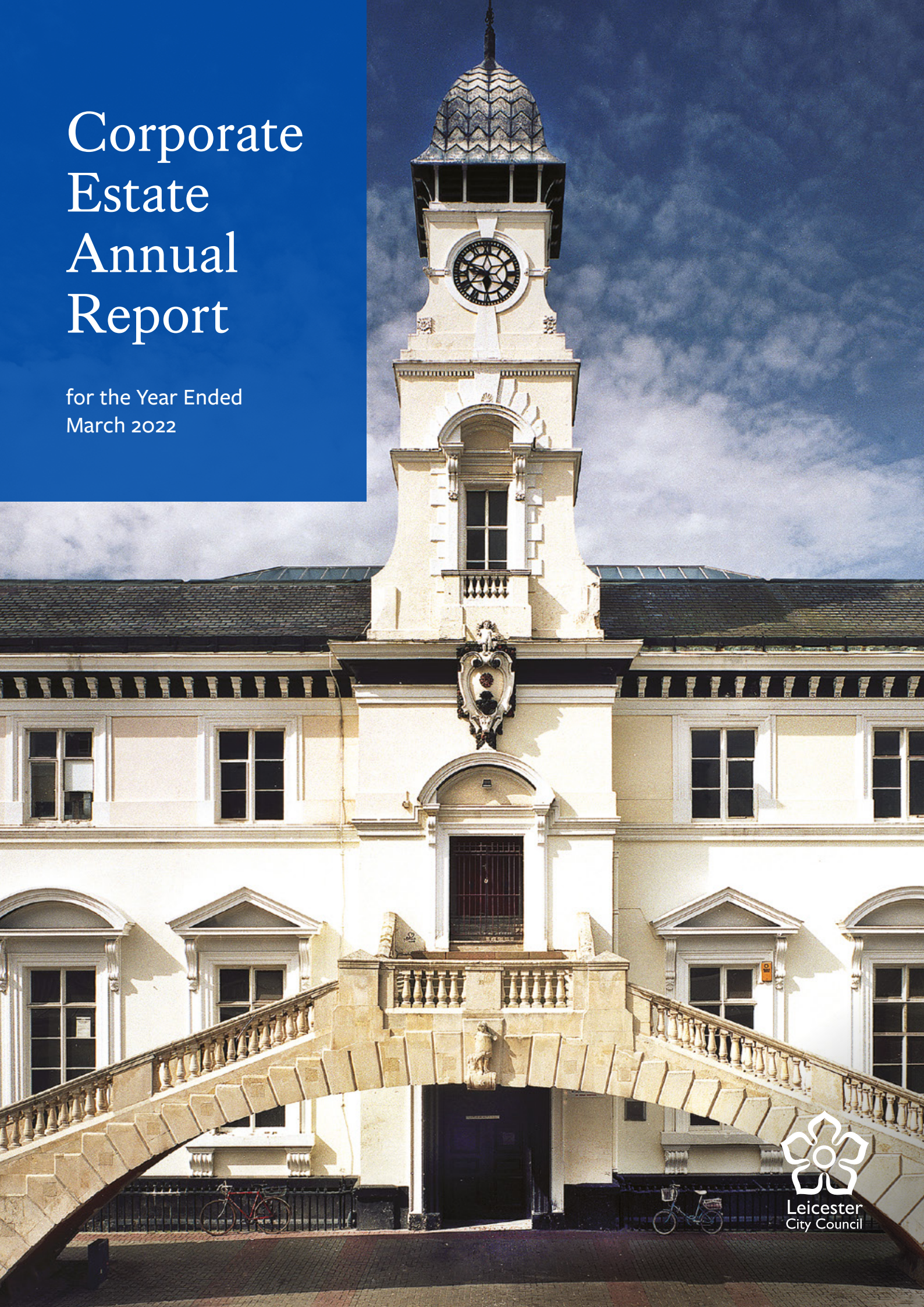
Corporate Estate Annual Report

for the Year Ended March 2022



Leicester City Council

Contents

1. Foreword from the Director

Welcome to Leicester City council's Corporate Estate Annual Report for the year ended March 2022.

On the back of a turbulent 2021, that saw the council's portfolio performance improve further, the commercial real estate sector continues to be impacted by BREXIT and the COVID-19 pandemic as well as rising costs — most significantly construction materials and energy — alongside the pressures of inflation.

In last year's statement, we reported a healthy return of £7.5 million in revenue income that represented a good 6.67% gross yield despite a downward pressure on land values and rents, particularly across the retail and office sectors.

This year, whilst challenges in the retail sector have continued, the office sector is starting to regain momentum and asset investment markets are becoming more active, particularly in relation to industrial and shopping centre units. Significant transactions have taken place this fiscal year, including the council's key acquisition of the Haymarket Shopping Centre for £9.9 million in November 2021 — a long-term investment for the city that complements our existing portfolio and has provided immediate returns.

We have continued with our prudent and measured approach towards acquisitions and disposals across the portfolio in line with our strategy, striking a balance between growth, investment, and risk management. As a result, the fund continues to perform well under very challenging market conditions.

In a year when most investment portfolios will have struggled — even more so than in 2020/2021 — the corporate estate has achieved a revenue return of more than £8.3 million, and whilst running costs have increased proportionately with our growth in asset base, our net income (contribution to the general fund) has continued to increase — this year adding over half a million pounds to the council's bottom line. This has provided us with a gross yield of 6.78%, and a very good performance against our benchmarks, whilst maintaining our occupancy levels at an excellent 95%.

Our underlying metrics remain strong and our land values have shown resilience. However, we remain mindful that inflation and the continual rise of cost of living places an increased pressure on our leisure, business, and residential communities impacting our local economy.

We will continue to invest locally, and manage our portfolio purposefully, yet sympathetically, to ensure we are doing what we can to support our occupiers' recovery and the long-term economic prosperity of Leicester — operating our portfolio commercially, yet with a social purpose.

Matthew Wallace BSc (HONS) MBA DipProjMan FRICS
Director of Estates and Building Services

2. Background to the Council's Land and Property Holdings

Leicester City council holds a diverse portfolio of land and property assets ranging from historic buildings such as the 13th century Guildhall to the King Richard III Visitor Centre opened in 2014. For the most-part however the estate owned by the council is held and managed in order to provide front line services for the city's residents in the form of homes, schools, leisure centres, and neighbourhood centres as well as Green Flag parks, playgrounds and open spaces providing areas for leisure and recreation. There are also the critical infrastructure such as bridges, footpaths, cycle paths and car parks that aid the smooth running of the city.

The grouping of land and property assets, known as the Corporate Estate, is held for commercial reasons. It is the council's investment portfolio that is managed in-house, and provides local businesses with commercial premises, offices, shops, industrial units, and work, which generates an income for the council that is used to re-invest in its services.

Leicester City Council's Property Holdings

HOLDING	DETAILS
The Operational Estate	The land and property held to support the main business of the council, including: • property utilised for the provision of front-line services to the public such as museums, libraries, leisure centres, and neighbourhood centres; • playgrounds, parks, and open spaces; • property leased to community groups and charities; • property occupied by council staff in order to support delivery of council services — such as City Hall, Town Hall, and our depots at Leycroft Road; • cultural, historical and heritage assets.
Schools	Includes both community and maintained schools as well as academy schools.
Housing	The council's housing stock.
Highways	Includes roads, footpaths, and bridges as well as land and buildings that may be required for future transport development schemes.
Strategic / Regeneration	Property and land acquired for strategic purposes, for example to promote regeneration and redevelopment.
The Corporate Estate	The land and properties held by the council for income generation and capital appreciation purposes, rather than to provide accommodation for the council or services to the communities. Provides a wide range of accommodation for local businesses.

This annual report focusses on the performance of the corporate estate for the financial year from April 2021 to the end of March 2022.

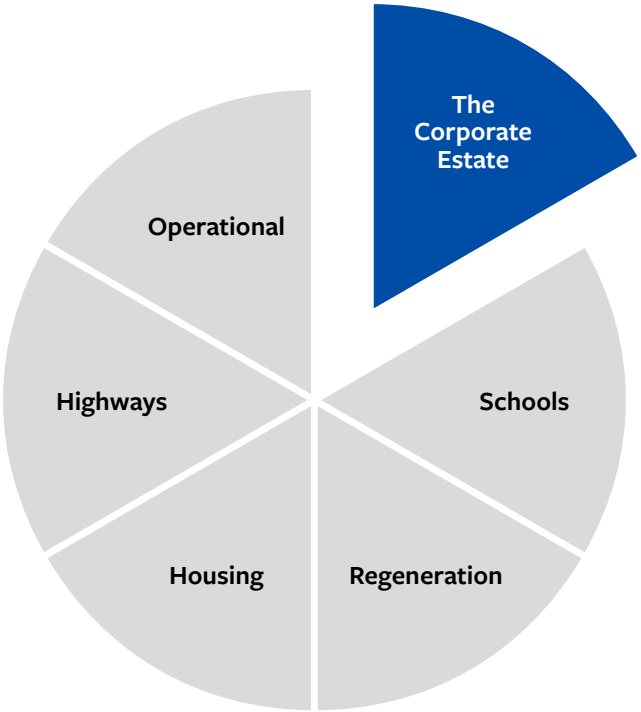
The Corporate Estate — a Long-Term Investment

Leicester City Council has been investing in land and property for generations, enabled by the special powers afforded through parliament, including the 1956 Leicester Corporation Act that gave the Leicester Corporation the powers to buy, sell and manage land and property for highways, education, planning and investment purposes, and more recently — in terms of holding and managing land and property for investment purposes — the Local Government Act 1972.

The council's corporate estate, and our investment in and management of land and property, has benefited from our successful long-term strategic planning of the portfolio. As opposed to other local authorities that in recent years have been taking significant risk when it comes to their investment in property and continue to be reliant on their investments to shore up gaps in their budgets.

Whilst other investors are significantly influenced by how the market is performing at any given time, as a public body we are able to take a long-term view of the needs of the city — something that other investors are not always able to consider. The benefits we receive today, in terms of a growth in value and income to the council, along with our ability to bring forward land for redevelopment, are a direct result of the prudent investment and wise management of the corporate estate portfolio throughout the years.

Our 2022 report demonstrates clearly why our long-term views, and balanced approach are working well and will continue to do so in the years to come.



The Corporate Estate — the council's investment portfolio — is a small part of a broad range of Leicester City Council land and property holdings, making up just over 11% of the overall capital value of the council's estate (excluding housing and highways).

Economic Regeneration Workspaces

The land and property in the corporate estate portfolio is held for investment purposes, e.g. for capital appreciation and the generation of ongoing revenue income. There are council managed workspaces that sit outside of the corporate estate portfolio that are held for economic regeneration purposes and let out to local businesses.

Whilst both portfolios generate revenue income to invest back into council services, and both benefit from high occupancy and strong demand, it is useful to understand the difference between the two portfolios in terms of their aims.

The economic regeneration workspace portfolio focuses primarily on supporting the growth of priority economic sectors with the service directly managing five workspaces: LCB Depot, Makers Yard, Phoenix Square Workspace, Dock, and Gresham Works. This provides a total of 90,000 sq ft lettable space for local small businesses. Two workspaces with outsourced management via East Midlands Chamber — Leicester Food Park and Friars Mill — provide a further 36,500 sq ft of lettable space. These workspaces are effective in delivering the following:

- Helping to reposition Leicester's economy to grow knowledge-based sectors, including creative industries and innovation / technology businesses;
- Significant job creation performance, supporting over 800 jobs in tenant businesses;
- Providing a physical focus for clustering, networking, and collaborative working — there is evidence that this increases the survival rate for small businesses who are tenants. For example, the LCB Depot has been driving the delivery of Design Season over recent years, an annual showcase for the city's design strengths;

Workspaces have proved an effective mechanism to kick start the delivery of regeneration areas, particularly through raising investor confidence and ultimately stimulating other private sector investment. This has been the case with St George's Cultural Quarter, Pioneer Park and Waterside, where workspaces have been the first key regeneration intervention.

The corporate estate on the other hand consists of a diverse portfolio with a range of long and short-term leases in order to balance out risk. It is managed as a commercial operation whilst making a significant contribution to the council's commitment to support the local economy, maintaining a retail presence in the city centre and neighbourhoods, and supporting local businesses by providing a range of accommodation with space provided for both businesses to start-up and to grow locally.

The largest single sector portfolio in terms of numbers is the industrial portfolio with almost 400 (396) lettable units, whilst the five managed workspace buildings house more than 200 lettable units, and our retail portfolio is made up of 325 units — more than a third of which are neighbourhood shops. Our office sector portfolio has increased as we transferred Leicester Business Centre from the economic regeneration portfolio to our corporate estate portfolio at the start of 2021.

3. Executive Summary

The commercial property market in the UK is well-established and, despite recent turbulence, it continues to attract a wide range of investors including local authorities, pension funds, and high net worth individuals.

The market offers a wide spread of yields that are influenced by both the quality of the assets (e.g. location, sector, condition, supply, and demand) as well as the associated investment risk. A low risk investment for example would be well-located and leased at a market rent to financially stable tenants on a lease that has more than 10 years until expiry.

Whilst net yield is important in determining the actual profitable return achieved, running costs can fluctuate dependent on how efficiently land and property is managed. As a result, gross yield is generally used to compare the financial performance of property investments.

The corporate estate is a long-term investment portfolio consisting of the land and property held and directly managed by Leicester City Council predominantly for income and generation or capital appreciation purposes and for the most-part, let out at market (or market-competitive) rates.

The portfolio is extremely broad and well-balanced — consisting of land, small business units, office space, car parks, industrial units, and city centre retail units/ neighbourhood shops that are leased out to private sector organisations across the city. In addition, the council leases out a significant amount of land that houses a variety of properties — from warehouses and factories, to sports facilities and substations — as well as farms and grazing land in the county.

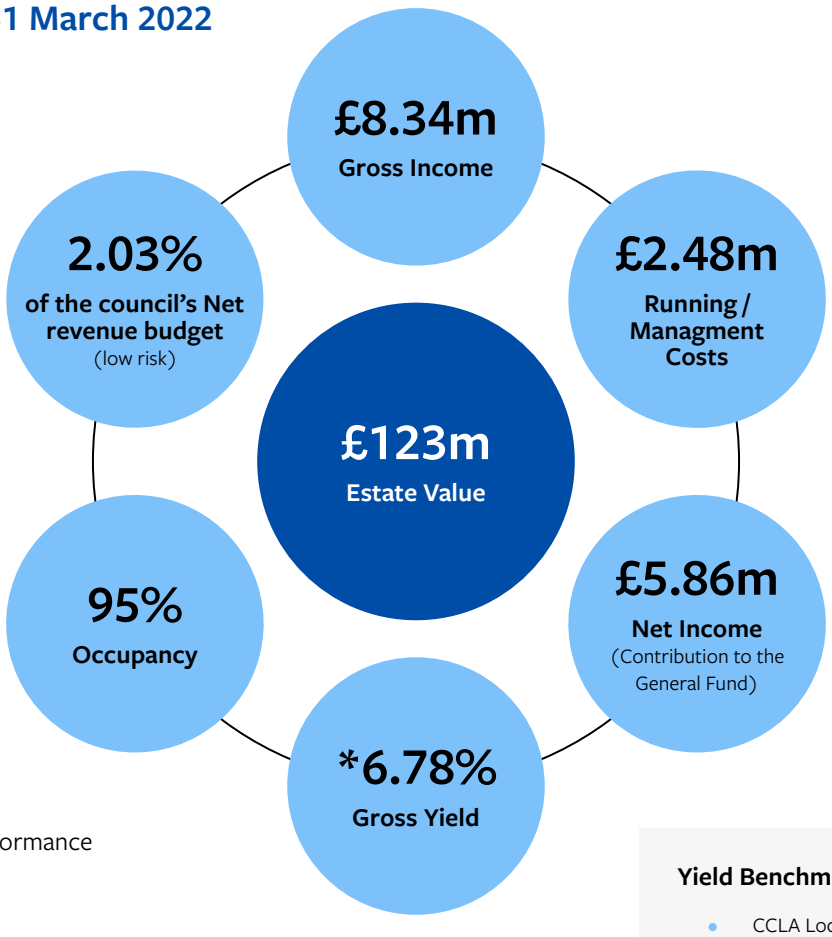
Our corporate estate:

- continues to generate a stable and sustainable revenue income contribution for the council — providing market-competitive returns;
- is a diverse portfolio — in line with the council's investment strategy that requires a balance of security, liquidity, and yield to minimise risk;
- is wholly invested in our local economic area (Leicester and Leicestershire);
- includes land and property that is held for economic regeneration purposes (although the capital values are included in this report, income from these investments is not included as the properties are managed separately);
- with a GIA (floor space) accounting for 16% of the council's estate holdings*, has a continued and significant role to play in our commitment to address the climate emergency;
- supports the local economy and local businesses by providing a range of competitively priced accommodation.

*Excludes housing and highways

Note: The corporate estate does not include Leicester City Council's investment in pooled property funds that are governed by Treasury Management.

Summary of Performance for the Year Ended 31 March 2022



*Denotes very good performance against Benchmarks

Yield Benchmarks used:

- CCLA Local Authorities' Property Fund gross 4.3% (year end 2021 — 2022 report not yet available)
- MSCI/AREF All Property Fund Index 2.0% (year end 2021)

2021/2022 Trends

KEY PERFORMANCE FACTORS	2021/2022	2020/2021	2019/2020
Value of the Corporate Estate	£123,031,773	£112,287,183	£113,635,896
Gross Income	£8,337,033	£7,484,007	£7,103,977
Running / Management Costs	£2,479,083	£2,138,819	£1,967,000
Net Income (contribution to the General Fund)	£5,857,950	£5,345,188	£5,136,977
Net Yield	4.76%	4.76%	4.52%
Gross Yield	6.78%	6.67%	6.25%
Occupancy	95%	95.5%	99%
% of the council's Net revenue Budget	2.03%	1.92%	1.85%

4. Understanding Our Estate

Portfolio Key Facts

378
Sites
(including land)

1267
Lettable Units
(including land)

£123m
Valuation at
31 March 2022

1.6m sq ft
Gross Internal Area
(floor space)

Accounts for 16%
of the GIA (floor space) of the estate owned by the council

117.2
Hectares
(excluding farm and agricultural land)

£326,225 p/a
Largest single rent
(3.91% of gross rent)

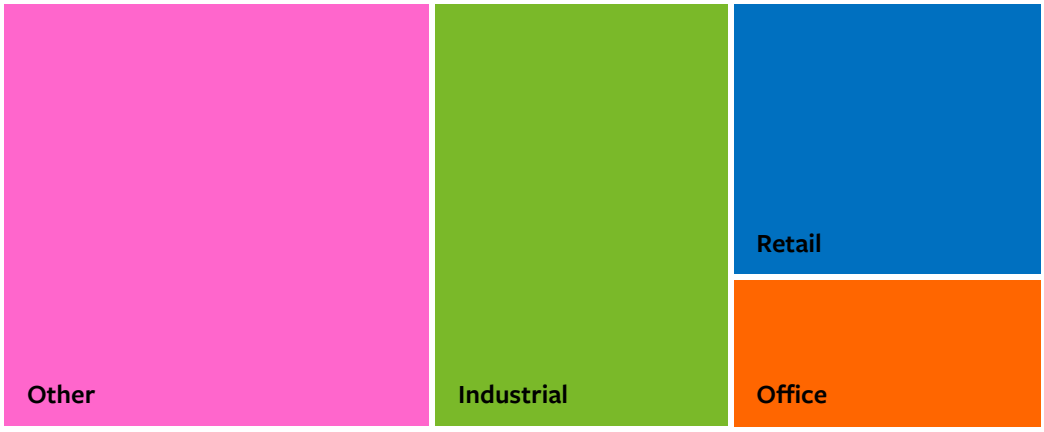
Largest single sector by volume and value continues to be the industrial sector

Scope of the Estate

The corporate estate property portfolio provides a broad range of commercial space across the traditional office, retail and industrial sectors, as well as a significant offering in terms of other less traditional space for rent — including advertising hoardings, substations, grazing land, farms, garages, and car parks.

Chart 1 below shows that, in terms of actual sites, the council holds 59% of its investment holdings in the industrial, retail and office sectors with the other 41% being a wide spread of other land and property (including a number of ground leases and long leases, land housing car parks, substations and communication masts, as well as farmland and a handful of residential property).

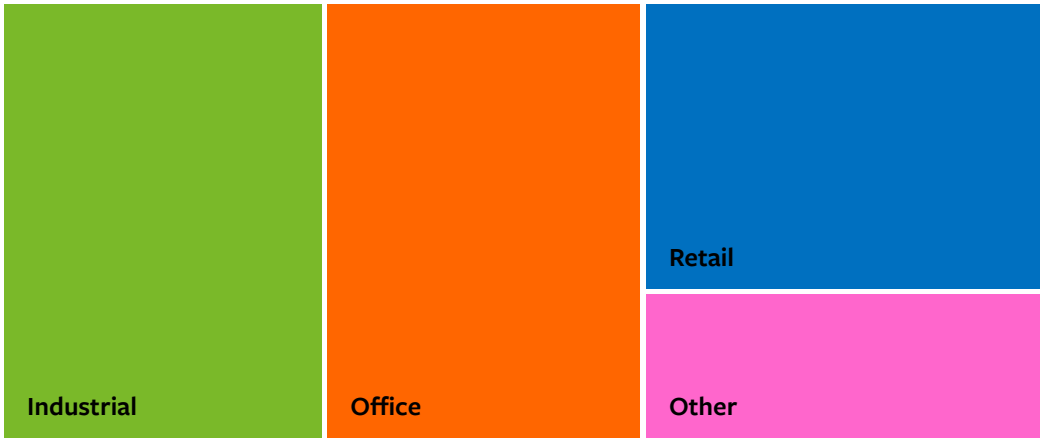
CHART 1 — CORPORATE ESTATE ASSETS (BUILDINGS & BLOCKS)



Assets	
Industrial	109
Office	40
Retail	73
Other	156
TOTAL	**378**

The classification of the estate looks different when we look at lettable units rather than sites. The broad range of assets held in the portfolio, including land that is let on long-term ground leases, provides the council with a low risk investment return. As shown in Chart 2 below, the largest single portfolio held by the council for investment purposes continues to be the Industrial portfolio with 396 lettable units — representing 31% of our available units. This is a smaller percentage than in 2021, as both our office and retail spaces have grown in 2022.

CHART 2 — CORPORATE ESTATE ASSETS (LETTABLE UNITS)



Lettable Units	
Industrial	396
Office	381
Retail	325
Other	165
TOTAL	**1267**

Compared side by side with the CCLA Local Authorities' Property Fund (Annual Report and Financial Statements Year Ended 31 March 2021) we can see in Chart 3 below that in some areas there is a similar make-up of the property portfolios in terms of sector balance. Industrial units make up 37.82% of the CCLA portfolio as compared to 31.3% of the corporate estate; the office sector 30.37% as compared to 30.1% in the corporate estate. The most significant difference continues to be investment in the retail sector — the fund's investment in the retail sector of only 2.11% (or 11.61% if we include retail warehouses) as compared to 25.7% in the corporate estate.

Whilst the CCLA have reduced their retail holdings since 2020, the council have increased the proportion of the estate in the retail category from 22.84 to 25.7%, purchasing the Haymarket Shopping Centre in November 2021 for a price £9.9 million.

This emphasises the fact that, whilst our portfolio remains well-balanced across all categories, the council's investment in the retail sector is not purely for income generation. We continue to hold and invest in our retail portfolio to support the local economy by providing a range of accommodation for our city centre and neighbourhood shopkeepers.

CCLA ASSET ALLOCATION — 2021 PERCENTAGES

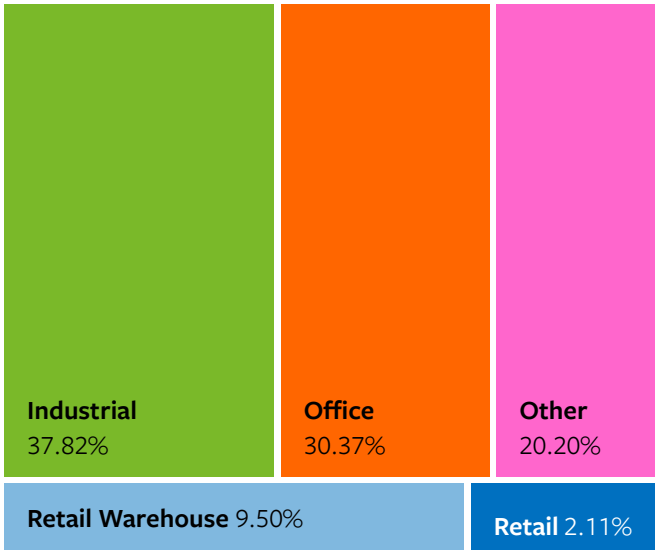
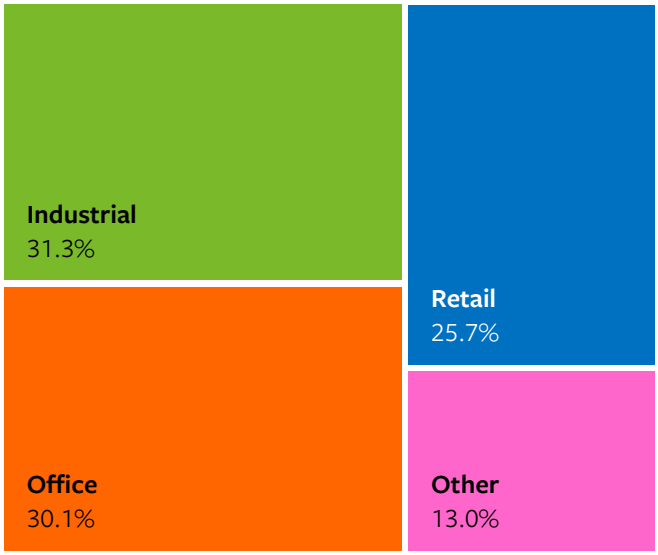


CHART 3 — CORPORATE ESTATE ASSET ALLOCATION (LETTABLE UNITS) 2021/22



We have continued to support local businesses by maintaining a sizeable retail portfolio consisting of city centre retail, neighbourhood shops, and other retail spaces at competitive rents. Alongside this we continue to offer a considerable portfolio of office space, adding a managed workspace to our existing city-wide portfolio that offer almost more than 250 lettable units spanning across the office and industrial sectors. Including the growing numbers of economic regeneration workspaces in this number increases the lettable managed workspace units to 446.

CHART 4 — GIA BY ASSET CATEGORY (SQ FT)

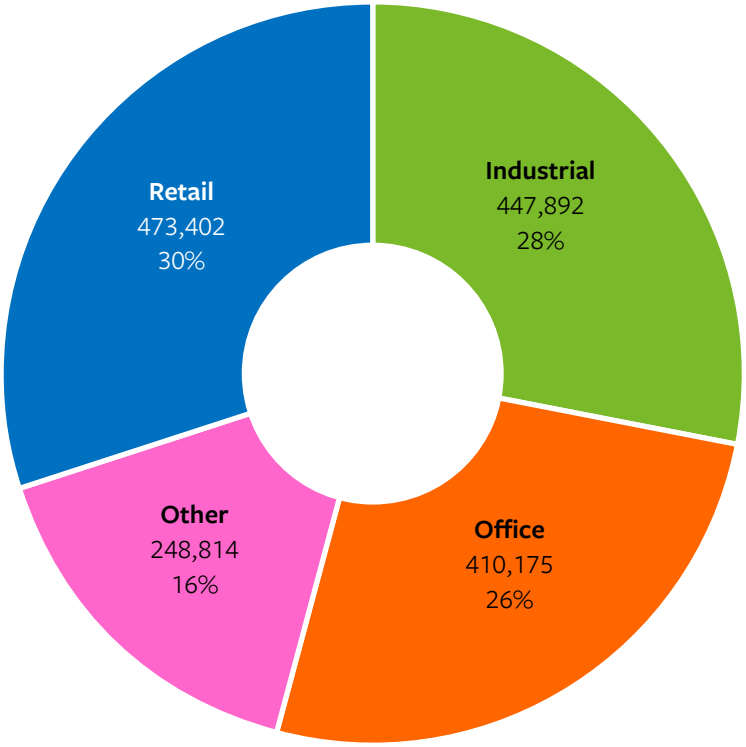


Chart 4 shows the lettable floor space available and, like the rest the report, is categorised using the traditional sectors of office, retail, industrial and other.

In terms of floor space there is some growth in space from last year, with 84% of the available floor space on offer being either industrial, retail or office space and almost two thirds of floor space offered by our retail sector and industrial sector portfolios.

Available floor space has increased by 183,500 sq ft — 163,500 in the retail and 23,000 in the office sector.

CHART 4A — INDUSTRIAL GIA (SQ FT)

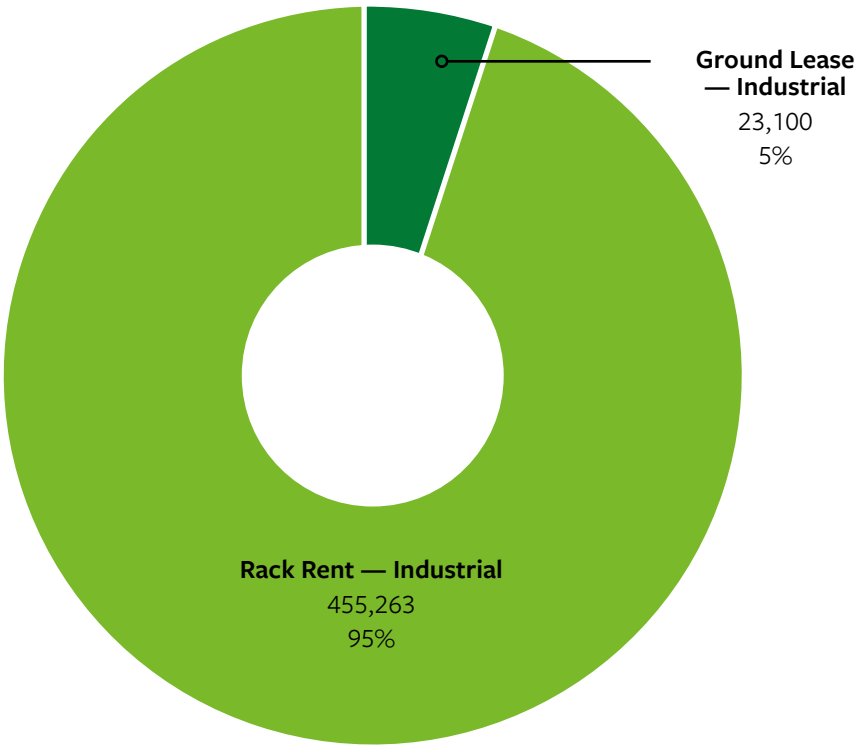


Chart 4a: (left) Illustrates the breakdown of the Industrial portfolio across the estate —which represents 28% of the lettable space. The council's estate is almost wholly 'rack rented' or units on long term leases. Long term leases, along with the ground leases, require little support and provide good security of tenure in most cases.

CHART 4B — OFFICE GIA (SQ FT)

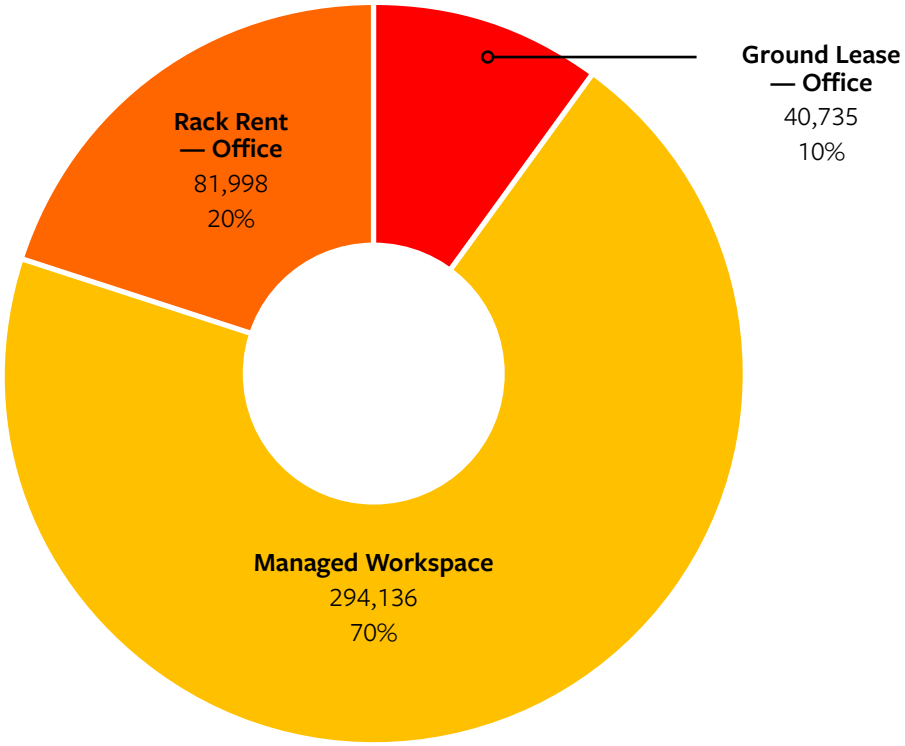


Chart 4b: (left) Illustrates the makeup of the floor area of our rented office space — which is 26% of our whole estate. With a focus on new business growth, a growing proportion (34%) of our estate is attributable to managed workspace units. Whilst 'rack rents' make up less than a quarter of the available space — suggesting an opportunity for an increase in this area of our estate to allow onward business growth — our ground rents are also significant, accounting for another 40% of our office space.

CHART 4C — RETAIL GIA (SQ FT)

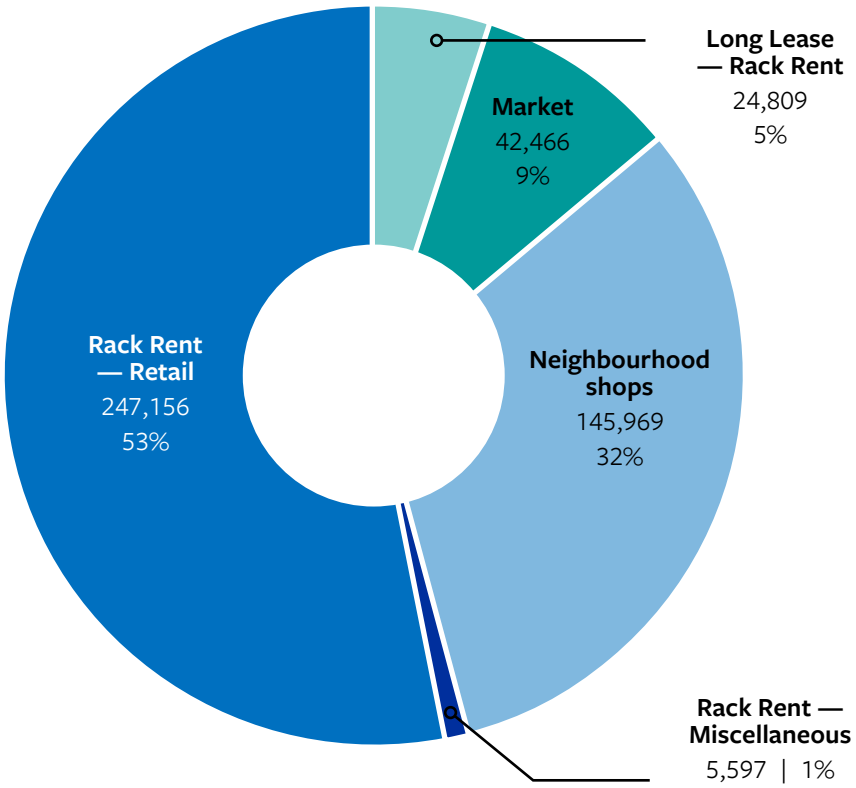
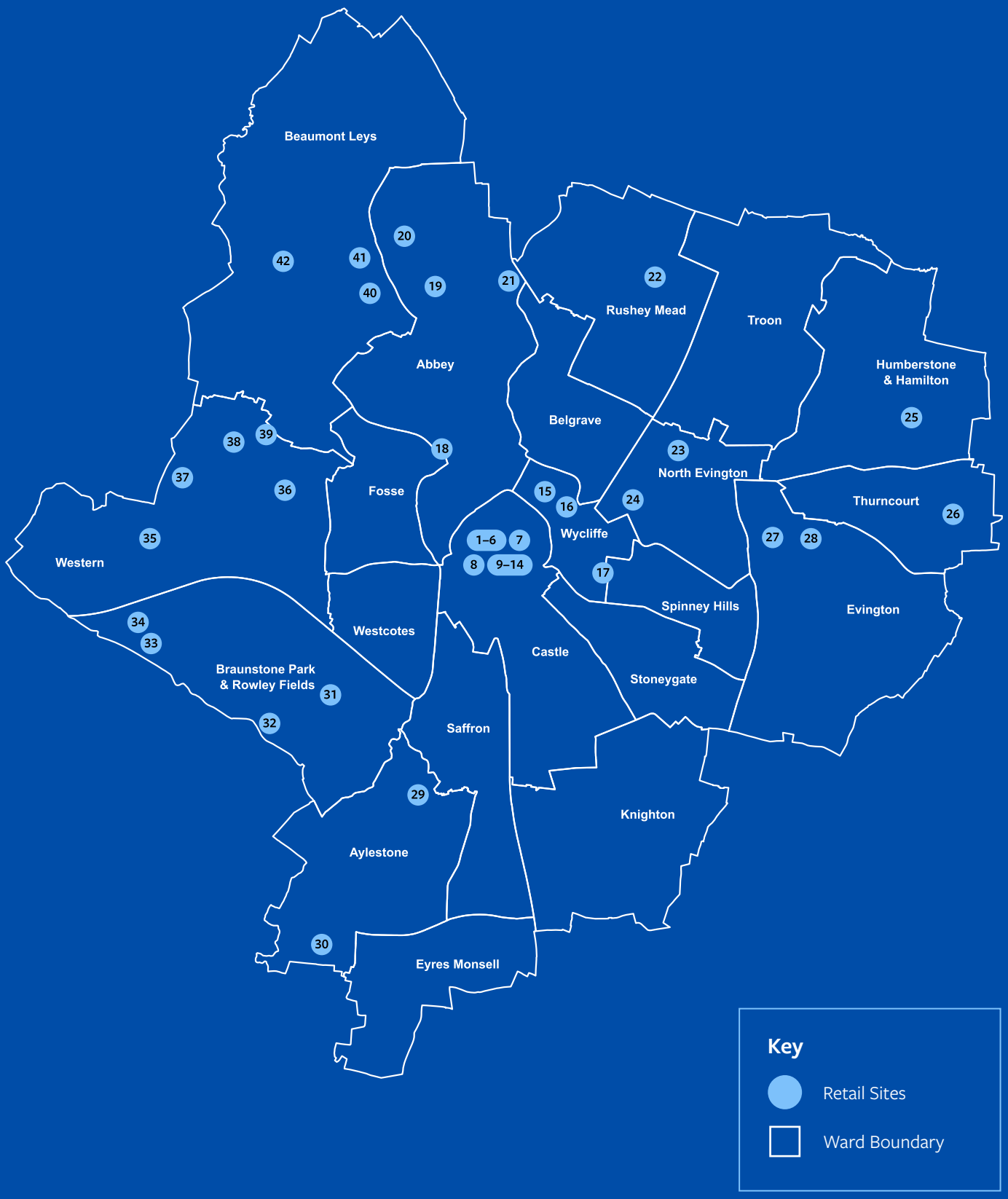


Chart 4c: (left) Making up 30% of our overall corporate estate floor area, the chart shows the dispersed nature of our retail space across the city, with a third of our shop units located within local communities.

Our city centre retail estate — including the market — has more than doubled in 2022 with the addition of the Haymarket Shopping Centre, and accounts for almost two thirds of the space on offer, with over 240,000 sq ft of retail units available across the city.

The diverse spread of locations also spreads risk and places the council in a strong position during financial or market uncertainty.

MAP — LEICESTER RETAIL SITES



Castle

1. High Street 16 & 16 1/2
High Street 27
High Street 29
High Street 40–50

2. Royal Arcade Shops

3. Malcolm Arcade 1–23

4. Silver Street 14–20
Silver Street 29–31
Silver Street 33
Silver Street 35
Silver Street 37
Silver Street 37a–39–41

5. Cank Street 17a–17b

6. Cheapside Kiosk 1 & 2

7. Haymarket House
— Travelodge Hotel
Haymarket Shopping Centre

8. Loseby Lane 1
Loseby Lane 11
Loseby Lane 13
Loseby Lane 15
Loseby Lane 17
Loseby Lane 3
Loseby Lane 5–7
Loseby Lane 9
Loseby Lane 9a

9. Leicester Market — Retail Units
Leicester Market Food Hall
Leicester Outdoor Market and
Green Dragon Square

10. Horsefair Street 11
Horsefair Street 23
Horsefair Street 25–29

11. Corn Exchange

12. Charles Street Retail Units

13. Halford Street 5

14. Granby Street 15–17 — Rear of
7–9 Every Street

Wycliffe

15. Manitoba Road 82
Manitoba Road 84
Manitoba Road 86
Manitoba Road 88

16. Malabar Road 22–46
Malabar Road 26
Malabar Road 34–38
Malabar Road 48–50

17. Melbourne Road 100–114

Abbey

18. St Margarets Way 80

19. Marwood Road 8–20
(No 10 not included)

20. Bewcastle Grove 12–22

21. Abbey Lane/Red Hill Circle

Rushey Mead

22. Lockerbie Walk 1–6

North Evington

23. Hastings Road 80–86

24. Charnwood Walk 5–11

Humberstone & Hamilton

25. Netherhall Road 83–119

Thurncourt

26. Thurncourt Road 166–200

Evington

27. Radstone Walk 35–41

28. Rowlatts Hill Road Supermarket

Aylestone

29. Aylestone Road 473

30. Hopyard Close 1–5

Braunstone Park & Rowley Fields

31. Fosse Road South 300

32. Hallam Crescent East 170

33. Cantrell Road 29
Cantrell Road 7
Cantrell Road 9

34. Heyford Road 69–71
Heyford Road 73–75

Western

35. Sharmon Crescent 29–39

36. Aikman Avenue 120

37. Musson Road 6

38. Aikman Avenue 277–311

39. Bonney Road 56

Beaumont Leys

40. Home Farm Close Supermarket
Home Farm Square 1, 5–8
Home Farm Square 2–4

41. Cross Hedge Close 11

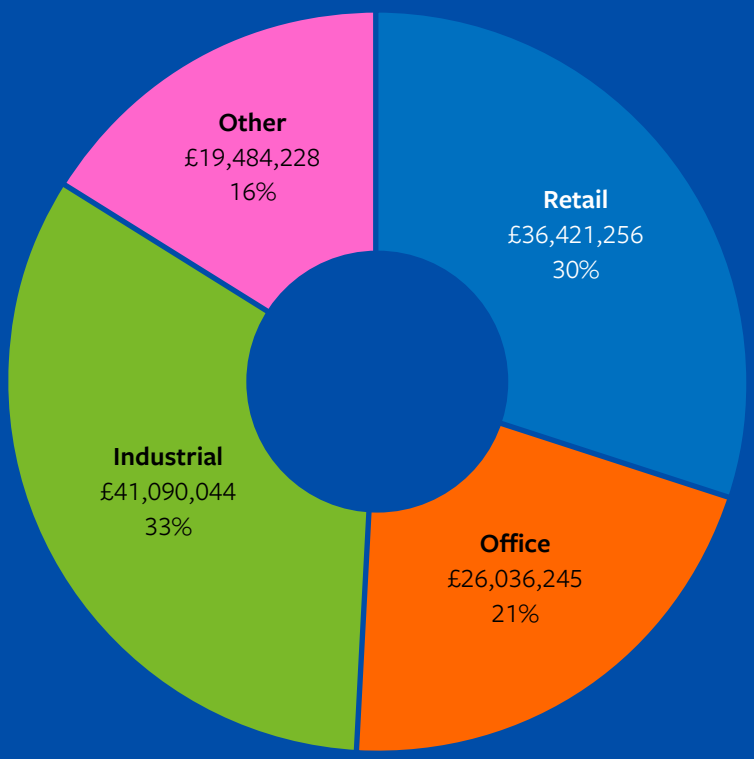
42. Beaumont Leys Open Market

5. Valuation

There has been limited movement in the corporate estate portfolio in recent years, with the council holding around 75% of its portfolio value in the traditional sectors of industrial, office and retail.

In 2021/2022 however the council has been more active in the market, investing £9.9 million in the acquisition of the Haymarket Shopping, as well as transferring one of the larger managed workspaces in to the office sector portfolio from the economic regeneration portfolio.

CHART 5 — ASSET VALUATION BY SECTOR (AS AT 31/03/22)



Haymarket Shopping Centre

The Haymarket Shopping Centre has seen a 5% increase in capital value since acquisition by the council in November 2021.

These additions have resulted in the overall valuation of our corporate estate portfolio increasing by £11 million by the end of March 2022 — from £112.3 million to £123 million over the last year — with the most significant increase in the Retail sector as a result of the acquisition of the Haymarket Shopping Centre.

In addition to the value added by the shopping centre purchase, and the addition of a managed workspace to the portfolio, Leicester has seen an increase in city centre land values in the last 12 — 18 months although, for the most part, these values relate to potential strategic development* of land rather than existing use.

The office portfolio has also increased in value due to the transfer of a valuable managed workspace asset to the sector, and Chart 5 above shows the impact of the acquisitions on sector values, with the 'other' sector now representing a smaller proportion, at around 16% of overall portfolio value.

Whilst land and property values have increased more steadily in the industrial sector, the sector continues to make up around one third of the value of the portfolio and is still the top performer in terms of sector capital value at £41 million.

*Strategic development sites are not included in this report

Statement by the Valuer

"2021/2022 in Leicestershire saw a general increase in market activity as the COVID restrictions came to an end, with continued strong growth in:

- Industrial rents up 13.8% — prime £8 sq ft / secondary £6 sq ft — with employment l and in demand, especially for sub 20,000 sq ft units and large logistics centres;
- Offices recovering, with prime rents at £20 sq ft and secondary at £12 sq ft;
- Retail performance for Leicester sits between Nottingham and Derby with retail footfall (visitors) at 93 and spend index 140 (transactions including inflation);
- Residential average property prices in April 2022 up by £10,000 to £286,079 from a year ago.

Looking to the year ahead, the end of the COVID restrictions in the UK has seen the emergence of new negative economic factors such as supply chain issues, labour shortages, increased materials and construction costs, increased energy costs, inflation, war in Ukraine, and the continuance a failed COVID isolation strategy in China. Despite the long list of negative factors however, the well-balanced sector and sub-sector mix of our portfolio means that it is well-positioned for the future".

Statement by the Valuer for the Year Ending 31 March 2022

In accordance with the instructions of the Chief Finance Officer we have valued the corporate estate portfolio as at 31 March 2022. The valuation has been prepared in accordance with the RICS Global Standards 31 January 2022 published by the Royal Institution of Chartered Surveyors (RICS) and to conform with the disclosure requirements of those publications. We understand that the Valuation is used for Financial Statement purposes.

The value of the corporate estate portfolio asset valuations carried out in the year ending 31 March 2022 is £123,031,773 (One Hundred and Twenty-Three Million Thirty-One Thousand Seven Hundred and Seventy-Three Pounds).

The Valuation is for the sole use of the council. It is confidential to the council, its officers and professional advisors. Details of the basis of our valuation and the individual properties are set out in the valuation report dated 31 March 2022.

Darryl Rouse BA, BSC (Hons) MRICS accredited valuer
Corporate Asset Valuer
RICS No 1199302

6. Portfolio Performance

Occupancy

INDUSTRIAL	OFFICE	RETAIL	OTHER	2022 AVERAGE	2021 AVERAGE	2020 AVERAGE
99%	95%	98%	77%	95%	95.5%	99%

Average occupancy has reduced minimally over the 2021/2022 period representing lost rental income in the amount of £99,656 for the period — 1.2% of the annual revenue income. Whilst there are a very limited number of vacant spaces across each of the sectors, there has been some turnover seen across our managed workspaces — in the office sector — as small business owners have chosen to relinquish space and work from home. As popular workspaces however, void periods in these units have been limited as the majority have been re-let.

Both car parks and garages have continued to struggle, affecting the performance of the "Other" sector, with the future of both asset classes to be reviewed. These sites however, account for less than 10% (£8,920) of the lost rent, whereas vacant office units account for £71,246 (71%) of lost income, of which £41,481 relates to managed workspaces.

Revenue Performance

Without significant change to the portfolio in recent years, the optimisation strategy, along with effective planning in previous years, ensured that the revenue position improved year on year. For the 2021/2022 financial year income across all sectors has remained steady despite ongoing pressures around retail rents and car park income, and risk around occupancy of office space with businesses implementing hybrid working and considering their post COVID space requirements.

Whilst the industrial and office sectors have been challenged and have seen their revenues dip slightly compared to 2020/2021, the corporate estate has seen its overall revenue income rise by more than 11% — remaining well above the rate of inflation (which had risen to 6% in March of this year).

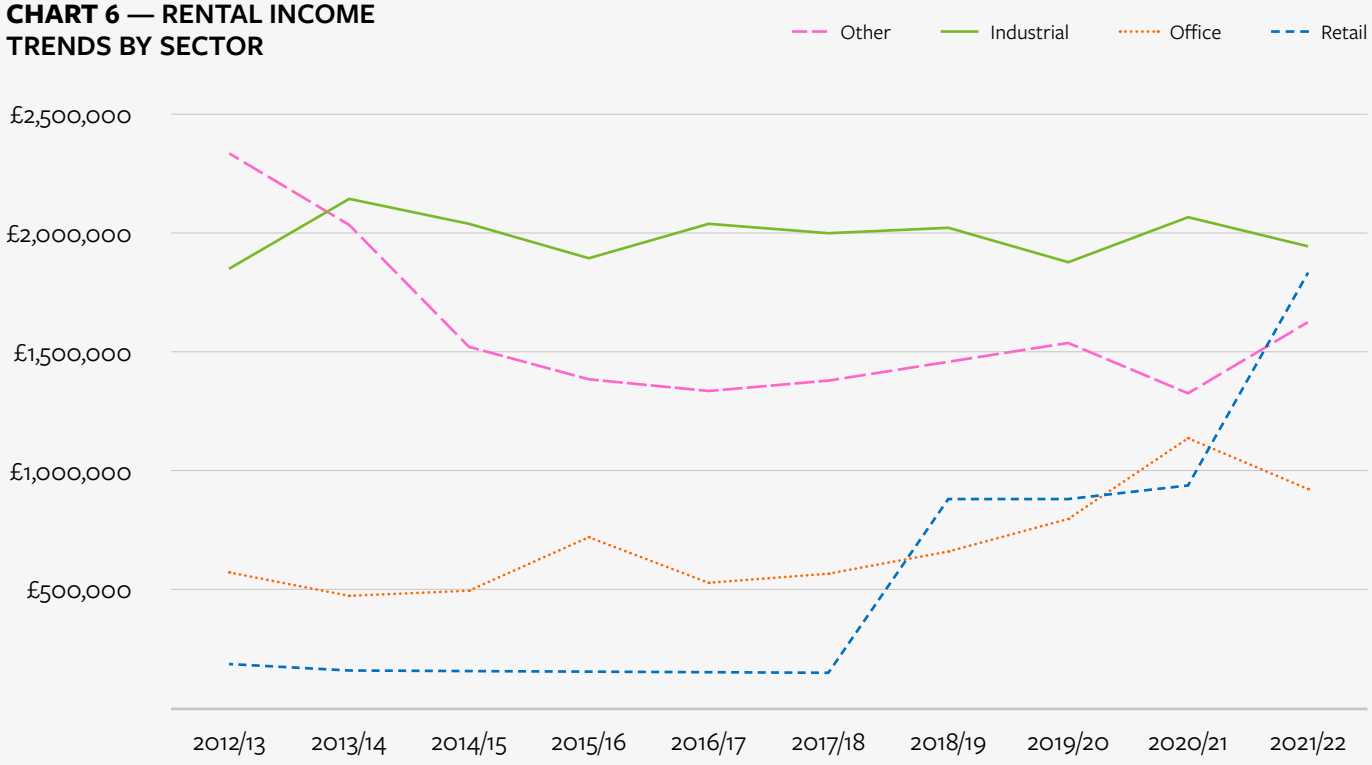
Two prominent factors driving income growth are the first full year of rent from the Travel Lodge (in the Other sector), as well as the key acquisition — in late 2021 — of a significant city retail venue in the Haymarket Shopping Centre. The shopping centre has provided immediate returns on investment, resulting in an increase in revenue income for the Retail sector, supporting an increase to the 2021/22 corporate estate bottom line.

Gross Rental Income — Corporate Estate Income by Sector

TABLE 1	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Industrial	£2,626,448	£2,537,933	£2,399,584	£2,532,444	£2,499,273	£2,513,386	£2,380,190	£2,563,544	£2,446,245
Office	£985,937	£1,005,181	£1,221,292	£1,042,773	£1,067,692	£1,169,556	£1,300,141	£1,635,991	£1,425,684
Other	£2,515,509	£2,020,207	£1,895,656	£1,846,047	£1,882,742	£1,943,574	£2,040,916	£1,842,431	£2,133,009
Retail	£671,113	£678,121	£675,269	£652,966	£658,759	£1,389,432	£1,382,731	£1,442,042	£2,332,095
Grand Total	£6,799,007	£6,241,443	£6,191,802	£6,074,230	£6,108,466	£7,015,948	£7,103,977	£7,484,007	£8,337,033

Table 1 (above) and Chart 6 (below) show the sector by sector gross rental income for the last decade.

CHART 6 — RENTAL INCOME TRENDS BY SECTOR



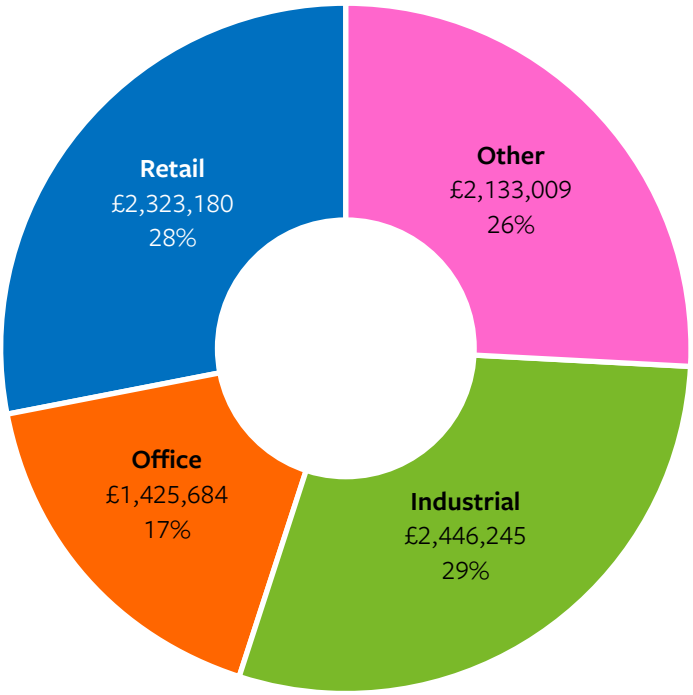
Income from the Industrial sector has fairly remained steady year on year. However, demand uncertainty in terms of space requirements to support post-COVID new ways of working has seen the 2020/2021 growth in our Office sector income reversed, although remaining above 2019/2020 income performance.

Chart 7 (left) shows the percentage of revenue income generated by each of the sectors, with the Retail sector showing the biggest change since last year — from 19% to 28%, with both the Industrial and Office sectors all reducing proportionately as a result.

The Other sector however has held its own and, with its varied portfolio including everything from advertising hoardings to hotels, it continues to represent more than a quarter of the income to the Corporate Estate.

Note: Changes in revenue across each sector have a balancing effect on the others.

CHART 7 — RENTAL INCOME BY SECTOR



This year, whilst running costs have remained stable, management costs have increased to support delivery of our short-term strategic objectives of portfolio consolidation, optimisation, and targeted investment. In addition to the newly acquired Haymarket Shopping Centre, we have added a 60-unit managed workspace to our corporate estate and, as such, management costs have increased in line with the growth in our portfolio. We are however continuing to look at efficiencies, as detailed in our Strategy in section 10 of the report.

Income growth means that, despite an increase in costs of £340,000, our net contribution to the council's revenue budget has increased by £513,000 compared to the end of 2020/2021.

Year Ended March 2021

GROSS REVENUE INCOME	MANAGEMENT / RUNNING COSTS	NET REVENUE CONTRIBUTION
£8,337,033	**£2,479,083**	**£5,857,950**

Market Rents

According to the East Midlands 2022 Market Insite report issued by Innes England, despite a strong recovery in the uptake of office space and the industrial sector continuing to perform well, there was little change to the Leicester / Leicestershire market rents for secondary office accommodation — increasing by £2 to around £20 per sq ft for prime and remaining at £12 per sq ft for secondary space. A significant amount of activity however was outside of the city centre.

Availability of office space in Leicester has increased to almost 850,00 sq ft of accommodation — generally due to the release of poor-quality space following the COVID pandemic. With 95% occupancy however, the availability of council-owned space is limited.

In terms of industrial space, take up has continued at a good pace and is expected to continue throughout 2022, although the largest of these deals was the take up of almost 850,000 sq ft outside of the city. Industrial rents have continued to move upwards to levels of £8 per sq ft for prime and £6 for secondary industrial space.

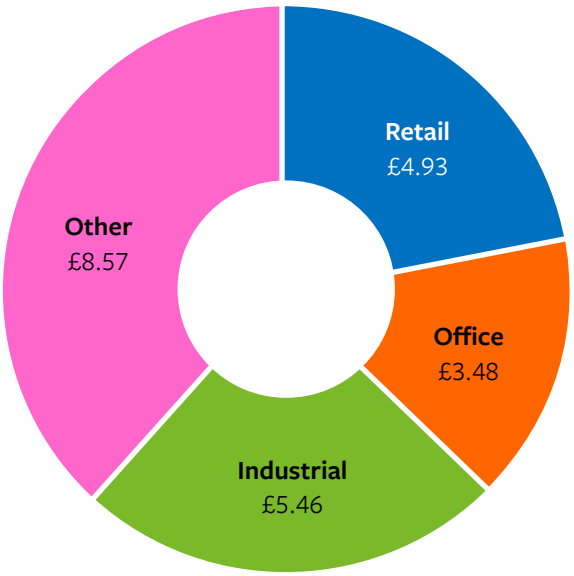
Leicester City Council's corporate estate average £ per sq ft for office space remains significantly below than the Leicester average identified by Innes England, having dropped back from the £6.94 achieved in 2021 to below £4. Our industrial market rates are however in line with Leicester / Leicestershire averages, although dropping back to 2020 levels after achieving £5.88 per sq ft in 2021.

Despite an increase from £4.08 in 2020 to £5.19 per sq ft in 2021, retails rates have moved below the £5 per sq ft mark in 2022 and are still comparably low — significantly lower than rates for prime retail park space.

Our best performer in 2022 was the Other sector, with rates increasing from £7.10 in 2021 to £8.57 per sq ft in 2021/2022.

In terms of investment, Leicester / Leicestershire recorded its highest levels since 2014. More than two thirds of the activity is attributed to the industrial sector, with significant transactions in the fulfilment / logistics services. The largest single transaction took place north-west of the city, with the Amazon fulfilment centre at Bardon being purchased for £161 million.

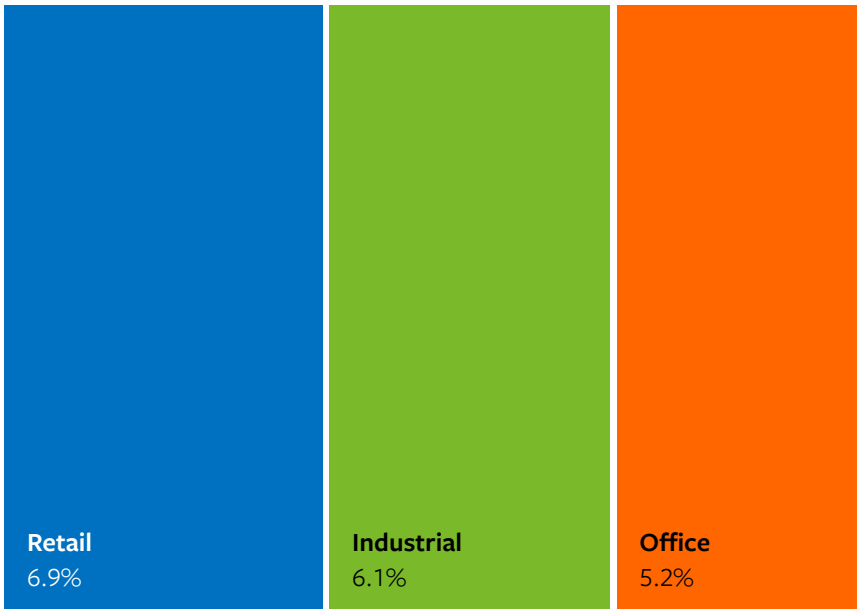
CHART 8 — AVERAGE SQ FT RATE BY CORPORATE ESTATE SECTOR



Yield

Property market yields in the traditional sectors have generally decreased in the last year, as land values have increased, and rents remain under pressure in the Office and Retail sectors. According to Savills (Market in Minutes: UK Commercial 17 March 2022) the UK average prime yield was at 4.84% and back to the level seen in October 2019 (prior to the pandemic). With acceptable yields in general, still ranging from around 3.5% to 8 or 9% (subject to risk appetite), achieving an average gross yield of 6.78% with a balanced, low risk portfolio is an excellent performance, with some sub-sectors maintaining close to double figures.

CHART 9 — GROSS YIELD BY SECTOR



The Corporate Estate returned a yield of 6.78% for the year ended March 2022 — slightly up from 6.67% in 2021, with overall revenue from rents increasing during the same period due to targeted investment / acquisitions.

The CCLA Local Authority Property Fund (used as a benchmark) returned a yield of 4.3% in the 2021 financial year, whilst the MSCI/AREF All Property Fund Index recorded a yield of 2.0%.

Chart 9 (above) illustrates the average gross yield by sector for the three main sectors in the last financial year, with the retail sector continuing to return the highest average yield at 6.9%, and the Industrial sector close behind at 6.1% — both slightly below the performance achieved in 2020/2021.

Both gross revenue income and average yield from the corporate estate have increased by more than 10% in the 2021/22 financial year, although it is important to understand that, in calculating yields, the capital valuation of a portfolio is a significant factor. In line with what has been happening in the rest of the UK, local land values have generally appreciated although, as previously stated, in the case of the corporate estate portfolio, such appreciation generally relates to development value rather than existing use of the land. Instances where land and property valuations have decreased minimally, such as the neighbourhood shops, means that yield is affected positively.

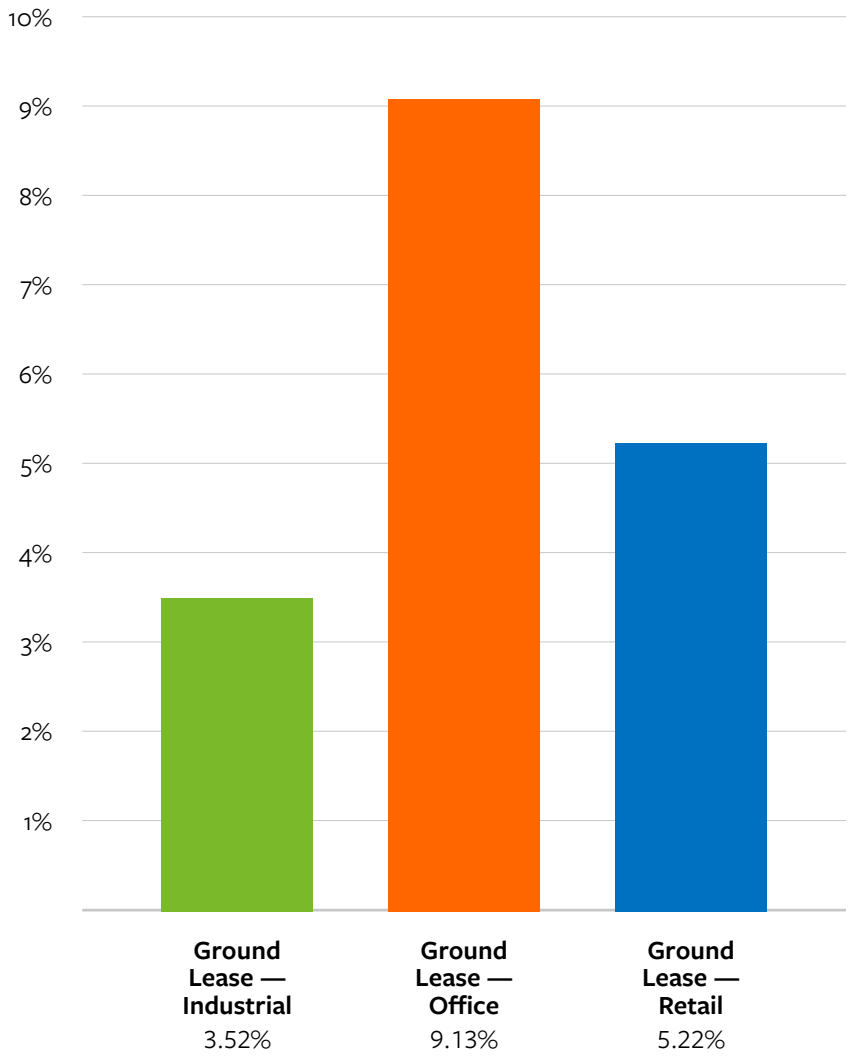
When we look at the yield performance of some of the sub-sectors, we can see a clearer picture in terms of performance, with a number of sub-sectors generating gross yields of around 10%. The most marked differences from 2021 are the increase in yield in the Rack Rented Retail sector — for the most-part linked to our purchase of the Haymarket Shopping Centre — and the reduction of yield in the Rack Rented Industrial sector, where land and property values have increased and rents have remained stable. The Office sector revenue has also been impacted by void turnover in 2021/22 as a result of the pandemic and changes to the way in which local businesses are working.

Yield in Detail

Yield is generally used to compare the financial performance of property investments and, as noted above, they are influenced by the quality of the assets (e.g. location, sector, condition, supply and demand) and the associated investment risk. With a balanced portfolio, the corporate estate therefore incorporates some low risk, low return investments.

Ground leases are generally held in the portfolio as steady, long term leases that have a strategic role in minimising the revenue risk of the corporate estate as a whole. Whilst ground leases in the three main sectors are generally lower than average performers, the impact of planned rent increases in recent years — particularly in the Office sector — means that yield performance has increased to levels that are aligned to the rest of the portfolio.

CHART 10 — AVERAGE GROSS YIELD GROUND LEASES (LOW RISK)



It should be noted that a lower yield is not necessarily due to poor performance (and is not always of concern), as low yields are generally related to the low risk involved with the investment. Examples in the Corporate Estate include our ground leases — that provide a long-term income — as well as the neighbourhood shops that we hold for purposes that are secondary to income generation.

The average yield of 6.78% achieved this year by the corporate estate is a very good performance in comparison to the likes of the CCLA Local Authorities Property Fund (2021 used as a benchmark) and the MSCI/AREF All Property Fund Index (2021), with the council achieving yields — subject to sector — ranging from 3.5% to 10%.

CHART 11 — YIELD CONTRIBUTION BY SECTOR SUB-TYPE

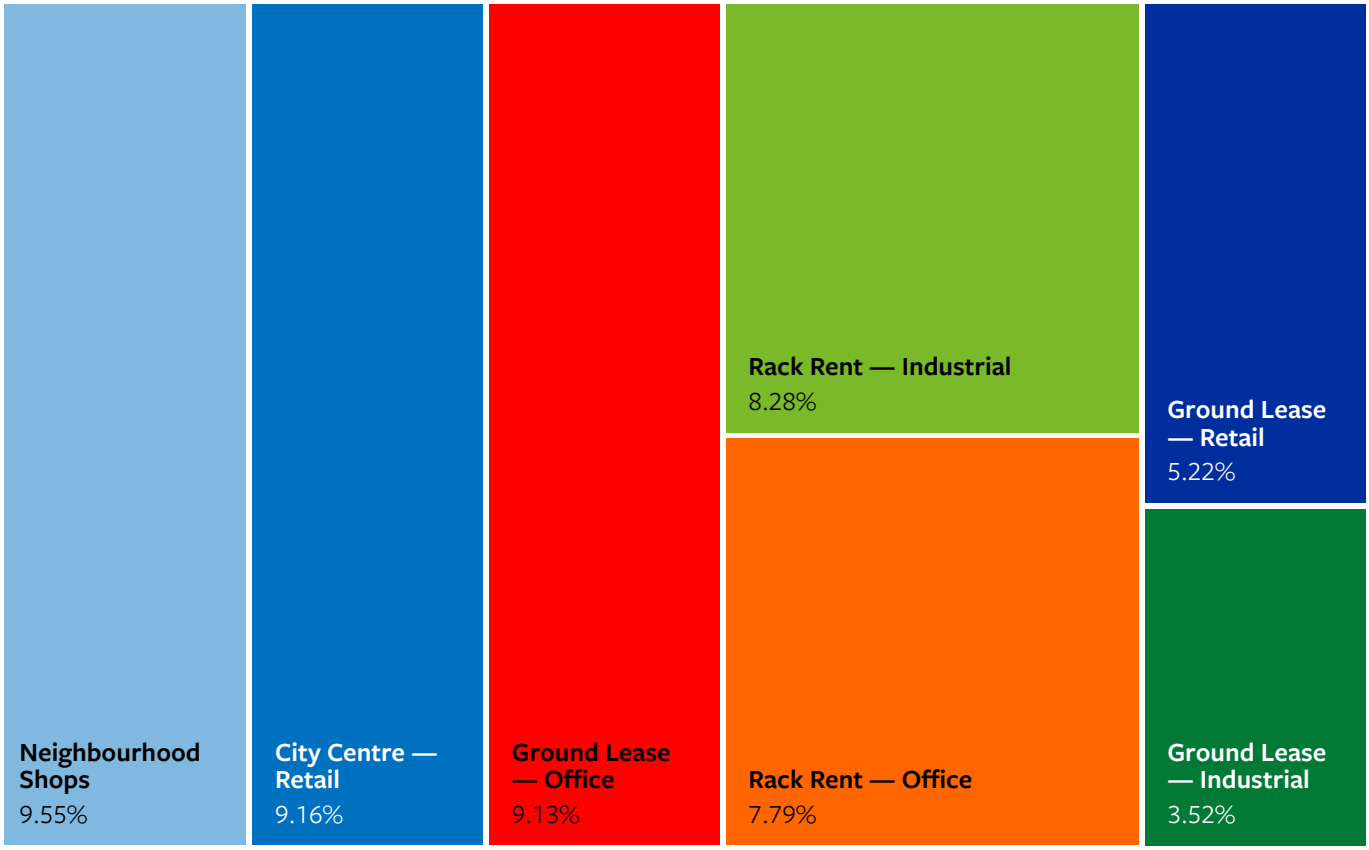


Chart 11 (above) provides a breakdown of yields across a range of sub-sectors within the Retail, Industrial and Office sectors. Whilst the rack rented Industrial sector has consistently performed very well for some years, and continues to do so, there has been a shift for the year ended March 2022. Despite the market turbulence in 2020/2021, the best performing sector in terms of yield for the second year in a row was the Retail sector. Both city centre retail and the neighbourhood shops have achieved an excellent yield of more than 9% this year, as the retail sector starts to recover, and vacancies are in our shops are starting to be filled.

PORTFOLIO SECTOR	YIELD	INDICATOR	PERFORMANCE REVIEW
Industrial			
Ground Lease — Industrial	3.5%	Lowest Yield / Low Risk / Stable	Minimally down from 2021. Our industrial ground leases are generally long-length leases that are low risk in terms in terms of demand and rent volatility and offer us stability and longer-term sustainability — hence the lower than average yield.
Rack Rent — Industrial	8.3%	Good Yield	A well-performing sector with long-term tenants that continue to have confidence in the council as their landlord. Down from 2021 levels, with opportunity to increase further as rents are aligned to market rates.
Office			
Ground Lease — Office	7.8%	Good Yield / Some Risk	Down from 2021 levels due to increasing land and property values and some voids / void turnover as a result of the pandemic. There continues to be some risk in this sector in the future as working practices change.
Rack Rent — Office	9.1%	Very Good Yield / Low Risk	Low risk ground leases providing a stable, sustainable revenue, and bolstered recently by pre-planned rent increases.
Retail			
City Centre — Retail	9.1%	Very Good to High Yield / Turbulent	City centre retail space that brings in a very good yield. Yield performance is high due to the historic nature of the holdings, although an increased capital valuation in 2022 — due to rising land values and growth in sector holdings — has resulted in a reduction in capital yield — down from a very high 16% last year when land values were lower. This is despite 2022 seeing increased revenue returns from rent.
Ground Lease — Retail	5.2%	Good Yield / Low Risk / Stable	No change since 2021. Longer-length leases with a lower risk that the city centre retail space. A stable performer with low risk attached.
Neighbourhood — Retail	9.6%	Very Good Yield / Held for Community Benefit	An increase in yield compared to 2021 as voids have been filled and trading returns to normal. Based in community settings on our local authority housing estates, and generally tied to our housing portfolio by way of flats above the shops, this sector is held to provide communities with local, convenient, neighbourhood shopping facilities.

The Haymarket Shopping Centre

"In the first six months of ownership, we have been working hard to understand the asset better, establishing our operational team and embedding them into the successful running of the centre. We have also been proactive in securing long term sustainable income streams with quality occupiers, most notably agreeing a 15-year extension to the lease with Tesco".

Matthew Wallace
Director of Estates and Building Services

7. Climate Emergency

Statement of the Sustainability Team for the Year Ending 31 March 2022

Leicester City Council declared a Climate Emergency in February 2019 and launched a Climate Emergency Strategy and Action Plan in 2020, with an ambition for the city to be carbon neutral by 2030.

The Action Plan has been updated in 2022 and a roadmap study has been undertaken to advise on a pathway to reach the carbon neutral ambition for the city. Following the creation of a new post to lead on the decarbonisation of our estate, the OpENZ (Operational Estate Net Zero) Programme has been established to plan and manage our steps to decarbonising the operational estate. The existing decarbonisation measures, funded through our successful bids the Government's Public Sector Decarbonisation Fund, are now part of OpENZ and are expected to deliver in the region of 2000 tonnes of annual carbon savings at a cost of around £26 million.

As well as tackling emissions from the operational estate, we will need to assess opportunities in the Corporate estate including giving consideration to:

- Use of current land assets for renewable energy generation, biodiversity gain and climate change adaptation measures.
- Generation of renewable energy from buildings in the corporate portfolio to provide investment returns as well as carbon savings and local energy resilience.
- Future site acquisition to enable development of key infrastructure for the low carbon transition e.g. large-scale renewables or energy storage.

We will also need to consider the opportunities to improve the energy efficiency and performance of the corporate estate. The roadmap study demonstrates that substantial reductions in energy demand will be necessary across the entire building stock in the city by 2030. In addition, the Government plans to introduce uplifts to the Minimum Energy Efficiency Standards (MEES), which are expected to require non-domestic rented property to reach a minimum EPC 'C' rating by 2027 and a 'B' by 2030.

The majority of businesses occupying our corporate estate properties purchase their own energy, which is not included in the annual published figures for the council's carbon footprint. However, the published figures do include emissions from energy purchased by the council for parts of the corporate estate — such as for landlord managed areas.

Over the 2020/21 financial year carbon emissions from the council's estate have reduced by 20.3% compared with the previous year. Whilst emissions have been falling year on year, the reduction last year was much higher due to full or partial building closures as a result of the Covid-19 pandemic. Electricity-related emissions fell the most, by 33.8%, which is also a result of ongoing decarbonisation of the grid, fitting of solar PV panels to council buildings and replacement of lighting and equipment with more efficient models.

Anna Dodd and Donna Worship
Energy and Sustainability Manager

Statement of the Deputy City Mayor

Over recent years the impact of climate change has been clearly seen across the globe, from devastating drought and fires in Australia, to the Canadian heat dome and catastrophic floods in Germany last summer and the climate-related crop failures being seen in India this year. Last year's COP26 climate summit in Glasgow brought home to us all just how critical it is for every government, city and community to act now — and with urgency.

In this country we have recently recorded record high temperatures and here in Leicester, we are acutely aware of our particular geography and the risk of intense rainfall and increasing temperatures. This means we need to ensure the sustainability of our growing city and a quality of life for all the people who live here and who will live here in the years and decades to come — our global obligation is also a local one. Now, more than ever we recognise the need to act, and for Leicester to play its part in delivering on its Climate Emergency commitment.

The council is addressing our own emissions from buildings and services and also working with organisations and the wider public to build momentum and action across the city, including a newly launched Climate Emergency Partnership. Our programmes to decarbonise our own estate show leadership and innovation and as we develop the local expertise to expand and deliver this work, the whole city, its residents, the economy and the wider environment stand to benefit.

Councillor Adam Clarke
Deputy City Mayor
Environment and Transportation

"To avoid having its assets fall into obsolescence and lose economic viability, the commercial real estate sector needs to:

- Accelerate the decarbonisation of its building stock
- Mitigate the risks posed by climate change and
- Respond to investors' demands for truly sustainable buildings, marked by the rise of ESG reporting
- and sustainable finance."

RICS UK Commercial Real Estate Impact Report March 2022

8. Financial Statement

Corporate Estate Out-turn for the Year Ending 31 March 2022

Number of units — 1267

Valuation as at 31/03/22 — £123m

The corporate estate net return to the council at the financial year ending 31st March 2022 was £5.858 million. Income generated from these assets is budgeted for and included in the council's revenue budget.

It was previously highlighted that guidance from MHCLG (Ministry of Housing, Communities & Local Government) and CIPFA (Chartered Institute of Public Finance and Accountancy) warns against investment activity which is disproportionately large in relation to an authority's finances.

With land and property investment income from the corporate estate accounting for 2.03% of the council's net revenue budget in 2021/2022, it continues to represent a manageable risk in relation to the overall revenue budget.

Stuart McAvoy
Head of Finance

The council's Capital Strategy approved in February 2021 included the following statements:

a) The council will not make commercial investments in property purely to generate income. Each investment will also benefit the council's service objectives (most probably, in respect of economic regeneration and jobs). It will, however, invest to improve the financial performance of the corporate estate;

b) The council will not make investments outside of the LLEP area (or just beyond its periphery) except as described below. We would not, for instance, borrow money to buy a shopping centre 100 miles from Leicester;

c) There is one exception to (b) above, which is where the investment meets a service need other than economic regeneration. An example might be a joint investment in a solar farm, in collaboration with other local authorities; or investment in a consortium serving local government as a whole. In these cases, the location of the asset is not necessarily relevant.

Nick Booth
Treasury Manager

9. Managing Risk

In managing its portfolio of commercial land and property, Leicester City Council has the following risk management arrangements in place:

- An Investment Strategy considered by council, that limits the exposure of the council's in terms of property investment.
- A varied and balanced land and property portfolio that spreads risk across a number of sectors and investment types.
- A strategy that prioritises security over yield and provides a commitment to support the local economy by providing accommodation for local businesses.
- Contributing 2.03% of the council's 2021/2022 net revenue budget, income from the council's portfolio of land and property represents a manageable risk in relation to the overall budget.
- Robust governance and transparency around proposed commercial acquisitions and disposals and the performance of the corporate estate, ensuring that appropriate due diligence is undertaken in making estate management and investment recommendations.
- A diverse directly employed team with a range of commercial and estate management expertise ensuring the authority has the skills and capacity to make investment recommendations with due regard to risk, and to manage the investments over the long-term.

The council's corporate estate portfolio has remained stable in recent years in terms of its asset numbers, its make-up in terms of sector classification, its overall capital value, and its income. With recent uncertainty in the market, our strategy to optimise the performance of our existing estate and to take our time in considering our investment and growth options has proved to be a sensible one, with a key acquisition in late 2021 having a further positive impact on a good portfolio performance.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10. Outlook and Strategy for 2022/2023

The RICS UK Commercial Property Survey Q1 2022 highlights the continued strength of demand in the Industrial sector, with the Office sector recovering and Retail demand remaining stable, compared to subdued activity in the Retail and Office sectors 12 months ago.

The RICS UK Commercial Real Estate Impact Report March 2022 comments that "The periods of lockdown and restrictions made necessary by the pandemic have forced many commercial tenants to halt their business activities or operate at lower capacity, while most shopping moved to online outlets, accelerating a trend that was already in place. Working from home became the new normal for office workers, which prompted both employers and employees to question the traditional role of the office as the place where work gets done. The recovery from the pandemic is on its way, but it remains to be seen to what extent the changes of the last two years will be reversed, and how they will impact the economic viability of existing and prospective assets".

The performance of our portfolio, despite the market turbulence, shows that the outlook for our corporate estate remains good, although the anticipated growth in hybrid working will undoubtedly affect the demand for office space and we will need to maintain high quality space to ensure that occupancy levels and yields remain high. In addition, we should consider the opportunities to continue to develop our space to attract and meet the growing demand for flexible, local, shared office space solutions — presenting an opportunity to enhance and strengthen our local Managed Workspace offer.

According to Clare Bailey, Director of Commercial Research at Savills UK (Market in Minutes: UK Commercial — March 2022) "The growth of the technology sector shows no signs of slowing, and the UK's regional office markets present many attractive opportunities for both start-ups and established tech firms looking for high-quality office space".

The strength of our existing Industrial portfolio, along with our ability to maintain almost 100% occupancy, continues to tell us that our investment activity should be focussed on this sector. Supply of available industrial space is shrinking, whilst demand is high, and optimising and investing in our stock will support a growth in rental and capital values in the coming years, in a sector that currently presents low risk.

Whilst supporting our city centre and neighbourhood shopkeepers in a challenging post-pandemic recovery period is key in terms of offering more flexible lease structures, we can maintain strong asset values and improve the vibrancy of our city centre and neighbourhood shopping spaces by investing and increasing the service life — and the energy efficiency — of our stock. This includes both our indoor and outdoor space use, potentially transforming and / or repositioning some of our assets to mixed use in order to optimise benefits and to maintain an attractive retail proposition in the future.

With commercial property investment volumes in the first quarter of 2022 at 35% higher than the same period in the previous year (Savills UK), and the strategic acquisition of the Haymarket Shopping Centre under our belt, we continue to assess the potential for more beneficial use of the land in our existing portfolio, whilst maintaining the necessary balance across a broad range of sectors to minimise risk.

Short Term Strategic Focus — Consolidation, Optimisation and Targeted Investment

In our last report we set out our Strategy and the areas of activity that we are focusing on in our management of the council's corporate estate portfolio. With a short-term focus on Consolidation, Optimisation and Targeted Investment, and a medium to long-term focus on Sustainable Growth, we are pleased to report significant progress in relation to the following key strategic activities:

1. Income and Yield Enhancement by Making the Most of our Current Portfolio:

- **Ensure that all tenants are paying appropriate market rents**

  We are reviewing our leases, modernising lease covenants as appropriate, and ensuring that our rents are competitive and in line with market rents. We expect to generate revenue growth of more than 10% from this activity.

  We are developing a transparent decision-making framework in relation to requests for below market value (BMV) commercial rentals.

  In addition, we are introducing improved policy provisions for rent review periods, conversion to geared leases, break clauses and lease length to support future revenue growth and risk management.

- **Provide more transparent service charge information to tenants and improve the service charge collection process**

  We have improved the quality of our service charge schedules and are ensuring that Annual Service Charge Schedules are to RICS Standards with enhanced direct debit collection processes.

- **Re-purpose appropriate surplus operational assets to create prime office / business space**

  Prime operational sites — such as Phoenix House — have recently been vacated and are being marketed for letting as part of the corporate estate portfolio.

- **Maintain high occupancy and minimal void periods through improved property marketing including introducing an on-line, interactive property shop**

  We are developing our specification that will enhance digitalisation of our workflows and channel shift our enquiry management processes to improve the customer experience.

2. Risk Management:

- **Review our Retail Strategy to challenge our objectives and determine the level of our future presence**

  We have adopted a Retail Strategy that recognises our commitment to maintain a city centre retail presence, supporting the retail recovery through flexible leases and incentives, along with additional planned investment and strategic acquisitions such as the Haymarket Shopping Centre; and that continues to acknowledge the importance of our locally based shops in serving the communities. We are investing almost £1 million in improvements in the Neighbourhood Retail sector.

- **Capitalise on opportunities to decarbonise our estate in line with MEES legislation**

  We have been awarded over £24 million in funding to capitalise on opportunities to decarbonise our estate by retrofitting measures to existing operational buildings, as well as more than £2.5 million to support SMEs in improving their energy efficiency. We will continue to seek out funding that can support us in our move towards improving the EPC ratings of our commercial portfolio and working towards our net zero target.

3. Customer / Occupier / Tenant:

- **Continue to support the local economy by maintaining a balance of commercialism and social value in our property offer**

  In addition to adopting our Retail Strategy, in 2022 we are developing a strategy for our Managed Workspaces and reviewing our holdings in the Other sector (such as car parks, garages and residential).

- **Manage our tenant debt sensitively (both short-term and aged debt)**

  With the moratorium lifted, we are working with our occupiers on a sensitive post-pandemic recovery ensuring that we liaise closely with tenants to provide and support affordable solutions as appropriate, as well as signposting to grant / funding opportunities.

- **Transition of regeneration workspaces to the corporate estate (based on an agreed regeneration to commercial lifecycle)**

  Leicester Business Centre transferred from our Economic Regeneration portfolio to our corporate estate portfolio, with the addition of managed workspace assets such as Dock 2 and the Gresham Building to the Regeneration portfolio.

  As part of our review of our Managed Workspace offer we will also consider how we can target investment in modern small business units for start-ups and medium-sized grow-on space to support local business growth and meet changes in business working practices.

We are continuing to focus on Sustainable Growth and our medium to long term objectives to:

- Invest in our high-performing and strategically important sites to provide a secure and sustainable revenue income;
- Consider disposal of ageing /difficult to let / sub-optimal estate — generating capital receipts to invest back into our estate;
- Seek out investment opportunities in lower-risk growth sectors such as industrial, food or retail distribution / warehousing — sale and leaseback opportunities reduce risk further;
- Work with OPE partners to enhance inward investment opportunities;
- Invest in evidence-driven local growth (identifying sites for potential construction of new units / being responsive to the Local Plan);
- Consider new sector post-pandemic investment opportunities.

Market Commentary

"The re-emergence of retail and rebalancing of total returns

Stock selection based on total returns has been straightforward in recent years, with retail averaging -8% in 2019 and industrial averaging +7%. However, the next five years will see an increasing convergence between the main sectors as capital values start to rise in some parts of the retail market, and their rate of growth slows in the industrial sector. These trends, combined with the generally higher income return that is present in retail, will mean that by the end of our five-year forecast period there will be less than 100bps spread between the average total return on retail and that on industrials, with offices sitting between the two. So, what should you buy? The key word earlier in this paragraph is 'average', and we expect to see a much wider spread between the best and worst in offices and retail than in industrials. In retail, we continue to favour retail warehousing, though across all retail there will be a shortage of high-rated ESG-compliant assets, and these will be increasingly hotly sought-after by global retailers.

Logistics will generally remain the safest sector, albeit with its own environmental challenges. For offices, location and ESG criteria will remain the key to outperforming the average."

Savills (UK Cross Sector Outlook 2022)

"Retail Review — Overview

The high street faced continuing challenges across 2021, with occupiers and landlords alike adapting to the structural change in the retail market. The market is adapting in different ways as the increase in online sales in 2020 continued in to 2021, with the number of online sales as a % of total retail sales reaching a new high of 38% in January. Despite this, the re-opening of non-essential retail as well as the relaxation of restrictions on hospitality and leisure venues attracted consumers back to our high streets. The footfall data shows Nottingham at 83%, Leicester at 93% and Derby at 102% of pre-pandemic levels."

Innes England (Market Insite Brochure 2022)

"Business Challenges

The UK commercial real estate sector is facing major challenges impacting its business performance and viability:

- The current national and international contexts are marked by uncertainties associated with structural changes, recovery from the COVID-19 pandemic, Brexit, the impact of inflation and rising energy prices and concerns about rising political instability.
- The pressure created by structural changes and investors' requirements increases the need to:
  - understand and adapt to changing customer demands
  - upgrade assets and contribute to levelling up objectives, and
  - digitalise business and asset operations."

RICS UK Commercial Real Estate Impact Report March 2022

11. Closing Statement

The breadth of our portfolio structure — which is wholly invested in the local area — alongside a strategy that is underpinned by robust governance and strong risk management, has enabled us to maintain a good revenue return and capital yield year on year, despite recent market conditions.

Whilst the value of investment transactions completed last year in Leicester and Leicestershire was more than double the value in Nottingham and two thirds higher than in Derby, the council's investment activity has been measured and targeted, in line with our corporate estate strategy. To that end, we have considered acquisition opportunities carefully, and made a long-term strategic investment by purchasing the Haymarket Shopping Centre.

Our strategy is not governed solely by revenue or yield, rather our activity is focussed across a range of areas to optimise returns, maintain good quality stock, and improve the covenant quality of tenants, whilst providing a range of accommodation to support local businesses.

Our focus on robust governance and driving sustainable revenues, means that we are investing in our people whilst ensuring that portfolio management and running cost efficiencies are realised wherever possible, in order to enhance the net contribution that the corporate estate makes to the council.

In addition to maintaining a balanced spread of different types of property, we keep the portfolio under review on an ongoing basis. We continuously assess options to re-purpose and invest in assets that we already hold and that have a reasonable service life that can provide beneficial returns, as well as considering the timing of disposals.

In terms of asset condition and sustainability, like others, we are aware of the challenges that some of our portfolio stock may have in meeting the impending changes to minimum energy efficiency standards for commercial property, and we take our role in leading the city to its net zero ambition very seriously.

To that end, we will continue to pro-actively manage our portfolio — its suitability and performance, as well as its financial returns — and continue to apply environmental, social and governance (ESG) considerations to our investment and management activity, ensuring that our portfolio remains stable and sustainable.

Richard Sword
Strategic Director for City Development and Neighbourhoods

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Notes

- As one of the UK's largest local authority and charity fund managers, the CCLA manages investments for the public sector, charities and religious organisations. Investments include the Local Authorities Property Fund that aims to provide investors with a high level of income and long-term capital appreciation.