

# Commercial Property Update

---

Bath & North East  
Somerset Council

---

Improving People's Lives

# The starting position:

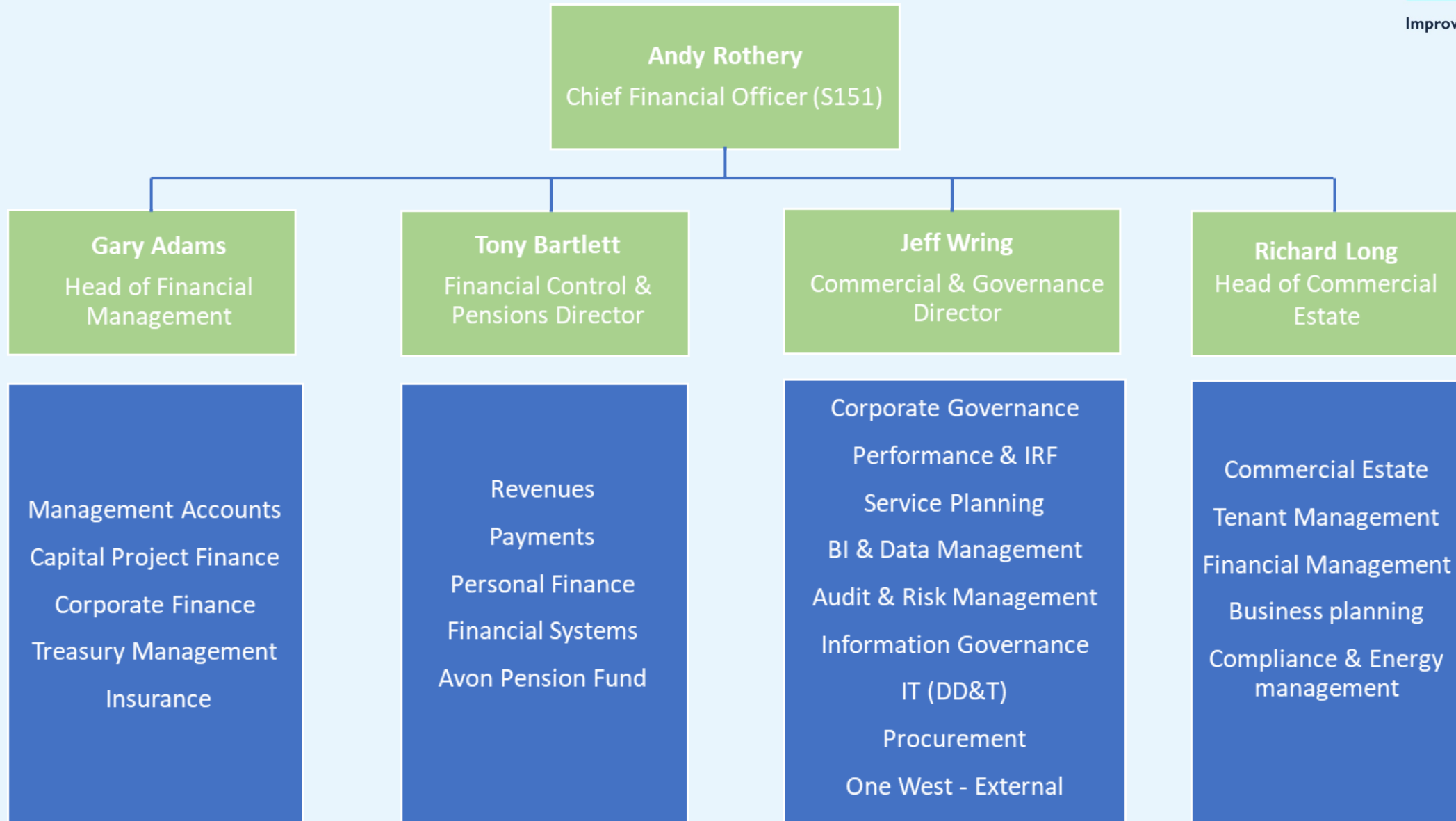
The Councils Senior Management restructure that commenced in early 2021 set the ambition to move away from the traditional departmental Council structure.

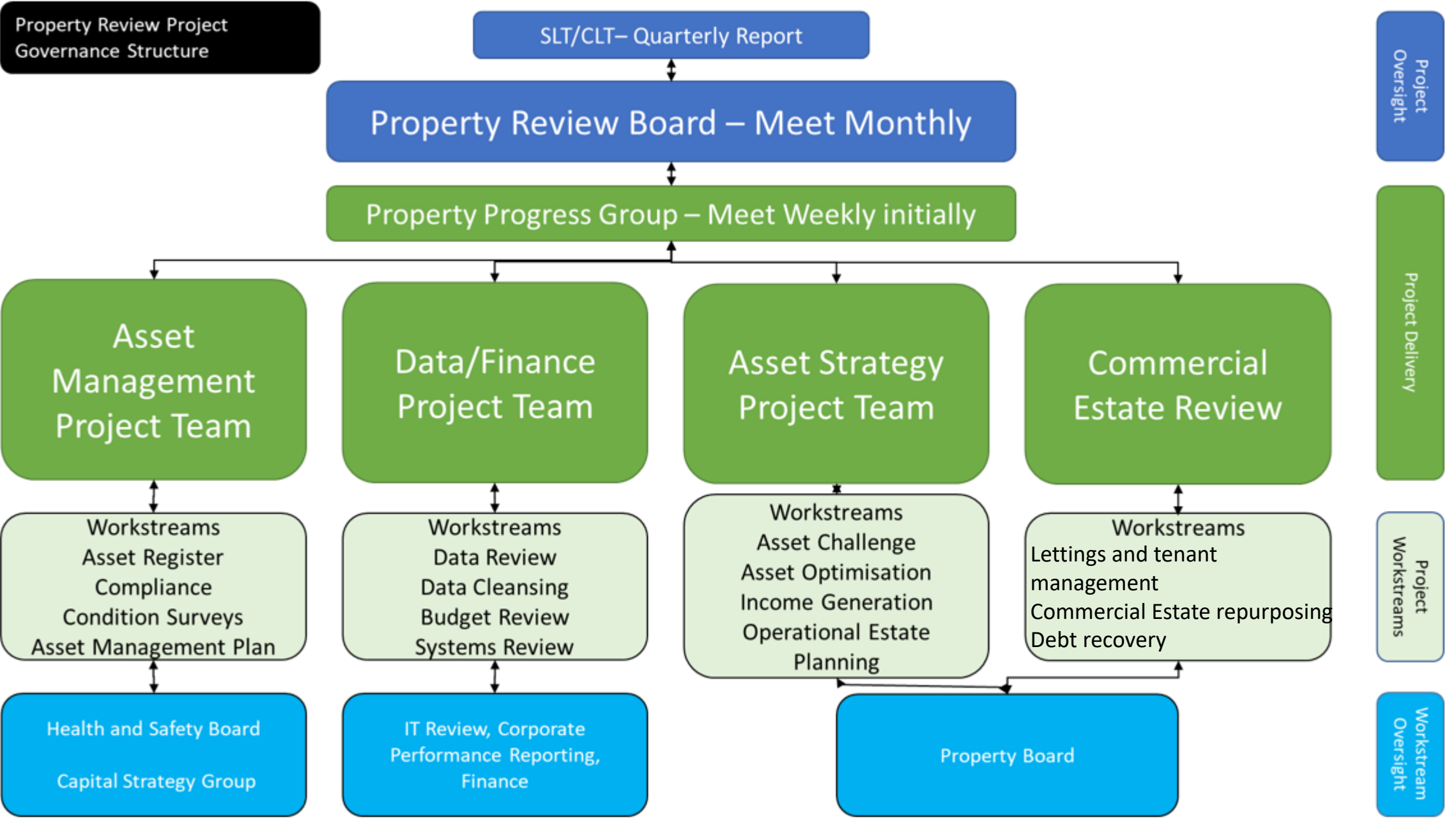
The revised Senior Management structure set out functional alignment to enable delivery outcomes clearly linked to the corporate plan, therefore delivering our mission - **to improve people's lives.**

# Commercial Estate

Commercial Estate will be aligned to the Council's Finance Portfolio under the Chief Financial Officer (S151) – this is to create alignment with the requirement to utilise the Commercial asset base as a contributing income source to fund the Council's annual operating costs.

# Finance Functions





# Commercial market outlook

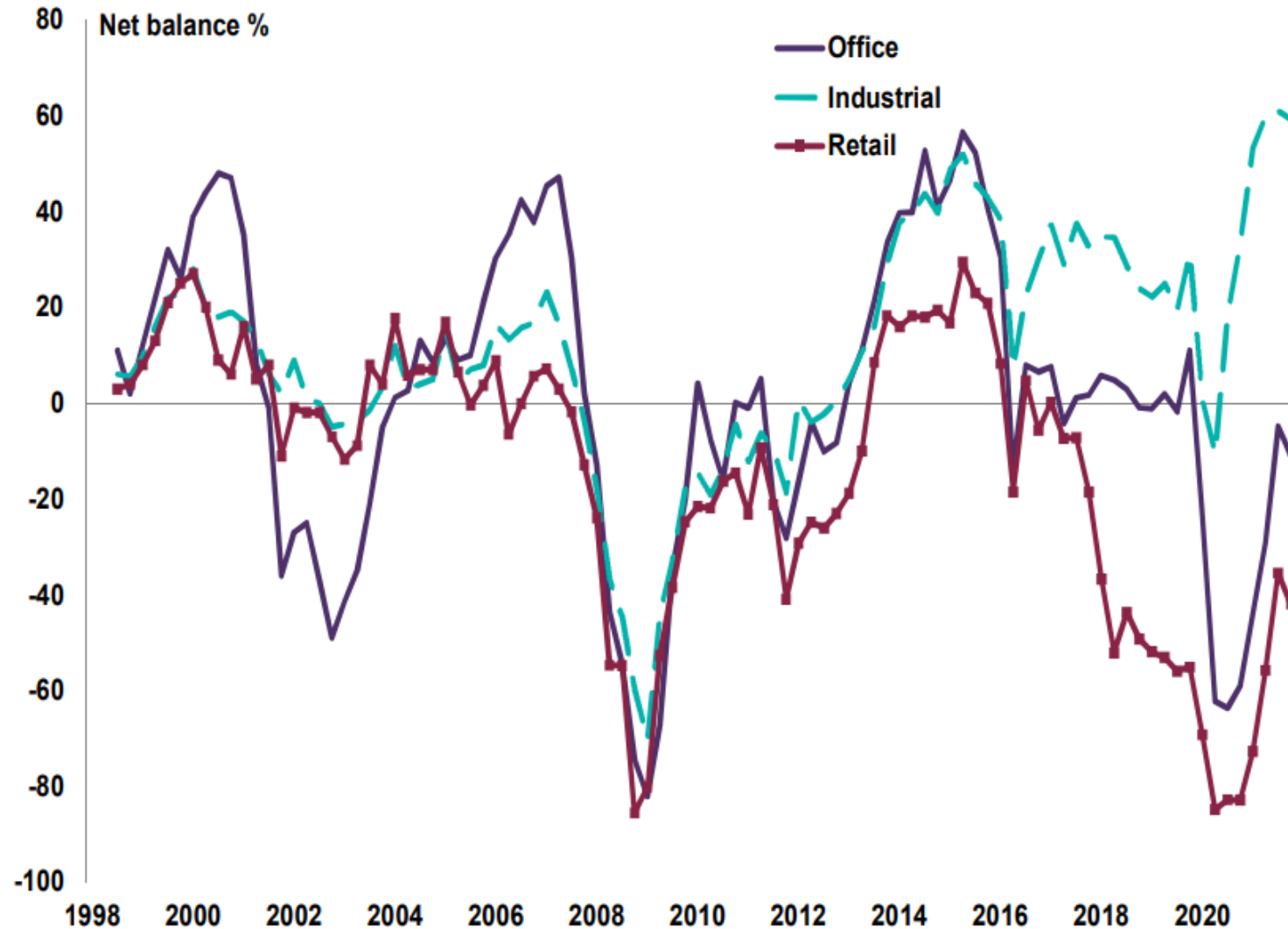
Rental values had been declining for 18 months prior to the COVID crisis, a trend that accelerated sharply with the onset of the pandemic. However, the rate of decline has now moderated significantly.

Retail rents in Bath have followed this trend. However, the overall effect of re-basing rental values decline in rental values in Bath has seen a drop of around -30 to 40% on pre-covid rents. However, there is strong interest in the market at these reduced levels.

Although numerous national retail chains have either gone out of business, become online-only, or reduced the number of stores from which they operate, this has encouraged new, innovative entrants to the high street, which is having a positive impact on the vibrancy of town centres, including Bath.

# Rent Expectations

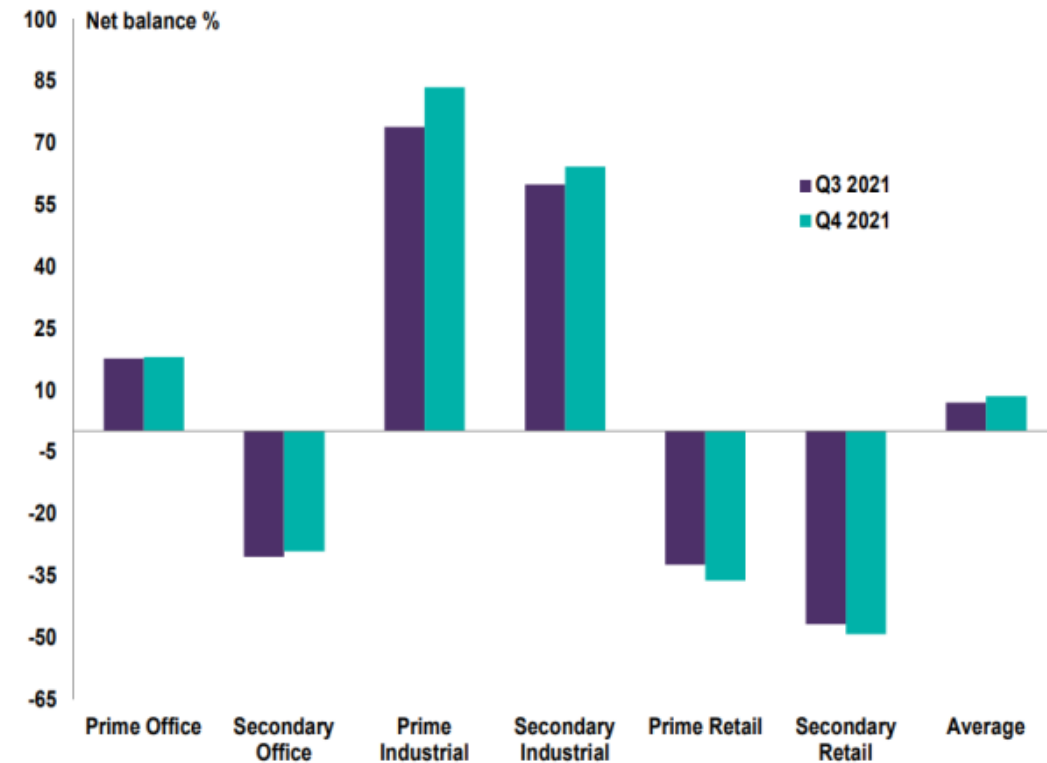
Rent Expectations by Sector



**RICS**<sup>®</sup>

## UK Commercial market property survey

12 Month Rent Expectations



# Immediate Priorities

- **Income Recovery** – Continue to manage rental arrears in a downward direction.
- **Lettings** - progress 16 properties under offer to completion.
- **Capital works** – to continue to deliver a programme of capital works to enable properties to be brought back into commercial use.



# New Letting Achieved for 2021/22

• New lettings completed	32	£630,652
• Under offer in solicitors hands	16	£373,758
• Offers received on properties	1	£25,000
• <b>TOTAL</b>	<b>49</b>	<b>£1,029 M</b>
• <b>Properties being marketed</b>	<b>9</b>	<b>£250 K</b>

# Commercial Estate Arrears

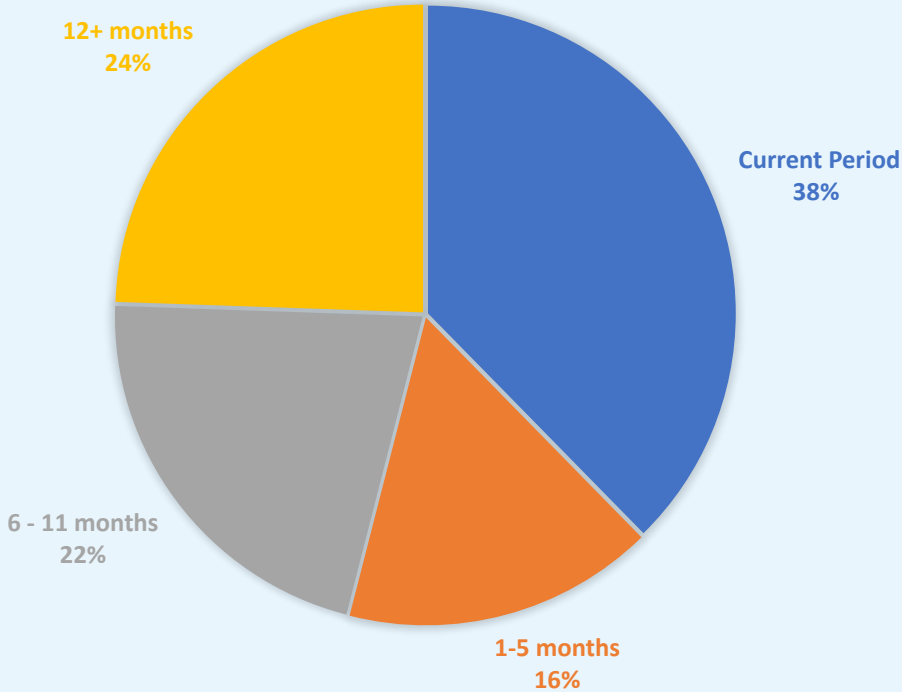
- April 2021 **£8.9 M**
- April 2022 **£4.4 M**
- Reduction **£4.5 M**
- Percentage reduction **51%**

# B&NES Whole Estate - Rent Arrears Position @ 4 April 2022

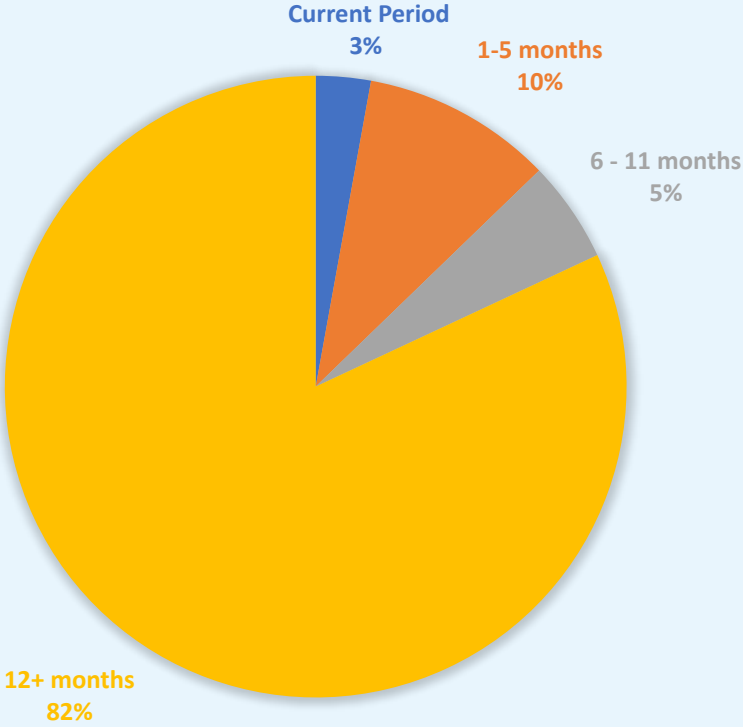
## Aged Debtors Report

Tenant Status	Current Period	1-5 months	6 - 11 months	12+ months
Current Tenants	£1,229,372	£533,286	£703,614	£798,454
Previous Tenants	£31,553	£109,658	£58,390	£906,373

Current Tenants



Previous Tenants



# **Commercial Estate Priorities**

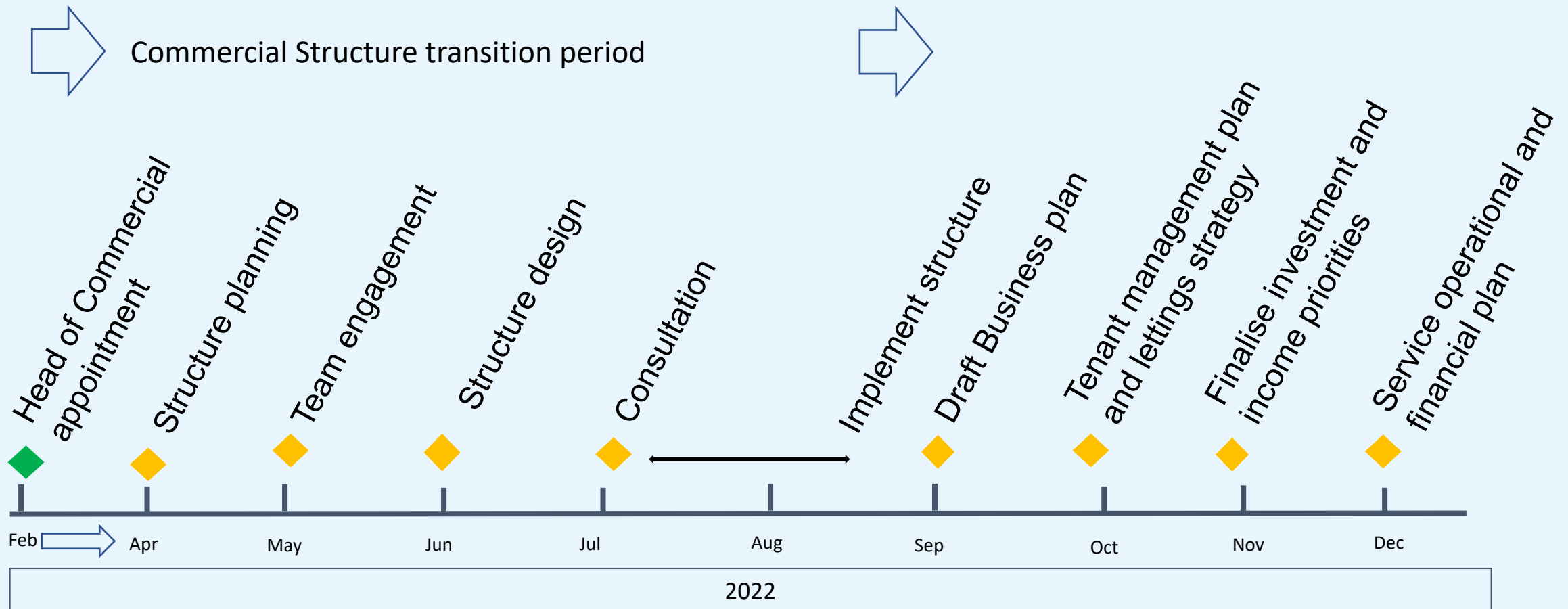
## **– Next 12 Months**

**Approach informed by Montague Evans review**

- Restructure the operational governance model**
- Annual Commercial Estate Business Plan**
- Establish Commercial Estate dedicated function**
- Dedicated finance and performance monitoring**
- New data system and data cleansing**
- Increase Asset review / challenge frequency**
- Develop a Commercial Estate Strategy**

# Timescales / the year ahead

## Commercial Estate



# Risks to the retail sector and the Commercial Estate

- Impact of inflation and the economic climate on tenants and customers
- Threat of terrorism
- Changing trends in retailing
- Investment requirement in commercial assets and the ongoing maintenance and compliance liability
- Investment in the public realm
- Team capacity and recruitment