APPENDIX A

2017/ 2018

DRAFT Corporate Asset Investment Fund Strategy

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1. Introduction

1.1 This strategy is to be followed when considering the acquisition by Leicestershire County Council (**The Council**) of an interest in property for the purposes of inclusion with the Corporate Asset Investment Fund (**The Fund**). For the purpose of this strategy, reference to "property" includes any property constructed on land or an interest in land itself.

1.2 It applies to the acquisition by **The Council** of all interests in non-operational property including freeholds, leaseholds, easements and options. However, it does not apply to acquisitions under compulsory purchase procedures.

1.3 **The Council** owns and manages investments in the form of commercial properties and County Farms Estates. These properties are held for the purposes of supporting the delivery of various economic development objectives and also prioritising revenue and capital returns to the County Council. These properties will continue to be managed under existing asset governance arrangements (i.e. through the Officer Asset Management Working Group and the Corporate Property Steering Group).

1.4 The key priority of **The Fund** is to increase the income/revenue for **The Council** in a safe and secure way.

1.5 To support this **The Council** in a coordinated manner will seek to optimise utilisation of its property portfolio and to improve the portfolio. By restructuring the portfolio it will also generate capital receipts through disposal of surplus and/or inefficient assets which can be used for reinvestment.

1.6 The ongoing implementation of this strategy is to continue both to increase the size and improve the quality of the portfolio with the result that future financial performance will make an increasing contribution to the financial resilience of **The Council** and the wider Leicestershire economy.

1.7 The commercial and farm investments have played an increasingly important and valuable role for **The Council**. Capital receipts from sales have made a significant contribution to **The Council's** capital programme.

1.8 **The Council** also invests in Pooled Property Funds which provide an annual yield to support the overall revenue position.

1.9 It is recognised that it is necessary to continue re-investing into the property portfolios to ensure they continue to perform at current high levels and to enhance **The Council's** financial resilience in the longer term as well as delivering other benefits, such as economic development and/or regeneration.

1.10 **The Fund** will be used to add to **The Council's** portfolio of property and land assets including County Farms, commercial industrial properties and the pooled investments with a view to:

1) Ensuring that there is a more diverse range of properties available to meet the aims of economic development
2) Increasing the size of the portfolio
3) Improving the quality of land and property available
4) Ensuring the sustainability of the County Farms and industrial portfolio by replacing land sold to generate capital receipts and
5) Providing a revenue income stream that can be used to support ongoing service delivery.

2. Legal context and monitoring

2.1 Section 12 of the Local Government Act 2003 (the 2003 Act) provides a general power to invest: -

2.2 "(a) for any purpose relevant to its functions under any enactment or
(b) for the purposes of the prudent management of its financial affairs"

2.3 The power in Section 12 (a) cannot be used for investing purely to create a return as this is not considered to be a purpose relevant to the Council's functions whereas the power in Section 12 (b) may be used for investing to create a return as it may be prudent when used with other measures to manage the Council's financial affairs.

2.4 The Council will continue to ensure the prudent management of its investments and for giving priority firstly to the security of the capital.

2.5 The Council will ensure that there are procedures for monitoring, assessing and mitigating the risk of loss of invested sums.

2.6 Effective management and control of risk are prime objectives of the policies and procedures. They will form part of the Risk Register for the managing department.

2.7 Section 120 of the Local Government Act 1972 (the 1972 Act) provides the power for acquisition of land by agreement (whether inside or outside the authority's area) for the purpose of:

2.7.1 Any of their functions under this or any other enactment, or
2.7.2 The benefit, improvement or development of their area

2.8 Acquisition can take place notwithstanding that the land is not immediately required for that purpose.

2.9 It should be noted that further power is conferred upon an authority by The Localism Act 2011 (the 2011 Act). Section 1 of the 2011 Act introduced a new General Power of Competence. Under the provision, a local authority has the power to do anything that individuals generally of full legal capacity may do. The Act is widely drawn and includes reference to commercial activities and does not have to be of benefit to the local authority's area.

2.10 However, the Localism Act requires that any Council's actions being done for a "commercial purpose" must be done "through a company", principally being a company within the meaning of s.1 (1) Companies Act 2006. Usually where a separate legal entity is established, there will be corporation/income tax and VAT considerations.

2.11 The approach is that The Council will rely on the 2003 Act for its power as this will not require the setting up of a company for its investment activities.

2.12 The Director of Finance will ensure that risks of loss through fraud, error, corruption or other eventualities in its dealings are mitigated as far as is practicable and ensure that there are suitable systems and procedures to these ends.

2.13 The Director and officers are alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties (in this case, this will generally mean tenants) and reporting suspicions, and will ensure that all members of staff involved in this are properly trained.

2.14 Items that will be regularly reviewed: -

1) Powers to own property investments

2) Money laundering risks

3) Property fraud risks

4) Changes to property legislation (e.g., Energy Act)

5) Appropriate third party checks before transacting

6) Due diligence in transactions

7) Keeping abreast of impact of legislative changes

2.15 Full records of the purchase process will be kept in a separate file relating to the property and these records shall include details as to the valuation relied on in making the decision to acquire, the financial appraisal together with consents, approvals and papers recording decisions taken under delegated powers. Such documents will form part of the public record.

3. Investment Strategy Decisions

3.1 **The Fund** will acquire both parcels of land for development and standalone income producing investments. The balance of investment between these two assets should form part of the regular reviews of **The Fund**.

3.2 Once liquidity (the ability to ensure (as far as is practicable) that should the Council wish to divest itself of the assets without incurring loss) has been confirmed, the following criteria will be used in the decision-making process:

1) Security of principal capital (both for land acquisition and development/construction)

2) Return on investment (Revenue and Capital separate)

3) Sensitivity analysis (returns pre and post rent reviews, voids assumption, end of life repair/disposal etc.)

4) Suitability of the tenant (including financial standing) and the use to which the asset will be put. (This will be tenant-specific in terms of acquiring an asset and a policy regarding future tenants/uses when considering a development site)

5) Condition of the building at purchase and future maintenance requirements (whole life costs)

6) Tenure of the interest being offered (freehold, leasehold, etc.)

7) Any legal issues (restrictive covenants etc.) with regard to the title of the land/property

8) Any potential liabilities (such as land contamination/asbestos)

9) Sustainability (the energy performance of the property and its use)

10) The location of the property

11) Full cost of the acquisition (land value, fees, end of life costs etc.)

12) Fit with the current portfolio

13) Exit strategy – cover things going well (bank returns) and badly (cut losses, what are the highest value alternative uses of the asset, likelihood and speed of re-letting (especially for a bespoke building))

3.3 Once an asset has been identified, it should be considered as objectively as possible to ensure that the overall aims of **The Fund** are achieved in a coordinated and measured way.

3.4 The adequacy of the estimated financial return will be judged against the certainty of the return materialising, with riskier investments expected to demonstrate the potential for higher returns.

3.5 To support the decision making process it is expected that expert external advice will be required in the following areas:

1) Legal aspects of the proposal (lease terms, historic liabilities etc.)
2) Condition surveys
3) Report on the industry and location

3.6 Any investment opportunity is to be considered with particular reference to: -

3.7 Actual Income: The income produced by the asset is the most important element of a potential acquisition. The income from an asset is governed by the lease length, rent review pattern, break options, vacancy rates and management costs.

3.8 Development potential income: The total income assumed the site is fully developed (with cash flow timescales)

3.9 Tenant: The financial standing and viability of any existing tenants' covenants is to be considered.

3.10 Location: More weighting is given to acquiring assets or land in an area that is viewed to be economically buoyant and has the ability of sustainable financial and economic growth, over the life time of the investment.

3.11 Sector: The strength of the investment or development sector should be considered in relation to its location, rather than in isolation. (E.g. a hotel in Leicester would be scored lower than a hotel in London).

3.12 Building: The age and construction of any existing buildings should be taken into account in the decision-making process. This should include how energy efficient the building/s is/are. The potential for future structural repairs, retro fits and refurbishment expenses for both **The Fund** and the occupiers should be limited as much as possible. **The Fund** should not purchase a property let on a term which exceeds the economic life expectancy of the buildings.

3.13 The portfolio also needs to be mindful of the ratio of investments within and without of the county.

3.14 **Fund size**

The Fund will have an initial investment ceiling of £200 million, at current values. **The Fund** celling to increase in line with RPI to give real terms numbers. Whilst there is no target capital growth figure there is an income producing target of £10m+ per annum within 5 years. Each investment decision on how it is funded will be defined by the Council's Treasury Management strategy.

Existing Fund Holdings and Potential Future Funding		**£m**	**£m**
Current Holdings	• Rural Estate • Commercial Estate • Pooled Investments	23.8 12.0 25.0	**60.8**
Planned Investments in 2017-2021 MTFS	• Airfield Business Park • Coalville Workspace	7.5 7.7	**15.2**
Further Investments	• Lutterworth East • LUSEP • Leaders Farm • Tamworth House • Lichfield South • Fees estimate on above	4.5 22.0 6.0 2.4 10.8 2.3	**48.0**
Other sources of funding including reviewing existing earmarked reserves, further MTFS contributions, capital receipts and borrowing			**76.0**
			200.0

4. Risk, Yield profile and Sectors in which to invest (Portfolio mix)

RISK

4.1 The strategy must consider what return is required from the capital that is invested.

4.2 **The Fund** is only being used to acquire property investments (where **the Fund** is purely buying an income stream), property development sites (where **The Fund** will be involved in finding tenants and building schemes out) or other property/land (where there is an expectation of a capital gain). This could be either directly or part of a managed fund. It is not considering, at this stage, investing in other investable assets (commodities, FTSE shares etc.). Also, it is unlikely to include operational property that is being disposed of when it is no longer required and has no development potential.

Investment Risk

4.3 The main risk with any property investment lies with the ability to maintain the income stream by ensuring that the tenant is of good covenant and financially secure.

4.4 If the tenant defaults then whilst there are procedures to recover the rent, this is not guaranteed.

4.5 There are also issues with voids (periods of time when the investment is not income producing but the asset is incurring costs such as insurance, security, business rates, repairs etc.).

4.6 The ability to attract tenants of sufficient quality/sound covenant will also be affected by the macro-economic situation and also more regional/location factors.

Development Risk

4.7 The risks associated with developing property (rather than acquiring an already-built property investment) are higher and this is reflected in the potential returns.

4.8 Build cost over runs and delays during the pre and the main construction phases will directly affect the profitability of the scheme and (as above) the risk of not having a tenant to pay the rent is higher when dealing with new builds.

4.9 This can be mitigated by not building speculatively but only with an Agreement to Lease in place with an occupier tenant. However, this may not always be the best strategy as some prospective tenants may wish to see the building in place first before entering into a contract. Each of these scenarios will be judged on a merit basis as they arise.

4.10 Officers will continue to keep the Director of Finance updated on projects to ensure that risks are monitored, eradicated or mitigated where possible.

4.11 **Financing Risk**

4.12 The returns generated by **The Fund** need to reflect the potential for the principal invested to reduce and the lost liquidity. A minimum total property return nominal return of 6.1% is suggested (3.5% green book * 2.5% average inflation). This should be reviewed at least annually for changes in the opportunity cost of the Council's resources (e.g. borrowing) and other factors such as inflation and returns available elsewhere.

4.13 Decisions relating to the financing of investment and/or development should be taken in line with the Council's Treasury Management Strategy Statement and Annual Investment Strategy.

4.14 **Reputational Risk**

4.15 It is important that the reputation of the council is protected during both times of financial restraint and otherwise in the investments that it makes.

4.16 **YIELD PROFILE**

4.17 The level of yield required will need to balance security and liquidity. The term Yield can be defined as:

4.18 *The annual return on an investment, expressed as a percentage of the capital value*.

4.19 So for example, the annual return on a property investment is currently £50,000 a year gross. If the property has been valued at £1,000,000 then the revenue yield is 5%:

$$\text{Yield} = \frac{\text{Annual Rental Income}}{\text{Capital Value}} \text{ X } 100$$

$$5\% = (50{,}000 / 1{,}000{,}000) \times 100$$

4.20 However, in addition there is also the potential capital yield which reflects how the market price of an asset changes over time. If for example the market price of the £1,000,000 investment had risen to £1,025,000 by the end of the first year, this would give a capital yield of 2.5% and a combined yield of 7.5%.

4.21 The yield figure will reflect the various risks involved in letting a property to a tenant. By and large, the higher the level of uncertainty (e.g. tenant with a poor credit rating) the higher the expected yield would need to be before the investment was considered.

4.22 The average/balanced target property yield for investments made in the commercial portfolio is 7% nominal. There will be costs incurred in managing The Fund and also costs associated with abortive work (consultant work/staff time unsuccessful acquisitions bids)

4.23 Individual lot sizes (£) can be considered each on their merits as long as they conform to the agreed overall portfolio mix.

4.24 Assuming that investment/development property is the only asset class of investment that is being considered, the overall return of a standalone investment will vary depending on the market sector, the nature of the property asset acquired and the characteristics of the tenant in the acquired property.

4.25 Whilst aiming for a yield of 7%, **The Fund** will seek to invest in a balanced way over several market sectors in accordance with the following profile:

Market Sector	**Commercial**					**Agric.**	**Pooled**
	Retail	**Office**	**Industrial**	**Leisure**	**Distribution**		
Expected Yield (%)	5-7%	6-9%	7-10%	6-8%	6-8%		7%
Current Holding (%and £)	0% £0	20.7% £2.5m	72.8% £8.7m	0% £0	6.5% £0.8m	£23.8m	£25.0m
% Minimum of total	5%	10%	40%	0%	5%		

portfolio							
% Maximum of total portfolio	15%	20%	65%	15%	15%		

Note: The current holdings exclude the undeveloped land at Airfield Farm Business Park.

Internal Rate of Return

4.26 Whilst yield is a useful measure for assessing the merits of an investment, yield will change over the life of an investment. To give a longer term perspective, the Internal Rate of Return (IRR) is a metric that is used to assess the strength of an investment. The IRR is the interest rate at which the net present value of all cash flows arising from an investment is equal to zero. In calculating an estimated IRR a number of assumptions need to be made in terms of projecting future expenditure and income streams including the future capital value of the investment holding. As a guide though a minimum IRR of 7% is a high level assessment for whether an investment is worthwhile.

Other Balancing Factors

4.27 Other balancing factors are to be reviewed regularly (with the following approximate targets) are:

Location	In County		Out of County	In terms of amount of fund invested.
	75%		25%	
Asset type	Development site		Standalone investment	In terms of amount of fund invested.
	75%		25%	
Tenant Risk	Low	Medium	High Risk	Look for spread of risk (higher risk for small industrial units, low risk for large office investments/developments)
	25%	50%	25%	
Lease length	Short <5 years	Medium 5-10 years	Long 10 years +	Look for spread of leases lengths (shorter for small low value assets, longer for high value investments/developments
	25%	50%	25%	
Single Asset Investment size			Maximum (%age of fund size)	Very small investments will take up too much management time

		compared to their value.
	10%	Investments over 10% of **The Fund** size will expose **The Fund** to too much risk

5. ACQUISITION PROCESS

5.1 Planning and Highways

5.2 After the identification of an asset, it will be incumbent on the team managing **The Fund** to establish whether there may be constraints on the development or use of the asset.

5.3 In some cases, it may be appropriate to seek planning permission for a form of development prior to acquiring land. **The Fund** team will consult with planning and highways colleagues (and external consultants) and other departments as appropriate to decide whether planning permission should be sought prior acquisition (conditional contract).

5.4 As part of this consultation, advice will be sought on suitable alternative uses for the site/asset Should the existing or proposed use become unviable in the future, it is useful to have an alternative use value. The relative monetary risk of the investment can be quantified using this information.

5.5 Legal

5.6 Contemporaneously with the planning audit, LCC legal Department will be asked to undertake title searches of the land to ensure that the title is clean and there are no abnormal issues with the land from a legal perspective.

5.7 Any proposed tenant will also be credit checked at this stage.

5.8 Valuation

5.9 Valuation advice will usually be provided by a professionally qualified member of **The Council's** Estates team. Where the advice required is particularly specialist or, if otherwise appropriate, valuation advice may be provided by another suitably qualified external surveyor.

5.10 Appraisal and Funding Approval Process

5.11 When an opportunity is first introduced, the investment is subject to a 2-stage process.

5.12 The first phase of determining whether or not the opportunity is worth proceeding with consists of a number of separate assessments: -

1) Strategic Fit
2) Risk Profile
3) Yield Profile
4) Tenancy Terms
5) Planning Overview
6) Site Inspection
7) Potential capital Growth
8) Valuation

5.13 First phase will also involve alerting finance, legal, planning, Operational Property Services and the CAIF Advisory Board.

5.14 Once the asset/site has passed the initial evaluation, a financial appraisal and business case will be prepared to establish the financial/budgetary implications of acquiring the property at the negotiated price.

5.15 An independent property advisory firm will also be consulted on the opportunity and their report made know to the CAIF Advisory Board.

5.16 The aim of the financial appraisal and business case will assess how the acquisition will perform, it will look at all the costs and any potential income, the associated risks and then assess whether the asset is a suitable acquisition from a financial perspective. This will be led by the Strategic Finance Service.

5.17 This strategy places emphasis on adopting procedures that are open, transparent and consistent. It aims to ensure maximum benefit from the effective purchase and subsequent management of **The Council's** assets. Within this framework, **The Council** and **The Fund** must act within the appropriate legal framework, act in a demonstrably fair and open manner and consider whole life costs.

5.18 **Approval to Acquire/Develop**

5.19 On reaching agreement as to the terms of acquisition, a report is to be prepared for consideration by the Corporate Asset Investment Fund Board (**The Board**). Subject to the Board's support purchases will be progressed using the Director of Finance's delegated powers. This report will consider if the acquisition is in accordance with agreed **Council** priorities and within **The Council's** approved CAIF Strategy.

5.20 All acquisitions shall have the necessary budgetary and relevant approvals before the acquisition is completed.

5.21 The construction costs for any development proposals will also require **Board** support and Director of Finance approval as **The Board** may be asked, in the case of a development site, to support the initial acquisition of a development site and it is likely that there will be subsequent requests to either install infrastructure, construct of buildings and also to approve agreements with prospective tenants. In summary, if a decision has a greater than de Minimis financial value (in the view of the Director of Finance), **The Board** will be consulted beforehand.

5.22 **Surveys and instructions**

5.23 When all appropriate surveys (which must include an Asbestos Survey where the purchase involves a building erected prior to 1999) have been satisfactorily completed or provided, **The Council's** Legal Services team will be instructed to complete the documentation associated with the acquisition.

6. Performance Monitoring/Benchmarking

6.1 CIPFA guidance states that:-

6.2 *“**Performance measurement** is a process designed to calculate the effectiveness of a portfolio’s or manager’s investment returns or borrowing costs, and the application of the resulting data for the purposes of comparison with the performance of other portfolios or managers, or with recognised industry standards or market indices.”*

6.3 It is clearly important to monitor performance to ensure that the judgements being made are the right ones.

6.4 **The Fund** is subject to regular valuations – quarterly – with a regular review of investment methods as well as the delivery models. This will also include a regular assessment of the credit worthiness etc. of **The Fund’s** tenants.

6.5 There should be an annual analysis of the portfolio mix and re-profiling of the portfolio. This includes the current estate as well as new acquisitions. There will be more regular reviews in changeable/volatile economic circumstances.

6.6 **The Fund** should continue to consider its exposure to macro and local economic downturns and monitor financial market commentaries and reviews on the likely future courses of interest rates, exchange rates and inflation and their potential impact on the property market and yields. **The Fund** should allow sufficient flexibility both to take advantage of potentially advantageous changes in market conditions and to mitigate the effects of potentially disadvantageous changes.

6.7 **The Fund** currently uses the Investment Property Databank (IPD) Benchmark as its performance yardstick.

6.8 Officers will report regularly to the Director of Finance and there will be annual updates to Cabinet and to the Scrutiny Commission.

7. Staff resources

7.1 **The Fund** is managed by the Head of Service with support from colleagues in Strategic Property Services. The Director of Finance will ensure that there are adequate resources employed to ensure **The Fund** is managed in a safe and productive manner.

8. Ongoing Fund activity

8.1 The key elements of the strategy to be pursued are as follows:-

8.2 To continue to enhance the size and underlying quality of the portfolio by :-

1) Making further strategic purchases

2) Developing new investment properties on **The Council** owned development land or newly purchased sites by the marketing of both premises to let and ground leases;
3) Redeveloping existing underperforming properties to provide premises that meet current market expectations and achieve a higher economic return;
4) Reviewing the performance of individual assets / estates on an annual basis and disposing of properties where performance cannot be improved to an acceptable level reinvesting sale proceeds into the portfolio (a recommendation from **The Board** will be required for a disposal);
5) Appointing an investment agent to coordinate the inflow of investment opportunities and to ensure we do not miss out on any off or on market opportunities. Fees ranging from 0.5% -1% of the purchase price may need to be paid to the agent. If introduced by a third (non-appointed) party agent, the fee is to be shared between them

8.3 To maintain progress in the restructuring and rebalancing of the portfolio in order to move towards achieving the optimum split between sectors.

8.4 To produce a rolling four year financial strategy aligned to the MTFS to identify future investment requirements to support an ongoing programme of investment projects and strategic acquisitions together with a disposals programme (to support both investment within the portfolio and the wider capital programme).

Appendix A

Schedule of Properties and Values

Rural Estate

ESTATE	Asset Valuation
Asfordby	£89,181
Barlestone	£12,544
Blaby	£262,828
Boundary	£80,386
Broughton Astley	£904,566
Burton on the Wolds	£96,316
Cotes de Val	£656,770
Countesthorpe	£92,980
Croft	£57,138
Dunton Bassett	£124,230
Frolesworth	£245,838
Gilmorton	£361,071
Heather	£96,073
Hinckley	£107,800
Hoby	£340,526
Husbands Bosworth	£648,489
Ibstock	£2,633,640
Kilby	£1,225,500
Kimcote	£1,263,689
Lutterworth	£57,933
Measham	£82,449
Melton Mowbray	£1,074,473
Misterton	£1,856,124
Mowsley	£333,818
Narborough	£332,484
Oakthorpe	£588,000
Osbaston	£51,674
Packington	£211,345
Peatling Parva	£255,759
Quorn	£532,134
Ravenstone	£2,195,350
Sapcote	£986,777
Somerby	£66,076
Stapleton	£329,283
Stoney Stanton	£198,802
Thorpe Satchville	£402,137
Tilton on the Hill	£117,588
Ullesthorpe	£44,723
Total	**18,544,893**

Commercial Estate

ADDRESS	Asset Valuation
Ivanhoe Industrial Estate, Ashby De La Zouch	£882,463
Atlas Court, Atlas Road, Coalville	£779,635
Unit 18 Atlas Road, Coalville	£1,086,937
Unit 1 & 2 Atlas Road, Coalville	£630,902
Coalville Business Centre, Coalville	£110,305
Oaks Industrial Estate, Coalville	**£61,247**
Springboard Centre, Coalville	£310,000
Phase 1 Stephenson Court, Coalville	£123,110
Phase 2 Stephenson Court, Coalville	£212,200
Transport Depot, Vulcan Way, Coalville	£830,345
Vulcan Court, Coalville	£1,523,468
Workspace 17, Coalville	£424,685
Phase 1 Huntingdon Court, Measham	£240,519
Phase 2 Huntingdon Court, Measham	£160,395
Riverside Court, Measham (inc. compound)	£685,867
Oaks Industrial Estate, Earl Shilton	**£30,882**
Alan Bray Close, Hinckley	£804,432
Oaks Industrial Estate, Loughborough	**£19,697**
Loughborough Technology Centre,	£2,186,153
43 Garendon Road, Shepshed	£60,005
Courtyard Workshops, Market Harborough	£604,251
Oaks Industrial Estate, Narborough	**£182,579**
Measham Repton Road	£588,000
Quorn – Poole Farm employment sites	£119,330
Coalville Telford Way	£95,000
Billesdon	£135,000
Market Harborough, Airfield farm	£3,360,000
Lutterworth South	£23,662
Total	**£16,226,069**

NB: Estates highlighted in bold are held on a long leasehold basis.

Appendix B

Approval Template

INVESTMENT APPRAISAL REPORT	
Property	Address
Date of Report	-/--/----
Description	Site description and deal
Tenure	Freehold/long leasehold etc.
Proposed Purpose of Acquisition	Reasons for asset acquisition.
Valuation Summary	Basis of valuation and amount.
Level 1 Appraisal	Portfolio Balance

Property Type

Sector	Current	Post-Acquisition	Long Term Policy Range %
Industrial			
Offices			
Rural			
Other Commercial			
Ground Leases			
Total	100%	100%	100%

Risk Profile

	Normal Risk (%)	Higher Risk(%)
Optimum	80-90	10-20
Current		
Post Acq.		

Yield

Asset Category	
	Yield
Market	
Portfolio	
Subject Property	

Location
Lot Size
Conclusion

	Progress to Level 2 appraisal
Risk Analysis Summary	Detail risks associated with the proposed acquisition.
Future Outlook	
Level 2 Appraisal (incorporating Finance Team comments)	As part of the Phase 2 appraisal a detailed business case is required. The business case takes account of the investment required to establish a letting opportunity (relatively nominal) following acquisition. The business case to shows the following outcomes:- • Initial yield - • IRR - • Capital growth potential (where applicable) Conclusion
Advisor Comments	External advisor comments: Legal comments: - Planning comments:- Highways comments:- Site/Building Surveyor reports:-
Recommendation	To proceed with suggested ceiling of offer
Appendices	Plan Marketing details