

ITEM NO: 5(d)

GREATER MANCHESTER PENSION FUND

PROPERTY WORKING GROUP

29 October 2010

Commenced: 11.10am

Terminated: 12.25pm

Present:

- Councillor J Taylor (Chair)**
- Councillor Baldwin**
- Councillor M Smith**
- Councillor Doubleday**
- Councillor J Fitzpatrick**
- Councillor Pennington**
- Councillor Sweeton**
- Mr Mulryan** **AMICUS UNITE**
- Mr Thompson** **UCATT**
- 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**
- Pat Hughes** **Pension Fund Accountancy**
- Jean Shutt** **Pension Fund Accountancy**
- Lorraine Peart** **Pension Fund Accountancy**

Apologies for absence: **Councillors J Lane and Walton**

7. DECLARATIONS OF INTEREST

There were no declarations of interest.

8. MINUTES

The Minutes of the proceedings of the meeting of the Property Working Group held on 30 July 2010 were approved as a correct record.

9. PENSION FUND PROPERTY PORTFOLIO

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

It was reported that institutional demand for commercial property remained healthy. Security of income was important hence longer leases secured on dependable covenants were essential. Short leases, weak tenants and vacant units were unacceptable.

In general, sentiment had turned against the office sector, with the exception of offices in Central London. The favoured sectors continued to be retail (particularly high street shops and supermarkets) and industrials if in known locations, modern and well-let. Stock with these characteristics would be snapped up immediately.

The retail sector had suffered from turbulence since the onset of the recession with failures such as Woolworth, MFI, Rosebys, Land of Leather and Borders and the growth of names like T K Maxx, Boots, Next, Asda Living, New Look and B & M Bargains. Retailers such as these could now negotiate attractive rents for prime shops and expand their businesses profitably. Also, largely unremarked was the steady expansion of betting shops and pawnbrokers.

The pressures on landlords were unlikely to lessen soon. In letting negotiations the balance was still with the tenant and the landlord was always aware that he must now pay rates if he could not achieve a letting.

Details were given of current transactions activity, voids, rent reviews, management activity and borrowing/debt of the indirect investments.

RECOMMENDED

That the report be noted.

10. PROPERTY AGED DEBT FOR THE SIX MONTHS TO 30 SEPTEMBER 2010

Consideration was given to a report of the Executive Director of Pensions which summarised the Aged Debt for the Fund as at 30 September 2010.

The value of aged debt at 30 June 2010 was £6.3 million, this showed an increase in the overall debt from 30 June 2010 quarter of 2.5m. It was explained that the main reason for the increase in debt was timing,, with the September figures incorporating the new quarter's rent payable from 29 September. The updated figure of £1.2 million was announced at the meeting.

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

The report concluded that it was a difficult environment for many of the Fund's tenants. The debt recovery process was 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 the tenant to hopefully help them work through difficult trading conditions.

The Executive Director of Pensions announced that this was the last meeting of Pat Hughes from Pension Fund Accountancy, as she would be retiring in the near future.

The Chair and Members thanked Pat for her hard work for the Fund and wished her well for the future.

RECOMMENDED

That the report be noted.

11. GREATER MANCHESTER PROPERTY VENTURE FUND

The Working Group received a presentation from Mark Rawstron and Aoife McEvoy on behalf of GVA Grimley LLP in respect of the quarterly report.

Mr Rawstron began by detailing recommendations in respect of the current assets managed by GVA Grimley on behalf of the Fund as follows:

With regard to One St Peters Square, Manchester, it was reported that tenders for the demolition of One St Peter's Square had now been received. The terms for letting a significant portion of the new building to a major corporate occupier had been submitted.

At Stalybridge West, Tameside, Heads of Terms had been submitted to a major retailer's agents for the sale of the Fund's ownership to provide the site for a new store. Following questions from Members with regard to sale of the site and the retailer concerned, the Chair clarified that representatives of Grimley's would liaise with Stalybridge Ward Councillors and the Stalybridge Development Group with regard to these issues and feedback to a future meeting of the Working Group.

Capital expenditure at this time was not recommended in relation to Martland Park, Wigan.

Dialogue with Wigan MBC was continuing with regard to land at Westwood Park, Wigan,

At Old Haymarket, Liverpool, the initial interest from a University appeared to have abated.. However discussions were ongoing with Liverpool City Council who may have potential interest in the site, and also with a hotel operator who had a live requirement for a new hotel facility in Liverpool.

The interest from an occupier for a large proportion of the site at Calver Park, Warrington, had abated. A marketing and development strategy was currently being worked up and options being reviewed for bringing the site forward for development.

The purchase of a former Royal Mail Sorting Office/Surface Car Parking Site in Stockport was reported. There had been encouraging meetings with Stockport Metropolitan Borough Council regarding the demolition and redevelopment of the Sorting Office site. Strong interest had been received from an international hotel brand with a requirement for a 165 bedroom 3* hotel in this location.

Standing investments were then detailed at: Globe Park, Moss Bridge Road, Rochdale; Milk Street, Hyde and Unity House, Westwood Park, Wigan.

Potential opportunities were also discussed within the Greater Manchester area and the North West generally.

Councillor Sweeton made reference to a Manchester based organisation which had been established to encourage inward investment in Greater Manchester and the possibility of working with them to increase the number and scope of potential opportunities for the future. Mr Rawstron and Ms McEvoy explained that they had a scheduled meeting next week with this organisation, in order to explore these issues.