity that we are focusing on in our management of the Council's Corporate Estate portfolio. With a short-term focus on Consolidation, Optimisation and Targeted Investment, and a medium to long-term focus on Sustainable Growth, we are pleased to report significant progress in relation to the following key strategic activities:

1. Income and Yield Enhancement by Making the Most of our Current Portfolio:

- **Ensure that all tenants are paying appropriate market rents**

We are reviewing our leases, modernising lease covenants as appropriate, and ensuring that our rents are competitive and in line with market rents. We expect to generate revenue growth of more than 10% from this activity. We are developing a transparent decision-making framework in relation to requests for below market value (BMV) commercial rentals. In addition, we are introducing improved policy provisions for rent review periods, conversion to geared leases, break clauses and lease length to support future revenue growth and risk management. Offices are a key focus for 2025 as the market rents are artificially low.

- **Provide more transparent service charge information to tenants and improve the service charge collection process**

We have improved the quality of our service charge schedules and are ensuring that Annual Service Charge Schedules are to RICS Standards with enhanced direct debit collection processes.

- **Re-purpose appropriate surplus operational assets to continue to offer secondary office/ business space**

Phoenix House and Sovereign House have improved occupancy in the final quarter of FY24/25 – showing that there is a slight upturn in demand for secondary office space in the Corporate Estate portfolio. This is constantly being balanced against the need to raise capital to support our revenue position wherever possible.

- **Maintain high occupancy and minimal void periods through improved property marketing including introducing an on-line, interactive property shop**

We are developing our specification that will enhance digitalisation of our workflows and channel shift our enquiry management processes to improve the customer experience.

2. Risk Management:

- **Review our Retail Strategy to challenge our objectives and determine the level of our future presence**

We have adopted a Retail Strategy that recognises our commitment to maintain a city centre retail presence, supporting the retail recovery through flexible leases and incentives, along with additional planned investment and strategic acquisitions such as the Haymarket Shopping Centre; and that continues to acknowledge the importance of our locally based shops in serving the communities. We are continuing to invest in condition surveys and improvements in the Neighbourhood Retail sector and through shop front and locality improvements.

- **Capitalise on opportunities to decarbonise our estate in line with MEES legislation**

The commercial real estate sector can play an important role in realising UK net zero ambitions if government strategy and sector collaboration is targeted at decarbonising building stock, mitigating them against changing climate and meeting sustainable investment demand.

Having delivered the £24 million funding programme to decarbonise our operational buildings we continue to seek and apply for every funding opportunity to decarbonise our Corporate Estate and improve our energy efficiency. Development of our new low carbon business units at the new Blackbird Industrial Estate demonstrates our commitment to driving forward to reach our net zero ambitions.

3. Customer/Occupier/Tenant:

- **Continue to support the local economy by maintaining a balance of commercialism and social value in our property offer**

In addition to adopting our Retail Strategy, we are developing a strategy for our Managed Workspaces and reviewing our holdings in the 'Other' sector (such as car parks, garages and residential). We will continue to sweat out property assets to meet yield and income or capital improvements.

- **Manage our tenant debt sensitively (both short-term and aged debt)**

We continue to work with our occupiers on ensuring that we liaise closely with tenants to provide and support affordable financial solutions, as appropriate, as well as signposting to grant/funding opportunities. We have made significant in-roads reducing our debt levels. On-going close management and an improved focus on personalised support and relationships with our tenants will be our continued focus on customer service improvement.

- **Transition of regeneration workspaces to the Corporate Estate (based on an agreed regeneration to commercial lifecycle)**

With the addition of managed workspace assets such as Dock 2, 3 and 4 and the Gresham Building to the Regeneration portfolio along with the launch of creative workspaces at Canopy in 2025. As part of our review of our Managed Workspace offer we have invested in new green leases and BREEAM excellent new industrial units at Blackbird Road, which will come online in 2025/26. This demonstrates how we can target investment in modern small business units for start-ups and medium-sized grow-on space to support local business growth and in continuing to meet changes in business working practices.

We are continuing to focus on Sustainable Growth and our medium to long term objectives to:

- Invest in our high-performing and strategically important sites to provide a secure and sustainable revenue income.
- Consider disposal of ageing/difficult to let/sub-optimal/end of useful lifecycle estate.

- Consider investment opportunities with strategic value in lower-risk growth sectors such as industrial, food or retail distribution/warehousing — sale and leaseback opportunities reduce risk further.
- Work with OPE partners to enhance inward investment opportunities.
- Invest in evidence-driven local growth (identifying sites for potential construction of new units/being responsive to the Local Plan).
- Consider new sector investment opportunities.

2025 Market Commentary:

This year's forecasts suggest a stronger outlook and opportunity for UK property investment in 2025/26 compared to last year, but the political landscape and interest rate story will remain prevalent drivers.

A year ago, we predicted that 2024/25 would mark the bottom of the current real estate cycle, and that forecast has proven accurate. While we're encouraged by the stability of a new government, the Budget, which focused on high taxes and limited growth, has tempered early optimism. Nonetheless, 2024 saw prices stabilise, with some relief from four interest rate cuts – which is hoped to provide for a full recovery.

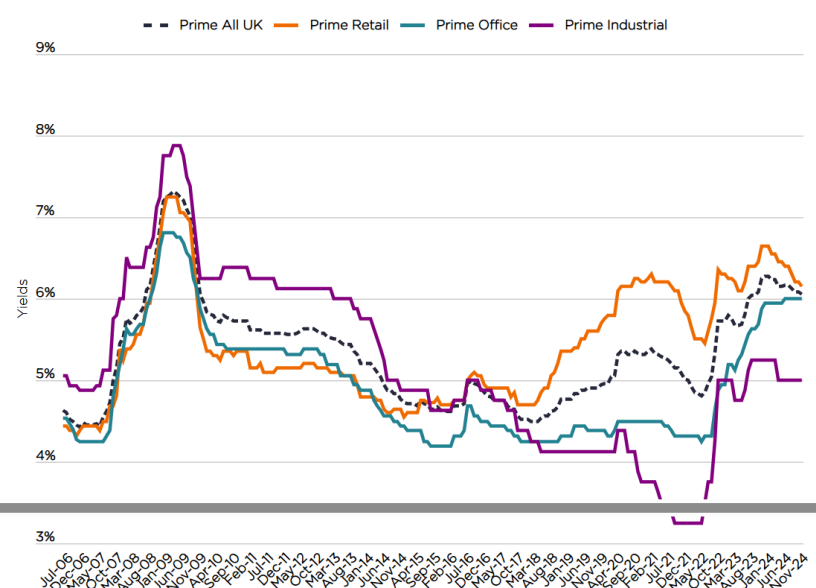
Looking ahead to 2025, we expect gradual improvements across the market. The fundamentals are strong: there is limited supply and availability of prime assets across the residential, commercial, and rural sectors, combined with rising demand, this bodes well for both rents and capital values.

However, geopolitical instability and ongoing risks remain outside all of our control. We are optimistic as we enter the next stage of the real estate cycle. Further interest rate cuts are expected in 2025, improving project viability and boosting property appeal. With more funding available at lower rates bringing a wider range of buyers back to market, and a continued shortage of prime real estate, we are beginning to see upward price trends heading into the start of the year.

2025 will see greater investor confidence in UK commercial property as the foundations of the commercial real estate recovery are in place.

Given the major change of direction that is likely in US politics on 20 January 2025, starting our outlook with a quote from an inauguration speech seemed like an easy win. Franklin D Roosevelt, in 1933 at the depth of the Great Depression said, "The only thing we have to fear is fear itself". It isn't a huge leap from this quote to the uncertainty and lack of confidence that continued to hang over the commercial property investment market in 2024, and the inevitable question of whether this fog of uncertainty will lift.

UK prime retail and industrial yields hardened in 2024



Source: Savills Research

A year ago, we led on the headline that “2024 will be an opportunity to buy at the very bottom of the cycle” and, as the chart above shows, pricing in both offices and industrials turned last year. However, investment volumes remained muted. While they were over 20% above the previous year, they remain 22% below the ten-year average. This wasn’t just about cautious buyers, but also about limited distress in the market and a similarly limited number of willing vendors.

Why will investors be more confident about UK commercial property in 2025?

Twelve months ago, we were still speculating on when the Bank of England base rate would start to fall, and now we have four rate cuts under our belt. Our forward view is based around 100 basis points of further cuts over the course of both 2025 and 2026, and this alone will reduce the cost of borrowing, and in most markets and sectors make debt accretive.

There is, however, a very wide range of views around the forward trajectory for interest rates, and this remains an area of uncertainty for investors both at the point of purchase and the eventual exit. The last two years have shown us that, for many investors, heightened uncertainty results in slower decision-making.

Nonetheless, there are areas of uncertainty that we were dealing with a year ago that we can more firmly agree have disappeared. Political risk, at least in domestic politics, has diminished, and it is a reasonably credible argument that the UK looks less politically volatile than many of its nearest neighbours. The new Labour government has had its first Budget, and this should give investors, consumers and businesses a much clearer picture of the world in which they will be operating for a minimum of the next five years. The shape of the economic recovery is also clearer than it was.

“While economic forecasts have been revised downward post-Budget, there is a widespread acceptance that 2025 and beyond will see accelerating GDP growth – something that is always good for real estate.” Mat Oakley, Director, Commercial Research

While downturns are often very uniform, real estate market recoveries tend to be fairly asynchronous, and we do not expect this one to be different. The first sectors and segments to recover will be those where opportunistic investors feel there has been an overcorrection, or where core investors have confidence in occupational and structural drivers.

Occupational market performance has been strong. Will this strength continue?

One of the most unusual characteristics of the commercial property market in the UK in recent years has been the strength of many of the occupational markets through Covid and thereafter. This has been seen in many metrics – not least the relatively low vacancy rates for a recession, the comparatively strong take-up numbers, and ultimately the higher-than-normal prime rental growth that has been experienced in many markets.

The roots of these trends go back almost a decade, to when developer confidence was weakened after the Brexit referendum. This, followed by Covid, surging inflation, high interest rates, and geopolitical shocks has led to a sustained period of under-delivery of new developments. While tenant demand has by no means been booming over the last three years, the lack of prime supply has driven better-than-normal rental growth for this stage of the cycle.

An improving economy will result in business expansion, and this will lead to rising demand levels for shops, offices, factories and warehouses. Furthermore, lower levels of cost inflation should also be good for the profitability of UK plc.

The one wrinkle in this otherwise positive outlook is the fiscal regime, with the rise in employers' national insurance contributions and the minimum wage, meaning that most companies will now have to look to raise prices or reduce spending to maintain margins. This will be felt in the leasing markets, and we have revised our take-up forecasts downwards a little to reflect a more cautious corporate environment in 2025 in particular.

What hasn't changed is the undersupply of prime space in core locations, and we do not expect to see development viability improving dramatically in 2025. This will mean that prime rental growth levels are likely to be sustained at their recent high levels and our forecasts assume that this undersupply remains a driver of total returns for all of the next five years.

Will 2025's recovery just be about Logistics, Life Sciences and Living?

The end of the year always brings a sleigh-full of investor surveys, and this year's sound remarkably similar to those previous. 'Sheds, Meds and Beds' was the great pre-Covid cliché, and not much has changed since then.

The rationale behind such strategies is a solid one, based heavily around economic growth and favourable structural shifts. However, we have always been fans of the paths that are less well travelled, particularly at this stage of the cycle.

The classic retail property cycle is well underway, with rents having corrected sharply downwards now back on an upwards curve as retailers repopulate repriced prime streets and schemes. 2025 will see more institutional interest in retail than we have seen for a decade, motivated both by the cycle and the rebuilding of household balance sheets.

"Prime shopping centres, retail warehouse parks, and substantial high street parades are all expected to be popular buys in 2025." Mat Oakley, Director, Commercial Research

Offices remain the one sector where prime yields are yet to harden, but 2025 will be the year that this happens. The recent rental growth story is undeniable, and no longer just limited to super prime. The majority of major office markets have no new office buildings due for completion in the next three years, and tenant demand will recover in line with economic growth. This will ensure that office rental growth in core locations will remain strong. Some investors will stay away, either because of legacy issues or concerns about the impact of agile working, but the lure of rental growth and yield hardening will be too much to ignore for others

Savills (UK Cross Sector Outlook – Commercial 2024/25)

Investment Overview - Leicestershire

Investment activity in Leicestershire rose to its highest level in 10 years, with a total of £649m in transactions completed in 2024. The industrial sector continued to dominate activity, accounting for 83% of the year's transactions. The big deal of the year was private equity group Lone Star's acquisition of East Midlands-based property business Charles Street Buildings for approximately £570m, known as Project Tiger. Of this, around £390m related to 15 multi-let industrial estates around Leicestershire, totalling about 4.5 million sq ft of industrial space. The deal is understood to have been underwritten on a stabilised yield of just over 8%. Another notable deal was Aviva's purchase of Leicester Distribution Park for £102.5m, reflecting a net initial yield of 5.0%. The fully let eight-unit prime reversionary M1 logistics park was developed in three phases between 2017 and 2022 and boasts strong ESG credentials. The most significant deal outside of the industrial sector was the £31.5m purchase of the Morrisons store at Gorse Covert Shopping Centre in Loughborough by GR Retail, as part of a two-property portfolio. The purchase price reflected a net initial yield of 7.25%. Overall, despite a challenging first half of the year, prime yields began to stabilise around the midpoint and investment volumes have slowly started to recover from this point. Office and retail prime yields were stable at 7.50% and 6.50% respectively, while industrial yields edged in by 25 basis points to 5%.

Innes England (Market Insite Brochure 2025)

Total global commercial real estate (CRE) investment rose to US\$806 billion in 2024, marking a +8% year on year increase, a significant rebound on the sharp 43% contraction recorded in 2023. Private investors dominated for the fourth consecutive year, contributing US\$360 billion or 45% of total global investment volume, down slightly from 48% in 2023. Institutional buyers were the second most active group, deploying US\$268 billion, some 33% of the total. Private, Institutional and Public buyers all recorded a rise in investment compared with 2023, with the exception of the User/other group, which fell 6%. Buyers in public markets saw the largest rise, posting a year on year increase of 22% in 2024. While investor confidence remains resilient, institutional investors have adopted a more cautious approach, with their share of total investment standing below their long-term average of 40%. Meanwhile, private capital continues to be a key driver of the recovery, able to access a broad range of funding, allowing these buyers to act more opportunistically in the market.

SECTORS IN DEMAND

Just as in 2023, Industrial was the most invested CRE sector, accounting for just over a quarter of all global investment at US\$216 billion. Living was close behind at US\$205 billion, while Office investment reached US\$173 billion. Although the Industrial, Office, Hotel and Living sectors all increased their share of total investment in 2024, Retail investment declined, its global share falling from 18% in 2023 to 16%. Similarly, Seniors housing & care shrank from 3% to 2%. WHO'S BUYING? Investors from the US, Canada and the UK were the most active sources of cross-border capital in 2024. Among the top 10 global cross-border capital sources, the only investors to increase investment in 2024 were from Sweden (+128%), Canada (+73%), the UK (+70%), the US (+61%) and the Chinese mainland (+41%). The UK was the largest source of private cross-border capital in 2024,

with investment increasing 224% year on year to US\$3.3 billion – their first time topping the rankings since 2008. Private UK capital primarily targeted assets in Europe (France, Spain and Germany) and the US. By contrast, while private US capital grew modestly by +2% year on year to US\$1.6 billion in 2024, the US slipped to fifth place in the top 10. London was the top metro

destination for cross-border investment in 2024, attracting a total of US\$9.6 billion. Notably, the UK capital also reclaimed the top spot for overseas private capital, overtaking New York, which topped the rankings last year.

THE OUTLOOK FOR 2025

The overall picture in 2024 was one of economic resilience. The global battle against inflation had largely been won, interest rates were drifting downwards, and many economies were navigating a soft landing. However, considerable downside risks remain, including geopolitical uncertainties and uneven regional recoveries. Despite these challenges, a significant pool of capital remains ready for deployment. Anticipated interest rate cuts in the first half of 2025, combined with the continued decline in swap rates, are expected to create a more favourable investment environment. This should bolster investor confidence, improve market sentiment and helping unlock greater transaction volumes. Borrowing against property is already showing an upward trend, reflecting growing investor appetite, while global CRE pricing is beginning to stabilise. All this suggests that 2025 could usher in a stronger phase of recovery, with increased capital flows and renewed momentum in the CRE sector.

WHAT WILL INVESTORS BE TARGETING?

Growth opportunities are emerging in select sectors. According to our Capital Gravity Model, from our Active Capital report, the logistics and living sectors are expected to attract the most significant investment, driven by long-term solid structural tailwinds. More specialist sectors such as healthcare and student housing are often high on investors' wish lists due to their strong rental growth prospects and countercyclical nature. However, the operational complexities, compliance challenges and liquidity constraints associated with these assets may create hesitation among investors. Consequently, investors may be more inclined to transact within the more conventional CRE sectors.

SECTORS TO WATCH

From retail to operational real estate, we highlight some of the most exciting opportunities for those investing in commercial property.

SAFE HAVENS

Geopolitical risk will remain heightened in 2025, in particular across Europe, Asia and the Middle East. Investors will again take a positive view of commercial property in safe-haven locations. Offices in gateway cities remain one of the archetypal volatility hedges. Although there may be few outright bargains, the asset class is liquid, well-understood and accurately priced. For example, despite a somewhat subdued market over the past year, London was one of the largest recipients of cross-border real estate investment, demonstrating the ongoing appeal of its commercial property sector.

EUROPEAN RETAIL

Economic prospects remain mixed but will not eclipse the attractions of European markets. Interest rates, already lower than most developed markets, are set to fall further, and this will be boosted by the relative liquidity of commercial property markets in Germany, France, Spain, Italy and the Netherlands. We anticipate many investors will remain focused on sectors with structural tailwinds, such as logistics and living (senior housing, student accommodation and build-to-rent), where it is easy to articulate the case for long-term investment. One sector to note is retail, especially in developed markets. Pricing has come under downward pressure in recent years, thanks to concerns – real or imagined – over the rise of e-commerce, the Covid-19 pandemic and the pace of wider

economic growth. Current pricing could represent an attractive entry point for well-chosen retail assets.

LOGISTICS

The logistics sector has been revolutionised over the past decade, with record investment volumes targeting available assets. As pricing has risen sharply, the question for investors is how many opportunities remain. In our view, the outlook is positive. Geopolitical uncertainty is driving a reassessment of optimal supply chains and, at the margins, an increase in demand for space. More generally, supply chains are subject to continuous refinement, leading to a steady flow of new leasing demand. Unlike some other commercial property types, lot sizes can be helpfully modest for those testing the waters. But what makes the sector particularly compelling for those with a longer-term horizon is the potential for redevelopment. Although far from a guaranteed possibility for every site, as cities grow and demand for infrastructure proliferates, the ability to reimagine well-located logistics assets for other uses will become an increasingly valuable option.

OPERATIONAL REAL ESTATE

The rise of operational real estate – in which the asset is intrinsically linked to the relevant business model – is one of the big growth stories in commercial property in recent years. From student housing to hotels, healthcare to data centres, such investments typically require buyers to run the assets as a business or at least put in place a team to do so. In their infancy, operational markets can seem opaque compared to more established alternatives. Inevitably, there is less data to draw on, and less history to study. However, as they mature, the picture can flip, with these assets generating very detailed information about performance precisely because they are so intertwined with the underlying business.

ESG ASSETS

Surveys carried out for The Wealth Report show a longstanding desire among respondents to engage in philanthropy and/or to make investment decisions based on more than hard financial considerations. In recent years, this has led to a big shift among private investors towards acquiring assets that support ESG strategies (for example through retrofitting or refurbishing, see page 47). So far, much of the focus has been on the “E” (environmental) part, perhaps unsurprising given our own research shows a clear link between assets that meet modern sustainability standards and investment performance. The “S” (social) aspect is harder to measure and attracts less attention, but is arguably no less important. In fact, when we surveyed institutional investors in commercial property, nine in 10 had social targets. So, what does this mean in practice? At one end of the spectrum, 73% were targeting workplace wellbeing. More ambitious were the 56% seeking improvements in the public realm, and the 35% looking to support local communities. Measuring the efficacy of such investment goals can involve more than just straightforward financial metrics with investors relying on an alphabet soup of frameworks, benchmarks and tools – GRESB, SDGs, RESVI, ESRS, CSRD and SROI, to name just a few – to help quantify and report social impact.

KEEPING IT REAL

From the rise of online shopping to the post-pandemic work-from-home trend, shifts in real estate markets are fuelling assumptions that could lead to missed opportunities for investors. We separate the myths from the reality.

THE OFFICE IS DEAD

Post-pandemic, more people are working from home and office occupancy is falling far from being obsolete, the office is evolving to meet the demands of modern work and shifting employee expectations. Hybrid working is driving companies to rethink office spaces, emphasising flexibility and purpose. As businesses adapt, the office will transform into a dynamic hub for meaningful workplace experiences and a strong organisational culture.

RETAIL IS HISTORY

The rise of online has made retail real estate uninvestable. Retail remains a key driver of global economic growth, fuelled by population increases and rising per capita spending. Online sales still represent a small share of global retail, and multi-channel models are outpacing online-only, with store-based ecosystems outperforming. After past corrections, retail has reclaimed top asset-class status in some markets including the UK, delivering total returns in 2024 of 8.2% vs 5.1% for all property.

ESG IS NO LONGER RELEVANT

Governments around the world are placing less emphasis on ESG, and investors should do the same. This argument is flawed for several reasons. COP29 brought a renewed focus on climate action, making it risky to downplay ESG concerns. Institutional investors, key drivers of green building progress, are unlikely to abandon sustainability for short-term political shifts. Additionally, legislation and public demand for sustainable investments can quickly rebound, leaving those acquiring non-compliant buildings with no clear mitigation strategy and vulnerable to illiquidity.

THERE'S NO PLACE FOR DATA CENTRES IN A SUSTAINABLE STRATEGY

High energy use conflicts with environmental goals. While they remain major consumers of energy and water, data centres are transitioning towards renewable energy sources with many also adopting more sustainable practices such as using recycled water for cooling and selecting sites to minimise ecological disruption. Data centres also enable environmental efficiencies by deploying technologies such as AI and big data analytics, which enhance energy and resource management. Cloud computing infrastructures reduce the need for physical hardware, cutting waste and supporting virtual services that lower carbon footprints.

GEOPOLITICAL TENSIONS ARE BAD FOR SUPPLY CHAINS

Demand for logistics real estate will suffer as a consequence of instability. Geopolitical upheaval can disrupt trade routes and sourcing strategies, affecting warehousing needs. However, it also creates opportunities. Companies may shift production closer to consumers, shortening supply chains, or hold more stock to safeguard against disruptions. Both strategies boost demand for local industrial and logistics facilities.

AI IS STEALING OUR JOBS

Demand for office space will plummet as a result of technological advances. Fears that AI will eliminate jobs oversimplify its impact. AI is reshaping work by augmenting roles, not erasing them, and could solve the productivity puzzle. Rather than reducing the workforce, AI drives innovation and creates dynamic career opportunities in a changing economy.

REPURPOSING IS THE ANSWER FOR EVERY CHALLENGED ASSET

Changing use is an easy way to enhance value Building obsolescence comes in many flavours: regulatory, functional, physical and financial. When these limits are reached, the call to “repurpose” grows louder. But one size does not fit all. We identify five types of renovation: from light-touch retrofitting, all the way to full-scale redevelopment. The key to identifying the appropriate action is viability. Simply put, an approach that is financially viable in one location may not stack up in another.

IT’S ALL ABOUT THE NEXT BIG THING

The key to success in real estate investing is to be at the forefront of the latest trends For a class of assets with a potentially indefinite lifespan, the world of commercial real estate can seem oddly fixated on the new. Riding these waves can be one way to generate attractive returns. But an almost universal truth in commercial real estate is that income trumps capital growth over the longer term. That means some of the most attractive performance might, in fact, come from resolutely unexciting real estate sectors.

The Wealth Report 2025 – Knight Frank

10. CLOSING STATEMENT

The resilience of our investments across the Corporate Estate has reported a strong 9.1% increase in gross income, this, despite a backdrop of continuing economic uncertainty across investment markets this year. At 1.51% of the Council's overall net revenue budget, our Corporate Estate doesn't expose us to significant risk around macro market fluctuations, but we remain vigilant and are working hard to continuously improve our returns as well as the value of the service that we provide to our tenants across the estate. The Corporate Estate continues to provide good economic investment, performing very well above CCLA trends, bringing with it a solid year of results in the performance of our portfolio in a changing market. Whilst the economy has started to show signs of improvement, our financial performance has been solid, with demand and occupation remaining high, and voids remaining low against a challenging year for retail and secondary office nationally.

Being mindful of the prevailing fiscal pressures, we will continue to resource around protecting the value of our estate as well as improving our customer experience and aligning the Council's revenue from rent and service charges in line with the market. And, whilst economic growth was not predicted this year, other social, political, and environmental factors have remained in check. Our strategy to hold firm has resulted in strong yields and improved net income. Our plan over the next year is to ensure that our strategic investments continue on an upward trajectory and disinvestment of our wider estate allows for the private sector to support regenerative schemes and economic development of the city and neighbourhoods.

We continue to actively focus on our net zero ambitions and sustainability remains at the forefront of our strategic improvements including a cleaner and greener property portfolio. FY24/25 continued to show improvement in the Minimum Energy Efficiency Standards (MEES) of our Corporate Estate and we continue to be committed to meeting our net zero ambitions for our buildings. 2025/26 will see further investment in our Corporate Estate in order to meet more challenging mandatory MEES targets from 2027 onwards. We will continue to work with our tenants to improve and enhance our estate wherever possible and by exploiting available grant funding.

The breadth of our portfolio, which is wholly invested in the local area, alongside a strategy that is underpinned by robust governance and strong risk management, has enabled us to maintain a solid revenue returns and capital yield year-on-year. Our future strategy is not governed solely by revenue or yield, rather, it is activity-focussed across a range of areas, to optimise returns, maintain good quality stock, and improve the covenant quality for tenants, whilst providing a range of accommodation to support the local economy, businesses, small and large, established and new.

After a year of continued stabilisation and improved performance, our promise remains steadfast in that we will continue to proactively manage our portfolio, its suitability and performance, as well as its financial returns – including considering the wider financial challenges faced by local government under the backdrop of a reduction in central government funding over the last decade. Our strategic focus will remain on continuing to achieve excellent yields from our investment portfolio by disposing of low yielding assets or where yield growth is not achievable. We will continue to integrate our ESG considerations to our investment and management activity, ensuring that our portfolio remains both stable and sustainable, now, and into the future.

Richard Sword

Strategic Director for City Development and Neighbourhoods

References:

Carter Jonas. (2025). September 2025 Commercial Market Outlook.

CBRE. (2025). UK Real Estate Market Outlook. London: CBRE.

CBRE. (2025). UK Mid-Year Market Outlook 2025. CBRE.

CBRE. (2025). UK Retail Parks Market Outlook 2025.

CCLA. The Local Authorities' Property Fund Annual Report and Financial Statements year ended 31 March 2025 and Interim Report September 2025. London. CCLA.

Cluttons. (2025). Commercial Quarterly Examiner: Retail Market Update Q1 2025.

Innes England. (2025). Market Insite - Report. Innes England 2025.

IPF. (2024/25). UK Consensus Forecasts Full and Interim Reports

MRI Software. (2025). Revealed: UK Shopping Hotspots 2025.

RICS. (2025). UK Commercial Property Monitor Market Survey Q1 2024 to Q1 2025

RICS. (2025). UK Commercial Real Estate Impact Report. March 2025. RICS.

Savills. (2025). UK Cross Sector Outlook 2024: Commercial (2024). Savills.

Savills. (2025). Commercial Market in Minutes – April 2025. Savills.

Notes:

As one of the UK's largest local authority and charity fund managers, the CCLA manages investments for the public sector, charities, and religious organizations. Investments include the Local Authorities Property Fund that aims to provide investors with a high level of income and long-term capital appreciation.