

POLICY AND RESOURCES COMMITTEE

10th January 2022

UPDATE AND INFORMATION

CCLA

*Notes of a CCLA Property Remote Briefing
Held on 8th December 2021*

Introduction

The meeting was chaired by Mark Davies who is our account manager and the speakers were:

*John Kelly – Director Client Investments, and
Matthew Meaden - Fund Manager – Property*

Overall Picture

- *Confidence is much better than it was 12 months ago*
- *In the 3 months to 30th September 2021 capital returns rose by 3% but income by a lower figure*
- *Office and industrial investments have stabilised*
- *12 months returns are back in double digits*
- *Large increase in transaction volume in properties in a competitive market*
- *Genuine return in investment in property with much of it coming from abroad, (mainly USA) showing confidence in the future of the UK economy*
- *Markets are behaving rationally based on supply and demand, particularly in the case of warehousing (for mail order)*

Industrials

As outlined above- very good

Retail

The largest shopping centres are experiencing very good footfall now but smaller ones are not performing so well with a number of empty properties.

High Streets are generally stabilising but vary from High Street to High Street. CCLA do not have significant investments in High Street property. Out of town stores with free parking remain more attractive than High Streets.

Offices

There remains a good demand for well-sited offices but it is the sector of greatest concern for property investors. Down-sizing is happening at times when leases expire, with companies seeking best sites for their needs. CCLA is taking a detailed look at its office portfolio and will investigate alternative uses for offices such as residential, care homes etc.

Income

There are many challenges to maintaining current levels and they will lag behind capital growth. High proportion of investments is in industrials which is good but investments in offices not so good.

Environment

As properties are let to new or existing tenants work is undertaken to make the premises more eco-friendly with, for example, LED lighting and heat exchange pumps.

Best Opportunities

Good time to be in active participation in the industrial sector with rents increasing following improvements to the buildings and strong demand. The overall shape of the property fund is unlikely to change significantly in the near future but there could be a reduction in offices investment.

Payment of rents during pandemic

Some businesses couldn't pay and these included the hospitality sector which had to cease trading, but arrangements were made for them to catch up once trading recommenced. Some large outfits, and Boots the Chemist were included here, wouldn't pay although they were still trading as they were able to take advantage of government legislation. However, these have now been catching up.

Returns for investors

It would appear that income for CCLA investors could suffer a fall but capital values should increase. I understand that we have already experienced this in our latest receipt.

*Cllr P Dredge
08.12.21*

Jonathan Parsons
Town Clerk