Haringey Borough Council

Commercial Property Portfolio

January 2014

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Executive Summary

Introduction

DTZ were appointed to review Haringey's core commercial real estate portfolio with the primary objectives of improving revenue and utilising the assets more effectively to leverage regeneration opportunities and support job creation.

Current state

The core commercial portfolio comprises 142 assets with c600 lettable units (out of a total portfolio of c500 assets and 1300 units). The portfolio includes a mix of office, industrial and retail properties. The value (based on Haringey's figures) is £49m and the portfolio generates a net income of £3.1m.

The portfolio is dispersed across the borough with little cohesion between assets and is generally of poor quality. The average rental value of each lettable unit is less than £12,000 and as such attracts tenants who would not be considered 'investment grade'. As a result, management costs are high as a % of income and bad debts are an issue.

The commercial property portfolio is managed in-house. However, there appears to be no co-ordination between the commercial portfolio and the other real estate assets owned by the council.

Challenges:

- Income will not maintain its value in real terms due to the condition of the properties, the impact of certain long term leases and the potential threat of EPC legislation due in 2018 (when it will be illegal to let properties with an EPC rating below E)
- Technopark is owned on a long term lease, but the lease income from the Council's tenants is insufficient to cover the head-lease cost to the freeholder, resulting in a shortfall of c£480K per annum. We understand that negotiations are in progress to resolve the issue.
- There are a number of other properties with long leasehold arrangements. Either the council has a long leasehold ownership or tenants have long term occupational leases (c25% by rental value is more than 15 years of which 15% is more than 30 years). Such leasehold arrangements make it more difficult to actively asset manage the portfolio to improve quality and financial returns.
- The dispersed nature of the portfolio means there is limited critical mass. For most small individual properties in the portfolio, there are no compelling reasons to retain them.
- The in-house property team are hampered by poor quality and/or inaccessible management information.

Executive Summary

Recommendations

Our recommendations are designed to improve the financial return and other benefits the commercial portfolio delivers. There are three key outcomes that Haringey should seek to achieve:

1. ***A balanced portfolio***

   The attributes of a balanced portfolio result in a spread of risk. Balance should be considered across asset type, geographical spread across the borough, asset size and asset risk profile vs income yield.

   Haringey will need to divest some assets and replace with new assets. In order to maintain and grow the income currently derived from the commercial portfolio, it is essential that receipts from disposals are ring-fenced and re-cycled into new commercial properties.

2. ***The right assets***

   A portfolio of property assets that are retained (or acquired) for the right reasons. At the high level, this should be because the asset provides:

   - A good financial return relative to the risk profile of the asset, with an expectation that will be maintained in real terms, and/or
   - A strategic location – either adjacent to another Council asset (operational or commercial) where that could be beneficial or strategic in the assets own right, for example in a key location for Haringey's future regeneration agenda

3. ***The right assets (cont.)***

   - Haringey's extensive regeneration plans offer an opportunity to invest in assets that will deliver outstanding financial returns over the longer term.

4. ***Best practice portfolio management***

   Management of the commercial portfolio is aligned with best practice. This means:

   - Appropriate KPI's are set that reflect the portfolio characteristics and the Councils objectives. The KPIs should include – revenue, net revenue, voids and cash collection.
   - Management reporting needs to be robust, timely and appropriate information must be accessible to those who need it.

Executive Summary

Recommendations - a balanced portfolio

The objective is that the portfolio as a whole delivers the maximum benefit to the council, in terms of:

- Financial Return vs. Risk
- Strategic location that could support regeneration aspirations
- Location adjacency with other Council commercial or operational assets. This could provide flexibility for expansion of operational assets or amalgamation of assets to provide greater opportunity simply by virtue of a larger footprint

Global objectives

Establishing a set of objectives or attributes will start to shape the portfolio. As part of this initial review, we have not looked at the Councils governance process for acquisitions and disposals – but if a significant level of authority for trading assets in the portfolio is delegated, portfolio objectives will provide a framework within which the responsible individuals can make decisions.

Examples of portfolio attributes could include:

- All portfolio investments will be within the borough
- The portfolio must comprise office, industrial and retail assets. No individual asset type should account for less than 10% or more than 50% by capital value of the portfolio
- Assets should all be held freehold. Where a long leasehold interest is unavoidable, the rent payable must be less than 7.5% of rents received.
- As the portfolio is 're-balanced', all proceeds from property sales are re-invested into new commercial property assets. This is essential if Haringey are going to maintain and grow the commercial revenue to continue to support the authority's budget.
- The portfolio needs a spread of unit size to attract different types of tenants. Many local authorities believe it is appropriate to retain a certain number of small incubator units to encourage small businesses. They are typically expensive to manage and so net returns are often poor. Ultimately, Haringey needs to increase the average size of the lettable units within the portfolio and it could use a number of KPIs or benchmarks to influence the future shape of the portfolio.
- Financial return is an obvious goal, but as with most investment classes, higher return equates to higher risk. Higher risk assets usually come with higher costs through management of tenants, bad debts, voids or higher repairs and maintenance costs. Applying a target risk profile to the portfolio is more difficult than some of the other factors noted above.
- Geographical spread – assets should be spread through the borough, biased towards the regeneration areas. Ideally assets will be in clusters that have close proximity to each other, with no single cluster accounting for more than 33% of portfolio value.
- No single asset should be more than 20% of portfolio value

Please note that these examples are provided for discussion.

Executive summary

Recommendations - the right assets

The attributes decided in the 'balanced portfolio' will provide a framework for the investment strategy. The next stage is to segment the portfolio to identify assets to be retained, those to be sold and those that require active management.

During the course of phase 1, we used a portfolio ranking tool to undertake a financial based assessment of the portfolio and stimulate discussion during workshops.

The tool provides the first phase in segmenting the portfolio. In order to complete the segmentation process we recommend the following steps:

- Add a location factor to the template - this needs to take into account adjacencies with other council properties
- Consider whether other factors should be added to the decision tool
- Validate the data provided by Haringey that has been input to the tool (there were some questions about the debtor information and the management costs)
- Re-run the tool to rank the properties and undertake initial allocation to retain, active management or disposal categories.
- Complete property templates to support individual asset strategies. An example is provided that can be tailored for Haringey's requirements. The template can be used to support governance and provide an audit trail. Depending on the initial priorities, batches of templates can be focussed on certain attributes (i.e. Disposals)
- Define attributes of new acquisitions, including asset type, yield and risk parameters, location factors, etc. In particular consider how new acquisitions can help to move forward Haringey's regeneration agenda.
- Establish transformation plan to include:
    - Programme objectives and timelines
    - Allocate roles and responsibilities
    - Agree governance and reporting protocols
    - Set targets and budgets for financial objectives and fees
    - Agree approach to third party providers, tendering where appropriate
    - Etc.
- Instigate due diligence on properties identified for disposal

The above activities will enable the transformation process to begin. Once underway, the Council should consider other issues which will impact on the medium and longer term performance of the commercial portfolio. Examples include:

- Other commercialisation opportunities and other smaller assets. Examples include advertising billboards, mobile masts and way-leaves. There is a market for such assets that could deliver additional receipts. Where no market exists, it may be possible to manage the assets in a different way to enhance income or to reduce the management cost.

Executive Summary

Recommendations - best in class management

The first issue that the property team need to address is to have information that is the 'single version of the truth' and is readily accessible to team members.

Without a reliable and complete dataset of information, it is not possible for the property team to manage the portfolio to deliver the best outcomes and report performance reliably to fellow colleagues.

We understand that the SAP property module is being implemented and therefore there will be little appetite to invest money for a short term fix.

However, data will need to be scrubbed before up-loading into SAP, and so any work undertaken now to extract information and validate it now should not need to be duplicated.

Most data can be extracted into Excel and, with the creation of a few simple templates, can be manipulated with relative ease to provide useable information.

If all of the property team work off the same information, then benefits will be realised. We suggest the following datasets be established as a matter of urgency:

- Standing property data with key lease dates for tenants. From this a template can be created to drive a void report and a report listing rent reviews, break notices, break dates and lease end dates.
- Tenant debtor schedule
- Financial outturn report for the commercial portfolio – showing net income less costs

As part of phase I of this project, we have already undertaken a reasonable amount of work scrubbing data to provide the outputs for discussion. Further work will be needed but this exercise is not starting from scratch.

A set of KPIs need to be set to enhance the management of the portfolio and to move towards a best in class approach. Whilst the portfolio is in transition, this will be difficult. Nevertheless, a number of simple KPIs can help drive improved performance.

We recommend for the short term looking at voids, cash collection and service charge recoveries.

Over a 6 to 18 month period, KPIs could be set on net rental income from properties that are retained in the portfolio, whether identified as a simple 'hold' or as an 'active management' property.

The individual asset strategy templates mentioned above also include a mini business plan for assets that are retained and performance can be assessed against the asset template plan.

Haringey should also consider the most appropriate delivery model for management of the commercial portfolio. If there is to be an outsourcing, when is the right time and what should be outsourced?

We do not believe the best outcome will be achieved by seeking to outsource in the short term. Provided that good progress is made on the initiatives we have outlined, it would make sense to re-visit this question towards the end of 2014.

Executive Summary

Recommendations - best in class management

In the short term, team resources should be evaluated.

We have highlighted the importance of providing information to help manage the portfolio. The evolution of a good management reporting pack for a monthly team meeting will highlight to the property team the issues that are important for them and for senior management within the Council. It should also inform the SAP implementation project where consideration of management reporting requirements should already be on the agenda.

Analysing the allocation of resource to addressing issues that are important to management will help the team evaluate whether resource is deployed in the most appropriate way.

It is likely that additional resource will be required during the transformation of the portfolio unless time allocation to low value activities can be re-deployed.

Introduction

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- Alternative investment
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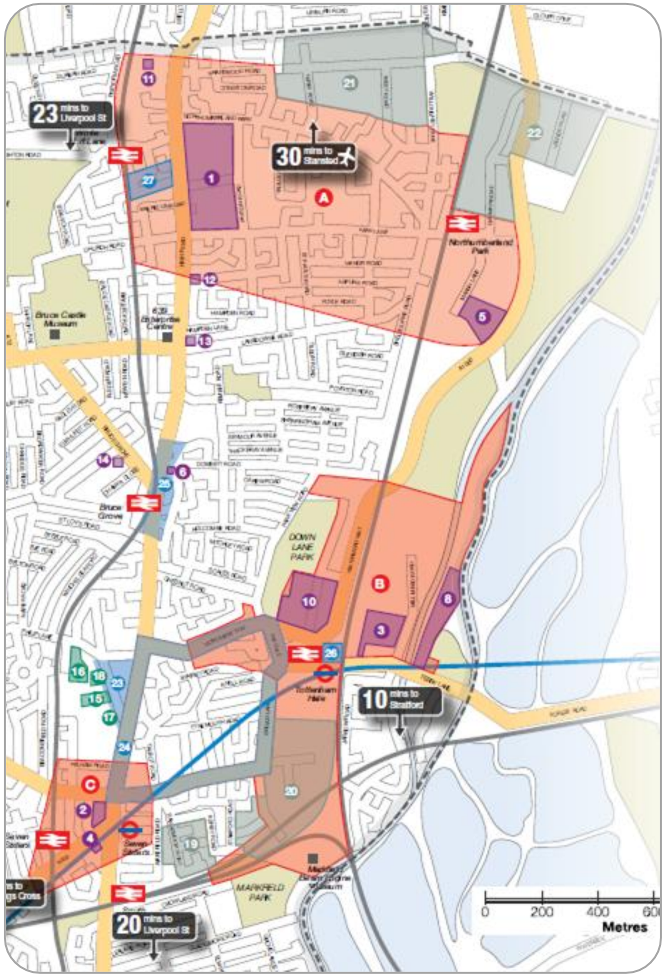
Recommendations



Introduction

DTZ were appointed by Haringey to undertake a review of the core investment portfolio comprising c140 assets (from a portfolio of c500 assets).

The objectives of the review were to:

- Target a leaner portfolio
- Improve revenue
- Leverage regeneration opportunities
- Consider potential for the assets to support job creation
- Review the management approach

During the course of the project, DTZ have used core portfolio information provided by Haringey which has been supplemented by market based data obtained from DTZ and other sources

Introduction

Information sources

The specific data sources used during the course of the project are as follows:

Provided by Haringey
- Core portfolio data (excel files capturing tenure, tenants, income etc)
- Portfolio management data (excel files capturing management costs, reporting data, debtor data)
- Supplementary asset specific data (e.g. selection of site plans, lease terms, financial information etc)
- Asset location map (not red-lines)
- Regeneration plans (various documents)

DTZ
- Portfolio management / performance tracking
- Asset management views (sample of properties)
- Development angles (sample of properties)

Market view
- Rental levels & letting prospects from DTZ knowledge plus a rigorous sweep of commercial real estate agents specialising and operating in Haringey's local markets
- Asset values (auction house view of a sample of the portfolio)
- Alternative management approaches

Introduction

The following priorities, objectives, and contextual information have provided a framework for this review

Priorities and objectives

Project Objectives (Agreed at Workshop 1)

- Target a leaner portfolio
- Improve revenue
- Leverage regeneration opportunities
- Consider potential for the assets to support job creation
- Review the management approach

Context

The Council is currently undergoing significant internal change, and is driving forward with a number of key initiatives, notably:

- New internal leadership – re-prioritising activities, and short to medium term goals
- Council wide re-organisation – allocating resources based on skills/ expertise to drive positive change
- Drive to promote performance improvement across all service areas
- Ambitious borough wide regeneration plans – with a specific focus on Tottenham

Introduction

Regeneration plans

Regeneration aspirations cited at workshops 1 & 2:

- Broad geographical / spatial plans captured under 4 areas
  - Tottenham
  - Northumberland Park / White Hart Lane – Tottenham Hotspur development
  - Seven Sisters
  - Bruce Grove
- General goals to drive environmental improvements
- High level employment generation targets – 4,000 new jobs
- To improve well-being (enhancing public realm, cultural and retails offer)

Observations:

- Ambitious aims/ objectives
- Limited visibility of specific targets by geography
- Programme of activity in development (expect clarity in Autumn)
- Limited shared awareness / knowledge of the Council's assets and tenure profile [Portfolio largely comprises multiple, small, dispersed assets, which makes it hard to be strategic. Ownership characteristics vary , but largely not clean freehold interests, which inhibits control, and development options]

Situation Analysis

Portfolio Analysis - Overview

Core Characteristics

Scale
- 142 assets are held within the core portfolio.
- Within the 142 assets are c.600 lettable units

Composition
- The portfolio is split into three broad categories; Industrial; Office; and Retail.
  - Industrial - majority light industrial/ warehouse
  - Office - largely quasi industrial tertiary offices
  - Retail – a mix of neighbourhood retail (ground floor under residential), and other uses (e.g. Nursery, and community centres). The majority are HRA assets, somewhat constrained by adjacent Council housing

Geography
- The portfolio is dispersed across the borough
  - Industrial: small estates, and/ or stand alone units, tucked away in residential areas (lacks sites with good access to road network - such sites are visible in the neighbouring borough of Enfield)
  - Retail: Multi small high street units and dispersed local community stores, largely HRA assets constrained by adjacent land use

Value
- The overall portfolio value is £49m (Haringey's figures)
- The majority of assets are relatively low in value (60% < £0.25m), and deliver relatively low rental levels (65% <£25,000)

Portfolio Analysis - Overview

Core Characteristics

Tenure

- 54% of properties are owned freehold, whilst 46% are leased (all Industrial, except Technopark)
- 6% of leases are ground leases (39 interests)
- The Council's ability to control individual properties is mixed, due to tenure, some long lease lengths and market characteristics
- Industrial portfolio is inhibited by tenure arrangements in the following manner:
  - Council long leaseholds – 61% of the industrial estate is held on LLH (54% by rental income), inhibits flexibility where opportunities might have existed (e.g. Leeside, Roseberry, Rainbow Works, Morrison Yard, Munro Works, Frontier Works, Tottenham Works, Enterprise Row and Stonebridge Centre)
  - Tenants long leaseholds – inhibit flexibility on sites where opportunities might have existed (Garman (c.40-90 years), Leeside (c.90 years), Bittern Place (c.60 years), Kingfisher Place (c.60 years), Neville House (c.100 years) and Constable Crescent (c. 50 years))
- Retail portfolio is inhibited by inherent characteristics - dominance of HRA assets, combined with incidences of 'right to buys'

Void / Vacancy profile

- Largely well let, with 8.8% of properties vacant if you exclude Technopark (12.6% if you include Technopark)

Condition

- The portfolio is largely 'tertiary' in nature – characterised by ageing stock in mixed (generally poor) condition

Portfolio Analysis - Overview

Financial Characteristics & Performance

Income

- 20 assets deliver 64% of the overall rental income (£3.6m)

Management Costs

- Overall management costs equate to £0.5m (equivalent to c10% of income)
- In the absence of time tracking/ activity analysis management costs are spread across the portfolio by the number of interests (units) per asset

Net Income

- A net income of £3.1m (or £3.6m excluding Technopark)

Cost of voids/ vacancies

- 12.6% of the portfolio is currently vacant (8.8% excluding Technopark)
- Estimated lost rental is £0.4m (or £0.8m including Technopark), based on ERV data provided by the Council
- Additional 'void' costs are incurred in vacant property. Comprising short-falls in rates and service charge costs, the current cost is £0.25m (£0.45m including Technopark)

Debtor profile

- Debts of £1.5m were outstanding as of end August 2013, of which >50% owe >£10K
- Top 20 debtors owe £0.6m (84% is > 8 months old)

Income security

- A significant proportion of the portfolio is let on a short term basis (66% <5 year term remaining)

Portfolio Analysis - Overview

Financial Characteristics & Performance – **Top 20 assets**

Income

- 20 assets deliver 64% of the overall rental income (£3.6m)
- 50% are Industrial, 40% are Retail assets (based on number)

Management Costs

- Estimated management costs equate to c.£260K

Net Income

- A net income of £1 m is delivered including estimated outstanding debts and all other costs (The figure would increase to £1.6m excluding Technopark)

Cost of voids/ vacancies

- Rental shortfall of £470K (£370K of which is Technopark)
- Service charge / rates shortfall £240K (reduces to £55K* excluding Technopark)

Income security

- Security of income limited – for 60% of these leases, the exit date < 5years time

Portfolio Analysis - Overview

Financial Characteristics & Performance – Market Context

Dispersed spatial distribution

- Industrial: Multi small estates, and/ or stand alone units, tucked away in residential areas (lacks large sites with good access to roads visible in neighbouring borough of Enfield)
- Retail: Multi small high street units, largely HRA assets constrained by adjacent land use

General characteristics

- Reasonably active market
- Limited investment since 70's / 80's, exceptions include:
  - Lockwood Industrial Estate (mid 90's stock)
  - White Hart Works (completed Sept 2012, 70% let)
- Stock largely trades at low pricing levels (reflecting stock, access, and demand characteristics), relative to neighbouring boroughs e.g. Enfield (reflecting enhanced micro location, and access characteristics)

Quality

- Characterised by tertiary stock (grade B/C), given limited investment

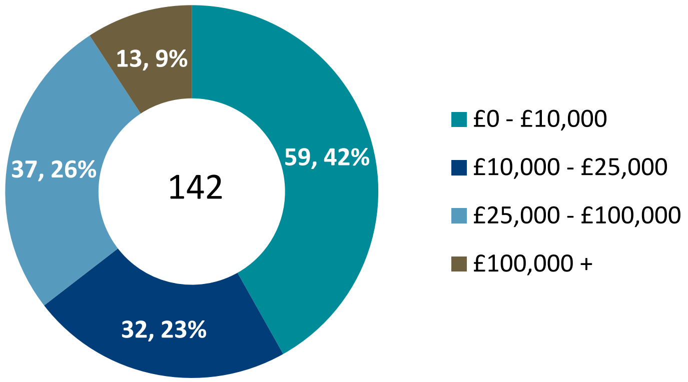
Demand

- Demand largely from small to mid sized tenants
- Investor/ developer demand for this type of assets is also from small/mid sized developers.

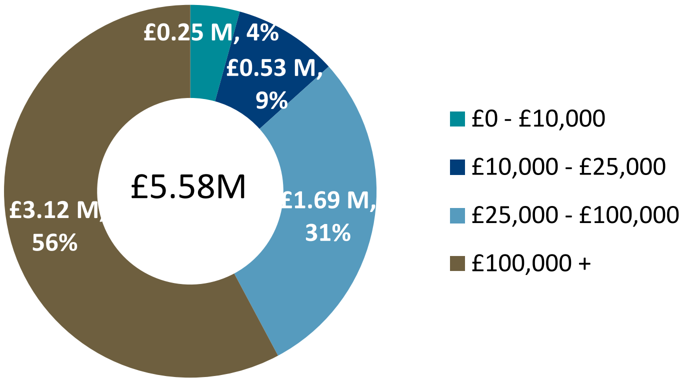
- *Note:*
  Blue chip occupiers tend to demand good/high quality stock with better access characteristics
  Larger/institutional investors tend to demand larger land holdings (provides critical mass to develop better quality stock)

Portfolio Snapshot

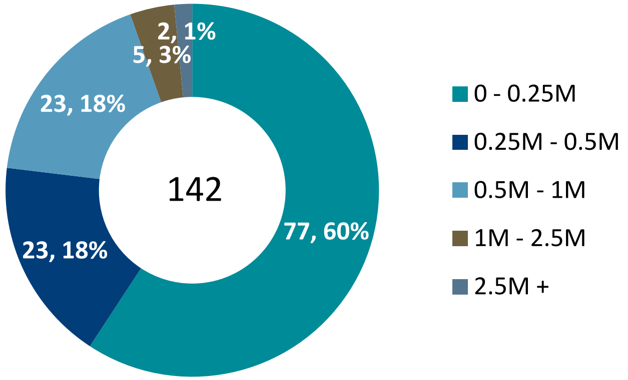
Total Number by Rental Bracket



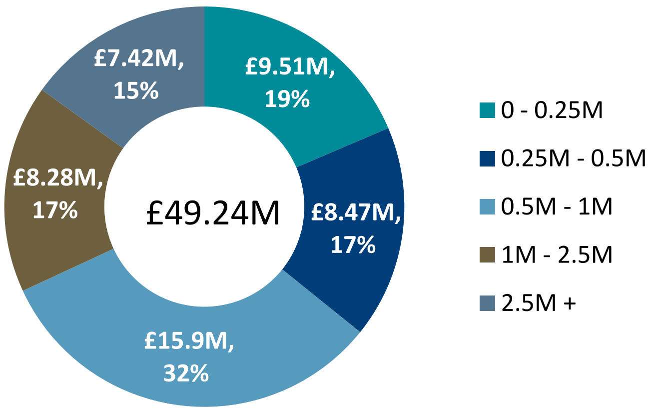
Total Rent by Rental Bracket



Total Number by Valuation Bracket



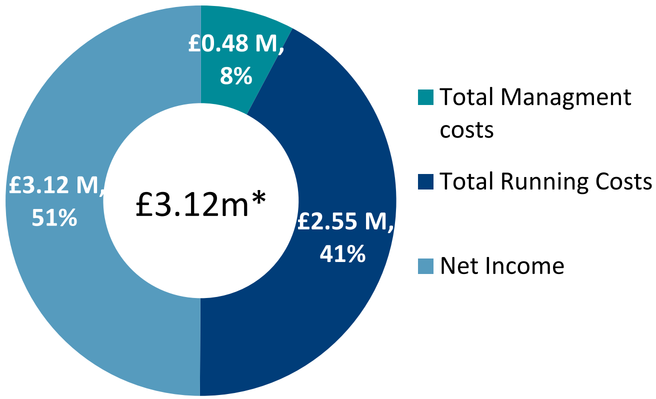
Total Value by Valuation Bracket



Portfolio Snapshot – Vacancy and Management Costs

Net Income

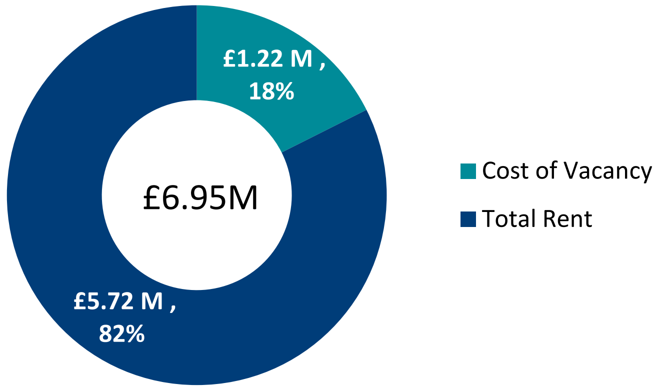
[Total Income (£6.15m*) – Costs (£3.1m)]



Note:
*Income = rent + service charge income
Total Running costs: Rates, S/C gap and Outgoing Rent

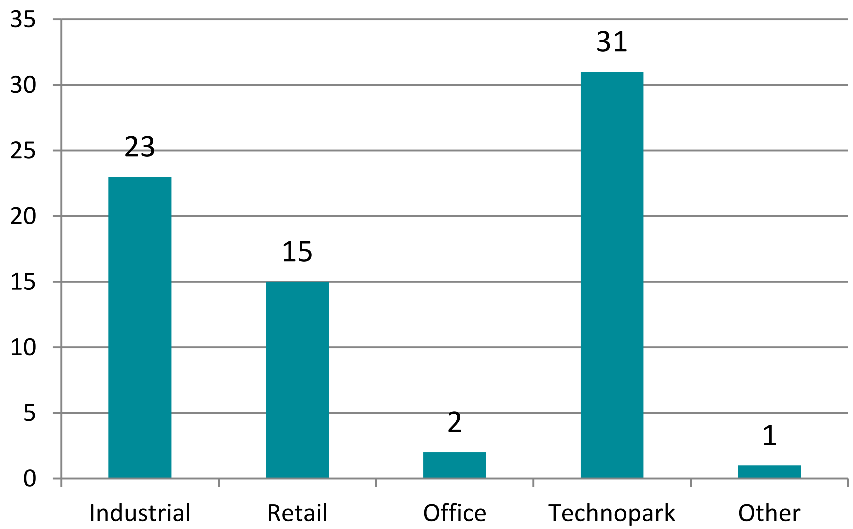
Potential Maximum Income Captures

[Lost ERV and Costs]

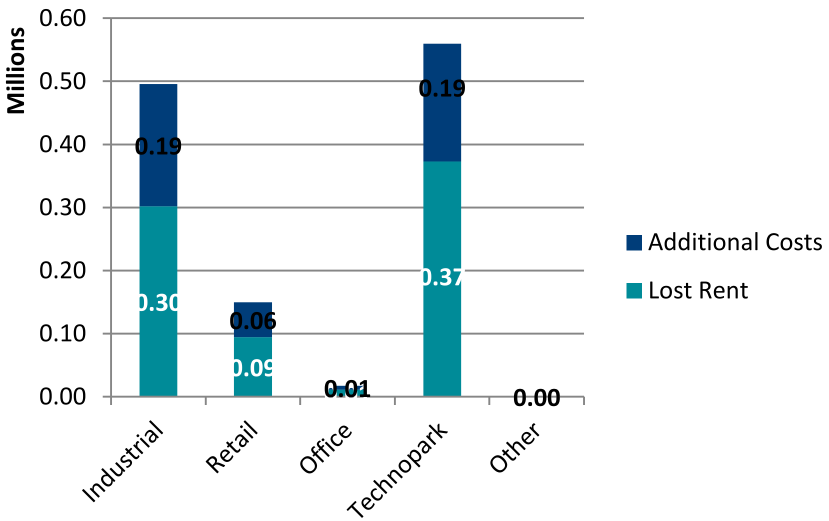


Note:
Costs: Assumed 40% ERV for Rates & 10% ERV S/C gap

Vacancy Spread

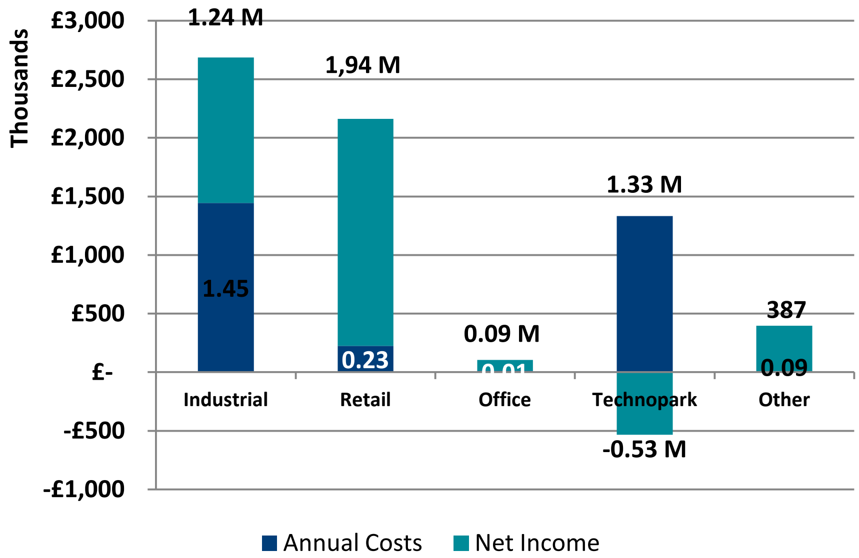


Cost of Vacancy

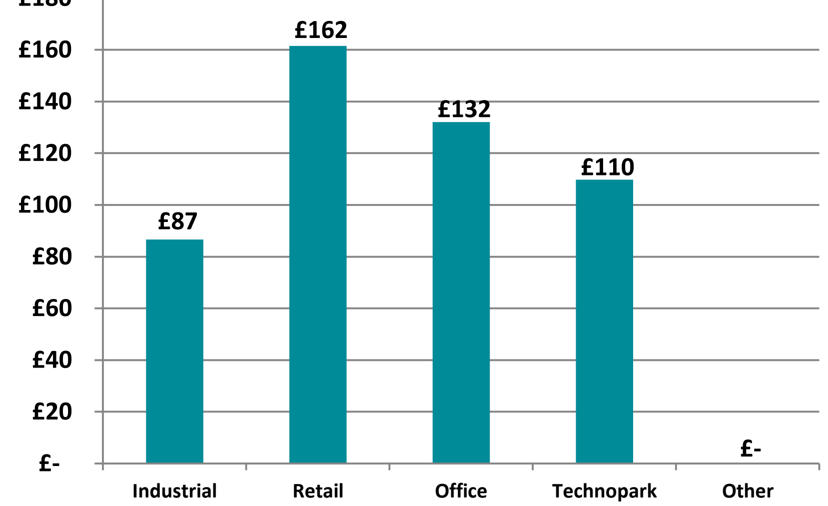


Portfolio Snapshot – Vacancy and Management Costs

Net Income (Income, net of costs)



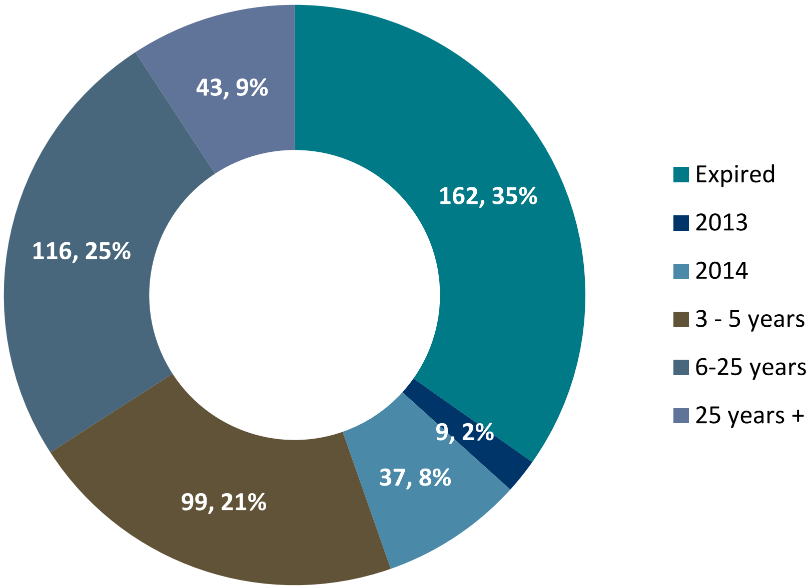
Rent by Asset Type (£, sq m)



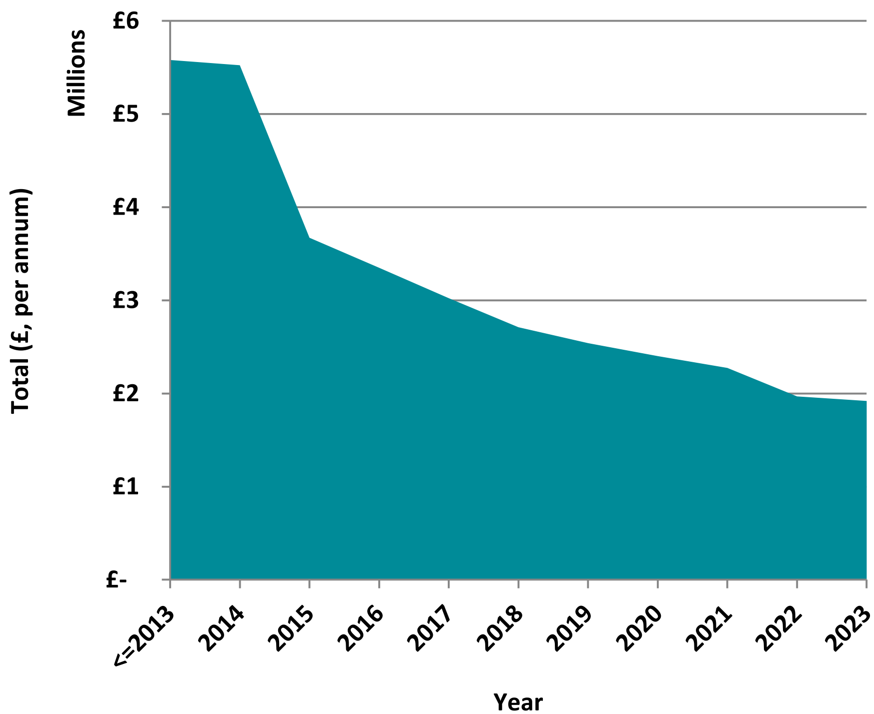
Income Security

Lease Expiries

[Based on available dates]



Income Burn Off

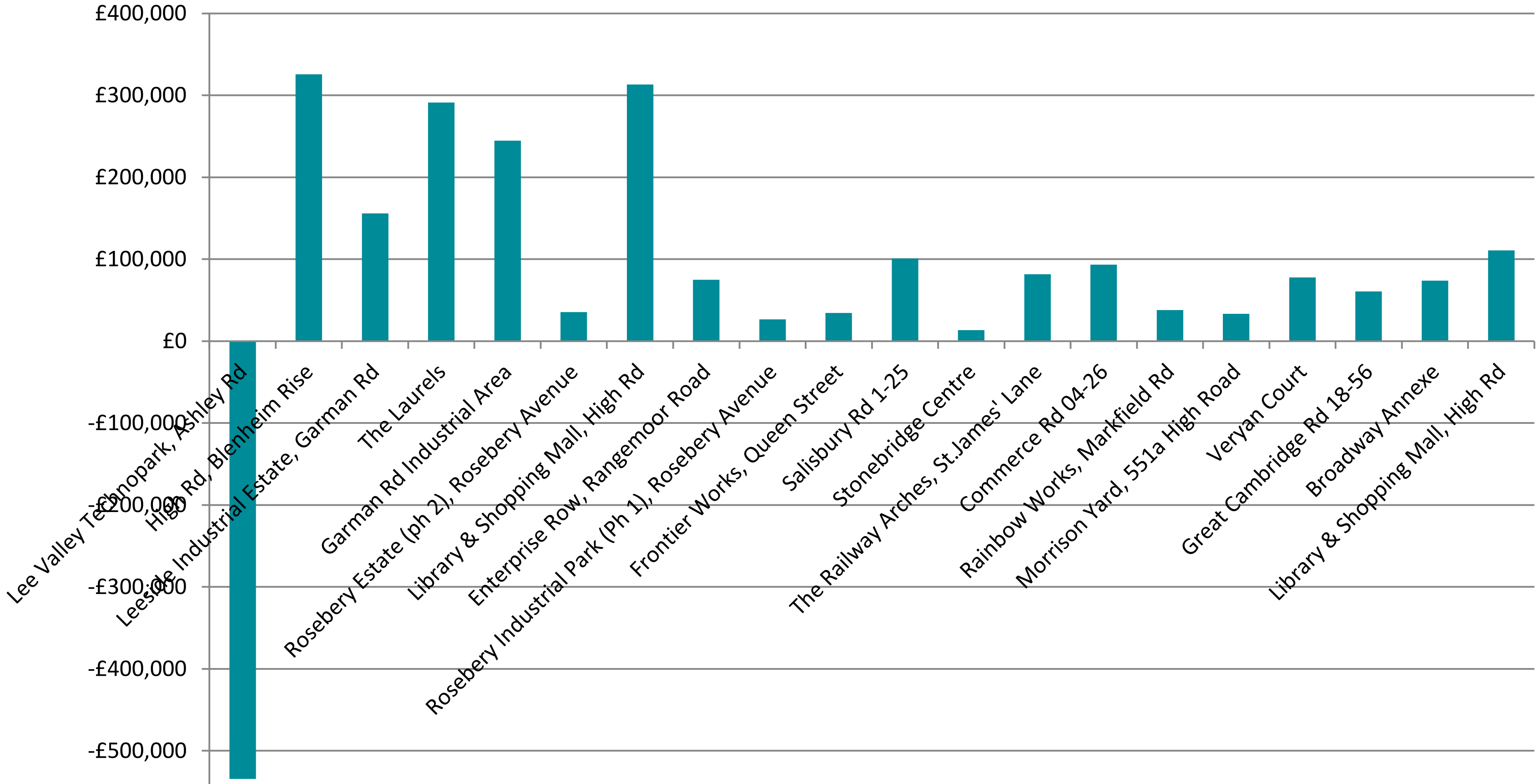


The Top 20 Properties

By rental income

Site Address	Rental Income (£, pa)	Estimated Debt (last 12mths)	Effective Rental Income (£)	Service Charge (£, pa)	Total Income (£, pa)	Total Income Minus Debt (£, pa)	All Costs (£, pa)	Income net of costs (£, pa)	No. Tenants	Vacancy (%)	Area (NIA, sq m)	Average Yrs to Exp	Tenure	NBV	Auction Value (Guide)	Variance (%)	Property Type
Lee Valley Technopark	£534,213	£57,923	£476,290	£264,081	£798,294	£740,371	-£1,332,708	-£592,338	64	33%	6,347	7	LH	£1.5		-	Office
High Rd, Blenheim Rise	£326,600	£0	£326,600	£0	£326,600	£326,600	-£803	£325,797	1	0%	7,632	69	FH	£4.6		-	Retail
Leeside Industrial Estate	£322,801	£5,144	£317,657	£9,952	£332,753	£327,609	-£176,978	£150,632	10	0%	3,116	8	LH	£0.9		-	Industrial
The Laurels	£285,000	£0	£285,000	£7,062	£292,062	£292,062	-£803	£291,259	1	0%	-	15	LH	£2.4		-	Other
Garman Rd Industrial Area	£251,250	£18,147	£233,103	£0	£251,250	£233,103	-£6,427	£226,677	8	0%	8,251	54	FH	£2.8	£3.3	18%	Industrial
Rosebery Estate (ph 2)	£219,600	£41,308	£178,292	£8,689	£228,289	£186,980	-£192,887	-£5,907	10	9%	3,535	5	LH	£0.6		-	Retail
Library & Shopping Mall (Whole)	£213,450	£58,598	£154,852	£108,793	£322,243	£263,645	-£8,837	£254,808	21	19%	774	3	FH	£1.9	£1.8	-8%	Industrial
Enterprise Row, Rangemoor Road	£205,928	£40,474	£165,454	£7,576	£213,504	£173,030	-£138,444	£34,586	23	18%	1,834	2	FH	£0.5		-	Industrial
Rosebery Industrial Park (Ph 1)	£177,250	£43,179	£134,071	£12,891	£190,141	£146,963	-£163,445	-£16,482	9	18%	1,582	3	LH	£0.5	£0.5	-2%	Industrial
Frontier Works, Queen St	£128,410	£35,957	£92,453	£6,161	£134,571	£98,614	-£100,173	-£1,559	14	7%	1,102	6	LH	£0.2	£0.0	0%	Industrial
Salisbury Rd 1-25	£116,500	£13,960	£102,540	£0	£116,500	£102,540	-£15,747	£86,793	13	7%	415	6	FH	£0.7		-	Retail
Stonebridge Centre	£106,100	£18,206	£87,894	£5,534	£111,634	£93,427	-£98,354	-£4,926	13	35%	963	2	LH	£0.3		-	Industrial
The Railway Arches	£105,775	£36,627	£69,148	£4,835	£110,610	£73,983	-£28,850	£45,132	11	8%	1,271	5	FH	£1.4	£1.0	-30%	Retail
Commerce Rd 04-26	£103,150	£2,915	£100,235	£0	£103,150	£100,235	-£9,640	£90,595	15	6%	743	3	FH	£0.8		-	Industrial
Rainbow Works, Markfield Rd	£93,945	£18,087	£75,858	£14,488	£108,433	£90,346	-£70,609	£19,736	8	11%	939	2	LH	£0.3		-	Industrial
Morrison Yard, 551a High Rd	£90,800	£45,434	£45,366	£38,621	£129,421	£83,987	-£95,944	-£11,957	11	15%	1,213	2	LH	£0.2	£0.1	-28%	Industrial
Veryan Court	£85,713	£6,440	£79,273	£0	£85,713	£79,273	-£8,034	£71,240	9	10%	333	3	FH	£1.0	£0.6	-36%	Retail
Great Cambridge Rd 18-56	£76,869	£28,378	£48,491	£0	£76,869	£48,491	-£16,067	£32,423	19	5%	657	5	FH	£0.9		-	Retail
Broadway Annexe	£74,780	£0	£74,780	£0	£74,780	£74,780	-£803	£73,977	1	0%	144	8	Other	£0.8		-	Retail
Library & Shopping Mall (Co-op)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1	0%	529	13	FH			See Above	Retail

The Top 20 Properties – Net Income



Portfolio Performance & Management

Portfolio Performance

Data

- Performance does not appear to be actively tracked in a rigorous manner at present
- Limited evidence of basic reports / reporting fundamentals

Classic KPI’s

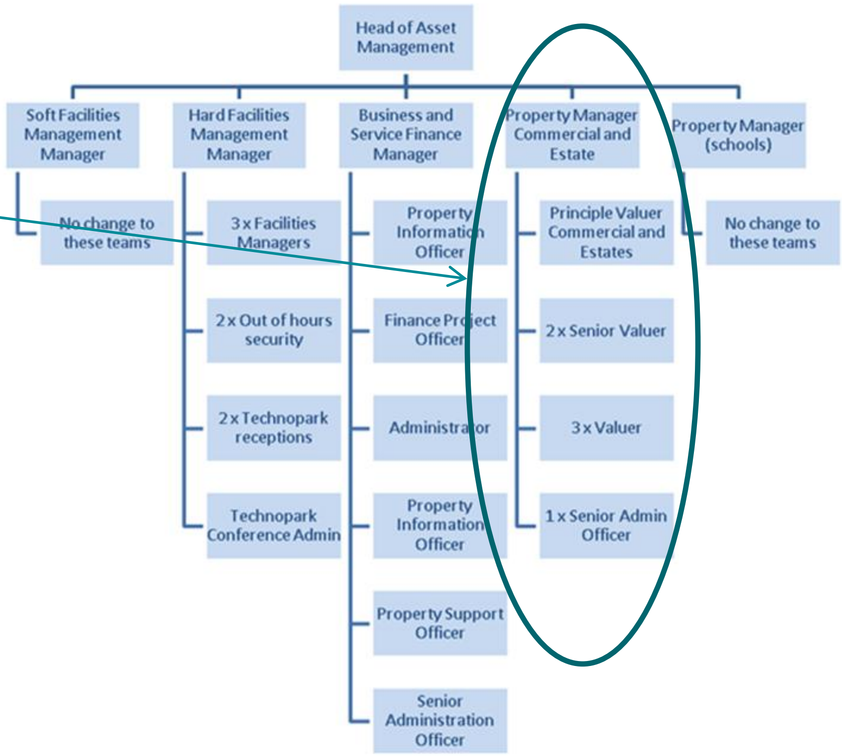
- Normally market practice would be to routinely monitor:
  - Completion of lease renewals + rent reviews (providing visibility of the number of expiries within the next 12months, and the number of lease renewals, rent reviews that are outstanding)
  - Transaction activity (tracking active disposals, and acquisitions)
  - % Income lost through vacant property
  - % rent recovery (within 3, 6, 9 months)
  - Costs of management per unit (and/or as % of rent roll especially if fluctuating)

Examples of ‘good practice’ management reporting are included in the appendices

Portfolio Performance & Management

Portfolio Management / Property Division

Overall Structure (as of 1st August 2013)



Commercial & Community Estate

- Resource pool of 6 (including admin), including:
  - 1x Interim Property Manager
  - 1x Principle Valuers
  - 2x Senior Valuer
  - 1x Senior Valuer*
  - 1x Senior Admin

*Note: * Review: 2 posts in cost estimate, 3 in visual*

Cost

- £480K total costs (incl. on costs), which comprises:
  - Staff costs: £290K
  - Management cost overhead (incl. on costs): **£125K** (includes Property Manager, Business Support, and Asset Manager)
  - Inward overheads: £65K (includes allowances for: HR; IT; Accommodation; Procurement; Communications; Customer Service; Finance; and Legal. Plus external agent fees

Observations

- Relatively high costs relative to income (in % terms)
- Potentially review resource mix (breadth of skills, experience, and expense)

Asset Sampling

Asset Sampling – Industrial Sites

- DTZ reviewed a number of assets – indicative views below & overleaf (slides 30-41 provide details)
- External views on value (Auction) – Indicative views on slides 42-43

Site	Tenure	Opportunity (line of enquiry + observation)	Opportunity (AM, D)	Notes
Garman Road + Leeside Industrial Estates	Freehold Long Leasehold	Explored ability to intensify (linked to regeneration agenda)	Limited opportunity due to tenure	N/a
Rosebury Industrial Estate		Explored opportunities to increase income/ returns	Potential asset management play, to increase income levels (albeit uplift likely to be marginal) + potentially dispose of corner asset (residential development angle)	Views altered post data update Further investigation required
Ashley Rd	Freehold (low density use)	Increasing development density – Industrial or Mixed use scheme	Industrial – Trade Counter opportunity Residential led, or mixed use scheme	Further investigation required
Marsh Lane	Freehold (vacant)		Industrial – Trade Counter opportunity Potential site for depot relocation + potentially include industrial strip (enable release of Ashley Rd)	Further investigation required
Heartlands North	Ground leases	Review major landowners mixed use development plans (residential & employment land)	Opportunity to demonstrate proactive stance, generating positive messaging around employment space (unusual in current market) Outcome flexible –rare opportunity to secure ground rent income	Opportunity to mitigate shrinking asset + secure income Prioritise dialogue with Workspace
Heartlands South	Ground leases	Consider impact of National Grid development plans	Opportunity to release assets, yielding a capital receipt (albeit small)	Opportunity to mitigate shrinking asset + secure investment funds

Asset Sampling – Retail & Office Sites

Use (I,R,O)	Site	Tenure	Opportunity (line of enquiry + observation)	Opportunity (AM, D)	Notes
Retail	Library Arcade	Freehold	Considered development options (given age/ condition issues – whilst healthy revenue at present, security questionable)	Potential asset management / development play – value dependant on tenant negotiation + securing a clever design solution	Further investigation required
Retail	Veryan Court	Mixed	Considered development options given scale of Council ownership	Potential asset management / development play, albeit ownership complexities likely to inhibit	
Office	Technopark	Mixed	Opportunity to enhance asset performance (as office)	Multiple challenges – unlikely to achieve break-even in current market given significant cost profile	Check status of disposal
Office	Holcombe Road	Mixed	Considered development options given location near to Bruce Grove	Potential asset management / development play, albeit require greater visibility of adjacent Council interests	Prioritise review of adjacent interests

Portfolio observations – Asset Sampling (Industrial)

Garman Road + Leeside Industrial Estates

Context

- Established industrial estates
    - Garman: single strip, split into individual land holdings with tenant built units, in a designated industrial zone, within relatively close proximity to the A406
    - Leeside: rectangular estate, split into multiple small units
- Council interest:
    - Garman: Freehold interest
    - Leeside: Long leasehold arrangement (Lease start: 1980, Term: 125 years)
- Tenant interests: All > 21 years
- Vacant land:
    - Garman: single parcel (albeit appears utilised on satellite images)
    - Leeside: n/a
- Council intention/ wish to intensify – potentially relocating Peacock Estate units

SWOT

- Strengths – Established industrial estates within industrial zone, well let (secure income), relatively good access to road network
- Weaknesses – Tenure arrangements preclude redevelopment (plus vacant land limited), significant annual costs to Council (dents net income)
- Opportunities – N/a
- Threats – Ageing stock (Ad hoc and/or limited tenant investment), tertiary profile accentuated vs neighbouring industrial areas

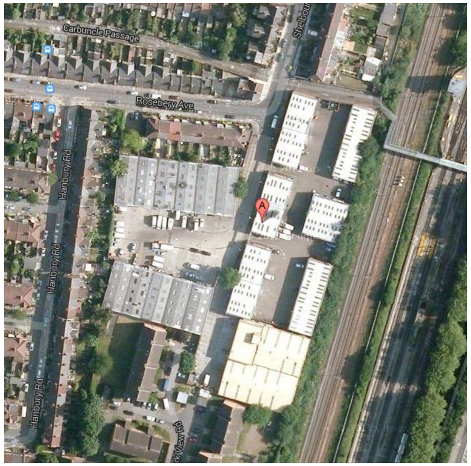
> Limited opportunities to drive enhanced income

Portfolio observations – Asset Sampling (Industrial)

Rosebury industrial Estates (Phases I & II)

Context

- Established industrial estate (developed out in 2 phases), split into multiple small – mid sized units
- Located within a predominantly residential area (access constrained)
  - Phase 1: 11 uniform units (2,500 sq ft each) [2 vacant]
  - Phase 2: 26 units (c.700 – 1,300 sq ft each) [5 vacant]
- Council interest: Long leasehold arrangements [Lease starts: 1981 & 1985, Term: 125 years]
- Tenant interests: Mixed terms (rental and lease length)
  - Phase 1 - Rental £3.6-8.4 / sq ft (60% c. £8/ sq ft), Term: 1-6 years (50% 3 years or <)
  - Phase 2 - Rental £0.6 – 18.6 / sq ft (predominantly £7–8/ sq ft), Term: 0-8 years (predominantly < 3years)
- Vacant land: N/a



SWOT

- Strengths – Established industrial estates, relatively well let
- Weaknesses – Tenure and rental arrangements mixed, i.e. varying terms + rental levels (rationale unclear)
- Opportunities – Potential asset management play (further investigation required)
- Threats – Ageing stock (Ad hoc and/or limited tenant investment), tertiary profile accentuated

- **> Further investigation required to identify opportunities to drive enhanced income (assume marginal returns?)**

Portfolio observations – Asset Sampling (Industrial)

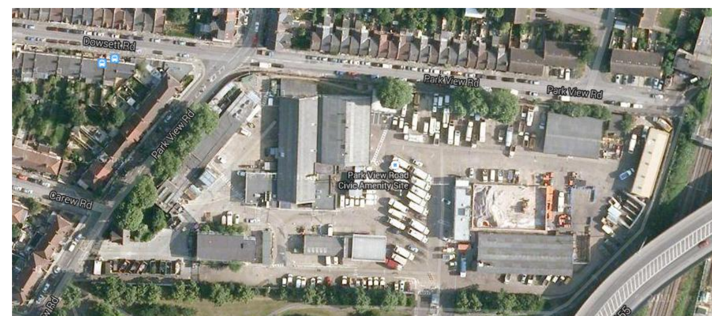
Ashley Road

Context

- Established industrial land/ depot usage
- Located within a predominantly residential area, adjacent to an Technopark, and green space
- Access relatively good
- Location overlooked from flyover
- Tenant: Transport for London, lease soon to expire (Nov 2014)
- Vacant land: limited to a plot under the flyover

SWOT

- Strengths - Large sized plot, with relatively good access characteristics, and visibility from the flyover
- Weaknesses - Low density use and very low revenue profile given scale of site
- Opportunities
    - Potential asset management play, albeit industrial market demand questionable (further investigation required)
    - Opportunity to release site for industrial development (obtain capital receipt), potentially attractive to Trade Counter market (further investigation required)
    - Alternative use value (circa £2-4m /acre dependant on densities, and S106/ affordable housing) – residential, and / or mixed use (including live/work units), and/ or potentially an industrial strip (albeit mixed use elements will dent receipts
- Threats – N/a
- **> Further investigation required to identify opportunities to drive enhanced income, and/ or to lever receipt**



Portfolio observations – Asset Sampling (Industrial)

Marsh Lane

Context

- Vacant, flattened site
- Relatively remote location, access relatively good (albeit road width narrow)
- Established tertiary/ industrial area

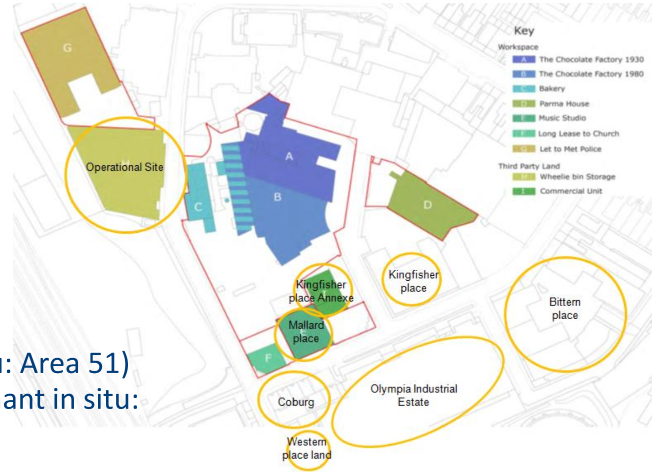
SWOT

- Strengths – Large sized plot, with relatively good access characteristics
- Weaknesses
    - No rental income
    - Multiple ownerships adjacent, potentially inhibit wider development plans (including road widening)
- Opportunities
    - Potential asset management play, albeit industrial market demand questionable (further investigation required)
    - Opportunity to release site (obtain capital receipt) for industrial development, potentially attractive to Trade Counter market (further investigation required)
    - **Potential site for depot relocation (realising capital receipt on Ashley Road), option to include industrial strip**
- Threats – Indecision leading to extended void

- **Further investigation required to identify opportunities to drive enhanced income**

Portfolio observations – Asset Sampling (Industrial)

Heartlands North



Context
- Cluster of ‘industrial’ assets, located close to Wood Green and public transport links
- Area potentially on the cusp of significant redevelopment by the major land owner Workspace Ltd (plans shared with Council planners)
- Council’s commercial interests (ground leases) include:
    - Mallard Place (Lessee: Workspace, Ground lease exp: 2075, Tenant in situ: Area 51)
    - Kingfisher Place (Lessee: Omaha Nominees , Ground lease exp: 2075, Tenant in situ: Mountview Academy of Theatre Arts)
- Council’s operational interest:
    - Site H (depot site / wheelie bin storage)

SWOT
- Strengths
    - Council ownerships advantageous, provides a real opportunity to positively influence regeneration plans – not witnessed in many instances across the portfolio
    - Opportunity to engage with Workspace, to drive forward re-development plans in the next 3 years
    - Significant opportunities to demonstrate pro-activity (i.e. leverage of the Council’s use of assets), generating positive messaging, and / knock-on effects to wider regeneration initiatives, notably planned increase in employment space (unusual in the current market in this location)
    - Outcome flexible – a short or long term position could be negotiated
- Weaknesses
    - Silo approach to asset management (Operational and Non Operational) – limited visibility of operational plans/ rationale, option evaluation, and projected benefits against which a commercial play could be assessed
    - Site H ‘deal’ with London Waste potentially represents a significant missed opportunity
    - A development play would dent the Council’s income stream (c.£60K pa), if a capital receipt is accepted (and the receipt may be relatively small)

Portfolio observations – Asset Sampling (Industrial)

Heartlands North

SWOT

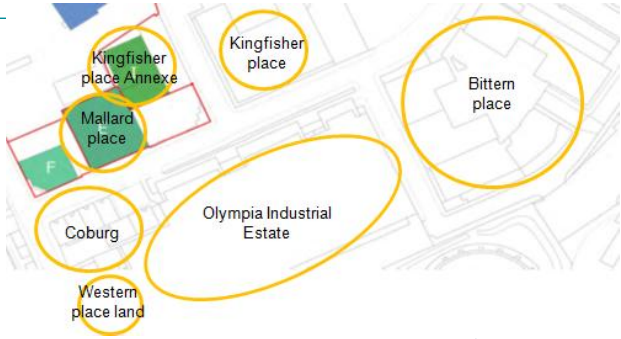
- Opportunities
  - Conceptual plans tabled by Workspace demonstrate an ambition to progress a mixed use scheme, delivering enhanced commercial workspace, together with residential – likely to positively contribute to regeneration targets in the short term (a quick win)
  - Opportunity to negotiate a capital receipt (to fund investment in other schemes), or a longer term equity / revenue play, securing annual future income based on commercial, and/ or residential development, i.e. ground rent income (a rare opportunity)
  - Placing site H into the mix (given the scale and location) would significantly increase the Council's leverage, and ability to secure a positive future income stream. On-site activities could be relocated to Marsh Lane along with Ashley Road operations, creating a hub for activity (and potential base from which a specialist provider could serve multiple authorities positively driving operational efficiencies)
- Threats
  - Delayed engagement with Workspace – development moves forward without Council involvement (adjacent land owners should always be equally as informed as the Local Planning Authority)
  - Scheme stalls due to frustrated dialogue with the Council (as a landowner, and/or planning authority), and/or other adjacent landowners
  - Limited visibility of Omaha Nominees plans
  - Workspace simply interested in buying out the Council's interests, and unwilling to entertain proposals of the Council's continued interest
  - Competition between Heartlands North and South schemes, inhibits delivery

> Opportunities to lever redevelopment (increasing employment space), and an opportunity to protect future income Further investigation required

Recommendations

- Prioritise active engagement with Workspace, from the Council's position as landowner, to obtain insight into status of plans (advancement of plans, funding, development partner lined up to deliver residential element), to maximise negotiation position
- Obtain visibility of Omaha Nominees plans (obtain insights from Mountview, and latterly actively engage direct)
- Potentially re-evaluate decision to release site H, and/or terms agreed to allow for a positive asset management play

Portfolio observations – Asset Sampling (Industrial)



Heartlands South

Context

- Large industrial area in National Grid ownership (a surplus site)
- Site adjacent to Council interests - Coburg Road and Western Road land parcels
- National Grid development plans advanced c.5 years ago, albeit stalled due to economic climate
- Agreement to dispose of Coburg Road (ADD reference to terms)
- Council's commercial interests include:
    - Olympia Industrial Estate (Lessee: London Development Agency, Ground lease exp: 2105, Tenant in situ: Turnaround Publishing)
    - 55-77 Coburg Rd (Freehold asset, various tenants)
    - Bittern Place (Lessee: Stanhope Pension Trust Ltd Ground lease exp: 2075, Various tenants incl. Local-life Haringey / Blue Nile Clothing)

SWOT

- Strengths
    - National Grid scheme now moving forward at pace (underpinned by planning approval, and agreement with LDA) – plans to go to market the site to developers in Q1 2014
- Weaknesses
    - Relinquishing Olympia Industrial Estate will dent the Council's income stream (c.£36K pa), and the size of capital receipt is relatively small
    - Relinquishing Coburg Road, and Western Road land parcels will dent the Council's income stream further (c.£50K pa +), and capital receipts may be relatively small
    - Western Road land parcels, long term lease arrangements (requirement to compensate other parties)
- Opportunities
    - Opportunity to release Coburg Road, and under-utilised land parcels (scruffy sites) on Western Road to the selected developer (on similar terms to Olympia Industrial Estate)
- Threats
    - Competition between Heartlands North and South schemes, inhibits delivery

> Opportunity to contribute positively towards redevelopment, and yields a capital receipt to invest elsewhere to protect future income. Further investigation required

Portfolio observations – Asset Sampling (Retail)

Retail Strips

Context

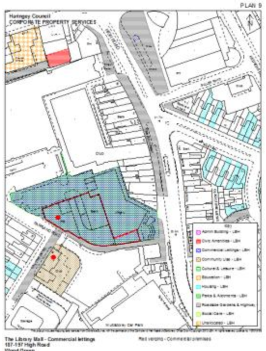
- Identified 19 retail strips (instances of multiple adjacent assets)
- Explored adjacent land use (largely residential) - 14 instances of right to buys

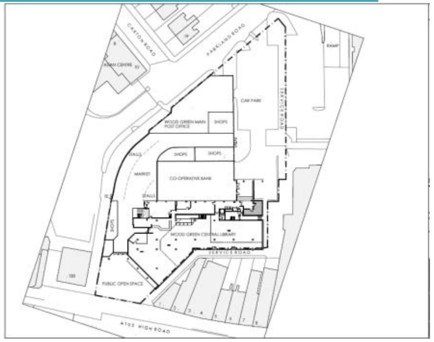
Address	Style of housing adjacent/ above	Ownership of housing adjacent/ above	HRA	Description	Upper storey usage		
					Council Housing tenanted	RtB leases sold	Other Commercial lease or LBH office use
1-5 Vincent Rd	Multi storey	Council	yes	GF shops + FF & SF residential upper parts	Yes	Nil	-
Salisbury Rd 1-25	One storey	Council	yes	GF shops + FF & SF residential upper parts	Yes	NIl	-
Commerce Rd 4-26	Multi storey	Council	yes	GF shops + FF & SF residential upper parts	Yes	Nil	-
High Rd 832-838a	Multi storey	Council	yes	GF shops + FF & SF residential upper parts	One	3	-
Rothbury Walk 40-94/161-197 Park Lane	Multi storey	Council	yes	GF shops + 3 floor blocks (flats 1-98) residential upper parts	Yes	23	-
Ellenborough Court	Multi storey	Council	yes	GF shops + 3 floor blocks (flats1-28) residential upper parts	Yes	9	-
High Rd 594, N17	Multi storey	Council	no	GF shops + FF & SF offices above	N/A	N/A	3 commercial leases
Fladbury Rd 5-47	Multi storey	Council	yes	GF shops + FF residential upper parts	Yes	2	-
High Cross Road 123-139	Multi storey	Council	yes	GF shops + 3/4 floor blocks (flats 141-163) residential upper parts	Yes	4	-
Library & Shopping Mall, High Road	Multi storey	Council	no	GF shops + 4/5 floors offices above	N/A	N/A	LBH office use (Library)
Edgecot Grove Estate	Multi storey	Council	yes	GF shops + 5 floors residential upper parts (20 flats)	Yes	6	-
Victoria Road 2-22	Multi storey	Council	yes	GF shops + 4 floors residential upper parts (7 flats)	Yes	3	-
Walton Road 2-8	Multi storey	Council	yes	GF shops + 4 floors residential upper parts (8 flats)	Yes	1	-
Great Cambridge Road 18-56	Multi storey	Council	yes	GF shops + FF & SF residential upper parts	Yes	12	-
Great Cambridge Road 23-31	Multi storey	Council	yes	GF shops + FF & SF residential upper parts	Yes	3	-
Church Road 28-44	Multi storey	Council	yes	GF shops + FF & SF residential upper parts	Yes	5	-
Lordship Lane 342-384	Multi storey	Council	yes	GF shops + FF & SF residential upper parts	Yes	2	-
Charter Court, Stroud Green Road	Multi storey	Council	yes	GF shops + 3 floor blocks (flats 1-14) resisdential upper parts	Yes	6	-
Veryan Court	Multi storey	Council	yes	GF shops + 3 floor blocks (flats 1-18) residential upper parts	Yes	5	-

- The Library Arcade represents the only real opportunity (and further work is required)

Portfolio observations – Asset Sampling (Retail)

Retail Strips – Library Arcade





Context

- Mixed use asset (with car parking) on the High Street within close proximity to transport links
- Block/ massing unusual – multi storey at front, single storey to rear
- Development orientation unusual, and retail frontage is poor
- Operational (Library + Offices) and Commercial interests within a single site
- Major commercial tenants:
  - Post office – lease holding over (past dialogue suggests willing to relocate)
  - Co-op – lease expiry 2026 (past dialogue suggests willing to relocate, but would require compensation, plus anticipate significant costs of relocating a safe on site (£100K))
- Potential development play, creating a mixed use retail (potential food store anchor tenant on the ground floor) + residential development to the rear (potentially developing multi-storey residential)

SWOT

- Strengths
  - Potential asset management / development play - reasonable size, location, and car parking (market appeal requires further testing)
  - Post office lease expired + Co-op theoretically open to dialogue
- Weaknesses
  - A development play would dent the Council's income stream (c.£215K pa), and the size of capital receipt is potentially relatively small
  - Conflict with potential operational needs / plans
- Opportunities
  - Opportunity to give the asset a face lift, changing the retail frontage by utilising space in front of the asset (in Council's ownership), and to increase building mass substantially
  - Positive asset management opportunity to engage with Co-op to explore their appetite to develop a retail offer on site and relocate banking off site (Co-op own another bank branch nearby)
- Threats
  - Co-op potentially reluctant to engage, and /or require significant compensation

> Opportunity to contribute positively towards redevelopment, however requires further development to evaluate cost versus benefits

Portfolio observations – Asset Sampling (Retail)

Retail Strips – Sample of assets considered

Veryan Court

- Strip of retail assets with a main road frontage, Park Road (predominantly Council owned assets above)
- Within close proximity of other commercial interests (garages to the rear, and commercial property fronting Palace Road)

> Retain as is. Asset management play – improve environment / landscaping

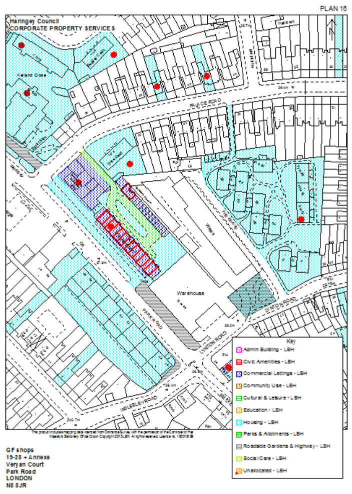
SWOT

Strengths
- Sizeable development plot if ability to clear site, and higher density development nearby (beyond Lynton Road)

Weaknesses
- Ownership complexities (multiple parties with commercial and residential interests)
- 5 instances of right to buys
- A development play would dent the Council's income stream (c.£80K pa), if a capital receipt is accepted (and the receipt may be relatively small)

Opportunities
- Limited to active asset management to maintain occupancy levels, or disposal

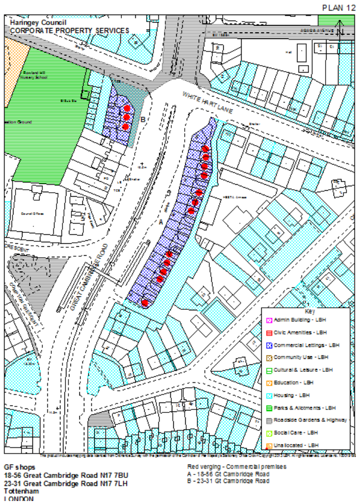
Threats
- Local objections



23-31 Great Cambridge Road

- Strip of retail assets with a main road frontage , Great Cambridge Road (predominantly Council owned assets above)

> Retain as is. Asset management play – improve environment / landscaping



Portfolio observations – Asset Sampling (Office)

Technopark

Context

- 85% of total office rental income £504,016 (next closest asset: 71 Lordship Lane – £3
- Isolated office development (with dedicated parking)
- Location
  - Within a predominantly residential area
  - Adjacent to tertiary land use (Ashley Road depot), and green space
  - Adjacent to flyover
- Stock / characteristics – Grade B stock, small units (12-100 sq m) with a few larger units (120-385 sq m)
- Council interest:
  - Tenure: Head Lessee, 99 yr lease from 29/05/1992
  - Terms: 85% of RV is paid out to Boistrous, rent net of Boistrous payment is £679,333
- Tenant interests: Low occupation, short or rolling leases, mixed rent
  - Occupation: 67% let
  - Rental £80-200/ sq m (average £117/ sq m)
  - Term: 1 year leases

SWOT

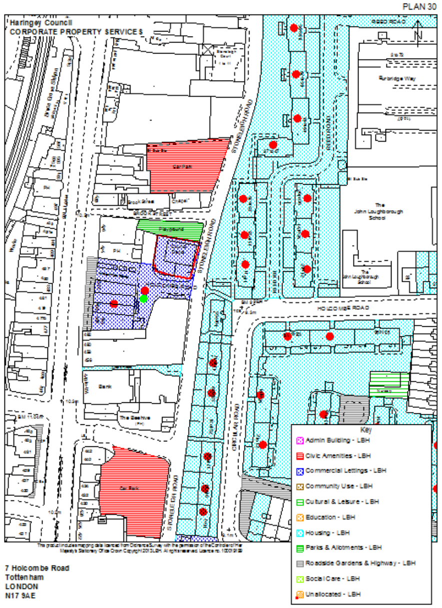
- Strengths
- Weaknesses
  - Tenure arrangements + significant drain on income (all-in annual cost £478,878)
  - Location profile + Accessibility challenges
  - Building profile/ spec/ offer (check statements in Workspace report) [Tarnished by legacy]
  - Condition (check)
  - Marketing approach
- Opportunities
  - Marketing – new channels/ routes to market (direct targeting)
  - New ‘offer’ / packaging (amenity / support services)
- Threats
  - Building profile / tarnish difficult to overcome
  - Ageing stock
  - CBD offer developed (undercuts/ undermines attractiveness of proposition)

Portfolio observations – Asset Sampling (Office)

Holcombe Road

Context

- Office block on a predominantly residential street (unusually sighted in a peripheral location)
- Adjacent to commercial stock on the High Road (within close proximity to Bruce Grove)
- Office stock in relatively good condition
- 3 tenants with medium term interests:
    - Haringey Law Centre: Exp 2017
    - The OK Foundation: Exp 2020
    - Promise Training Centre: Exp 2023
- Adjacent commercial retail interest* - Head Lessee = Lloyds Pharmacy, Santander Bank + 2 vacant units *[Note:*Confirm]*



- Strengths
    - Potentially significant scale development block in a good location
- Weaknesses
    - A development play would dent the Council's income stream (c.£40K pa+) *[Review]*
    - Tenure position tbc *[Review]*
- Opportunities
    - Mixed use development opportunity – retail + residential play
- Threats
    - Requires further development *[Review]*

Asset Sampling – Indicative values (if sold at auction)

Auction disposal route - Initial scan of opportunities

Sites sampled

Site Name	Use	Tenure	Development Angle (Y/N?)	Finances		Variance (NBV & Auction price)	
				NBV (£'000s)	Indicative Auction Price	£	%
17 South Grove	I	FR	Y	£448	£425,000	-£23,283	-5%
23 South Grove	I	FR	Y	£159	£362,500	£203,062	127%
1-4 Bittern Place	I	HL	N	£582	£737,500	£155,378	27%
Units 1-3 Morrison Yard	I	HL	N	£201	£145,000	-£56,409	-28%
The Railway Arches	I	FR	N	£1,432	£1,000,000	-£431,589	-30%
Rosebery Industrial Park	I	HL	N	£473	£462,500	-£10,123	-2%
Garman Rd Industrial Area	I	FR	N	£2,792	£3,302,500	£510,518	18%
Library Arcade	R	FR	Y	£1,899	£1,750,000	-£148,678	-8%
30-32 Lymington Avenue	R	FR	N	n/a	£137,500	n/a	n/a
209 Langham Rd	R	FR	N	£136	£65,000	-£70,754	-52%
260 Langham Rd	R	FR	Y	£182	£130,000	-£52,179	-29%
19-28 Veryan Court	R	FR	N	£992	£637,500	-£354,125	-36%
1-5 Vincent Rd	R	FR	N	£379	£205,000	-£174,187	-46%
83-85 Crouch End Hill	R	FR	N	£187	£125,000	-£61,835	-33%
730 Seven Sisters Rd	R	FR	N	£99	£72,500	-£26,795	-27%
7 Holcombe Rd	Off	FR/HL	Y	£541	£425,000	-£116,067	-21%
71 Lordship Lane	Off	FR	N	£382	£355,000	-£26,944	-7%
					(with renewed		
132 Lordship Lane	R	FR	N	£80	£362,500	£282,017	350%
Total (Not incl 30-32 Lymington Ave)	**R**	FR		£10,964	£10,700,000	-£264,493	-2%

Observations / Commentary

- Demand is high for stock in London (regardless of quality)
- Property characteristics / fundamentals good – directly targets small scale developers/ investors capable of managing assets effectively, and driving value improvements (e.g. Improved income, and/or residential development plays)
- Propose packaging as single lots
- Strategic placing of stock - either spread evenly across multiple auctions in 2014, or offer as a discrete batch at a single auction

Asset Sampling – Indicative values (if sold at auction)

Auction disposal route - practicalities

Auction + Closing Dates

Auction Dates	Closing
Wednesday 4th December 2013	Friday 1st November 2013
Wednesday 26th February 2014	Friday 24th January 2014
Wednesday 21st May 2014	Thursday 17th April 2014
Thursday 10th July 2014	Friday 6th June 2014
Tuesday 21st October 2014	Friday 19th September 2014
Wednesday 10th December 2014	Friday 7th November 2014

Preparation required

- Internal approval for disposal
- Agreement on instruction / procurement basis
- Internal resource (Council) to support disposal activities
  - Compilation of all asset + title documentation (notably requires legal support)
  - Active engagement with interested parties (lessees, current tenants, and potentially adjacent landowners)

Disposal of smaller assets (sub £1 million in value) via commercial auction offers a flexible and swift exit route that is also likely to maximise disposal proceeds for these types of assets.

Potential strategies

Potential strategies

Asset characteristics

Haringey should only retain individual assets for positive reasons. Examples of such reasons are:

- The asset generates a high income yield (or has a high probability of doing so in the near term)
- The asset has potential for strong income growth
- The asset is in a strategic location. That could mean that it is adjacent to another Council property (commercial or operational) or in a regeneration area and as a result there is a compelling reason to retain the asset.
- The asset performs a wider social or well/being benefit that is considered significant

Portfolio balance

The ideal portfolio will comprise assets that reflect the above characteristics, include a balance of asset type and have a higher average rental value for each lettable unit.

Portfolio management

There are several factors to consider:

- Management philosophy – Haringey needs to balance the commercial returns that are achievable from real estate assets with other social considerations. If there is some discretion to allow social considerations to override commercial outcomes, there should be clearly defined parameters of what is acceptable and how governance operates.
- Management information – a new system is being implemented but will not be operational until [XXX 2015]. The property team need good quality timely management information to manage the portfolio. An interim solution that provides essential information is needed.
- Out-source property management – is one option available as is re-aligning roles and responsibilities within the current property team. At this stage, we do not believe outsourcing is the optimum solution.

Asset Categorisation

Indicative views on categorisation

Portfolio ranking tool

One of the exercises undertaken during this phase of the project was to run the portfolio through a ranking tool.

We used 6 criteria which are primarily focussed on financial performance and populated the tool using data provided by Haringey.

The data does need to be validated and the basis of calculation considered prior to taking any decisions based on the outputs.

However, this tool is the first important step to identify properties for disposal.

An evaluation of location of each asset needs to be added to the analysis. These can be assimilated as scores into the tool or added as supplementary factors that influence the sell/retain decision.

For governance purposes, a template can be completed for each property which describes the property in more detail and supports the chosen asset strategy.

DTZ Data Capture Template
Performance Ranking Tool

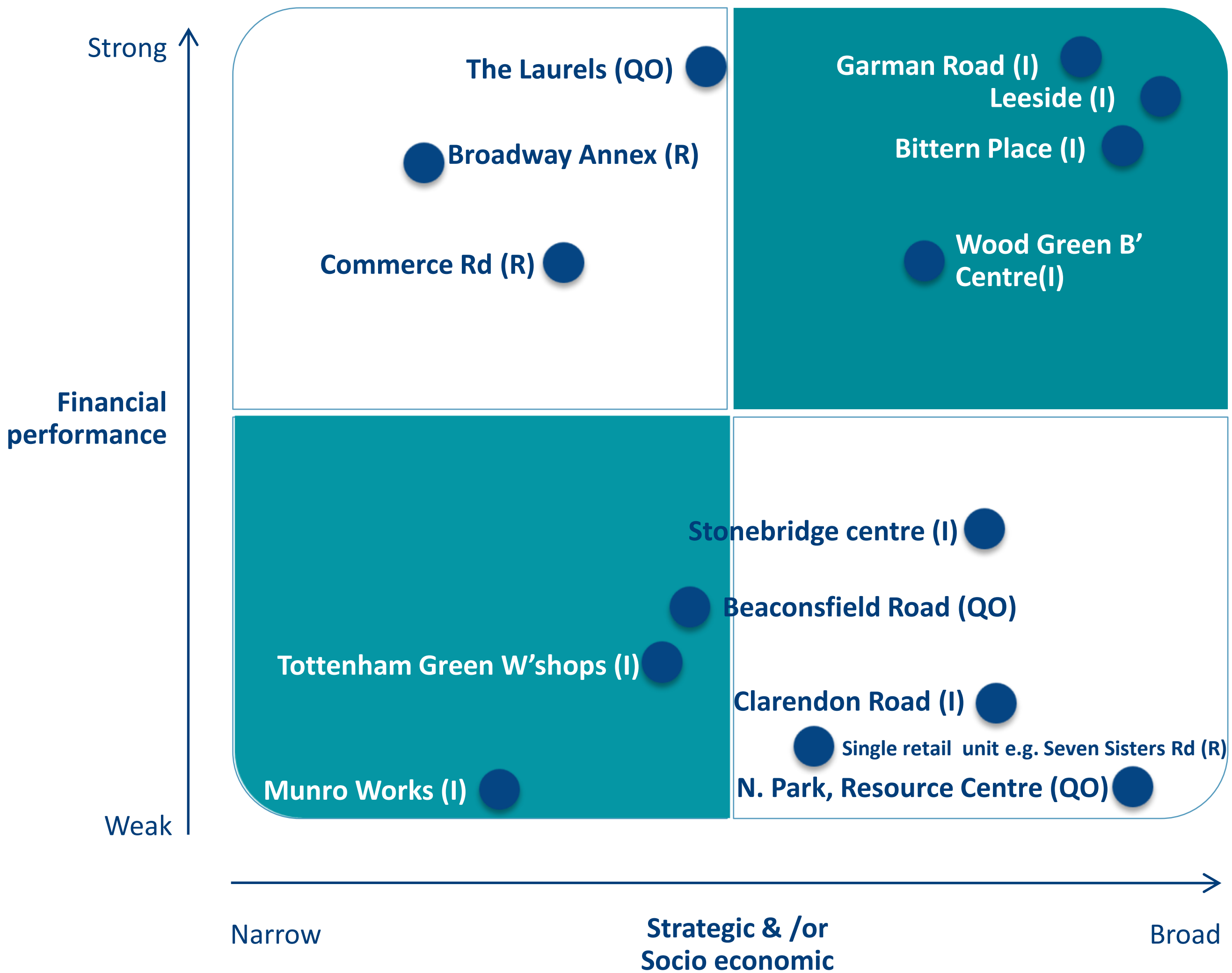
Contents

Outputs

DTZ Ref	Site Name / Building Name (text)	Site Address (text)	Total Debt Ranking	Vacancy Ranking	Yield Ranking	Lease Term Remaining	Managment Cost Ranking	Income Ranking	Total Score	V2 Rank
651	The Laurels	The Laurels	10	10	15	7	10	30	82	1
130	Units 1-9	Leeside Industrial Estate, Garman Rd	10	10	21	7	2	29	79	2
49	South Grove 23	South Grove 23	2	10	30	7	7	23	79	3
534	Tesco Stores	High Rd, Blenheim Rise	10	10	9	10	10	30	78	4
467	Shop 26/39	St. Anns Rd 02-26	6	10	30	5	7	17	75	5
513	Shop 26	Broadway Annexe	10	10	11	7	10	27	75	6
482	Shop 19-25	Salisbury Rd 1-25	8	10	21	6	1	29	75	7
528	High Rd 464-472	High Rd 464-472	8	10	9	10	10	27	74	8
329	Units 4-26	Commerce Rd 04-26	10	10	17	4	2	28	71	9
95	Units 1-26	Enterprise Row, Rangemoor Road	7	10	24	2	0	28	71	10
656	High Rd 551B	High Rd 551B	8	10	22	0	10	21	71	11
66	Units 1-4	Bittern Place, Coburg Rd	10	10	11	9	5	25	70	12
119	Unit 1-2 Clarendon Rd	Kingfisher Place, Clarendon Rd	10	10	11	9	7	23	70	13
267	Ground Lease	Wood Green Business Centre	10	10	9	9	10	22	70	14
271	Mallard Place	Mallard Place	10	10	11	9	10	19	69	15
259	Former Depot	Depot Archway Rd 505 & 511	8	10	12	7	10	21	68	16
340	Shop 5-25	Fladbury Rd 05-47	10	10	13	6	2	25	67	17

Asset categorisation

Overall portfolio – indicative findings



Observations

Top performers

- Demonstrate strong income, and yield, and low debt, and support local employment

Examples:

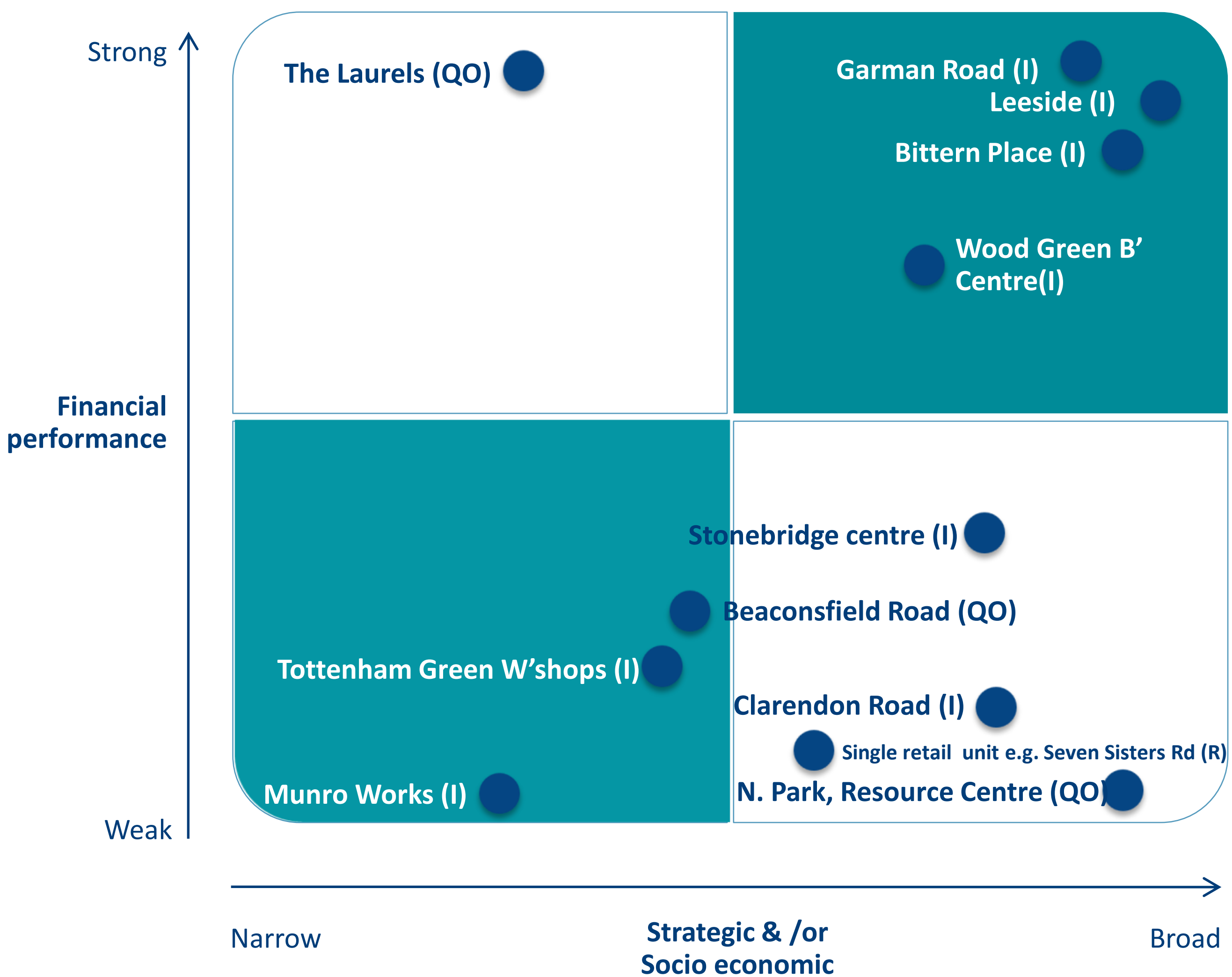
- Large industrial strips / relatively high employment (Garman Rd, Leeside)
- Ground lease examples (Bittern Place & Wood Green Business Centre)
- Quasi office with public sector tenant (The Laurels – PCT – location tie)
- Large retail asset (Broadway Annex)

Weak performers

- Significant cost liability (Munro works]
- Nil income (N.Park Resource Centre, Clarendon Rd)
- Income return marginal given payments (Stonebridge & Tottenham Green w'shops)

Asset categorisation - Tottenham

Overall portfolio – indicative findings



Observations

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- Large retail asset (Broadway Annex)

Weak performers

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- Nil income (N.Park Resource Centre, Clarendon Rd)
- Income return marginal given payments (Stonebridge & Tottenham Green w'shops)

Alternative Investment

Considering alternative investment options

- **Review**
  - Ideal stock characteristics
  - Obtain market intelligence, and ability to match availability with criteria
  - Review likely return profile + cost of churn (relatively small improvement across multiple assets could drive positive results)
- **Ideal stock**
  - General characteristics
    - Good fundamentals - Increased scale, quality (stock & tenants), and reasonable access characteristics
    - Simplified tenure arrangements - potentially relinquish leasehold assets with obligations/ payments
    - Increased clustering - potentially within regeneration areas (future value add angle)
  - Asset class characteristics
    - Industrial stock – reasonable scale, reasonable access (ability to input low investment & drive returns)
    - Office stock – potential creative industry / business centre assets
    - Retail units yielding higher rental/ better occupancy and in locations where influence could be exerted on regeneration plans

Portfolio Management

Options

Out-source

The whole range of property management activities can be out-sourced. The scope of property management services includes:

- Strategic fund management – responsibility for investing a fund with discretion over acquisition and divestment decisions
- Strategic asset management – responsibility for all decisions over assets within a portfolio, typically related to letting and tenant strategies
- Estates management - can encompass a wide ranging scope of services including rent reviews, lease renewals, service charges, dilapidations and managing the property database
- Financial management – raising tenant invoices, paying supplier invoices, service charge accounting, financial reporting and cash collection
- FM – soft and hard FM, Health and Safety, Sustainability, Energy and Insurance.

Market scan

Like many markets, the potential providers of outsource services can be broadly categorised as national, 'mid-tier' and local.

Local providers will have knowledge of Haringey and be comfortable with the average lettable unit size. On the downside, they will not have sophisticated systems, robust processes and breadth of expertise and experience of a national provider.

The ideal solution for Haringey would be a national provider, supported by a local agent or a mid-tier firm with a good quality property management offering, experience of working with local authorities and knowledge of the local market.

Due to the characteristics of the property portfolio and the accessibility or unavailability of property information, at this stage in the evolution of the commercial portfolio, out-sourcing the management of the commercial portfolio is unlikely to be the optimal solution.

Portfolio Management

Options

Market scan *(cont)*

Outsourcing property management of the commercial portfolio could deliver benefits for Haringey, but first Haringey need to:

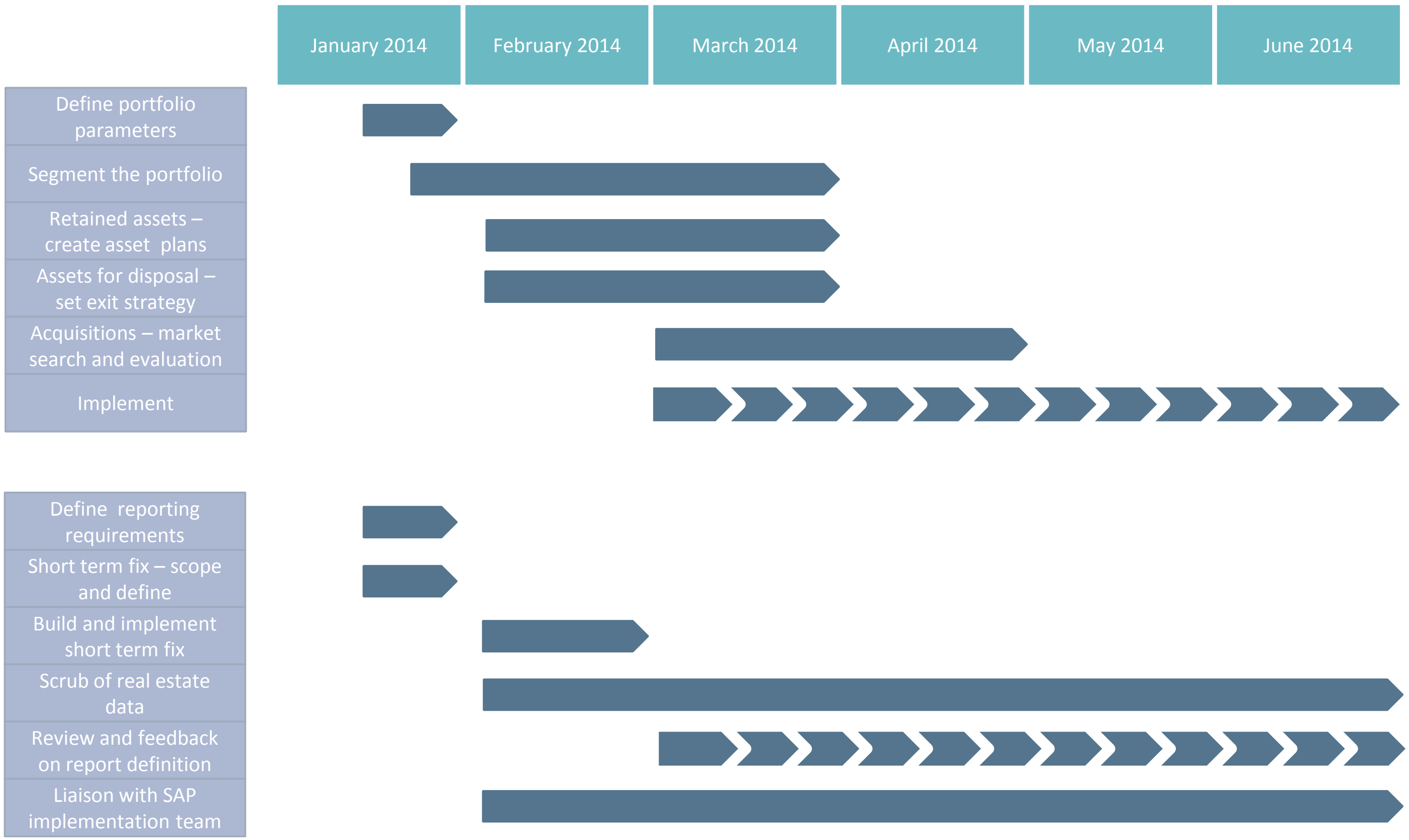
- Be clear on the objectives for the outsourcing
- Consider the impact on the operational portfolio
- Consider the level of delegated authority over asset management or portfolio management decisions (due to the political sensitivity of decisions impacting real estate assets)
- Ensure that the package offered to the market is commercially attractive to the type of partner Haringey are seeking to work with
- Establish a robust database of portfolio information and supporting documentation

It may also be beneficial to have delivered some of the early portfolio transformation, so eliminating some of the lower quartile properties. This will both raise the quality of the average portfolio unit and will also demonstrate the Councils intention to improve the portfolio.

Action plan

Action plan

The high level action plan can be broadly summarised.......



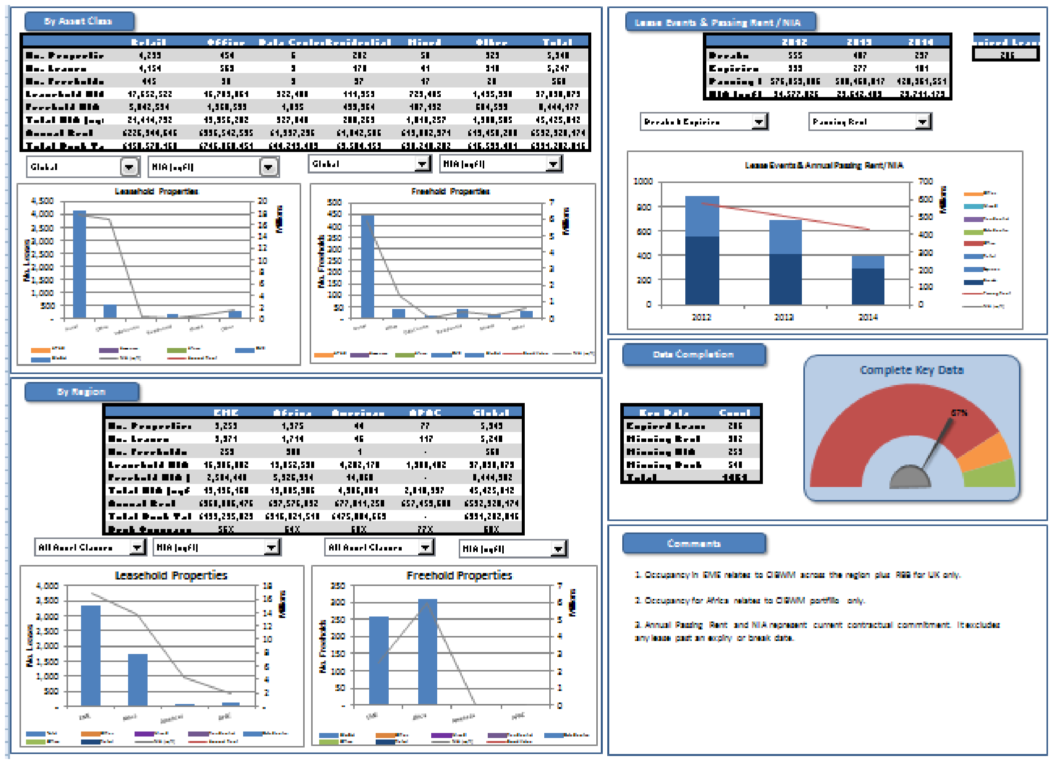
What good looks like

What good looks like

What Good Looks Like

Good Practice

- Clarification of investment objectives – aligned with asset management plans and practices
- Clarification of investment objectives – exceeding benchmark target returns
- Classification of assets (RAG) against objectives (underpinned by reliable data)
- Quality management information, utilising dashboard style presentation and KPIs (regularly reviewed)
- New governance structure – to aid swift decision making
- Clear implementation plan & high quality execution



Indicative finance pack

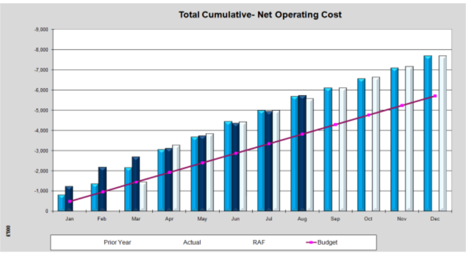
What good looks like

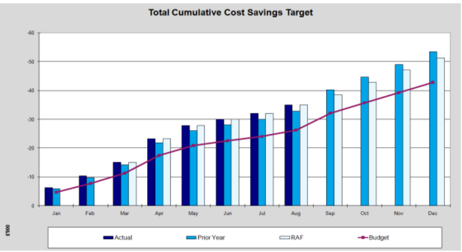
DTZ
a UGL company

Headlines & Highlights Summary

Headline and Highlights Summary

Profit & Loss





Financials - Flash variance

Measures	Total			Retail			Corporate			Group		
	Month	YTD	RAF	Month	YTD	RAF	Month	YTD	RAF	Month	YTD	RAF
Rent	▲	▼	▲	▲	▼	▲	▼	▼	▼	▼	▼	▼
Service charge	▲	▼	▲	▲	▼	▲	▼	▼	▼	▼	▼	▼
Other	▼	▼	▼	▼	▼	▼	▼	▼	▲	▼	▼	▼

Exception reporting

Measure	Actual	RAF	Variance £	Variance %	
Rent costs	(4,448)	(3,469)	(979)	28.2%	▲
Service Charge costs	(213)	(274)	61	(22.2%)	▲
Other costs	(2,526)	(2,405)	(121)	5.0%	▼
L&T Rent savings	0.859	0.572	0.287	50.2%	▼
Rates savings	0.998	0.365	0.633	173.4%	▼
Service Charge savings	0.039		0.039		▼

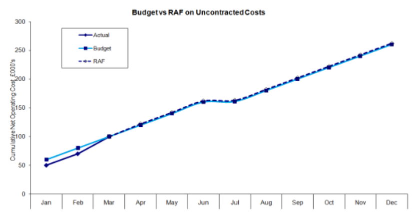
Risks & Opportunities

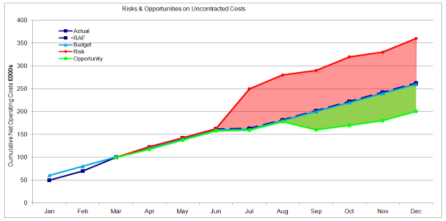
Top 5 Key Risks

Property	Event Type	Date	Rent	Budget	Risk (% ADV)	P & L Impact	Actions Required
Building 1	REVIEW	13 Feb 2010	907,000	1.20%	15%	(129,792)	In discussion with landlord
Building 2	REVIEW	25 Mar 2010	270,000	0.00%	30%	(62,100)	Rent review team have suggested possible uplift to be agreed with landlord
Building 3	REVIEW	24 Mar 2010	325,000	6.30%	10%	(40,761)	Evidence of rental increase in local market
Building 4	REVIEW	10 Feb 2010	300,000	1.20%	10%	(29,960)	Legal negotiation on review
Building 5	REVIEW	10 Apr 2010	300,000	3.60%	10%	(29,580)	Rent based on outstanding Rent Review RAF
		Total	2,102,000		Total	(292,193)	

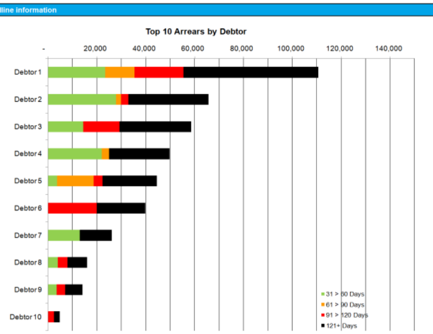
Top 5 Opportunities

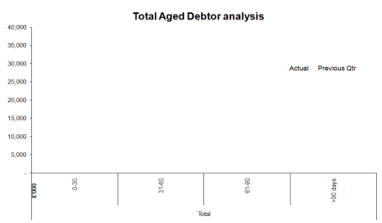
Property	Event Type	Date	Rent	Budget	Risk (% ADV)	P & L Impact	Actions Required
Building 1	DISPOSAL DILAPS	29 Aug 2010	610,000	549,000	50%	274,500	Facilities manager instructed in dilaps negotitaion
Building 2	REGEAR	01 Dec 2010	581,485	523,336	40%	209,335	Market evidence suggested positive rent based on 10 year lease
Building 3	REGEAR	30 Dec 2010	670,000	603,000	50%	301,500	Negotiation with landlord for regear
Building 4	SURRENDER	23 Jun 2010	790,000	711,000	50%	355,500	Surrender and assignment to current su-tenant of property
Building 5	DISPOSAL - DILAPS	08 Dec 2011	510,000	459,000	50%	229,500	Facilities manager instructed in dilaps negotitaion
		Total	3,161,485		Total	1,370,334.6	

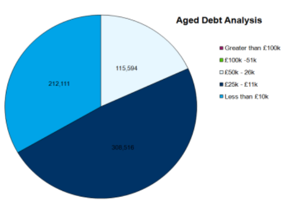


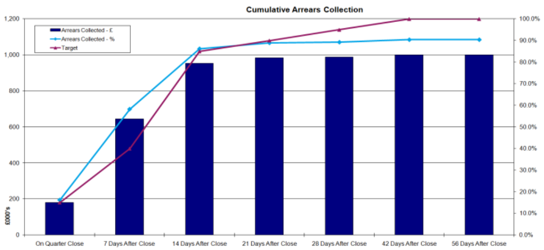


Arrears Analysis - Headline information

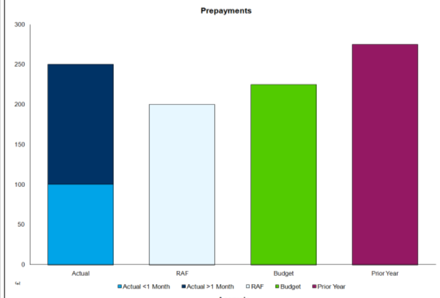


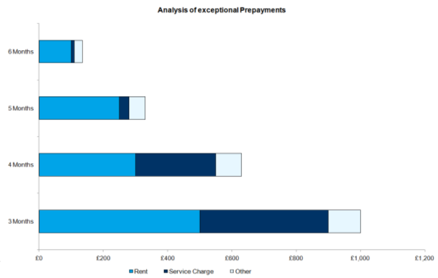


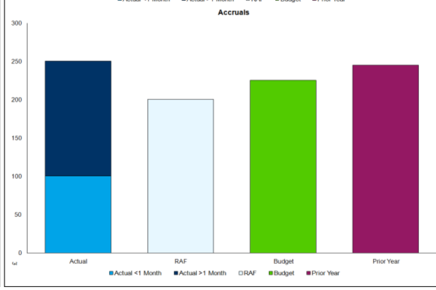


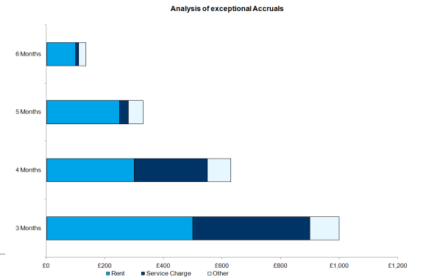


Prepayment & Accruals - headline information









P&L Analysis

P&L Analysis

Headlines - Total

Expenses
Rent showing marked improvement in retail market driving increase in RAFs on future events (£650k), accruals have been amended and proposed RAF amendment changes
New service Charge budgets received for £400k accruals are being made, but DTZ to continue to pay at old rate. Possible year end release next month when negotiations finalised.
Other costs, Three interim dilapidations schedules received potential aggregate liability £550k not forecast, DTZ in negotiations with Landlords. Proposed Amendments to RAF

Cost Savings target
Reduction in available re-gear locations has reduced year end forecast by £500k
Rental market movements increased RAFs by overall £650k - 2010 budget impact forecast at £250k
Increase in legal fees arising from service charge disputes and pursuing increased arrears levels

Income
Increase in business administrations impacted rent and s/c income by £750k, DTZ proposed provision increase for 50% of debt.

Headlines - Retail

Summary
15 review/ renewals settled in month with net £100k benefit to 2010 budget due to rents settled at nil increase
RAF position worsened by £25k as a result of new adverse evidence in Exeter, dilaps schedule received from Landlord DTZ negotiating
Landlord withdrew from Re-gear opportunity at Gravesend with £300k adverse impact to opportunities and RAF and cost savings amended

Unbudgeted Stafford re-gear completed with £100k 2010 benefit

Headlines - Corporate

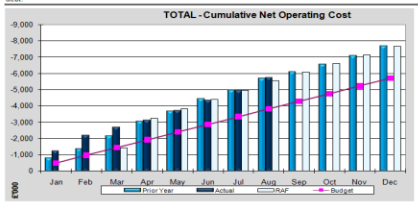
Summary
Major Prop rating appeal delivered positive variance of £120k, RAF amended for new rates payable.
5 reviews settled in month with net benefit to P&L of £50k in 2010, rent review teams working on unsettled 2005 reviews. Accruals and RAF to be amended
Service charge adverse to budget from unforecast expenditure at Manchester House (£100k). Lift maintenance costs unforecast DTZ amended RAF.

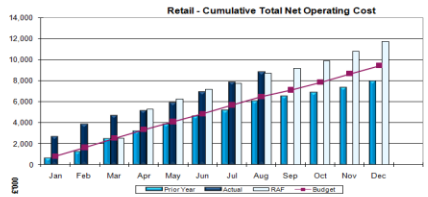
Business decision to reject budgeted re-gear at Coventry House adverse impact of £255k

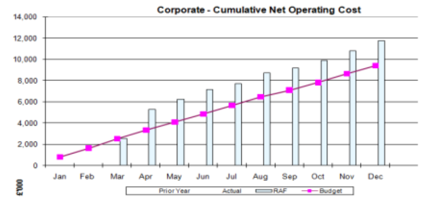
Headlines - Group

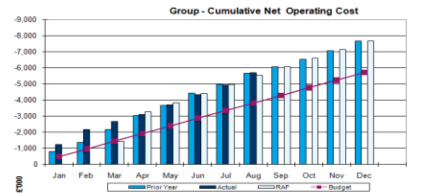
Summary
Increase in tenant administrations has driven extra £100k bad debt provision, increase in IAS 37 and property now on market
Disputed service charge at HQ adverse impact £150k, credit control and estates in negotiation with sub-tenant
Delayed completion of sub-let at Hertford House adverse impact £250k, void costs for property unforecast no RAF amendment

Stratford House landlord additional £50k service charge on year end reconciliation









Financials - Flash variance

Measures	Total			Retail			Corporate			Group		
	Month	YTD	RAF	Month	YTD	RAF	Month	YTD	RAF	Month	YTD	RAF
Rent	▲	▼	▲	▲	▼	▲	▼	▼	▼	▼	▼	▼
Service charge	▲	▼	▲	▲	▼	▲	▲	▼	▼	▼	▼	▼
Other	▼	▼	▼	▼	▼	▼	▼	▼	▲	▼	▼	▼

Exception reporting

Measure	Actual	RAF	Variance £	Variance %		Issues / Explanations	Outlook Trend	Actions required	Adj RAF
Rent costs	(4,448)	(3,469)	(979)	28.2%	▲	Rent reviews settled in month greater than forecast, backdated rent costs greater than accrued amounts resulting in adverse release to P&L	Significant rental increases due to long term leases in place, rental market shows signs of slowing down	DTZ to amend RAF to renewed rents	✓
Service Charge costs	(213)	(274)	61	(22.2%)	▲	DTZ challenged new service charge budgets proposed by landlords resulting in a saving for RBS	DTZ to continue to challenge landlords annual uplift	RAF to be amended as result of actual events	✓
Other costs	(2,526)	(2,405)	(121)	5.0%	▼	Dilapidations resulted in higher costs than previously budgeted	No trend change predicted DTZ still on target to deliver RAF forecasts	No amendment to RAF	✗
L&T Rent savings	0.859	0.572	0.287	50.2%	▼	Better than forecast ndlords appetite for long term income		RAF to be amended as result of actual events	✗
Rates savings	0.998	0.365	0.633	173.4%	▼	Rates claims and rebates greater than forecast	DTZ rating team challenge rates renewals	RAF to be amended as result of actual events	✓
Service Charge savings	0.039		0.039		▼	DTZ negotiated FAV S/C decreases	DTZ to continue to review budgeted increases for RBS	None	✓

Cost savings targets

	Cost savings area	Actual	RAF	RAF variance		Budget	Budget variance		Prior Year	Prior Year variance		Comments / Actions
Total	L&T Rent	859	572	(50.0%)	▼	644	3.4%	▼	730	(7.5%)	▲	RAF reduction of £125k at Chelmsford House likely completion
	Rates	998	365	(173.4%)	▼	749	3.4%	▼	848	(7.5%)	▲	DTZ negotiated fav rebate with Cheltenham council
	Service Charge	39	-		▼	29	3.4%	▼	33	(7.5%)	▲	DTZ negotiated FAV S/C decreases
	Re-gears & Asset Opportunity	1,975	-		▼	1,481	313.8%	▼	1,679	38.3%	▼	£425k completion at Caedif Court additional to budget
	Dilapidations	1,112	250	344.6%	▼	834	(43.9%)	▼	945	(12.3%)	▼	Unforecast dilaps schedule
	Total	**4,982**	**1,187**	**319.6%**	▼	**3,737**	**(9.6%)**	▲	**4,235**	**(19.2%)**	▲	
Retail	L&T Rent	635	424	50.0%	▼		3.4%	▼		(7.5%)	▲	
	Rates	739	270	173.4%	▼		3.4%	▼		(7.5%)	▲	
	Service Charge	29	-		▼		313.8%	▼		38.3%	▼	
	Re-gears & Asset Opportunity	1,462	-		▼		(43.9%)	▼		(12.3%)	▼	
	Dilapidations	823	185	344.6%	▼		(9.6%)	▲		(19.2%)	▲	
	Total	**3,687**	**879**	**319.6%**	▼	-	**(9.6%)**	▲	-	**(19.2%)**	▲	

Cost savings target

	Cost savings area	Actual	RAF	RAF variance		Budget	Budget Variance		Prior Year	Prior Year variance		Comments / Actions
Corporate	L&T Rent	3,181	3,188	(0.2%)	▲	2	132447.1%	▼	3,999	(20.4%)	▲	
	Rates	3,181	3,188	(0.2%)	▲	1	264994.2%	▼	3,999	(20.4%)	▲	
	Service Charge	3,181	3,188	(0.2%)	▲	1	397541.3%	▼	3,999	(20.4%)	▲	
	Re-gears & Asset Opportunity	2,513	2,349	7.0%	▼	5	48041.7%	▼	1,657	51.7%	▼	Rejected re-gear at Coventry House reduced saving by £250k
	Dilapidations	(3,029)	(3,184)	(4.9%)	▼	1	(263478.5%)	▲	(339)	792.9%	▲	Asbestos discovery at Solihull House increasing RAF
	Total	**9,028**	**8,730**	**3.4%**	▼	**11**	**83721.1%**	▼	**13,314**	**(32.2%)**	▲	
Group	L&T Rent	3,181	3,188	(0.2%)	▲	3,056	4.1%	▼	3,999	(20.4%)	▲	
	Rates	3,181	3,188	(0.2%)	▲	3,056	4.1%	▼	3,999	(20.4%)	▲	
	Service Charge	2,513	2,349	7.0%	▼	750	235.1%	▼	1,657	51.7%	▼	
	Re-gears & Asset Opportunity	(3,029)	(3,184)	(4.9%)	▼	(2,667)	13.6%	▲	(339)	792.9%	▲	
	Dilapidations	1,970	2,022	(2.5%)	▲	2,201	(10.5%)	▲	3,279	(39.9%)	▲	Surrender at Birmingham House agreed below provision level
	Total	**7,817**	**7,563**	**3.4%**	▼	**6,397**	**22.2%**	▼	**12,593**	**(37.9%)**	▲	

Financials - Month

	P&L	Actual	RAF	RAF variance		Budget	Budget variance		Prior Year	Prior Year		Comments / Actions
Total	Rent	(4,448)	(3,469)	28.2%	▲	(3,122)	(42.5%)	▲	(423)	951.2%	▲	Rent review forecast higher than IPD, RAF amended
	Service charge	(213)	(274)	(22.2%)	▲	(247)	(13.5%)	▼	(281)	(24.0%)	▼	
	Other	(2,526)	(2,405)	5.0%	▼	(2,165)	16.7%	▲	215	(1276.2%)	▲	
	Expenses	**(7,188)**	**(6,148)**	**16.9%**	▼	**(5,533)**	**29.9%**	▲	**(978)**	**635.0%**	▲	
	Total Income	**947**							**(305)**	**(410.9%)**	▼	
	Net Operating Cost	**(6,241)**				**(5,533)**	**12.8%**	▲	**(1,283)**	**386.6%**	▲	
Retail	Rent	(2,970)	(2,359)	25.9%	▲	(2,123)	3.4%	▲	(423)	(7.5%)	▲	Prime rent increases ahead of forecast levels
	Service charge	(49)	(63)	(21.8%)	▲	(57)	313.8%	▼	(281)	38.3%	▼	Adverse year end reconciliations anticipated
	Other	(1,529)	(1,443)	6.0%	▼	(1,299)	(43.9%)	▲	215	(12.3%)	▲	
	Expenses	**(4,549)**	**(3,865)**	**17.7%**	▼	**(3,478)**	**30.8%**	▲	**(978)**	**365.1%**	▲	
	Total Income						**(9.6%)**			**(19.2%)**		
	Net Operating Cost	**(4,549)**	**(3,865)**	**17.7%**	▼	**(3,478)**	**(9.6%)**	▲	**(978)**	**(19.2%)**	▲	
Corporate	Rent	(1,242)	(937)	32.6%	▼	(843)	3.4%	▲	(423)	(7.5%)	▲	
	Service charge	(149)	(192)	(22.1%)	▲	(173)	313.8%	▼	(281)	38.3%	▼	
	Other	(771)	(746)	3.4%	▼	(671)	(43.9%)	▲	215	(12.3%)	▲	
	Expenses	**(2,163)**	**(1,874)**	**15.4%**	▼	**(1,687)**	**28.2%**	▲	**(978)**	**121.2%**	▲	
	Total Income						**(9.6%)**			**(19.2%)**		
	Net Operating Cost	**(2,163)**	**(1,874)**	**15.4%**	▼	**(1,687)**	**(9.6%)**	▲	**(978)**	**(19.2%)**	▲	
Group	Rent	(236)	(173)	36.1%	▼	(156)	3.4%	▲	(423)	(7.5%)	▼	
	Service charge	(14)	(19)	(24.6%)	▲	(17)	313.8%	▼	(281)	38.3%	▼	
	Other	(226)	(216)	4.3%	▼	(195)	(43.9%)	▲	215	(12.3%)	▲	
	Expenses	**(476)**	**(409)**	**16.4%**	▼	**(368)**	**29.3%**	▲	**(978)**	**(51.3%)**	▼	
	Total Income	**947**					**(9.6%)**		**(305)**	**(19.2%)**	▼	Sub-tenant administration at Telford reduced month income
	Net Operating Cost	**79**	**(409)**	**(119.4%)**	▲	**(368)**	**(9.6%)**	▼	**(1,587)**	**(19.2%)**	▼	

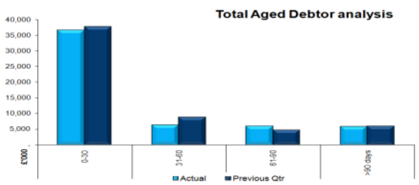
Financials - YTD

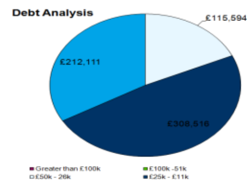
	P&L	Actual	RAF	RAF variance		Budget	Budget		Prior Year	Prior Year		Comments / Actions
Total	Rent	(58,810)	(58,993)	(0.3%)	▼	(60,424)	(2.7%)	▼	(60,965)	(3.5%)	▼	
	Service charge	(2,942)	(3,716)	(20.8%)	▼	(3,755)	(21.6%)	▼	(3,150)	(6.6%)	▼	
	Other	(29,096)	(38,096)	(23.6%)	▼	(39,596)	(26.5%)	▼	(35,203)	(17.3%)	▼	Success on rating appeals exceeded forecast
	Expenses	**(90,849)**	**(100,805)**	**(9.9%)**	▼	**(103,775)**	**(12.5%)**	▼	**(99,318)**	**(8.5%)**	▼	
	Total Income	4,508				-		▼	**6,429**	**(29.9%)**	▲	
	Net Operating Cost	**(86,340)**	**(100,805)**	**(14.3%)**	▼	**(103,775)**	**(16.8%)**	▼	**(92,890)**	**(7.1%)**	▼	
Retail	Rent	(37,423)	(37,756)	(0.9%)	▼	(38,672)	(3.2%)	▼	(37,697)	(0.7%)	▼	Retail market recovery has driven increases above budget
	Service charge	(785)	(1,003)	(21.8%)	▼	(1,014)	(22.6%)	▼	(912)	(14.0%)	▼	Year end Reconciliation 'spike' yet to impact actuals
	Other	(15,966)	(20,953)	(23.8%)	▼	(21,778)	(26.7%)	▼	(15,995)	(0.2%)	▼	
	Expenses	**(54,174)**	**(59,712)**	**(9.3%)**	▼	**(61,463)**	**(11.9%)**	▼	**(54,605)**	**(0.8%)**	▼	
	Total Income					-		◄				
	Net Operating Cost	**(54,174)**	**(59,712)**	**(9.3%)**	▼	**(61,463)**	**(11.9%)**	▼	**(54,605)**	**(0.8%)**	▼	
Corporate	Rent	(18,630)	(18,288)	1.9%	▲	(18,732)	(0.5%)	▼	(19,055)	(2.2%)	▼	
	Service charge	(1,809)	(2,267)	(20.2%)	▼	(2,291)	(21.0%)	▼	(1,740)	4.0%	▲	
	Other	(8,404)	(11,048)	(23.9%)	▼	(11,483)	(26.8%)	▼	(8,289)	1.4%	▲	
	Expenses	**(28,844)**	**(31,603)**	**(8.7%)**	▼	**(32,505)**	**(11.3%)**	▼	**(29,084)**	**(0.8%)**	▼	
	Total Income					-		◄				
	Net Operating Cost	**(1,970)**	**(2,022)**	**(2.5%)**	▼	**(32,505)**	**(93.9%)**	▼	**(3,279)**	**(39.9%)**	▼	
Group	Rent	(2,757)	(2,950)	(6.5%)	▼	(3,021)	(8.7%)	▼	(4,213)	(34.6%)	▼	
	Service charge	(348)	(446)	(22.0%)	▼	(451)	(22.8%)	▼	(497)	(30.0%)	▼	
	Other	(4,726)	(6,095)	(22.5%)	▼	(6,335)	(25.4%)	▼	(10,919)	(56.7%)	▼	
	Expenses	**(7,831)**	**(9,491)**	**(17.5%)**	▼	**(9,807)**	**(20.1%)**	▼	**(15,630)**	**(49.9%)**	▼	
	Total Income	**4,508**				-		▼	**6,429**	**(29.9%)**	▲	Increased sub-tenant administrations impacted revenue
	Net Operating Cost	**(1,970)**	**(2,022)**	**(2.5%)**	▼	**(9,807)**	**(79.9%)**	▼	**(3,279)**	**(39.9%)**	▼	

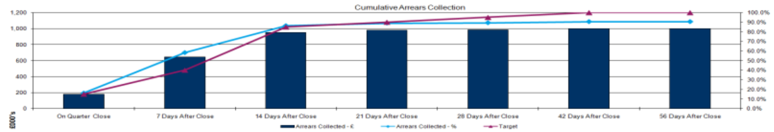
DTZ
a UGL company

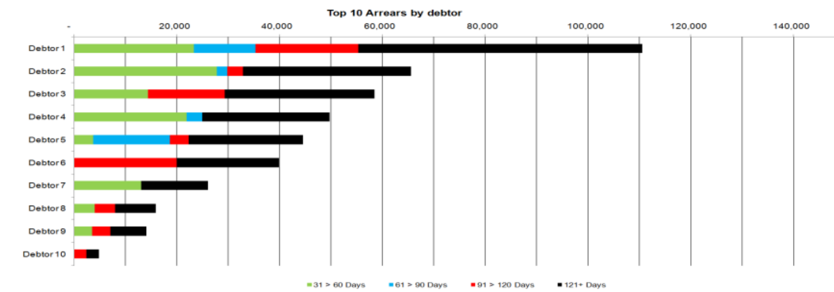
Arrears Analysis

Arrears Analysis









Risk

Measures	Previous Amount Due	Actual Amount Due	Trend	Collectable	Non Collectable	Recommended Provision
< 30 Days		253,364		200,000	20,000	2,000
31 > 60 Days		63,949		40,000	5,600	5,600
61 > 90 Days		10,586		2,000	8,552	3,500
90 + Days		556,292		120,000	436,292	25,650

Reconciliation

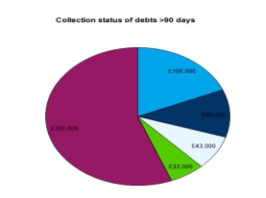
	Arrears	Debtors
Opening Balance	**10,000**	**10,000**
New Amounts	-3,000	-3,000
Cash Collection	1,000	1,000
Write Offs	2,000	2,000
Change for period	**0**	**0**
Closing Balance	**10,000**	**10,000**

Outstanding Debt

Value category	No. of Debtors	Value of Debtor	%	DTZ Recommended provision
Greater than £100k	5	0	0%	0
£100k -51k	3	0	0%	0
£50k - 26k	21	115,594	18%	12,560
£25k - £11k	11	308,516	48%	50,000
Less than £10k	12	212,111	33%	20,000
Total	**52**	**636,222**	**100%**	**82,560**

Actions

Collection State	Action Required	Resolution
Query	▼£50,000 service charge queries. Previous month at £75,000 ▼£25,000 tenants queried rent charge. Previous month was £30,000 due to rent reviews	Rent reviews now settled and promised payments amounting to £25,000
Bad Debt	Recomended provisions for bad debts due to tenants in administration	DTZ provision to be increased
Credit Required	DTZ to issue credits for tenants due to incorrect charge or reversals	
Administration	Outstanding of £55,000. Lawyers have been instructed	Review progress with legals
Chasing	£300,000 outstanding debts. Reduced from previous month by £25,000 due to arrears collection.	Legals instructed on 10 properties with likely probability of receipt for £60,000. Credit control have been chasing remaining proportion of debts. Bailiffs have been instructed on 4 properties.



Top 10 Debtors

Total

Debtor name	Amount >90 Days	Total Less than 90 days	Total Debt	% of Cluster Debt	Action Required	DTZ Suggested provision
Frank Cass Publishers	14,779	23,303	**38,082**	3%	r	38,082
Brim	33,780	3,502	**37,282**	3%	DTZ credit control Chasing	
New	33,038	3,625	**36,663**	3%	Query on s/c.	
Mr C	14,859	14,375	**29,234**	2%	tenant in administration	
Grol	-	27,792	**27,792**	2%	DTZ credit control Chasing	
NPS	35,278	3,967	**39,245**	3%	write off debt greater than 90 days	3,967
Emy Jone	22,383	-	**22,383**	2%	DTZ credit control Chasing	
Victo	-	21,850	**21,850**	2%	chasing, tenant query on rent increase	
Pure	21,511	-	**21,511**	2%	credit required for rent	
SAS	19,326	-	**19,326**	2%	awaiting credit from DTZ	
0	**194,954**	**98,413**	**293,367**	**24%**		
Total	**630,829**	**317,314**	**948,143**	**76%**		

Retail

Debtor name	Amount >90 Days	Total Less than 90 days	Total Debt	% of Cluster Debt	Action Required	DTZ Suggested provision
New Beginnings Training & Recruitment	32,821	3,625	**36,446**	**6%**	tenant in administration	
Gr	-	27,792	**27,792**	**5%**	DTZ credit control Chasing	
Bri	23,499	2,436	**25,935**	**5%**	Query on s/c.	
Vic	-	21,850	**21,850**	**4%**	tenant in administration	
Em Hu	20,837	-	**20,837**	**4%**	DTZ credit control Chasing	
Bu	18,876	-	**18,876**	**3%**	write off debt greater than 90 days	
Ho	-	18,665	**18,665**	**3%**	DTZ credit control Chasing	
Da	14,450	-	**14,450**	**3%**	chasing, tenant query on rent increase	
Th Co	-	10,000	**10,000**	**2%**	credit required for rent	
Tl He	8,552	-	**8,552**	**1%**	awaiting credit from DTZ	
	119,035	**84,368**	**203,403**	**35%**		
Total for Cluster	**732,058**	**423,636**	**370,361**	**65%**		

Group

Debtor name	Amount >90 Days	Total Less than 90 days	Total Debt	% of Cluster Debt	Action Required	DTZ Suggested provision
SAS Catering Ltd	19,326	-	**19,326**	2%	DTZ chasing tenant	
Mou	17,575	-	**17,575**	2%	Baliffs instructed	
Stal	8,468	-	**8,468**	1%	Lawyers instrcuted	
Larry	6,538	-	**6,538**	1%	tenant in administration	6,538
Norw	2,206	-	**2,206**	0%	Tenant querying service charge increase	
Wolv	2,791	-	**2,791**	0%	Rent review now settled, tenant confirms payment	
Subv	18,113	-	**18,113**	2%	vacated - credit required	
Popl Ass.	6,591	-	**6,591**	1%		
Mr A	1,950	-	**1,950**	0%		
Andr	4,966	-	**4,966**	1%	tenant still paying service charge from 2006	
0	**88,523**	**-**	**88,523**	**9%**		
Total for Cluster	**309,858**	**566,879**	**876,737**	**91%**		

Corporate

Debtor name	Amount >90 Days	Total Less than 90 days	Total Debt	% of Cluster Debt	Action Required	DTZ Suggested provision
Frank Cass Publishers	14,779	23,303	**38,082**	6%	tenant in administration	
Mr	14,859	14,375	**29,234**	4%	DTZ credit control Chasing	
NP	35,278	3,967	**39,245**	6%	Query on s/c.	
Pu	21,511	0	**21,511**	3%	tenant in administration	
Ba	18,357	143	**18,501**	3%	DTZ credit control Chasing	
Ma	17,608	0	**17,608**	3%	write off debt greater than 90 days	
Ba	8,685	8,675	**17,360**	3%	DTZ credit control Chasing	
Mr	6,655	7,109	**13,763**	2%	chasing, tenant query on rent increase	
Kid	0	13,730	**13,730**	2%	credit required for rent	
A I	0	20,643	**20,643**	3%	awaiting credit from DTZ	
	137,733	**91,944**	**229,677**	**35%**		
Total for Cluster	**572,470**	**316,171**	**421,272**	**65%**		

Risks & Opportunities

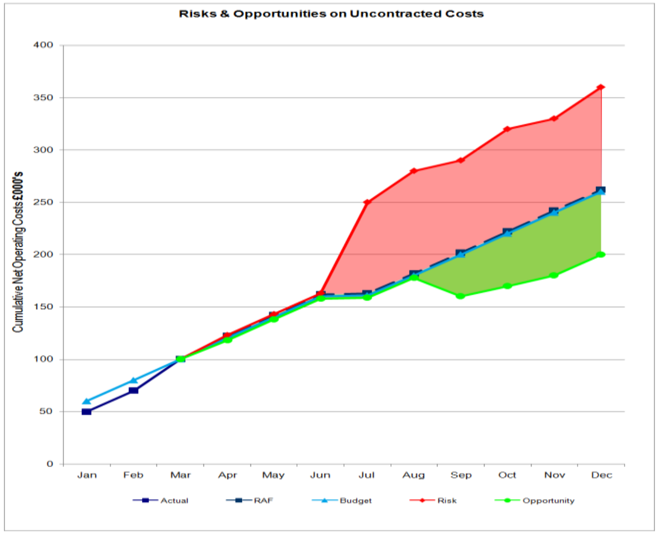
Risks & Opportunities

Top 10 Key Risks

Property	Event Type	Date	Rent	Budget	Risk (% ADV)	P & L Impact	Comments / Actions
Location 1	REVIEW	13 Feb 2010	907,000	1.20%	15%	(129,792)	Likley to be 3rd party. Evidence potentially supports determination above budget
Location 2	REVIEW	25 Mar 2010	270,000	0.00%	30%	(62,100)	Rent review team have suggested possible uplift to be agreed with landlord
Location 3	REVIEW	24 Mar 2010	325,000	6.30%	10%	(40,761)	Evidence of rental increase in local market
Location 4	REVIEW	10 Feb 2010	300,000	1.20%	10%	(29,960)	Legal dispute on permitted use
Location 5	REVIEW	10 Apr 2010	300,000	3.60%	10%	(29,580)	Rent based on outstanding Rent Review RAF
Location 6	REVIEW	24 Jun 2010	290,000	2.50%	10%	(18,830)	Evidence would support an increase assume £308,830
Location 7	SERVICE CHARGE	01 Jul 2010	450,000	2.50%	20%	(18,500)	Landlord undertaking refurb works despite outstanding challenge. Risk to Y/E reconciliation
Location 8	REVIEW	24 Jun 2010	300,000	2.50%	5%	(11,688)	Recent advers market evidence, likely to settle at higher than passing
Location 9	REVIEW	25 Dec 2010	440,000	8.40%	15%	(1,716)	Legal advice required on review clause, likely to settle at higher than passing
Location 10	REVIEW	25 Dec 2010	375,000	12.00%	10%	(1,375)	Local Market evidence would support a small increase in rent
		Total	3,957,000		Total	(344,301)	

Top 10 Opportunities

Property	Event Type	Date	Rent	Budget	Risk (% ADV)	P & L Impact	Comments / Actions
Location 11	DISPOSAL DILAPS	29 Aug 2010	610,000	549,000	50%	274,500	Facilities manager instructed in dilaps negotitaion
Location 12	REGEAR	01 Dec 2010	581,485	523,336	40%	209,335	Market evidence suggested positive rent based on 10 year lease
Location 13	REGEAR	30 Dec 2010	670,000	603,000	50%	301,500	Negotiation with landlord for regear
Location 14	SURRENDER	23 Jun 2010	790,000	711,000	50%	355,500	Surrender and assignment to current su-tenant of property
Location 15	DISPOSAL - DILAPS	08 Dec 2011	510,000	459,000	50%	229,500	Facilities manager instructed in dilaps negotitaion
Location 16	(FAV) IAS 37	29 May 2011	510,000	459,000	50%	229,500	Unit sub-let prior to market evidence, favourable terms
Location 17	REGEAR	24 Mar 2010	590,000	531,000	25%	132,750	Market evidence suggested positive rent based on 10 year lease
Location 18	SURRENDER	08 Dec 2011	552,812	497,531	25%	124,383	Lanlord has alternative use for property, lawyers instructed
Location 19	DISPOSAL - DILAPS	24 Dec 2010	723,920	651,528	30%	195,458	Facilities manager instructed in dilaps negotitaion
Location 20	(FAV) IAS 37	08 Jun 2011	399,275	359,348	25%	89,837	Previous rent review negotiated at lower value than forecast
		Total	5,937,492		Total	2,142,262.6	

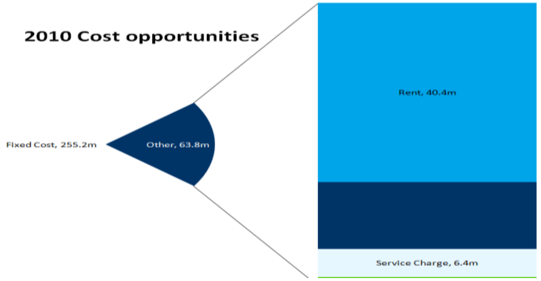


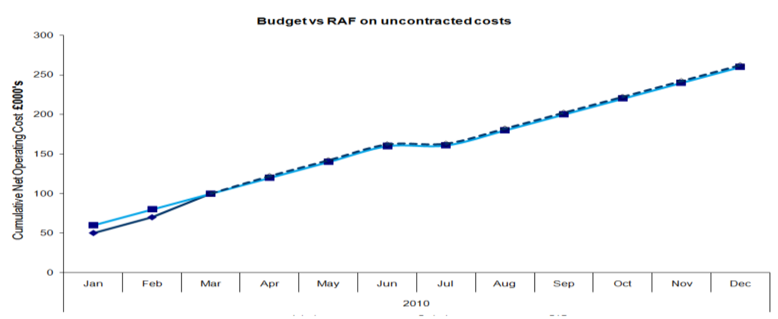
Revised Annual Forecast (£m)

Measures		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Rent	Fixed	13.5	26.9	40.4	53.9	67.3	80.8	94.3	107.7	121.2	134.7	148.1	161.6
	Variable		3.4	3.5	12.0	13.0	14.0	26.0	26.9	30.3	33.7	37.0	40.4
	Total	**13.5**	**30.3**	**43.9**	**65.9**	**80.3**	**94.8**	**120.3**	**134.7**	**151.5**	**168.3**	**185.2**	**202.0**
	Actual	**13.5**											
Rates	Fixed	5.0	10.0	15.0	20.0	25.0	30.0	35.0	40.0	45.0	50.0	55.0	60.0
	Variable		2.5	3.8	5.0	6.3	7.5	8.8	10.0	11.3	12.5	13.8	15.0
	Total	**5.0**	**12.5**	**18.8**	**25.0**	**31.3**	**37.5**	**43.8**	**50.0**	**56.3**	**62.5**	**68.8**	**75.0**
	Actual	**5.0**											
Service Charge	Fixed	2.1	4.3	6.4	8.5	10.7	12.8	14.9	17.1	19.2	21.3	23.5	25.6
	Variable		1.1	1.6	2.1	2.7	3.2	3.7	4.3	4.8	5.3	5.9	6.4
	Total	**2.1**	**5.3**	**8.0**	**10.7**	**13.3**	**16.0**	**18.7**	**21.3**	**24.0**	**26.7**	**29.3**	**32.0**
	Actual	**2.1**											
Dilapidations	Fixed	0.7	1.3	2.0	2.7	3.3	4.0	4.7	5.3	6.0	6.7	7.3	8.0
	Variable		0.3	0.5	0.7	0.8	1.0	1.2	1.3	1.5	1.7	1.8	2.0
	Total	**0.7**	**1.7**	**2.5**	**3.3**	**4.2**	**5.0**	**5.8**	**6.7**	**7.5**	**8.3**	**9.2**	**10.0**
	Actual	**0.7**											

Regearing Opportunities

Property	Break	Rent	P&L Saving	Regear Cash - Prob Adjusted	Optimisation Note
Location 21	24 Dec 2013	2,146,500	214,650	429,300	Regear cash - probability adjusted calcuated based on 20% hit ratio with landlords, based on 10 year lease. With 10% cash return on current rent to negotiated rents
Location 22	24 Dec 2013	1,678,240	167,824	335,648	
Location 23	28 Sep 2014	728,500	72,850	145,700	
Location 24	22 Jul 2019	1,436,673	143,667	287,335	
Location 25	11 May 2019	1,290,000	129,000	258,000	
Location 26	22 Jul 2014	1,273,584	127,358	254,717	
Location 27	22 Jul 2014	1,272,726	127,273	254,545	
Location 28	22 Jul 2014	1,242,501	124,250	248,500	
Location 29	22 Jul 2014	993,480	99,348	198,696	
Location 30	23 Aug 2016	937,509	93,751	187,502	
OTHERS				15,193,757	
			Total	17,793,700	



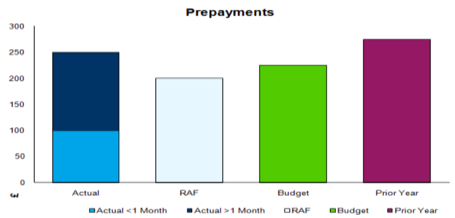


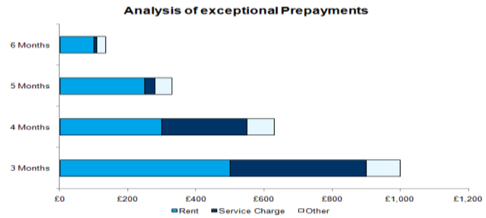
Prepayments & Accruals

Appendix C

Prepayments & Accruals

Prepayments





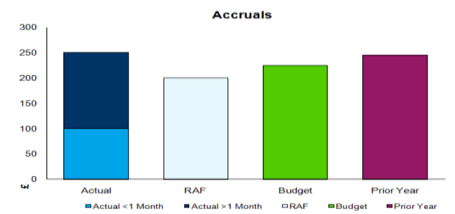
Comments / Actions

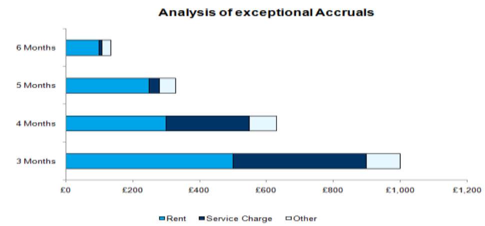
Exceptionals: Schedule of unreleased prepayments

Top 10 Variances in Prepayments

Property	Amount (£)	Variance Amount	Comments / Action Required
Building 1	2,500,000	500,000	Service charge amounts in dispute
Building 1	1,600,000	320,000	Rent review settled at lower than passing
Building 1	650,000	97,500	DTZ have queried rent renewal
Building 1	300,000	7,500	Service charge amounts in dispute
Building 1	150,000	90,000	Rent review settled at lower than passing
Building 1	40,000	4,000	DTZ have queried rent renewal
Building 1	15,000	5,250	Service charge amounts in dispute
Building 1 Building 1	(10,000)	(3,000)	Rent review settled at greater than passing
Building 1	(3,000)	(1,950)	Rent review settled at greater than passing
Building 1	(1,500)	(1,125)	Rent review settled at greater than passing
Total	**5,240,500**	**1,018,175**	

Accruals





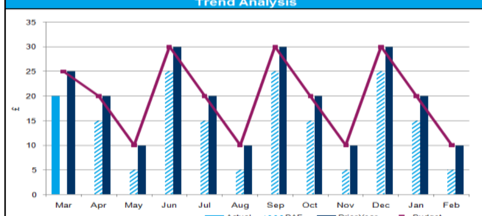
Comments / Actions

Exceptionals: Aged profile of exceptional items where DTZ has not received an invoice

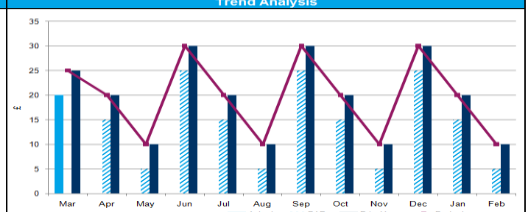
Top 10 Variances in Accruals

Property	Amount (£)	Variance Amount	Comments / Action Required
Building 10	1,600,000	480,000	Lease renewal at PACT. Determination due next quarter
Building 11	250,000	75,000	Rent review negotiations ongoing. RAF shows significant increase likely
Building 12	150,000	45,000	Rent review negotiations ongoing. RAF shows significant increase likely
Building 13	70,000	21,000	Rent review negotiations ongoing. RAF shows significant increase likely
Building 14	68,000	20,400	Interim dilapidations claim received from landlord
Building 15	60,000	18,000	Service charge dispute ongoing
Building 16	35,000	10,500	Service charge dispute ongoing
Building 17	15,000	4,500	Service charge dispute ongoing
Building 18	8,000	2,400	Service charge dispute ongoing
Building 19	5,000	1,500	Service charge dispute ongoing
Total	**2,261,000**	**678,300**	

Prepayments Trend Analysis



Accruals Trend Analysis



Prepayments

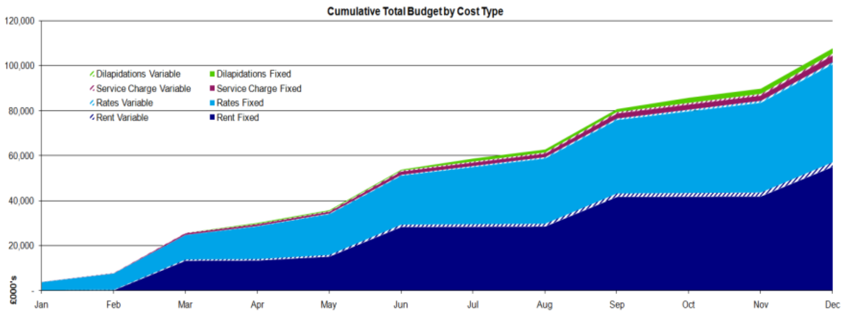
Movement	Rent	Service Charge	Other	Total
Balance B / F	**600,000**	**250,000**	**60,000**	**910,000**
Increase in Prepayments	1,200,000	600,000	10,000	1,810,000
Released to P& L	1,500,000	450,000	30,000	1,980,000
Net Movement	**2,700,000**	**1,050,000**	**40,000**	**3,790,000**
Closing Balance	**300,000**	**850,000**	**70,000**	**1,220,000**

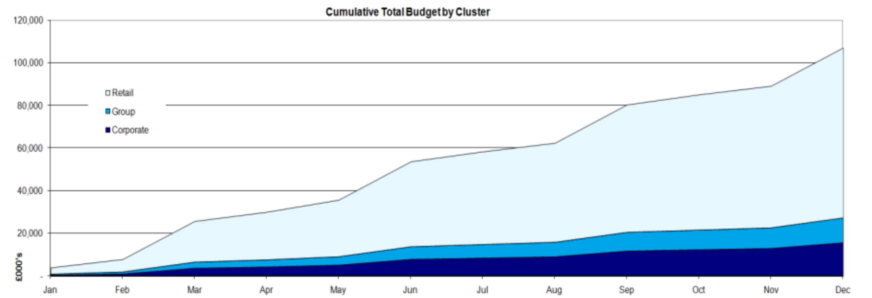
Accruals

Movement	Rent	Service Charge	Other	Total
Balance B / F	**1,600,000**	**1,000,000**	**200,000**	**2,800,000**
Increase in Prepayments	6,000,000	3,500,000	60,000	9,560,000
Released to P& L	4,500,000	4,000,000	180,000	8,680,000
Net Movement	**10,500,000**	**7,500,000**	**240,000**	**18,240,000**
Closing Balance	**3,100,000**	**500,000**	**80,000**	**3,680,000**

Budget

Budget





Total Budget by Cost Type

Measures		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Rent	Fixed	100,000	100,000	13,200,000	100,000	1,726,622	13,200,000	100,000	100,000	13,200,000	100,000	100,000	13,200,000
	Variable	100,000	100,000	300,000	100,000	100,000	300,000	100,000	100,000	300,000	100,000	100,000	300,000
	Total	**200,000**	**200,000**	**13,500,000**	**200,000**	**1,826,622**	**13,500,000**	**200,000**	**200,000**	**13,500,000**	**200,000**	**200,000**	**13,500,000**
Rates	Fixed	3,636,082	3,636,082	3,636,082	3,636,082	3,636,082	3,636,082	3,636,082	3,636,082	3,636,082	3,636,082	3,636,082	3,636,082
	Variable			50,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
	Total	**3,636,082**	**3,636,082**	**3,686,082**	**3,736,082**	**3,736,082**	**3,736,082**	**3,736,082**	**3,736,082**	**3,736,082**	**3,736,082**	**3,736,082**	**3,736,082**
Service Charge	Fixed	50,000	50,000	650,000	50,000	50,000	650,000	50,000	50,000	650,000	50,000	50,000	650,000
	Variable	65,000	50,000	50,000	50,000	65,000	125,000	50,000	50,000	100,000	50,000	50,000	50,000
	Total	**115,000**	**100,000**	**700,000**	**100,000**	**115,000**	**775,000**	**100,000**	**100,000**	**750,000**	**100,000**	**100,000**	**700,000**
Dilapidations	Fixed				400,000			885,000			1,000,000		
	Variable												
	Total	-	-	-	**400,000**	-	-	**885,000**	-	-	**1,000,000**	-	-

Total Budget by Cluster

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Corporate	592,662	590,412	2,682,912	605,412	851,656	2,701,662	605,412	605,412	2,697,912	605,412	605,412	2,690,412
Group	434,619	432,969	1,967,469	443,969	624,547	1,981,219	443,969	443,969	1,978,469	443,969	443,969	1,972,969
Retail	2,923,801	2,912,701	13,235,701	3,282,701	4,201,501	13,328,201	3,641,601	2,986,701	13,309,701	3,726,701	2,986,701	13,272,701
Total	**3,951,082**	**3,936,082**	**17,886,082**	**4,332,082**	**5,677,704**	**18,011,082**	**4,690,982**	**4,036,082**	**17,986,082**	**4,776,082**	**4,036,082**	**17,936,082**

Assumptions

Rent Assumptions

1. Rent budgeted inclusive of VAT (if applicable).
2. The budget for properties with no outstanding L&T events or events due in 2010 will be at the current rent passing inc VAT.
3. The budget for properties with outstanding L&T events prior to 2010 will be at the current RAF plus VAT.
4. The budget for properties with live 2010 events were reviewed on an individual basis and relevant market assumptions made.
5. All costs removed for known exits. No proposed acquisitions notiifed. Separate allowance will be required
6. Significant variances on Property 1 (14 year review pattern - £120k pa increase) & Property 2 (completed redevelopment of adjacent shopping centre £100k pa)

Rates Assumptions

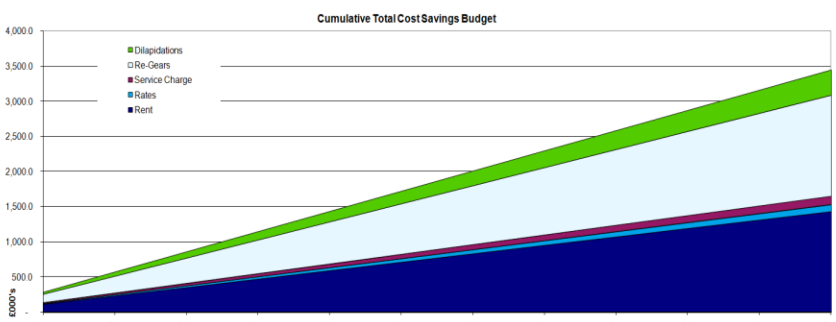
1. No VAT to be paid on rates budgets
2. Government revaluation will have material impact on 2010 costs. Based on best currently available information the following general assumptions have been applied
   South East -5.0%
   West Midlands -7.0%
   East Midland -10.0%
   Sector Results
   Offices +5%
   Retail =1%
3. Budgets to be set at nil where the property is fully sublet or listed.
4. The rates budget was adjusted where the Bank's occupation percentage changed in 2009.

Service Charge & Insurance

1. Service charge & insurance budgeted inclusive of VAT (if applicable)
2. Assumption made to provide 2010 budget based on 6% increase on current on account, adhoc and insurance payments unless actual budget is known.
3. An additional 10% allowance of current on account payments was made for any properties with outstanding reconciliations.
4. A budget allowance is made where DTZ is aware of material works by Landlords which can be recovered under service charges

Dilapidations

1. A budget is provided for known and anticipated cases during 2010.
2. Budgets based on DTZ initial assessment if completed or standard cost psf based on property types.



Cost Savings

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Rent	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Rates	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Service Charge	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Re-Gears	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Dilapidations	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total	**288,000**	**288,000**	**288,000**	**288,000**	**288,000**	**288,000**	**288,000**	**288,000**	**288,000**	**288,000**	**288,000**	**288,000**