

## **GREATER MANCHESTER PENSION FUND - PROPERTY WORKING GROUP**

**Friday, 28 July 2017**

**Commenced:** 9.00 am

**Terminated:** 9.50 am

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

**In Attendance:**

Sandra Stewart	Director of Pensions
Paddy Dowdall	Assistant Director of Pensions (Local Investments and Property)
Tracey Boyle	Head of Pensions Accountancy
Nigel Driver	Investment Manager (Property)
Andrew Hall	Investment Manager (Local Investments)

**Apologies for Absence:** Councillors M Smith, Barnes, Grimshaw and Mr Allsop

### **1. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **2. MINUTES**

The Minutes of the meeting of the Property Working Group held on 13 April 2017 were approved as a correct record.

### **3. MANAGEMENT SUMMARY**

The Assistant Director of Pensions (Local Investments and Property) submitted a report, which provided an overview of property investments and a commentary on issues and matters of interest arising over the last quarter in relation to the Fund's property investments.

The allocations to property investments and their current weightings as at 30 June 2017 were outlined to the Group. It was noted that the Fund were slightly under their allocation due to the strong performance of the Fund over recent years. This had proved to have had a positive impact for 2016/17 and steady progress had been made.

It was reported that the Management Panel had considered an investment strategy for the whole Fund at their meeting in July. The allocation of the Fund to property investments was aiming for 4% for 2017/18 rising to 5-6% in subsequent years.

Reference was made to the recent tragic events at Grenfell Tower in Kensington and Chelsea and the associated health and safety issues. The ongoing enquiry would likely have recommendations that would have long term implications for health and safety requirements in multi occupation buildings. The Fund would take steps to ensure that its portfolio met not only current standards but best practice in this area and the external managers had been given clear instructions to undertake a review of the portfolios.

### **RECOMMENDED:**

**That the report be noted.**

#### **4. PROPERTY RELATED AGED DEBT AS AT 19 JUNE 2017**

The Assistant Director of Pensions (Local Investments and Property) submitted a report summarising the aged debt (31 days and over) for the two property portfolios (Main Property Fund and Greater Manchester Property Venture Fund) as at 19 June 2017.

An overview of the debt position was given including a summary of debt across the two areas and totals. Total debt had decreased slightly from £0.316 million at March 2017 to £0.309 million as at 19 June 2017.

It was noted that procedures for collection of debt were complied with and were working well, Greater Manchester Property Venture Fund debt remained very marginally within amber status but this was not material at present.

The highest value debts for each portfolio were detailed as per the appendices to the report. The policies for debt recovery were unchanged and there were currently no payment plans in place.

A risk profile was provided, which showed that across the two funds, raised debtor invoices totalled £39.6 million with £0.309 million (0.78%) of this outstanding at 19 June 2017.

#### **RECOMMENDED:**

**That the report be noted.**

#### **5. GVA QUARTERLY REPORT**

The Working Group welcomed Jonathan Stanlake of GVA who attended the meeting to present the GVA quarterly report for Quarter 2 2017. The report summarised the financial allocation to the committed projects and the indicative allocation required for projects currently undergoing due diligence.

The presentation focussed on the performance of the Greater Manchester Property Venture Fund, the progress to date on business plans of existing properties and identification of new investment opportunities. The investments were outlined to the Working Group and split into 'committed sites' 'advanced due diligence' and 'active review'. It was reported that there had been a significant increase in sites under 'active review' and 'committed sites' when compared to quarter 4 2016.

Charts detailing the portfolio overview by sector showed greater diversification over the four sectors (office, suburban residential, city centre residential and other) with a substantial increase in committed and pipeline sites. A year by year portfolio investment projection was shown, which detailed a steady increase in capital deployed.

Priorities for the forthcoming year were outlined and included converting existing deals in advanced due diligence status, continuing to balance the portfolio, increasing residential development and addressing market challenges and opportunities. An example of a rejected opportunity was provided and the reasons for that rejection were outlined.

New and progressing opportunities were presented and included Soapworks, Broadfield Business Park, Irwell Riverside, Chorlton shopping centre, First Street Manchester, Owen Street Manchester, Island Site, Matrix Homes Manchester, Wilmslow Road Didsbury, Circle Square and Princess Street Manchester.

Financial performance information was provided for each site to show the current market valuation when compared to the cost value to the Fund, together with the Internal Rate of Return from the date of acquisition, taking into account all income and expenditure to date. It was expected that sites would not show a positive return until development had been completed.

The Working Group was also provided with a RAG (Red, Amber, Green) analysis showing the progress of development activity undertaken during the last three quarters to June 2017 and the current prediction on final viability.

Mr Stanlake informed the Group that fire safety of sites was of utmost importance and GVA were working with GMPF on a risk analysis of the Fund's portfolio commencing September 2017.

**RECOMMENDED:**

**That the report be noted.**

## **6. LASALLE QUARTERLY REPORT**

The Working Group welcomed Rebecca Gates and Tom Rose, La Salle Investment Management, who attended the meeting to present the GMPF main property portfolio quarterly report for quarter 2 2017. An update was provided on portfolio composition and value, transactional activity, key estate management issues and a general market overview.

With regards to portfolio performance, it was reported that the value of the portfolio had increased. The vacancy rate had increased by 1% since the previous quarter, mainly due to an acquisition, and the net initial yield was in-line with the market at 4.7%.

The structure and composition of the portfolio by sector was outlined to the Working Group. It was highlighted that the weighting for retail and industrial were below the benchmark and alternatives and offices were above the benchmark. An overview of the UK property market was provided. With no political party achieving a majority in the general election held on 8 June 2017, there was an element of uncertainty and the UK's departure from the EU was associated with higher than anticipated GDP growth over the next five years.

An activity update for the quarter focussing on purchases and sales was provided. There had been one acquisition and one sale during the quarter, with one sale currently under offer. Key asset management initiatives were outlined and progress on indirects was detailed, which had reduced in-line with the portfolio.

It was reported that a systematic review of the portfolio was underway in light of the tragic events at Grenfell Tower. Immediate priority had been given to residential and student accommodation buildings and buildings that had recently been retrofitted. Ms Gates was pleased to report that all buildings complied with building regulations and were insured at normal premium levels. LaSalle were working with specialist advisors and responding to government guidance and would review properties to identify similar characteristics to those that contributed to the Grenfell Tower tragedy.

**RECOMMENDED:**

**That the report be noted.**

## **7. URGENT ITEMS**

There were no urgent items.