

ITEM NO: 5(c)

GREATER MANCHESTER PENSION FUND

PROPERTY WORKING GROUP

29 July 2011

Commenced: 11.00am

Terminated: 11.50am

Present: Councillor J Taylor (Chair)
Councillor Baldwin
Councillor J Fitzpatrick
Councillor Whitley
Councillor Pennington
Councillor J Lane
Councillor Sweeton
Mr Mulryan AMICUS UNITE
Peter Morris Executive Director of Pensions
Steven Taylor Head of Pension Fund Investments
Ray Grainger Head of Pension Fund Legal
Charles Lofstedt Head of Property Investments
Jean Shutt Pension Fund Accountancy

Apologies for absence: Councillor Smith and Mr Thompson

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the proceedings of the meeting of the Property Working Group held on 15 April 2011 were approved as a correct record.

3. GREATER MANCHESTER PROPERTY VENTURE FUND

The Working Group received a presentation from Damian Masters on behalf of GVA in respect of the quarterly report.

Mr Masters began by providing an update on activity on existing assets managed by GVA on behalf of the Fund as follows:

With regard to One St Peters Square, Manchester, it was reported that discussions were ongoing with a national accountancy practice.

At Stalybridge West, Tameside he reported that options were being reviewed.

At Martland Park, Wigan, GVA had recently been provided with a detailed layout of a proposed car dealership facility which was now being costed. The car dealership franchisee was looking to purchase a completed showroom.

The option to purchase land at Westwood Park, Wigan, had not been triggered, as negotiations were progressing with Wigan Council regarding Unity House and the wider Westwood Park site.

With regard to Old Haymarket, Liverpool, GVA were engaged in dialogue with the local authority with a view to working up the scheme design and being in a position to submit a planning application for an office led development scheme later in the year.

At Calver Park, Warrington, the initial revised scheme layouts had been provided by the architect and were being reviewed within GVA.

With regard to the former Royal Mail Sorting Office/surface car parking site, Stockport, GVA had been marketing a hotel opportunity and received a good level of interest from hotel operators. Negotiations with hoteliers were ongoing and final expressions of interest had been requested. The surface car parking site was now operational and income was being received by the Fund.

Standing investments were then detailed relating to Globe Park, Moss Bridge Road, in Rochdale, Milk Street in Hyde, and Unity House, Westwood Park in Wigan.

Potential opportunities were also discussed within the Greater Manchester area and the North West generally. Particular reference was made to discussions with Oldham Council on the potential to build and lease to the Council care homes on sites owned by the Council.

4. PROPERTY AGED DEBT AS AT 30 JUNE 2011

Consideration was given to a report of Executive Director of Pensions which provided details of the debt outstanding as at 30 June 2011, analysed by the duration of the outstanding debt. Comparison was made over a three year period to highlight trends and the ongoing difficulties in debt recovery. There had been no changes to the debt recovery processes and strategies for the bands of debt as reported to the April 2011 meeting of the Working Group.

The value of aged debt at 30 June 2011 was £2.49 million, this showed an increase in the overall debt from 28 February 2011 quarter of £1.25 million. It was explained that the main reason for the increase in debt was timing, with the June figures incorporating the new quarter's rent payable from 24 June. An update on the current position was provided and a revised figure of £500,000 debt outstanding was reported at the meeting.

Details of possible write off's over the coming months were also given.

The report concluded that the environment remained difficult for many of the Fund's debtors. The debt recovery process was considered to be working relatively well but recovery continued to be difficult as some tenants struggled to pay. Where considered appropriate, payment plans and monthly billing had been agreed with tenants to assist them working through difficult trading conditions. Decisions on appropriate action continued to be property and tenant specific, reflecting the local circumstances.

Members sought clarification of the priority order of debt recovery from liquidations. The Head of Pension Fund legal explained that this had changed recently and that he would report further on this at the next meeting of the Working Group.

RECOMMENDED

- (i) That the report be noted.
- (ii) That further information regarding the priority order of debt recovery from liquidations be submitted to the next meeting of the Working Group.

5. PENSION FUND PROPERTY PORTFOLIO

The Head of Property Investments attended the meeting and presented a report which advised Members of the principal issues relating to the property portfolio together with comments on the property investment market generally.

It was reported that property capital values had risen by 1% in the first half of the year. Returns on property investments were at 7½% this year, with 7% being forecast for the next 4 – 5 years.

He explained that office markets in London had yielded a good return, however, this was not reflected outside of the Capital.

A number of vacancies were reported in the industrial sector, and the importance of location and the need for prime stock in this sector was stressed.

It was further reported that the retail sector was struggling.

The Head of Property Investments made reference to a very busy year to date with regard to the portfolio. He gave details of sales and explained that voids were currently down to 9.4%. In response to a question from Councillor Pennington, he explained that the norm for voids was around 8%.

The Executive Director of Pensions highlighted the need for the right exposure to markets. The Head of Property Investments made reference to difficult times experienced presently, however he was encouraged by the current level of sales, with further sales planned in the forthcoming year.

RECOMMENDED

That the report be noted.