

GREATER MANCHESTER PENSION FUND

PROPERTY WORKING GROUP

30 October 15

Commenced: 9.30am

Terminated: 11.25pm

Present: Councillors S Quinn (Chair), J Fitzpatrick, Dennett, Halliwell, Ward, J Lane and Mr Drury

Apologies for absence: Councillor M Smith

8. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members of the Working Group.

9. MINUTES

The Minutes of the proceedings of the meeting of the Property Working Group held on 24 July 2015 were approved as a correct record.

10. MANAGEMENT SUMMARY

The Executive Director of Pensions submitted a report highlighting key current issues in the management of property portfolios within the Greater Manchester Pension Fund (GMPF).

It was reported that travellers had entered the Fund's site in Stalybridge in September 2015 and that legal action was taken at the earliest opportunity to ensure the travellers left the site as soon as possible.

With regard to valuation, performance and allocation, it was explained that there had been a valuation of the direct portfolio as at the end of September as part of the requirements for MoJ assimilation into the main fund. Initial results showed a capital uplift of 4.12% (£12.82 million equivalent on standing properties) over the last quarter and 4.8% (£14.83 million equivalent) over the 9 months from the last external valuation in December 2014.

It was explained that LaSalle would be presenting their quarterly report to the Working Group and highlights from their report were outlined, in particular the recent purchase of 3 – 8 Whitehall Place, London.

GVA would also be reporting to the Working Group and it was explained that the presentation would concentrate on activity at two key sites showing the progress achieved during the last quarter and the actions to be carried out over the coming quarter.

The Assistant Executive Director commented on ways in which GVA could work more effectively on the mandate were being addressed and to this aim a draft set of Investment Mandate Guidelines had been produced for Members approval. The document would regulate the activity of the manager and act as a guide for staff at GMPF in overseeing the portfolio and as a reference point for Panel/Working Group Members when reviewing the management of GMPVF. A copy of the guidelines was appended to the report.

Discussion ensued with regard to the GVA portfolio and Members raised concerns with the lack of progress on some sites within the portfolio. The Assistant Executive Director, agreed that progress on some sites had been disappointing, however made reference to the proposed guidelines and explained that officers had been working with GVA to establish new terms of engagement as part of this contract.

With regard to overseas investment, Members were reminded that the original investment strategy and investment guidelines for investing in overseas property had been agreed by the Working Group on 30 January 2015. It was reported that investments were being made in accordance with these guidelines and commitments made and draw downs to date were detailed in the report.

A report would be submitted to the next meeting of the Working Group on 19 January 2016, reviewing the strategy for overseas investments alongside other property investments. The Working Group recommendations would then feed into the overall Fund Investment Strategy Review.

In respect of Aged Debt, it was reported that the write off of debts owed by tenants that were in administration were reported and Members were informed that the Fund would pursue what it was owed through the administration process.

RECOMMENDED

- (i) That the content of the report be noted; and**
- (ii) That the Investment Guidelines for GVA be approved.**

11. PROPERTY RELATED AGED DEBT AS AT 19 SEPTEMBER 2015

The Executive Director of Pensions submitted a report summarising the aged debt for the two property portfolios (Main Property Fund and Greater Manchester Property Venture fund (GMPVF) as at 19 September 2015. The procedure for the collection of debt and the reminder process was explained to the Working Group.

It was reported that the value of Property Aged Debt for the fund as at 19 September 2015 was £0.757 million, compared to £0.833 million at 19 June 2015. An overview of the debt position was given including a summary of debt across the two areas and totals. GMPVF debt had moved very marginally in amber status, and no new material issues had arisen.

The highest value debts for each area were detailed in the appendices to the report. The key trends were that total and net debt had decreased from June to September.

RECOMMENDED

That the content of the report be noted.

12. LASALLE QUARTERLY REPORT

The Working Group welcomed Tom Rose, Fund Manager, and Rebecca Gates, Head of UK Asset Management, La Salle Investment Management, who attended the meeting to present the GMPF main property portfolio quarterly report for quarter three 2015.

Mr Rose and Ms Gates highlighted the following areas:

- Portfolio summary;
- Performance to December 2014;
- Structure and Composition of the Portfolio by Sector;
- Activity Update and Annual Strategy Progress;
- Purchases and Sales; and
- Asset Management Summary.

It was reported that during the quarter, the purchase of a government-let office investment in Whitehall, London had been completed and the terms were reported to the Working Group. Contracts had also been exchanged for the club deal acquisition with 4 other investors of an office campus in East India Dock, London.

The Working Group was informed that two further direct property sales had been completed during the quarter with a combined price of £14.7 million; £2.9 million above valuation.

The structure and composition of the portfolio by sector was outlined and an update was provided on activity and purchases and sales were listed and discussed in detail.

Members expressed concern with regard to the letting of student accommodation at The Hive, Bethnal Green, London. Mr Rose and Ms Gates concurred and explained that there had been problems with the company undertaking the management and letting of the building, but they were confident that by replacing the managing agent and improving the booking system these had been resolved and that there was a positive outlook for lettings going forward.

The Chair thanked Mr Rose and Ms Gates for their presentation and also thanked them for the recent tour of the Whitehall Building, which had been very informative.

13. GVA QUARTERLY REPORT

The Working Group welcomed Jonathan Stanlake and Gareth Conroy of GVA who attended the meeting to present the GVA quarterly report. The report focussed on activity at two sites, the Island Site, Manchester City Centre and a potential loan in respect of a residential development in Trafford. A brief update was also given on the progress at the other GMPVF sites.

Island Site, Manchester City Centre – it was reported that the planning position had been confirmed with Manchester City Council and fee proposals had been received from design architects and heritage architects and practices appointed.

Soft market testing with potential development partners was ongoing and heads of terms for a new lease had been agreed with a restaurant and details of other management activity were given.

Residential Property Development, Trafford – it was reported that terms had been agreed for GMPVF loan of £8 million to a developer alongside a loan from GM Housing Fund. Members were advised of the terms of the loan. It was further reported that there was a future pipeline of GMPVF opportunities both with the developer and GM Housing Fund.

Financial performance information was provided for each site to show the current market valuation when compared to the cost to GMPVF, together with the return to the fund from the date of acquisition taking into account all income and expenditure to date. It was explained that sites would generally not show a positive internal rate of return until development had been completed which would be at the end of the project lifecycle.

The report also gave an update on existing assets at:

- Calver Park, Warrington;
- Stalybridge West, Tameside;
- Former Sorting Office, Stockport;
- Preston East, J31 M6;
- Wilmslow Road, Didsbury;
- Old Haymarket, Liverpool City Centre;
- Chorlton Shopping Centre, South Manchester;
- Martland Park, Wigan;
- Unity House, Wigan;
- Globe Park, Rochdale; and

- One St Peter's Square, Manchester City Centre.

The Working Group was also provided with a schedule of fee expenditure incurred on development activity during the previous quarter for each site and a RAG (Red, Amber, Green) analysis showing the progress of development activity undertaken during the last two quarters to March and June 2015 respectively and the current prediction on final viability.

Mr Stanlake and Mr Conroy also presented proposals for another housing opportunity in a partnership between GMPF and Tameside Council and plans for possible sites were circulated and discussed.

RECOMMENDED

That the content of the report be noted.