ESSENTIAL REFERENCE PAPER ‘B’

Typical Property Investment Criteria

Officers should undertake investments in property in the context of an agreed range of criteria using a balanced scorecard approach to evaluation of each proposed investment which will include:

1. Financial benefits and considerations
    - Secure medium to long-term income (ideally 10 years+)
    - Good rental growth prospects (upward only or inflation linked rental income)
    - Ability to add to or enhance capital value

2. Location
    - Established commercial locations – e.g. Hertford, Ware, Bishops Stortford
    - Only within East Herts District (providing very limited scope)?

3. Investment Type
    - Good quality commercial property in traditional sectors (ground rents, car parks, retail, office and industrial)
    - Low management costs – long leases, secure tenants, FRI leases; not management intensive
    - Alternative sectors (residential, leisure, agricultural, medical)

4. Price and Return
    - Price underpinned by vacant possession value
    - Minimal or no repairing liability on the Landlord
    - Minimum initial return - not less than the cash returns available to the Council for 3-month lending?
    - A return over the first 5 years of ownership at least 2% greater than cash returns available from 3-month lending
    - Typical yields would be between 4% and 8%

5. Security
    - Pre-let to tenants of good covenant on FRI terms (particularly public sector tenants and supermarkets)
    - At least 5 years term certain
    - Quality buildings and locations (easily re-lettable or re-saleable) – ‘institutional’ quality

6. Strategic value
    - Where a property (including land) is of major strategic value to the Council, some of the above criteria may be relaxed, but
    - Any investment should still provide a return over the first 5 years of ownership at least 1% greater than cash returns available from 3-month lending.

7. Other criteria
    - Where a property is for the benefit of the local community e.g. Place Making
    - High quality design and environmental sustainability