

# ITEM NO: 5(d)

## GREATER MANCHESTER PENSION FUND

### PROPERTY WORKING GROUP

30 October 2009

Commenced: c11.00am

Terminated: 12.20pm

Present: Councillor Whitley (Chair)

Councillor Baldwin

Councillor Doubleday

Councillor Sweeton

Councillor Walton

Mr Mulryan

Mr Thompson

S Taylor                      Head of Pension Fund Investments

R Grainger                    Pension Fund Legal

C Lofstedt                    Head of Property Investments

T Boyle                        Head of Pension Fund Accountancy

P Hughes                     Pension Fund Accountancy

Apologies for absence: Councillors K Quinn and Pennington

#### 5. MINUTES

The Minutes of the proceedings of the meeting of the Property Working Group held on 31 July 2009 were approved as a correct record.

#### 6. 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 began by stating that just a few months ago the property market was still suffering the effects of the Credit Crunch, which had been ongoing for more than two years. However, now yields had hardened, net asset values in the indirect funds had begun to rise once more, multiple rounds of bidding had returned and investments in the City of London were back in favour.

On closer view, however, the picture was less clear cut. Investor demand, although strong, was discerning and mainly from institutional investors or from private investors with funds readily to hand.

The rally had little to do with the state of the UK's economy had much to do with the differing needs of investors. Private investors sought to achieve a better return than that yielded by cash deposits. Institutional investors had benefited from a rally in equities and must place funds in commercial

property to ensure that their relative weightings were correct. Many overseas buyers regarded sterling's recent weakening as an opportunity. With the UK's economy continuing to give cause for concern, however a prudent investor might conclude that this 'mini-boom' will end sooner or later, and seize the opportunity to see assets now rather than later.

By contrast the occupational markets had become more challenging. The weakness of sterling had increased costs for those who had to buy goods from abroad, putting additional pressure on retailers already burdened with debt. The spate of administrations and Company voluntary Arrangement continued, and landlords were regularly presented with the unpalatable options of a rent reduction or other concession, or a vacant unit.

Discounts in the secondary market for indirect investments had narrowed considerably, in response to the direct market's optimism, but here too investor interest was discerning, and depended on quality of assets in a particular fund, its gearing, and the quality of its management team.

Details were given of borrowing/debt of the indirect investments.

Prospective transaction activity was reported.

The Head of Property Investments Unit updated the Group on various management issues in respect of a number of properties. He also made reference to voids; lease renewals and rent reviews.

#### **RECOMMENDED**

**That the report be noted.**

### **7. PROPERTY AGED DEBT FOR THREE MONTHS TO 30 SEPTEMBER 2009**

Consideration was given to a report of the Director of Pensions which summarised the Aged Debt for the Fund as at 30 September 2009 and compared it to the position as at 30 June 2009.

The value of aged debt at 30 September 2009 was £7.2 million, this figure was updated at the meeting to £1.4 million.

#### **RECOMMENDED**

**That the report be noted.**

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

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

It was reported that the economic output continued to shrink in Q2 2009 but at a lower rate than Q1. Indicators were that Q3 could just turn positive. The encouragement came from a dramatic turnaround in the economies in France and Germany in Q2.

Monthly unemployment increases had lessened from the February peak, but there was a slight increase in July so there was no early end in sight for rising unemployment.

Average all property rental levels had continued to fall through July, however the rate of decline was easing, falling by -2.3% in the three months to July compared to a -3.2% fall for the previous three months.

Locally, the property market mirrored the national trends; however there had been an increase in occupiers looking to capitalise on falling rents and over supply of accommodation.

With regard to development opportunities; the public consultation on the proposed scheme for Elisabeth House, St Peter's Square, Manchester, had taken place during September, as part of the process prior to the submission of the planning application. It was expected that the planning application would be submitted in November with a decision due in the New Year.

At Stalybridge West, Tameside, the initial programme of demolition had now been completed and several sites owned by GMPVF were now cleared and secured.

Councillor Sweeton sought clarification with regard to the timescale of the development. The Chair outlined the issues outstanding and explained that difficult negotiations were on-going. However, progress would be reported to the Working Group.

Negotiations were also ongoing with a motor car manufacturer regarding the development of a new car showroom at Martland Park, Wigan.

Marketing of Kings Point, Oldham was continuing, however unfortunately, no letting had been secured – consideration is being given to fitting out a floor of the building which would then be operated as managed office space.

At Westwood Park, Wigan, further action from Wigan MBC was awaited, following their request for GMPVF to release its option to purchase an additional site at Westwood Park.

The recent acquisition of the Old Haymarket, Liverpool offered a quality city centre site with current income from car parking.

Standing investments were 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.

The issue of offering development “commitments” to public authorities in order to secure for GMPF more development sites was discussed and the following potential commitments were raised:-

- i) to commission design briefs/masterplanning/planning application
- ii) to commission site investigations and undertake site remediation work
- iii) to install infrastructure including services
- iv) where appropriate, to consider undertaking an element of speculative development
- v) the possibility of the Fund considering providing finance to purchasers of completed developments

The Working Group supported the further consideration of such an approach!