

**TO: EXECUTIVE**  
**DATE: 16 OCTOBER 2018**

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## **SALE OF UNIT A WATERSIDE PARK**

**Director of Delivery**

### **1 PURPOSE OF REPORT**

- 1.1 To set out a proposal for the sale of Unit A Waterside Park (Appendix A). The property has been marketed and offers received. The Executive is asked to approve the disposal.

### **2 RECOMMENDATION**

- 2.1 **That the Executive agree that the best option for Unit A Waterside Park is to dispose of the freehold of the building.**
- 2.2 **That authority is given to the Assistant Director: Property to sell the freehold of Unit A Waterside Park to the preferred bidder.**

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1 Bids have been received for over £400,000 for the property and sales above this level is an Executive decision.
- 3.2 A disposal will remove any liabilities for future repairs, refurbishment and void costs.
- 3.3 To provide the Council with a capital receipt.

### **4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Ridge and partners (cost consultants) have carried out a full feasibility to re-roof and carry out a basic refurbishment of the accommodation. All partition walls would be removed but the existing ceiling would remain and the workshop rooms will be redecorated but remaining with no windows. The property could then be let either as a single unit or divided up into 2 separate office units and 1 workshop area, each of approximately 6,000 sq ft. The cost of the work has been estimated at £1.68m to £1.73m. Local agents, Haslams, have advised that a rental of up to £10/sqft could be achieved giving a total potential annual rent of up to £180,000. However, in order to let the units it is likely that a one year rent free period would be required and there is a significant risk that the units will remain vacant for a long period of time. During this time the Council will be liable for the payment of void costs and borrowing costs. If it was possible to let the whole of the space within a 3 year period the net yield, based on all costs up to the receipt of rent and a value of £875,000, would be in the region of 5%.
- 4.2 A feasibility has also been undertaken for the demolition of the existing building and the development of eight business units. The cost of the works have been estimated at £6.17m. The size of each unit would be in the region of 2,400sqft and would have reasonable demand in the current market. The maximum likely rental income that could be obtained assuming all units were let will be in the region of £270,000pa,

which would be insufficient to cover the interest and repayment costs of funding the works. The net yield based on all costs and land value of £875,000 is just under 4%.

## **5 SUPPORTING INFORMATION**

- 5.1 Waterside Park comprises of three detached, single-storey business units built in 1986. The buildings are of steel portal frame construction and with flat roofs. Unit A has been purpose built as a data centre, whilst Unit B and C have been partitioned to form office suits and warehouse/production space.
- 5.2 The site is located in the Western industrial estate 2 miles to the west of Bracknell Town Centre and benefits from easy access to the M4. Adjacent to the site is the Councils waste transfer station and the property suffers from the unpleasant smells throughout the year and particularly in the summer.
- 5.3 The estate was purchased in 2016 for the sum of £4.3m with a passing rent of £396,333 pa providing a headline yield of approximately 9.2%. Unit A was just under half of the total area of the estate and could be assumed to have a value at the time of just over £2m with tenants in occupation.
- 5.4. The net internal area for building A is 18,600 sqft which is divided up approximately as one third partitioned offices, one third open plan office and one third workshop space with dividing walls but no windows. The property has quite a low suspended ceiling throughout the office areas. The property requires significant refurbishment including a new roof. There is parking on site for 57 vehicles. The lease for the building terminated at the end of February 2018. Since that time there have been discussions with the tenant on the dilapidations claim for the premises. A specialist dilapidations surveyor is acting on the Councils behalf and he has advised that that the tenant is in financial difficulty and it will be difficult to obtain any significant settlement. However, should there be a plan for the property to be developed then no claim for dilapidations can be made. Providing the unit is sold for the purpose of refurbishment the claim can still be pursued on the basis that the Council would have received a higher receipt if the dilapidation works had been carried out.

### Appraisal of Unit A

- 5.5 In discussion with local agents Haslams, three options have been developed in order to maximise the future potential of the site:
- 5.5.1 1) To refurbish the unit for rent to a single occupier or to divide the space into three separate units.
- 5.5.2 2) To demolish and redevelop as eight separate units for letting.
- 5.5.3 3) To dispose of the freehold of the site.
- 5.5.4 Options 1) and 2) are considered to be high risk and have been discounted and are set out in more detail in Section 4 above. The recommended option is the sale of the freehold which is set out below.

### Disposal of Unit A

- 5.6 Haslams have also advised that there is a reasonable market for the sale of offices and office sites. They recommended that marketing at a figure of £1m in existing

condition without refurbishment will attract bidders and they have been instructed to do this. In a refurbished condition Haslams has suggested that a figure of £2m could be obtainable. However, an estimate for the cost of refurbishment is in the order of £1.7m which means this option would not be in the Council's best financial interest and is not recommended.

- 5.7 The property has been actively marketed by Haslams for several months and through a process of requesting time limited bids, offers have now been received in the range of £850,000 up to £1,059,750.
- 5.8 The highest bidder, with the offer of £1,059,750, is in the construction industry and has indicated that they are proposing to repair the building and use it for their own occupation. This will give the Council the opportunity to continue to pursue a claim for dilapidations.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Assistant Director of Legal Services

- 6.1 The property to be sold for best consideration that can be achieved on the open market.

### Director of Finance

- 6.2 The relevant financial information is included in the main body of the report. The proposed disposal of unit A would not be sufficient to extinguish the budget pressure currently being experienced from the vacant units at Waterside Park, but would realise a saving equivalent to around £75,000 per year in borrowing costs.

### Strategic Risk Management Issues

- 6.3 The key risks are managing an empty property with the associated void costs and should the property be held for refurbishment the cost of any capital expenditure.

## **7 CONSULTATION**

### Principal Groups Consulted

- 7.1 Corporate Management Team

### Method of Consultation

- 7.2 Formal report.

### Representations Received

- 7.3 None

### Background Papers

Appendix A - Site plan

### Contact for further information

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