

## Churches, Charities and Local Authorities (CCLA)

Remote Meeting 13.04.21

### Update on Local Authority Property Fund

The main speakers were:

John Kelly	Director Client Investments
Mark Davies	Relationship Manager

The format of the meeting was for a number of statements to be made by the speakers and also for them to answer questions put forward by attendees. This meant that there were some jumps from topic to topic.

There are issues right across the property sector but things are starting to look more hopeful. The downturn in the commercial sector was less than originally feared and values are rising again following a weak trend in the retail sector.

CCLA have a low retail weighting together with a high quality list of tenants who have continued to pay their rents. It was noted that some well-known High Street names have refused to pay relying on legislation, but will need to pay as the legislation comes to an end. *(It would not be politic to name those companies in this report.)*

The reason for CCLA suspending the fund in 2020, in common with other property fund investors, was one of qualified valuations – assessors were not happy with stated asset values. Following the lifting of the suspension in September of last year, there has been no pressure from investors in CCLA to sell their holdings or to reduce investment levels.

Income has held up well owing to the quality of the assets and tenants. Leases mean long term relationships with tenants and this has been reflected in trying to support them through short term measures to alleviate rental payment problems.

The retail sector will continue to have problems but industrials should remain solid. It is difficult to make short term projects although dividends should hold up in 2021 and 2020.

Different forms of retail have had different problems but distribution warehouses have been star performers. CCLA have been able to make some very good deals.

Shopping precincts have been particularly hard hit – they need footfall, and could face being sold off for alternative uses. The point was made that if a chain store closes it affects not just one shopping precinct or High Street. 30% of the CCLA property fund is in offices and with people working from home what could that do to the fund?

This is a trend which has been going on for several years. The lower quality offices built say 25 years ago away from town centres are now out of favour. Companies will not necessarily need less space. Conditions will 'normalise' but it is not yet clear what that normality will be. There is still a demand for well-sited high quality offices.

Local Authorities Declarations of Climate Emergency – is this affecting the CCLA property portfolio? CCLA are 'good citizens', for example they take energy conservation measures when refurbishing properties and also try to give more cycle parking spaces. However, there can be problems where there are multiple occupancies getting all tenants to agree to changes. New leases are being drawn up with more emphasis on green issues.

Is CCLA regarded as a 'good' landlord? Feedback is good from both tenants and external agencies.

Cllr Phillip Dredge  
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