



**Governance Scrutiny Group**

**Thursday, 18 June 2026**

**Investment Property Review**

## **Report of the Director – Finance and Corporate Services**

### **1. Purpose of report**

- 1.1. This report provides the Governance Scrutiny Group with an update on the performance of the Council's commercial property estate.
- 1.2. The Asset Investment Strategy was adopted eight years ago; the most recent review was completed in February 2024 and was reported to the Governance Scrutiny Group and Cabinet.
- 1.3. The asset review evaluates the Council's commercial property portfolio in the context of prevailing market conditions and considers financial performance, future capital maintenance requirements, and both current and forward-looking risk factors.

### **2. Recommendation**

It is **RECOMMENDED** that the Governance Scrutiny Group undertakes scrutiny of the review of the Council's commercial property portfolio.

### **3. Reasons for Recommendation**

- 3.1. The Council's commercial property portfolio generates approximately £1.90m per annum in rental income. It is therefore essential that a proactive asset management approach is adopted to ensure the portfolio continues to meet current income targets and remains resilient.
- 3.2. The commercial review is also important given the ongoing evolution of the property market in response to changing demand and economic conditions, and the impacts of recent macro-economic shocks, including the Covid-19 pandemic, the war in Ukraine, and wider geopolitical instability.
- 3.3. In addition, with Local Government Reorganisation (LGR) on the horizon, it is important that the Council has an up-to-date and robust evidence base on the performance, risks and future liabilities of the commercial property portfolio, to support transparency, effective scrutiny and informed decision-making during any transition.

- 3.4. This review and the accompanying report therefore provide transparency for Members on portfolio performance and create an opportunity for scrutiny, review and challenge.
- 3.5. The report confirms that there are currently no properties assessed as high risk and, as such, no immediate action is required.
- 3.6. Ongoing monitoring of the market and regular review arrangements will continue to ensure that any emerging risks or required actions are identified promptly and brought to Members' attention in a timely and appropriate manner.

#### **4. Supporting Information**

##### **The Council Asset Portfolio & Occupancy Levels:**

- 4.1. The Council's commercial property portfolio comprises a mix of industrial estates and both multi-let and single-let buildings, with an age profile ranging from Bridgford Hall to the Bingham Enterprise Centre (completed in 2023).
- 4.2. The portfolio has been acquired over many years, with a significant number of properties via regeneration projects (Cotgrave Shopping Centre, Manvers Business Park and Phase 1, Colliers Business Park) but added to in recent years by way of investment purchases such as Units 1 & 3, Edwalton Business Park and Unit 1, Bardon Industrial Estate, Coalville, as well as constructed property such as Phase 2, Colliers Business Park and Bingham Enterprise Centre.
- 4.3. The portfolio generates approximately £1.90 million per annum in rental income, with around 37% of this income derived from more recently acquired investment assets which remain fully let.
- 4.4. More recently constructed assets, such as Phase 2, Colliers Business Park, Bingham Enterprise Centre, Cotgrave Business Hub and Phase 2, Cotgrave Shopping Centre, continue to be popular with tenants, resulting in high occupancy and rental growth in line with market conditions.
- 4.5. As reported through ongoing performance updates, occupancy has reduced compared with the previous year but remains relatively strong, with industrial occupancy at 98.9% and non-industrial assets achieving 94.37%, resulting in an overall portfolio occupancy rate of 96.42%. By comparison, privately owned industrial property within the Borough is also performing well, with reported occupancy of 92.6% and an overall commercial occupancy rate of 92.7%. The Council's portfolio is therefore outperforming the private sector.
- 4.6. This represents an excellent level of performance given current market conditions and the wider business stress, highlighted by increasing numbers of businesses entering administration. In this regard, four of the Council's tenants have recently entered administration for a range of reasons, including ongoing cost pressures associated with inflation, utility costs and wage

increases. All four vacant units are being marketed, and negotiations are progressing with three proposed new tenants. These matters continue to be monitored as part of the Council's ongoing asset management arrangements.

#### **Completed Acquisition & Disposals since the 2024 Review:**

- 4.7. The sale of the Council's freehold land interest at Candleby Lane Industrial Estate completed in 2024, with the interest sold to the long leasehold sub-tenant. Identified by the 2024 review as a medium risk to the Council, the transaction achieved an above-market capital receipt, reflecting the tenant's special purchaser status and the marriage value generated by the sale.

#### **Capital Projects:**

- 4.8. Although there have been no properties constructed since the last review, a number of significant refurbishments have been completed in respect to both the operational and commercial portfolios.
- 4.9. As highlighted within the 2024 Review, Manvers Business Park was deemed a medium risk due to works needed to improve the condition of the roofs, soffits and roller shutters throughout the estate.
- 4.10. These refurbishment works are underway, with completion expected in July 2026. They will further future-proof the estate, extend building life and reduce ongoing risk to the Council.

#### **2026 Commercial Asset Review:**

- 4.11. This review focuses on the commercial property portfolio that is leased to businesses and does not include paying and non-pay car parks, land, community buildings or the Council's operational estate (for example, the Arena) which are reviewed separately.
- 4.12. To support this review, a detailed spreadsheet has been prepared. The spreadsheet captures key information for each asset, including:
- Asset value current and projected in 2031)
  - Annual rent (current and projected in 2031)
  - Asset value comparison (current and 2023/24)
  - Annual rental comparison (current and 2023/24)
  - Financial return
  - Estimated maintenance/upgrade costs (over the next ten years)
  - Age of asset
  - Risk rating (1 to 10; low to high), based on statutory risk (e.g. MEES (see 4.17 below)), condition risk, tenant covenant risk and economic obsolescence risk.
- 4.13. It is important to note that the assessment of matters such as risk involves professional judgement, informed by officers' knowledge and experience and insights from external agents. It is also based on prevailing market conditions

and is therefore subject to change in response to factors such as inflation, interest rates and statutory requirements.

Minimum Energy Efficiency Standards (MEES):

- 4.14. Minimum Energy Efficiency Standards (MEES) are UK regulations which restrict the letting of commercial property below prescribed Energy Performance Certificate (EPC) ratings, unless a valid exemption is in place. Compliance with MEES has been included within this review as a statutory risk factor.
- 4.15. Central Government continues to introduce increasingly stringent environmental standards through MEES, which could have a material impact on capital values, as well as the ability of the Council to let property. This may necessitate additional capital investment going forward to mitigate compliance and risk exposure.
- 4.16. To help mitigate this risk, the Council has undertaken draft recalculations of EPCs across the portfolio in response to revised EPC calculation factors for electricity usage. As a result, electrically heated properties are generally expected to achieve improved EPC ratings, while properties heated by gas may experience lower ratings.
- 4.17. This exercise indicates that, when new EPCs are next required, a number of ratings across the Council portfolio are likely to change, with the majority showing an improvement. This is expected to reduce overall compliance risk and the need for future capital expenditure.
- 4.18. There is an expectation that MEES requirements will be further tightened in 2027/28 (EPC Grade C) and again in 2030, although the precise requirements have not yet been formally confirmed by Central Government.
- 4.19. Based on the current guidance and information available, allied with proactive Council refurbishment and carbon improvement projects, RBC is well placed to plan for the introduction of further environmental and energy efficiency requirements. Officers continue to liaise with West Bridgford Energy Consultants in respect of legislative updates. The Climate Change Reserve is likely to fund such costs.

**2026 Commercial Asset Review Highlights:**

- 4.20. A summary table has been produced from the spreadsheet (Appendix A) which provides an overview of the commercial property portfolio.
- 4.21. The table refers to Asset Value, Net Rent, Net Financial Return, EPC Draft Recalculation, Next 5 Years Average Risk (grading 1 to 10, with 1 being low risk and 10 being high risk) and Capital Costs (Years 1 to 5 and 6 to 10).

Key points are summarised below:

- 4.21.1. Only Unit 3 Walkers Yard, Radcliffe on Trent has an average risk score above 5 (on the scale of 1–10).
- 4.21.2. Most assets are expected to require relatively low capital maintenance over the next ten year period. The main exceptions are:
- The Point - £400k
  - Manvers Business Park - £120k (provision for additional EPC compliance measures)
- 4.21.3. Where significant refurbishment and/or upgrade costs are required, Net Rent values have been reduced accordingly. However, The Point and Manvers Business Park are still considered to provide good annual returns relative to asset value (at 6.24% and 8.44% respectively).
- 4.21.4. The purchased investment properties are identified as low risk assets and performance remains strong.
- 4.22. As set out in the Appendix, one property is assessed as presenting a moderately high level of risk relative to the rest of the portfolio (shaded orange). The table below provides further detail on all properties with a risk profile above 3/10, summarises financial returns and identifies the key drivers of risk.

| Property   | Reason  |
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| <p style="text-align: center;"><b>Unit 3<br/>Walkers Yard</b></p> <p>Risk Score:<br/>6.75 / 10</p> | <p>The property is currently used as offices. If the existing tenant vacates, there is a risk of a prolonged void period, given the dated nature of the accommodation and the likely challenge of re-letting.</p> <p>The building is currently rated EPC D99 and is therefore unlikely to meet the proposed future minimum requirement of EPC Grade C when introduced.</p> <p>Initial cost estimates suggest that the works required to achieve Grade C would fall within the seven-year payback exemption (non-domestic), i.e. the recommended improvements would not achieve payback within seven years through energy cost savings. On this basis, the asset is unlikely to require upgrade works solely to meet the minimum standard.</p> <p>Notwithstanding the above, the property sits on the boundary of Walkers Yard Car Park, provides significant strategic value as part of the Council’s wider landholding and masterplanning work; on this basis, the asset should be retained.</p> |

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| <p><b>Unit 1<br/>Walkers Yard</b></p> <p>Risk Score:<br/>3.00 / 10</p>             | <p>The property is occupied as a micro-pub by a small independent tenant. As it sits off the main retail route in Radcliffe, any vacancy could result in a prolonged re-letting period.</p> <p>While draft EPC calculations indicate that the building already meets EPC Grade B, it is an ageing asset and is likely to attract higher capital maintenance requirements over time than a more modern property.</p> <p>Notwithstanding this, the property sits on the boundary of Walkers Yard Car Park, provides significant strategic value as part of the Council's wider landholding and masterplanning work; on this basis, the asset should be retained.</p>  |
| <p><b>Manvers<br/>Business Park<br/>(MBP)</b></p> <p>Risk Score:<br/>3.00 / 10</p> | <p>Manvers Business Park (MBP) is an industrial estate in Cotgrave, comprising predominantly small units of around 750 sqft, up to the largest unit of approximately 3,750 sqft.</p> <p>The estate supports several of the Council's priorities by providing industrial/warehouse accommodation for start-ups and SMEs on flexible, pro-business lease terms, helping to reduce business risk and support local economic growth and employment.</p> <p>MBP has benefited from recent upgrade and refurbishment works including replacement roller shutter doors, new soffits and gutters, and refurbishment of the existing roofing. These works have extended building life and materially reduced condition risk across the estate.</p> <p>With an average EPC rating of Grade C across the estate, the Council is well placed in respect of current MEES regulations. Some units perform below Grade C, largely reflecting historic tenant usage, while others perform above Grade C. A further £120k has therefore been set aside to fund any additional measures required to ensure ongoing compliance.</p> <p>Historically, risk at MBP has been driven by condition and tenant covenant strength. Following completion of the above works, the primary ongoing risk is now tenant covenant risk, which is inherent to this type of accommodation. This remains consistent with the Council's objectives in supporting local enterprise and employment.</p> |
| <p><b>The Point</b></p>  | <p>The property already meets the anticipated requirements of</p>   |

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| <p>Risk Score:<br/>4.25 / 10</p>  | <p>EPC legislation, with a strong Grade B rating. Subject to further upgrades to common-area lighting, the building could achieve EPC Grade A in due course, which would be a notable outcome for an asset constructed in 2007.</p> <p>However, the property has not benefited from any material upgrade or refurbishment works since construction. The air conditioning and lifts are therefore expected to require replacement within the next 5–10 years, alongside maintenance to the roof membrane and common areas, with costs estimated at around £400k.</p> <p>Since purchase, it has been common for one of the nine suites to be vacant at any given time, and re-letting has become more challenging following Covid. At present, Suites A and B are vacant following the administration of Protocol Ltd, and Suite I is also due to become vacant in September. There is, however, interest in all three suites and it is anticipated that the property will be fully re-let by the end of the year. The Point remains well placed to benefit from the constrained supply of quality office accommodation south of the River Trent.</p> <p>The current return is 9.58%; however, this is expected to reduce to around 7.45% when the forecast capital costs are profiled over the next ten years. This remains a good return relative to asset value and could improve if occupancy increases from the current 77%, which is considered achievable.</p> <p>The Point was purchased from Administrators in 2013 for £1.975m and has since provided the Council with rental income totalling £3.775m</p> |
| <p><b>Phase 1<br/>Colliers<br/>Business Park</b></p> <p>Risk Score:<br/>3.25 / 10</p> | <p>While the properties (approximately 25 years old) already achieve EPC Grade C on the EPC Register, maintenance costs are expected to increase over the next ten years. Some expenditure associated with the longer leased units will be recoverable from tenants; however, a proportion will remain the responsibility of the Council.</p> <p>Demand for industrial/warehouse accommodation remains strong, with the sector continuing to perform well. The 5,000 sq ft units also provide suitable space for existing Council tenants to relocate into as they expand, supporting business continuity and growth.</p> <p>Accordingly, the property is expected to remain a strong-performing asset over the next five years, delivering an annual</p>  |

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|  | return of 9.73%, driven by increases in annual rental income.   |
| <p><b>Ground and First Floor Bridgford Hall</b></p> <p>Risk Score:<br/>3.25 / 10</p> | <p>The property is a Listed Building and is currently rated EPC C62, which is expected to meet the anticipated 2027/28 EPC requirements. If minimum standards are tightened further in future years, the Council would seek to rely on an EPC exemption, as the measures likely to be required may be difficult to deliver in practice due to Listed Building Consent constraints and/or could be prohibitively expensive (for example, secondary/double glazing or heat pumps).</p> <p>The building is arranged over two principal uses. The ground floor accommodates the Registrars Service and wedding venue operated by Nottinghamshire County Council. The first and second floors comprise an aparthotel, which was vacated in 2025 following the tenant entering administration; the Council is currently in negotiations with a prospective new operator.</p> <p>The property currently generates a return of 4.32% while the aparthotel remains vacant; this is forecast to improve to 8.76% once re-let. The building also forms part of the wider listed curtilage of Bridgford Park and, taking account of both its strategic significance and its income potential, the asset should be retained.</p> |

- 4.23. As the table above shows, the limited number of assets assessed as presenting a higher level of risk relative to the wider portfolio do not give rise to significant concern. This is because they either continue to generate a strong return on investment or are recommended for retention on strategic grounds. In most cases, the higher risk rating reflects the age and condition of the asset and/or the potential impact of tightening energy performance standards, which may require refurbishment or upgrade works.
- 4.24. Commercial property performance can however change over relatively short timescales, for example as a result of tenant movements or unplanned maintenance requirements. Based on the Council's ongoing monitoring arrangements, these factors are not expected to present significant challenges in the coming months.
- 4.25. It is important that Members are kept informed of portfolio performance so that any decisions required can be taken in a timely and well-evidenced manner. This review forms a key part of the Council's governance and assurance framework.
- 4.26. Any potential commercial property disposals are reported to the Asset Investment Group and, where progressed, to Cabinet, and are reflected within the Council's Medium Term Financial Strategy as approved by Full Council.

## **5. Risks and Uncertainties**

- 5.1. As set out in this review, no assets are currently assessed as high risk, which provides assurance that the Council's asset investment strategy is performing well. Nevertheless, commercial property portfolios are subject to inherent risks.
- 5.2. These include changes in market conditions and tenant demand; voids and re-letting risk; tightening statutory and energy performance requirements (including MEES) and associated compliance costs; and unplanned or accelerated maintenance and lifecycle expenditure.
- 5.3. By undertaking this asset review and maintaining ongoing monitoring of performance (including vacancy rates, inspections, and condition reporting), the Council can identify emerging issues at an early stage and take proportionate action to mitigate risks where practicable.

## **6. Implications**

### **6.1. Financial Implications**

The projected enhancement costs for the assets covered in this report are included within the Council's current capital programme. Funding for these enhancements will be met from capital resources, investment property reserve in the first instance.

Provision for general repairs is included within the revenue budget and is monitored and reviewed on an ongoing basis, having regard to asset condition, compliance requirements and market conditions.

Increases in operating and maintenance costs, together with changing market conditions, may influence the level of rental income that the Council can reasonably achieve and the yields generated by the portfolio. These factors will continue to be kept under review through routine asset management arrangements and will inform future budget setting and the Medium Term Financial Strategy as appropriate.

### **6.2. Legal Implications**

There are no legal implications associated with this report.

### **6.3. Equalities Implications**

There are no equalities implications associated with this report.

### **6.4. Section 17 of the Crime and Disorder Act 1998 Implications**

There are no crime and disorder implications associated with this report.

## 6.5. Biodiversity Net Gain Implications

There are no Biodiversity Net Gain implications associated with this report.

## 6.6. Local Government Reorganisation

There are no Local Government Reorganisation implications associated with this report.

## 7. Link to Corporate Priorities

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|--------------------|---|
| The Environment    | Supporting compliance with energy efficiency requirements by maintaining appropriate EPC ratings across the portfolio.    |
| Quality of Life    | There are no direct links to this corporate priority.   |
| Efficient Services | Generating revenue income to support delivery of the Council's budget.  |
| Sustainable Growth | Providing suitable accommodation to enable small businesses within the Borough to start up, expand and create employment. |

## 8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group undertakes scrutiny of the review of the Council's commercial property portfolio.

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| <b>Background papers available for Inspection:</b> |  |
| <b>List of appendices:</b>                         | Appendix A – Property Asset Table  |