

# Property Group Update

2014/15 Quarter 3:  
October – December

**Report from: Senior Property Officer**

## 1.0 Introduction and Background

This Quarter 3 report is intended to provide an update on previously reported projects and initiatives and to highlight any significant emerging property related issues. This report is not intended to provide in depth updates on all ongoing individual property cases.

## 2.0 Corporate Non-Housing Property Portfolio Delivery Programme

As explained in previous reports, individual projects within the delivery programme fall into three procurement groups based on their value i.e. Minor Works (MW), Intermediate Works (IW) and Projects (P).

It has been reported on a number of occasions and is worthy of note again here that budget flexibility between individual projects is essential. This is because the costs taken from the condition survey data to build up the original five-year budget were purely indicative, having been estimated based upon non-invasive surveys. As such, the levels of work required at each property have increased or decreased as detailed specification work for the procurement process has progressed.

### 2.1 Delivery Programme

The delivery programme is now approaching the end of Year 2 and the following tables provide a summary of progress to date for information purposes:

#### 2.1.1 Year 1 Delivery Programme

Property	Estimate / Agreed Maximum Price	Proposed / Actual Start Date	Percentage Complete	Notes
<b>Minor Projects</b>				
Projects within 14 Buildings	£103K	Various	100%	Contained within the R&M revenue budget and not capital spend.
<b>Intermediate Projects</b>				
White Lund Depot	£113K	27/01/14	100%	
Lancaster Cemetery Chapels	£175K	27/01/14	100%	
Lancaster Town Hall Railings	£47K	02/10/13	100%	
Lancaster Town Hall Paving	£28K	07/10/13	100%	
Morecambe Town Hall	-	-	-	Included in Morecambe General (below)
The Dukes Playhouse	-	-	-	On hold pending Dukes development funding bid.
Williamson Park	£80K	02/12/13	100%	

<b>Property</b>	<b>Estimate / Agreed Maximum Price</b>	<b>Proposed / Actual Start Date</b>	<b>Percentage Complete</b>	<b>Notes</b>
Assembly Rooms	£100K	09/12/13	100%	
Storey	£323K	03/02/14	99%	
Maritime Museum	£328K	07/07/14	100%	
Morecambe Intermediate General Projects; Morecambe Town Hall & Garages (60 Euston Road, Regent Road PC) Salt Ayre Sports Centre	£100K	Various	85%	Additional works identified including re-plastering MTH stairwell, Euston Road reroofing and Stone Jetty external works.
Lancaster Intermediate General Projects; Bridge End Depot, Ryelands Changing Rooms, Old Man's Rest, Cottage Museum, King George Playing Fields	£98K	Various	100%	
Intermediate Demolition Projects (Ryelands Park Pavilion)	TBA	TBA	0%	AMP received and planning approval being sought.
<b>Major Projects</b>				
Williamson Park	TBA	07/02/15	0%	Stone paving specification delays.
The Platform	£413K	03/03/14	99%	Additional works identified including new roof edge protection, maintenance staircase to flat roof and fire compartmentalisation works.
City Museum	£105K	TBA	0%	Total budget being considered as match funding for potential HLF bid – £105K covers essential repairs only.

<b>Property</b>	<b>Estimate / Agreed Maximum Price</b>	<b>Proposed / Actual Start Date</b>	<b>Percentage Complete</b>	<b>Notes</b>
Salt Ayre Sports Centre	-	-	-	Included in Morecambe General projects
Mitre House Car Park	£115K	30/09/13	100%	Replacement sub-base required.
Banqueting Suite Ceilings	TBA	TBA	0%	Extra Works -not included in original condition survey.

### 2.1.2 Year 2 Delivery Programme

<b>Property</b>	<b>Estimate / Agreed Maximum Price</b>	<b>Proposed / Actual Start Date</b>	<b>Percentage Complete</b>	<b>Notes</b>
Maritime Museum & 26 St. Georges Quay Phase 2	£151K	22/09/14	0%	AMP part submitted for additional boiler
The Storey - Phase 2	£143K	15/04/15	0%	
The Storey - Phase 3 (gallery roof)	£55K	10/03/15	0%	
Lancaster Williamson Park - Phase 2	£134K	23/03/15	0%	AMP being processed.
Ashton Memorial – Internal & External Works	£585K	TBA	0%	AMP being processed.
Ashton Memorial - Dome Ceiling Restoration	£100K	TBA	0%	Awaiting specialist conservation reports.
Lancaster Town Hall – Replacement Lift	£180K	02/02/15	50%	
Lancaster Town Hall – Electrical & Building Works	£408K	TBA	0%	AMP being processed.
Lancaster Town Hall – Banqueting Ceilings	£148K	TBA	0%	AMP received but awaiting English Heritage approval.
Salt Ayre Sports Centre	£36K	27/01/15	0%	£30K accounts for just urgent works pending results of energy investment survey and service lead review of the facility.

Scotforth Cemetery	£33K	27/01/15	0%	
City Lab	£48K	06/01/15	0%	
White Lund Depot greenhouse electrical works	£26K	03/02/15	0%	
Williamson Park Butterfly House	£121K	06/03/15	0%	

## 2.2 Methodology

The focus of year 1 was to deal with category D urgent works across the property portfolio. The works undertaken in year 1 has now allowed the focus to shift in year 2 towards working on individual buildings rather than spreading our available resources too thinly over numerous sites. The rationale behind the development of the year two delivery programme was to select buildings with a secure future and complete all category A – C works.

Once capital works have been completed on a particular building that building will then be allocated a planned maintenance schedule and added to the growing planned maintenance programme. The goal for the remainder of this delivery programme is to complete the required work across the property portfolio, facilitating the move from the current emphasis on an expensive reactive approach, to a more financially sustainable planned maintenance ethos.

Finally, it should be understood that the estimated budget costs have been taken from the 2012 non-invasive condition survey and as such the possibility exists that unit costs will increase due to inflationary pressures and further deterioration of components within identified works.

## 3.0 Capital Receipts

Capital receipts for Lancashire Leisure Park and Quernmore Road progressed during December 2014 but completion notices had not been received at the time of writing. Completion notices for both are anticipated in Quarter 4.

## 4.0 Performance of Commercial Buildings (Occupancy)

As can be seen from the table below there have been some significant changes since the closing position of the commercial property portfolio over the last 12 months.

	2013/14 Quarter 4	2014/15 Quarter 1	2014/15 Quarter 2	2015/15 Quarter 3
<b>Number of Properties</b>	61	60	60	60
<b>Occupation by Floor Area</b>				
• Total Let (m2)	18,053	17,043	17,161	17,287
• Total Vacant (m2)	3,658	1,639	1,521	1,395
• Total Area (m2)	21,711	18,682	18,682	18,682

St. Leonard's House is now closed and has therefore been removed from these statistics. The Stage 2 report for the building prepared by the Lancashire Regeneration Property Partnership (LRPP) was received during December 2014. A report will be presented to Cabinet in February (elsewhere on the agenda) seeking to determine the way forward based on the development proposals included within the Stage 2 report.

There have been further gains in current occupation across the City Council's total commercial property portfolio resulting in the percentage let figure increasing from the 92% reported in Quarter 2 to 93% in Quarter 3. The remaining 7% of vacant space now amounts to the equivalent of 1395m<sup>2</sup>, the majority of which is attributable to the following 2 buildings:

1. **The Storey:** The total commercial occupation within this building is currently running at 71% which represents no change over the previous quarter. The remaining 29% equates to a vacant floor area of 467m<sup>2</sup>.
2. **Citylab:** The total commercial occupation within this building is currently also running at 71% which again represents no change over the previous quarter. The remaining 29% equates to a vacant floor area of 376m<sup>2</sup>.

Despite some good progress this year at both the Storey and Citylab the two buildings account for 60% of the total 1395m<sup>2</sup> vacant commercial property. Other buildings currently contributing to the total vacant space include:

- Edward Street Dance Studio (159m<sup>2</sup>) – This building is vacant due to its inclusion in the Canal Corridor Development Agreement.
- 56-58 Euston Road – Marketing of this building continues and some positive interest in the unit has been expressed.
- 8 Ridge Square – This is a Council Housing property that has been vacant for some time.

Since Quarter 2 progress with other buildings has been made including:

- Old Man's Rest, Ryelands House (115m<sup>2</sup>) – A tenant has been secured but has not taken occupation of the building at the time of writing.
- Stone Jetty Café – This premises was let on the 1<sup>st</sup> of November 2014 and the new tenant hopes to open in spring 2015 following some renovation works.

Property Group continues to work towards reducing the vacancy rates in the commercial property portfolio although considering that supply is currently outstripping demand in the commercial office rental market, an overall 7% vacancy rate across the whole portfolio represents a relatively healthy position.

There will undoubtedly be further updates during the remainder of the year; changes are expected to have bearing on both occupancy and future rental income. The latter will be reflected in updating the budget.