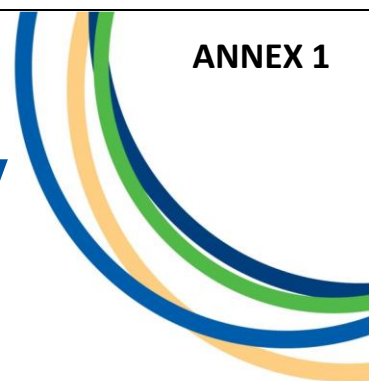


# Commercial Property Quarterly Report

Q3 2023



## Introduction

This report provides a number of key metrics regarding commercial properties in the Council's portfolio. These comprise retail, office and industrial premises, agricultural and grazing land and various other premises that are leased-out to third party organisations.

In the 2023/24 financial year, these properties are budgeted to produce £3.58m, or 87%, of the total £4.1m income budget for Property services.

The report shows 5-year projections for income and yields, current void levels and, where comparable data is available, compares current voids and yields by sector and property against with market data and reports on sustainability matters relating to the portfolio.

The appendix to the exempt report in Part 2 of the meeting agenda provides additional commercially sensitive information including current valuation data, and portfolio-specific opportunities, threats, and legislative issues that may have implications for the Council's commercial property holdings.

## Property List

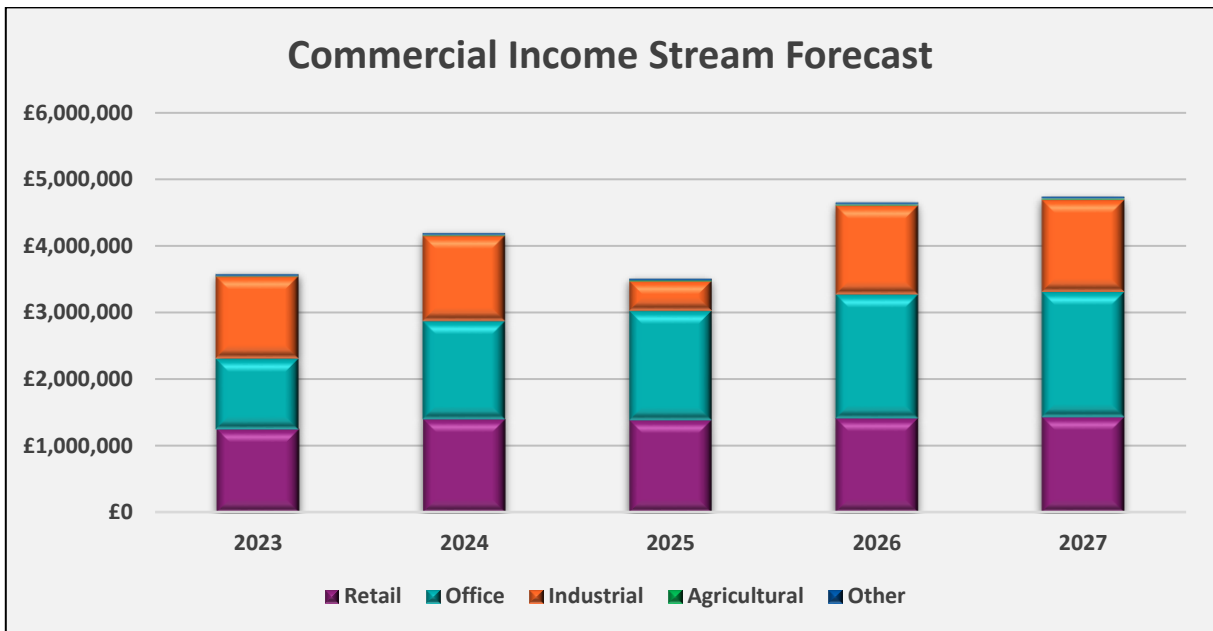
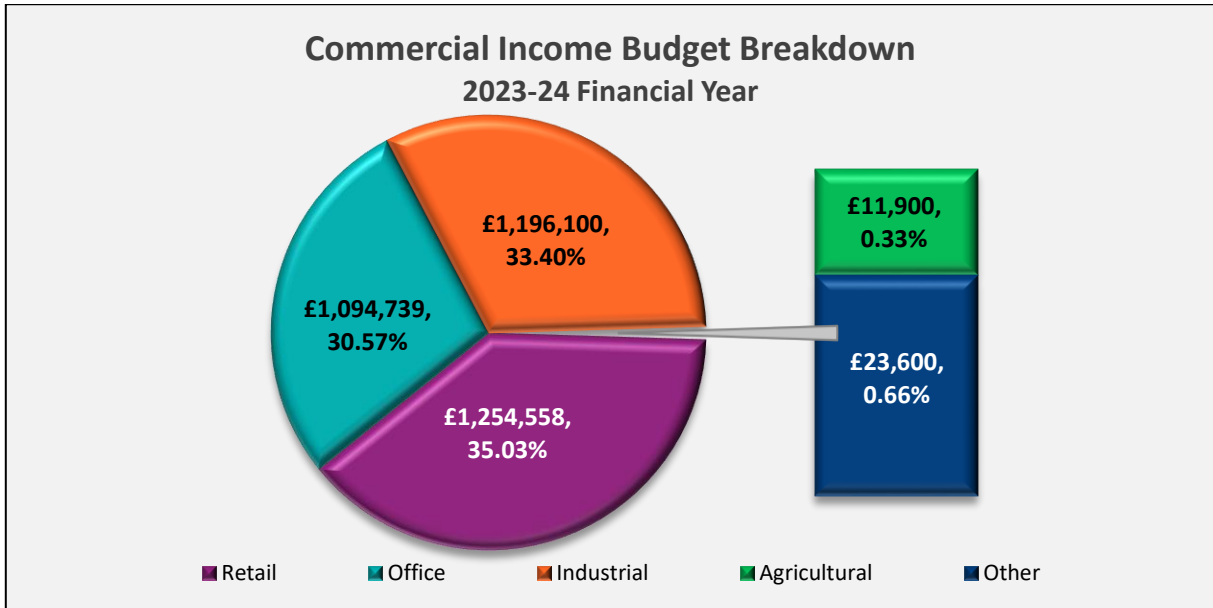
The table below lists the commercial properties in the portfolio. Summary sheets for each property, with a photograph, location plan and occupier information, are contained in the appendix to the exempt report, as they contain some personal data.

Property	Type	Notes
Linden House, 51 High Street, Reigate	Retail	
55-63 Victoria Road, Horley	Retail	
Old Town Hall, High Street, Reigate	Retail	
Warwick Quadrant, London Road, Redhill	Retail	Including income from Travelodge
Units 1-4 Quarrydene Parade, Merstham	Retail	
Units 5-8 Quarrydene Parade	Retail	
16-22 Cromwell Road	Retail	
54 High Street, Horley	Retail	
1, 3 & 7 Linkfield Street	Retail	
Reigate Hill Kiosk	Retail	
Forum House, London Road, Redhill	Office	
Beech House, London Road, Reigate	Office	
Priory Gate, Castlefield Road, Reigate	Office	
Regent House, 1-3 Queensway, Redhill	Office	
Reading Arch Road estate, Redhill	Industrial	Units 1, 3, 4, 6, 8, 14-16 and 20
61E Albert Road, Reigate	Industrial	
Redhill Distribution Centre, Salfords	Industrial	
50 Linkfield Lane	Industrial	
New Pond Farm Nursery	Industrial	
4 Pitwood Park	Industrial	
Telecomms Mast, Waterfield	Industrial	
Holly Lane	Agricultural	
Hazelwood Lane	Agricultural	
Woodplace Lane	Agricultural	
Purbright Green Belt Land	Agricultural	
The Park, Woodmansterne	Agricultural	
Millstock	Agricultural	

Property	Type	Notes
Lot 3 Rookery Farm	Agricultural	
Redstone Cemetery Lodge	Other	
2a New Pond Farm	Other	
Elmhurst, 8 Evesham Road	Other	
Park Lodge, 38 Gloucester Road	Other	
Reigate Priory School	Other	

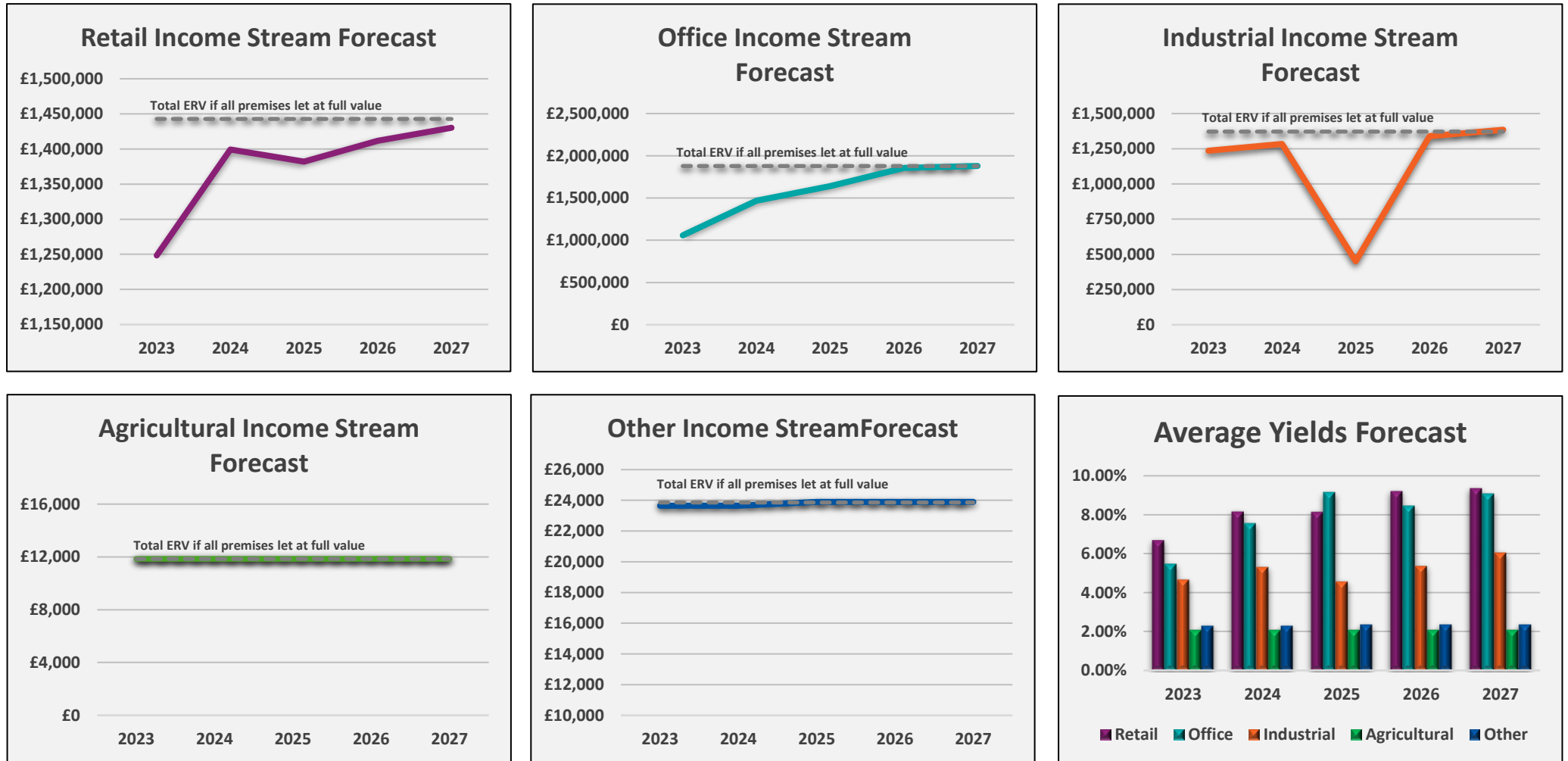
## Projected Performance

The following charts show the 2023-24 commercial income budget and 5-year forecasts by sector.



The charts show below show detailed income stream forecasts by sector compared with the Estimated Rental Value (ERV)<sup>1</sup> for each sector.

The final chart shows forecast average yields forecasts by sector.:



<sup>1</sup> The maximum estimated rent for each sector if no properties were void and all properties were producing the maximum income.

## Commercial Property Acquisition Dates and Purchase Prices

The following table shows acquisition dates and purchase prices for property in the commercial portfolio.

Property	Acquisition Date	Purchase Price	Notes
Linden House, Reigate (M&S)	01/08/2014	£4,850,000	Acquisition of long leasehold interest. Freehold acquired in 1973 for £236,700.
55-63 Victoria Road, Horley	08/07/2015	£0	Part of a sale and leaseback arrangement.
Old Town Hall, Reigate (Caffé Nero)	21/11/1922	£0	Gifted to the Council and held in charitable trust.
Warwick Quadrant & Travelodge	20/12/2005	£2,400,000	The site was originally owned jointly by SCC and RBBC. This was the purchase of SCC's half-share.
1-4 Quarrydene Parade, Merstham	24/02/1950	£17,500	Acquisition of a larger site incorporating these properties.
Units 5-8 Quarrydene Parade	24/02/1950	£17,500	Acquisition of a larger site incorporating these properties.
16-22 Cromwell Road	12/02/1960	£18,000	Acquisition of a larger site incorporating these properties.
54 High Street, Horley	17/11/1964	£11,000	Acquisition of a larger site incorporating these properties.
1, 3 & 7 Linkfield Street	04/12/1968	£11,550	Acquired in two transactions in 1968 and 1970. Price is total paid.
Reigate Hill Kiosk	25/06/1945	£0	Gifted to the Council.
Forum House, Redhill	12/07/2017	£5,775,000	
Beech House, Reigate	14/08/2017	£6,000,000	
Priory Gate, Town Hall, Reigate	16/03/1889	£300	Purchase price was for larger Town Hall site. Current valuation is for Priory Gate only.
Regent House, Redhill	30/11/2018	£15,365,000	
Reading Arch Road estate, Redhill	22/08/1962	£45,000	Purchase price was for entire Reading Arch Road site. Current Valuation is for currently owned assets only.
61E Albert Road, Reigate	22/06/2018	£950,000	
Redhill Distribution Centre, Salfords	14/12/2018	£15,000,000	
50 Linkfield Lane	21/01/1971	£36,500	Acquisition of a larger site incorporating the property.
New Pond Farm Nursery	11/03/1872	£7,050	Acquisition of a larger site incorporating the property.
4 Pitwood Park	29/07/1938	£11,793	Acquisition of a larger site incorporating the property.
Telecomms Mast, Waterfield	29/07/1938	£11,793	Acquisition of a larger site incorporating the property.

Property	Acquisition Date	Purchase Price	Notes
Holly Lane	27/05/1946	£45,000	Acquisition of a larger site incorporating the property.
Hazelwood Lane	04/03/1949	£0	Gifted to the Council.
Woodplace Lane	16/06/1905	£0	Received from LB Croydon as result of boundary changes.
Purbright Green Belt Land	20/09/1938	£8,250	
The Park, Woodmansterne	04/09/1953	£1,150	Acquisition of a larger site incorporating the property.
Millstock	16/06/1905	£0	Received from LB Croydon as result of boundary changes.
Lot 3 Rookery Farm	29/08/1952	£12,500	Acquisition of a larger site incorporating the property.
Redstone Cemetery Lodge	30/11/1927	£4,000	Search of deed packet for original conveyance required
2a New Pond Farm	11/03/1872	£7,050	Acquisition of a larger site incorporating the property.
Elmhurst, 8 Evesham Road	30/12/1953	TBC	Search of deed packet for original conveyance required
Park Lodge, 38 Gloucester Road	05/07/1962	TBC	Search of deed packet for original conveyance required
Reigate Priory School	04/11/1947	£38,500	Search of deed packet for original conveyance required

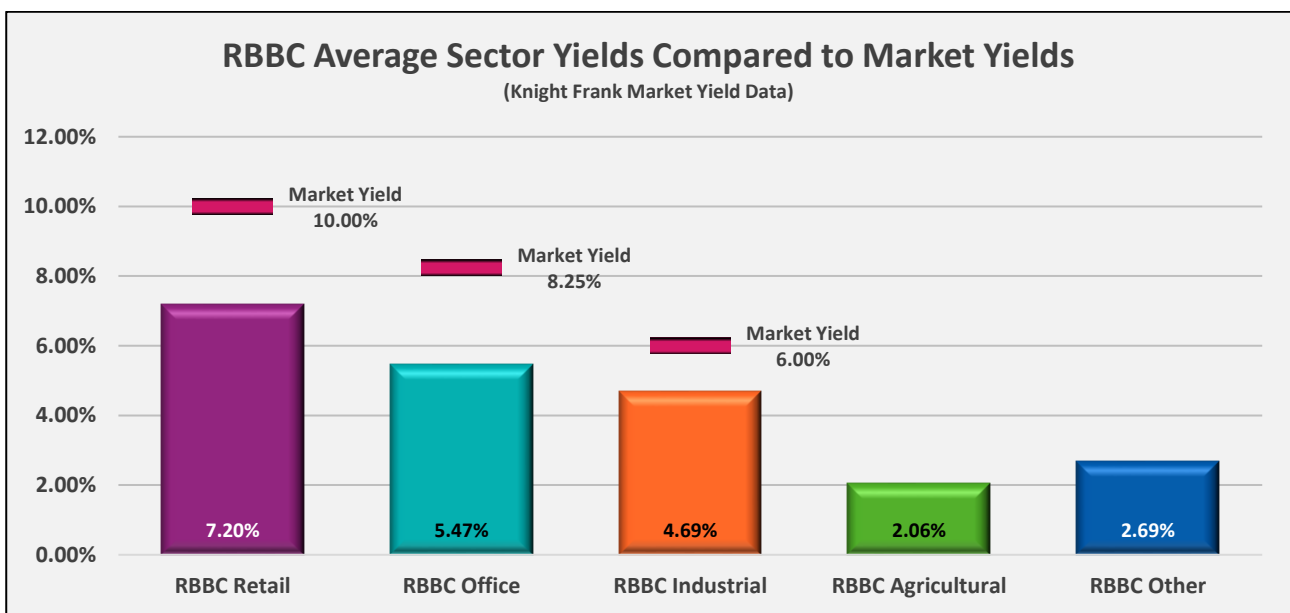
## Market Analysis

The charts on the following pages show how RBBC property yields compared to market yield data for retail office and industrial property provided by Knight Frank. Yields are shown first by sector and then by property in each sector.

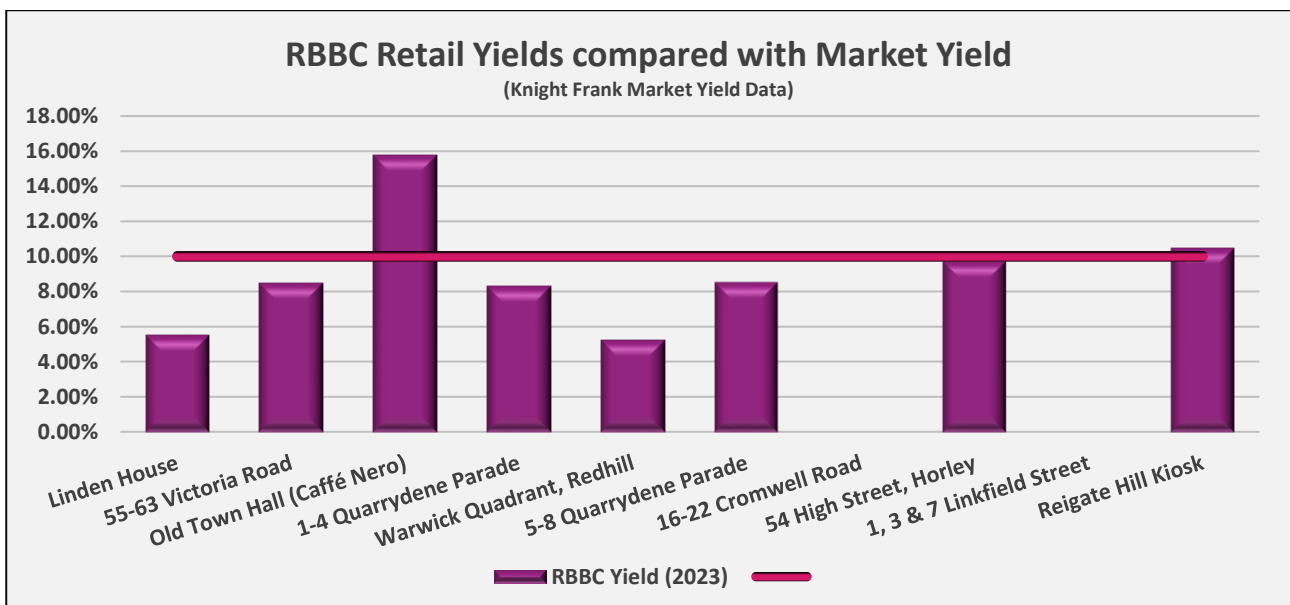
Whilst this comparison is broadly indicative of performance against the wider market, it should be noted that RBBC’s portfolio is relatively minor compared to the likely sample size of the Knight Frank data. Furthermore, the type and mix of property in each market-data sector may not closely reflect our portfolio and is likely to include a higher proportion of new and “Cat A” refurbished office and industrial buildings. We will explore if alternative benchmark data is available.

Yields data is also shown for agricultural or other property assets but comparable market data is not available for these sector types.

### Overview of Current RBBC Sector Yields Compared to Market Data

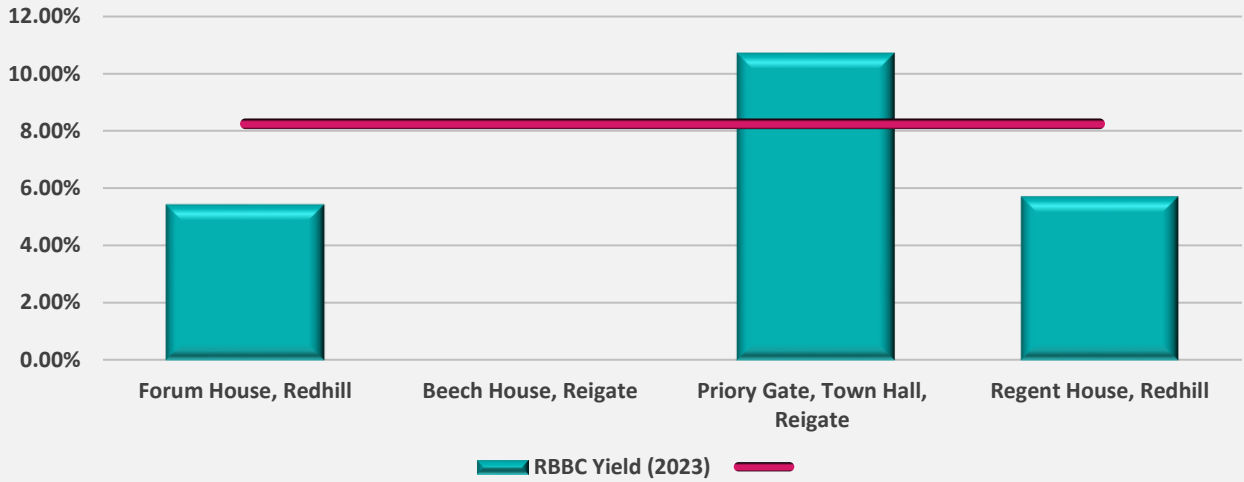


### Detailed Yield Analysis by Sector and Asset



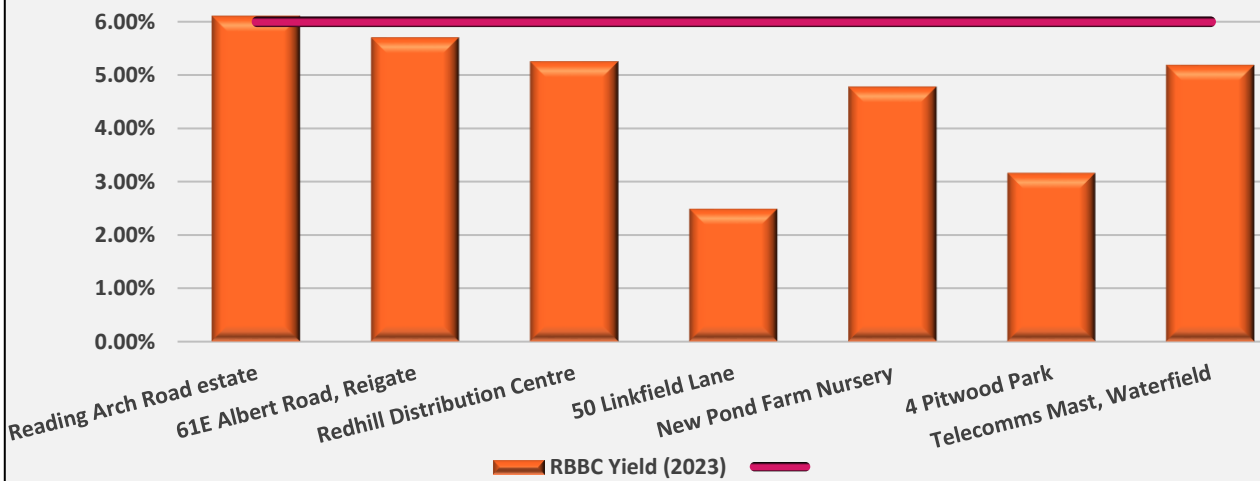
### RBBC Office Yields compared with Market Yield

(Knight Frank Market Yield Data)



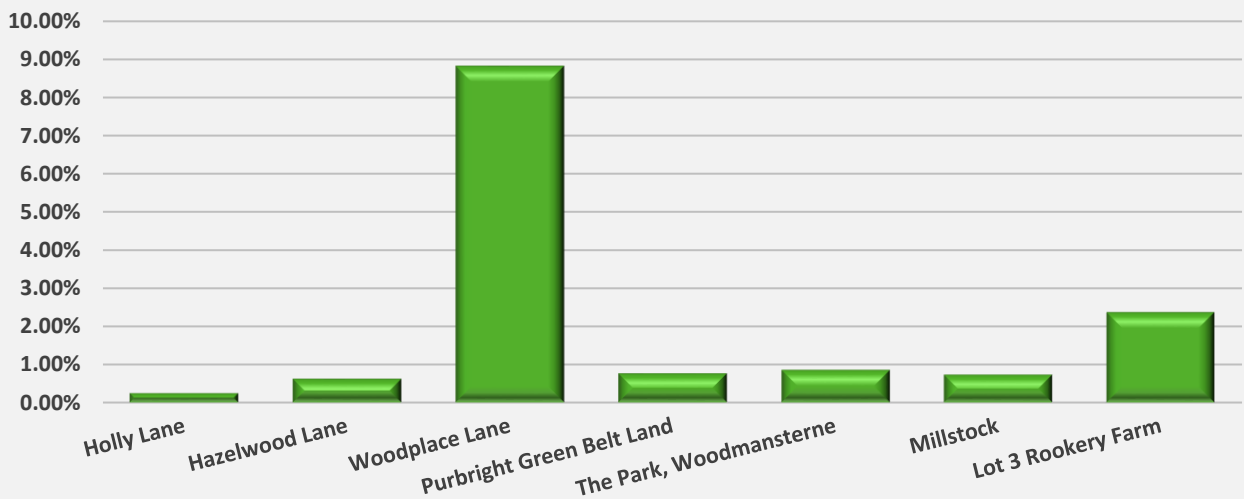
### RBBC Industrial Yields compared with Market Yield

(Knight Frank Market Yield Data)



### RBBC Agricultural Yields

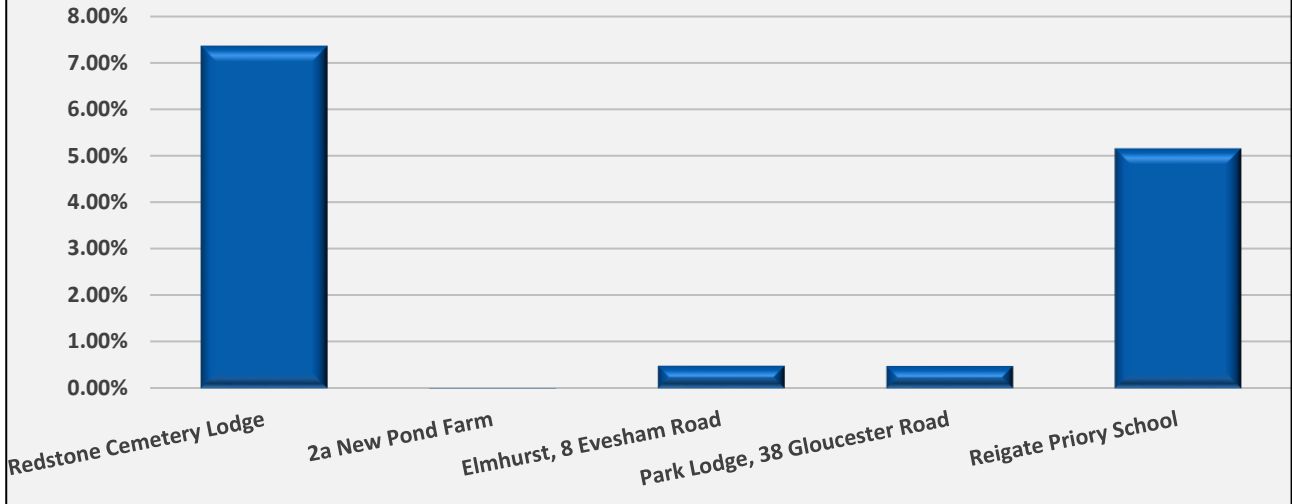
(No comparable market yield data available)





### RBBC Other Yields

(No comparable market yield data available)

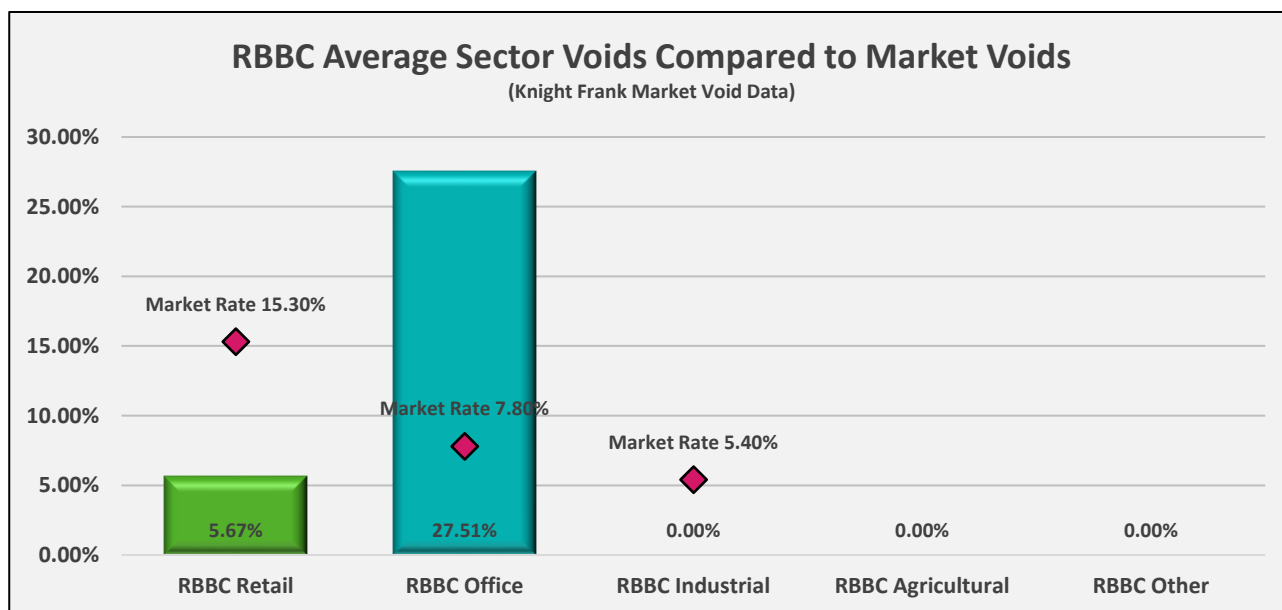


## Void Property Review

The following table shows current average void levels in each sector, compared to average voids in the wider market, where comparable data is available.

The Council increasingly needs to carry out works to prepare vacant commercial property for market, or to retain existing tenants. These works are often relatively minor but need to be put out to tender, causing delays in undertaking the work. We have therefore procured a new contract that will allow us to be more agile in carrying out minor capital works and will therefore assist in minimising void periods.

### Overview of Current RBBC Void Position Compared to Market Data



### Detailed Void Analysis

Current void levels per property, by type are as follows:

Retail	Total Area (m2)	Void Area (m2)	Void Rate
Linden House, Reigate	1,466.08	0.00	0.00%
55-63 Victoria Road, Horley	1,066.42	0.00	0.00%
Old Town Hall, Reigate (Caffé Nero)	195.00	0.00	0.00%
Warwick Quadrant & Travelodge	2,548.00	0.00	0.00%
1-4 Quarrydene Parade, Merstham	579.99	0.00	0.00%
5-8 Quarrydene Parade	266.09	0.00	0.00%
16-22 Cromwell Road	384.44	384.44	100.00%
54 High Street, Horley	13.40	0.00	0.00%
1, 3 & 7 Linkfield Street	224.26	0.00	0.00%
Reigate Hill Kiosk	34.28	0.00	0.00%
<b>Overall Retail Voids</b>	<b>6,777.96</b>	<b>384.44</b>	<b>5.67%</b>

Office	Total Area (m2)	Void Area (m2)	Void Rate
Forum House, Redhill	1,466.08	712.90	48.63%
Beech House, Reigate	1,503.00	1,503.00	100.00%
Priory Gate, Town Hall, Reigate	795.79	0.00	0.00%
Regent House, Redhill	3,960.63	641.77	16.20%
<b>Overall Office Voids</b>	<b>7,725.50</b>	<b>2,857.67</b>	<b>36.99%</b>

<b>Industrial</b>	<b>Total Area (m2)</b>	<b>Void Area (m2)</b>	<b>Void Rate</b>
Reading Arch Road estate, Redhill	3,574.97	0.00	0.00%
61E Albert Road, Reigate	901.99	0.00	0.00%
Redhill Distribution Centre, Salfords	8,257.52	0.00	0.00%
50 Linkfield Lane	1,406.00	0.00	0.00%
New Pond Farm Nursery	9,491.00	0.00	0.00%
4 Pitwood Park	741.00	0.00	0.00%
Telecomms Mast, Waterfield	148.64	0.00	0.00%
<b>Overall Industrial Voids</b>	<b>24,521.12</b>	<b>0.00</b>	<b>0.00%</b>

<b>Agricultural</b>	<b>Other</b>	<b>Void Area (Ha)</b>	<b>Void Rate</b>
Holly Lane	28.70	0.00	0.00%
Hazelwood Lane	10.73	0.00	0.00%
Woodplace Lane	1.55	0.00	0.00%
Purbright Green Belt Land	27.67	0.00	0.00%
The Park, Woodmansterne	5.85	0.00	0.00%
Millstock	1.14	0.00	0.00%
Lot 3 Rookery Farm	8.74	0.00	0.00%
<b>Overall Agricultural Voids</b>	<b>75.64</b>	<b>0.00</b>	<b>0.00%</b>

<b>Other</b>	<b>Total Units</b>	<b>Void Units</b>	<b>Void Rate</b>
Redstone Cemetery Lodge	1.00	0.00	0.00%
2a New Pond Farm	1.00	0.00	0.00%
Elmhurst, 8 Evesham Road	1.00	0.00	0.00%
Park Lodge, 38 Gloucester Road	1.00	0.00	0.00%
Reigate Priory School	1.00	0.00	0.00%
<b>Overall Other Voids</b>	<b>5.00</b>	<b>0.00</b>	<b>0.00%</b>

## Sustainability

Work continues to develop a programme of improvements to the commercial portfolio in advance of expected future the changes to the minimum energy efficiency standard (MEES) Regulations between 2027 and 2030.

This programme will be developed in the context of the Councils' Environmental Sustainability Strategy 2020 and will consider any amendments that are incorporated following the ongoing review of the strategy.