

**MEETING TITLE
AND DATE****CABINET – 21 June 2017****Joint Report of the:**

Executive Director of Finance,
Resources and Customer Services &
The Executive Director for
Regeneration and Environment.

Agenda - Part: 1**Item - 8**

**Acquisition of long leasehold Interest -
Jeffreys Road, Brimsdown Industrial
Estate, EN3 7UZ**

WARD: Enfield Highway**KD 4525****Cabinet Members consulted:**

Cllrs Sitkin and Lemonides

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- 1.1 Authority is sought to acquire and merge the long leasehold interest with the Council's freehold interest on a site on Jeffreys Road, Brimsdown which has recently come to the market.
- 1.2 The long leasehold interest in the site is being offered to the market. The site is held freehold by the Council subject to three leases with a ground rent income of £122,800pa.
- 1.3 The site is 1.68 acres with a combination of warehouse, office and open storage. It is strategically located in central Brimsdown with good access to the M25 motorway and the trunk road network.
- 1.4 It should be noted that the opportunity to consolidate and merge interests will immediately add value to the freehold and is considered good asset management as an opportunity like this may not come up again in the near future.
- 1.5 This is an important and rare opportunity to acquire and merge interests in a significant sized site for decant purposes. With close linkages to the Council's regeneration ambitions at Montagu406, consolidation of Council land is highly desirable and will assist the Council in delivering its wider social, financial and economic development initiatives.

2. RECOMMENDATION

- 2.1 Cabinet approves the acquisition of the leasehold interest(s) at Jeffreys Road by negotiation and delegates authority to the Executive Director of Finance, Resources and Customer Services and the Executive Director of Regeneration and Environment in consultation with the Cabinet Members for Finance and Efficiency and Economic Regeneration and Business to agree final Heads of

Terms for completion of the transaction if the Council's offer is accepted by the vendor, subject to appropriate legal, finance, environmental and property due diligence being undertaken.

2.2 The funding arrangements of the purchase as detailed in the Part 2 report.

3. BACKGROUND

Site Description

- 3.1 The proposed purchase site is situated close to the junction of Mollison Avenue (A1055) and approximately 3.7 miles from the M25 (junction 25) and approximately the same distance from the A406 North Circular. Brimsdown railway station is 0.8 mile from the site.
- 3.2 The site totals 1.68 acres and includes three storage buildings with ancillary office space. Full details of the property are shown on the attached sales particulars within **Appendix 1**. The location is shown on the aerial photograph below.



3.3

- 3.4 The site is shown above and is currently let to Ryder Trucks Ltd. There are three warehouses on site with a single point of access with ancillary open storage, vehicular wash areas and inspection pits within 2 of the warehouses for repairs.
- 3.5 There are 3 leases held for the site with a total ground rental of £122,800 per annum. These leases were granted decades ago with no pre-emption rights for the Council – the headline lease terms are referenced below;

Lease 1 Comprises;

Start date 25/12/1968
Term 60 Years
End date 24/12/2028
Current rent £61,000 PA
Rent review N/A

Lease 2 Comprises;

Start date 25/12/1983
Term 99 Years
End date 24/12/2082
Current rent £24,300 PA
Rent review 19/11/2017 (Every 10 years)

Lease 3 Comprises;

Start date 29/09/1972
Term 99 Years
End date 28/09/2071
Current rent £37,500 PA
Rent review 29/09/2017 (Every 15 years)

Planning Considerations

- 3.6 The site is located within the Brimsdown Strategic Industrial Location (SIL) and is a Preferred Industrial Location (PIL), within the Council's Core Strategy (2010), Development Management Document (2014) and the London Plan (2016).
- 3.7 In accordance with these policy designations, the site would be suitable for general industrial, light industrial, storage and distribution, waste management, recycling, utilities and other industrial related activities, subject to appropriate planning permission being obtained. The Council can confirm that it will not carry out waste recycling or apply for a waste transfer licence.
- 3.8 In addition, policies in the NE Enfield Area Action Plan (AAP) support redevelopment for higher quality units with large floorplate accommodation and also potential site rationalisation.

Economic Outlook and Property Market Commentary

- 3.9 The conclusions drawn from economic reports are that, despite continuing concerns over the outlook for the global economy, and economic and political uncertainty created by the decision to leave the European Union, the property market in the UK has performed well in the final quarter of 2016, and in some sectors, such as logistics and warehousing, high demand has resulted in record take up and an increase in rental levels over the last year.
- 3.10 Lambert Smith Hampton (LSH), who are advising the Council on various redevelopment and regeneration schemes, report (March 2017) that the industrial and logistics sector had one of its strongest years to date in 2016 with a national take up of close to 100million sqft of floor space.
- 3.11 LSH reports that uncertainty surrounding the EU Referendum also did little to hinder rental growth in the sector – an ongoing lack of supply has driven another year of strong rental growth. Across 60 UK markets, prime headline rents increased by 5.3% in 2016, rising from 3.9% in 2015. Rental growth not only continued – it accelerated. Meanwhile, greater uncertainty in the economic outlook engendered by last summer's vote has arguably intensified investor demand for the sector, with tight supply and underlying structural change in consumer patterns elevating the sector into something of a 'safe haven'.
- 3.12 Greater London and the South West remain tightly supplied markets; both saw modest increases in 2016 due to new speculative development. All other regions witnessed a fall in supply, most notably the West Midlands, where it fell 27% year-on-year, despite being a key focus of development.
- 3.15 LSH's UK Investment Transactions (UKIT) report highlights a record level of overseas investment in UK regional property was one of the key drivers behind a rebounding property market in Q4 2016. Benefitting from sterling's devaluation, overseas buyers invested £6bn into UK property, the highest total of any quarter in 2016. While overseas investment in UK property during full year 2016 was down 36% from the high of 2015, overseas buying in the regional markets reached a new annual record of £5.3bn.
- 3.16 The forecasts for 2017 are positive, albeit muted. The UKIT report singles out the industrial sector as best placed to out-perform the wider market, with a forecast return of 5.7% for the year.
- 3.17 Recent transactions in the local Enfield industrial market appear to reflect this prediction, with continuing high demand from this property sector, particularly as regeneration initiatives and competing land values for residential development across London displace traditional industrial sites and buildings. With the central London markets looking increasingly expensive, institutional investors are expected to spread demand to outer London and locations further afield in search of yield.

Options for re-use

- 3.18 The options for re-use of the site are detailed in the Part 2 report and considers redevelopment, re-let the site as it stands with minimal investment and regeneration initiatives.

4. PROPOSAL

- 4.1 The purchase of the three leasehold interests of the property at Jefferys Road, Brimsdown.
- 4.2 For reasons outlined in these reports, parts one and two, it would be highly prudent for the Council to acquire this site.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 Not acquiring the property is considered a lost opportunity, and, more importantly, the relocation potential this site offers to realise the Council's wider economic and social regeneration initiatives.
- 5.2 It represents 'good asset management' and a timely opportunity where the Council can realise the reversionary interest now at a consideration that will be less than what the full unencumbered freehold can offer the Council in terms of flexibility and added value within the Industrial portfolio.
- 5.3 The Council will still need to consider alternative relocation sites for its regeneration purposes. As described in the 'Economic Outlook' section above, these sites are likely to be increasingly difficult and costly to acquire in years to come. There is further commentary on alternative options in Part 2 of this report.

6. REASONS FOR RECOMMENDATIONS

- 6.1 A well located site of this size represents an important opportunity in the Enfield property market.
- 6.2 In our view there are several reasons that justify the Council acquiring the property, and these are outlined in Part 2.

7. KEY RISKS

See Part 2.

8. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

8.1 Financial Implications

See Part 2.

8.2 Legal Implications

8.2.1 The Council has powers under section 120 of the Local Government Act 1972 to acquire land by agreement for any of the Council's functions now or for future use. In addition the general power of competence under section 1 of the Localism Act 2011 grants the Council the power to do anything that a private individual may do subject to the restrictions set out in section 2 of that Act.

8.2.2 When considering an acquisition of land/property the Council must act in accordance with the Property Procedure Rules which state that: "Acquisitions of property must be approved by the Assistant Director (Property Services) in consultation with the relevant Portfolio holder and the report must outline the purpose to which the asset will be put. This must be demonstrated by the inclusion of a business case that the service is able to fund all costs and expenses associated with the acquisition and running costs." Advice must also have been obtained that the property to be acquired represents value for money and is suitable for the proposed purpose, or is required for an approved Council scheme.

8.2.3 In the event of an onward disposal this will also need to comply with the Property Procedure Rules.

8.2.4 The form of Contract and legal Transfer for any proposed transaction will need to be in a form approved by the Assistant Director Legal Services and Governance

8.3 Property Implications

8.3.1 As embedded in this report.

8.3.2 There are three leases for the land at Jeffreys Road originally granted to separate lessees, however these leases have been assigned via a licence to Ryder Trucks Ltd.

8.3.3 The lessee is not permitted to assign the leases without the written consent of the landlord, such consent not to be withheld unreasonably and is not permitted to part possession of the whole or any part of the demised premises or any buildings thereon.

8.3.4 The user clause is quite rigid and all three leases have differing user clauses;

- **Lease 1**- Permitted use is that of a plant yard or other service industry in compliance with planning regulations
- **Lease 2** – Permitted use is that of the lessee's business of a coach or transport proprietor and the parking and repair and maintenance of coaches and vehicles in a roadworthy condition and for the storage of fuel oil used in connection.
- **Lease 3**- Permitted use is restricted to that of a haulage contractors transport yard with office workshop and stores only.

8.3.5 The buildings are in excess of 40 years old and will require minimal investment to bring them back into lettable condition.

8.3.6 The Council's external consultant has inspected the Property and has undertaken an initial valuation and is co-ordinating the strategy for acquisition of the site.

9. PERFORMANCE MANAGEMENT IMPLICATIONS

- 9.1 The purchase of the property will assist in the delivery of the Council's regeneration and economic development agenda.
- 9.2 The purchase will be managed by Strategic Property Services with support from its external consultant and other specialist consultants as required.

10. EQUALITIES IMPACT ASSESSMENT

The proposed purchase will not cause a change to policy, budgets or service delivery and therefore an Equalities Impact Assessment is not considered necessary.

11. PUBLIC HEALTH IMPLICATIONS

Not Applicable

12. IMPACT ON COUNCIL PRIORITIES

12.1 Fairness for All

The purchase of this property will assist in promoting the regeneration of the Borough and its constituent employment areas, and to promote employment opportunities.

12.2 Growth and Sustainability

The purchase of this property will enhance the Council's property asset base and generate future income streams.

12.3 Strong Communities

The purchase will assist in the Council's redevelopment, economic and social regeneration initiatives.

BACKGROUND PAPERS

None

APPENDIX 1

Sales particulars for Ryder Truck site, Jeffreys Road, Brimsdown, EN3 7UZ