

# ITEM NO: 5(c)

## GREATER MANCHESTER PENSION FUND

### PROPERTY WORKING GROUP

30 July 2010

Commenced: 10.35am

Terminated: 11.40am

**Present:** Councillor M Smith (In the Chair)  
Councillor Doubleday  
Councillor Pennington  
Councillor Sweeton  
Councillor Walton  
Mr Mulryan AMICUS UNITE  
Peter. Morris Executive Director of Pensions  
Steven Taylor Head of Pension Fund Investments  
Ray Grainger Pension Fund Legal  
Charles Lofstedt Head of Property Investments  
Tracey Boyle Head of Pension Fund Accountancy  
Pat Hughes Pension Fund Accountancy  
Jean Shutt Pension Fund Accountancy

**Apologies for absence:** Councillors Baldwin, Taylor 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 23 April 2010 were approved as a correct record.

#### 3. 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.

He reported that in recent weeks the investment market had cooled off slightly, although the amount of money in commercial property remained significant. Demand from European investors had weakened slightly, no doubt because the exchange rate (Euro/GBP) had become less favourable. Institutional demand and demand from actively managed retail funds remained, although some institutional investors spent their allocations early in the year and were under less pressure to find stock.

Investors continued to seek security, as they did in the latter half of 2009 and the early months of 2010. Thus long secure income streams remained popular particularly where secured on prime stock.

Feeling the effects of savage cuts in the public sector investors showed a marked preference for stock in the south of England, particularly within the M25 motorway ring and Central London. With the exception of Glasgow, Edinburgh and Aberdeen, provincial locations had lost their attraction, although Leeds seemed to be considered less dependent on the public sector for its livelihood than some of the other provincial cities.

It was reported that times were difficult for landlords. In the lettings markets tenants continued to have the advantage. Substantial rent-free periods were now the norm rather than the exception, and other inducements could take the form of capped service charges and capital contributions.

The ease with which a tenant could shed their debts by entering into Administration had been highlighted in previous reports. Without risk, financial or otherwise, a tenant could test its landlord's resolve by threatening to leave if not granted a substantial rent-free period or rent reduction. The landlord must then weigh the risk of losing his tenant against the certainty of a period of vacancy during which it must cover rates, repairs and other property costs as well as re-letting fees and perhaps a greater loss of income than it would suffer if it conceded a rent-free period.

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.**

#### **4. PROPERTY AGED DEBT FOR THE THREE MONTHS TO 30 JUNE 2010**

Consideration was given to a report of the Executive Director of Pensions which summarised the Aged Debt for the Fund as at 30 June 2010 and compared it to the position as at 28 February 2010.

The value of aged debt at 30 June 2010 was £3.8 million, this figure was updated at the meeting to £1.6 million.

It was explained that the invoicing and collection of debt was 'sub-contracted' to Tameside Income Section. Supporting this process, quarterly main portfolio debt meetings were held internally. Officers from Property Investments Unit, Pensions Accountancy, Pensions Legal and Tameside Income Section attended the meetings to discuss the position relating to each debtor and agree further action. Minutes of the meeting were appended to the report. The same process existed for the other categories of debt.

Details of write off's processed in the period 1 March 2010 to 30 June 2010 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 as is illustrated in the Debt Group minutes, recovery was becoming more difficult as some tenants struggle 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.

#### **RECOMMENDED**

**That the report be noted.**

## **5. GREATER MANCHESTER PROPERTY VENTURE FUND**

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

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

With regard to 1 St Peter's Square (Elisabeth House) Manchester, it was reported that the OJEU notice for the construction contract had been issued with responses due back by 19 August 2010. Discussions with key corporate occupiers continued and 1 St Peter's Square had been short listed as one of four opportunities for a potential 80,000 sq ft pre let. A final presentation and offers were expected to be submitted to the interested party by September 2010.

At Stalybridge West, Tameside, discussions with a retailer were still ongoing over their interest in relocating a larger store to this site. Feasibility analysis was being undertaken before negotiations were able to progress to the next stage.

Given the current slow demand in Wigan for new industrial premises, any 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, dialogue continued with a University over their potential interest for a new facility on the site.

Since the last meeting of the Working Group the acquisition of a vacant site at Calver Park, Warrington had taken place. Discussions were currently taking place with a party over their potential interest in approximately three quarters of the site.

Standing investments were then detailed at: Kings Point, Oldham; 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.

## **6. NORTH WEST DEVELOPMENT AGENCY (NWDA)**

The Executive Director of Pensions made reference to information submitted to the last meeting of the Working Group (Meeting of 23 April 2010, Minute 20 refers), which informed Members of monies from the European Investment Bank and North West Development Agency which had been invested in a development fund named 'Project Jessica'.

He explained that he would produce a further report to a future meeting of the Working Group giving further information regarding 'Project Jessica' and investment opportunities in the North West of England.

### **RECOMMENDED**

**That the information presented be noted.**