



*Please reply to:*

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Date: 24 September 2026

## **Notice of meeting**

### **Commercial Assets Sub-Committee**

**Date:** Monday, 5 October 2026

**Time:** 1.30 pm

**Place:** Council Chamber, Knowle Green, Staines-upon-Thames TW18 1XB

#### **To the members of the Commercial Assets Sub-Committee**

Councillors:

L. E. Nichols  
S.N. Beatty

R. Chandler  
D. Saliagopoulos

H.R.D. Williams  
Bunney

Substitute Members: Councillors T. Burrell, K. Howkins and M. Gibson

*Councillors are reminded that the Gifts and Hospitality Declaration book will be available outside the meeting room for you to record any gifts or hospitality offered to you since the last Committee meeting.*

**Spelthorne Borough Council, Council Offices, Knowle Green**

**Staines-upon-Thames TW18 1XB**

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## **Agenda**

**Page nos.**

**1. Apologies for absence & substitutions**

To receive any apologies for non-attendance and details of Member substitutions.

**2. Minutes**

**5 - 12**

To confirm as a correct record the minutes of the meeting held on 7 September 2026.

**3. Disclosure of Interest**

To receive any disclosures of interest from members in accordance with the Members' Code of Conduct.

**4. Questions from members of the Public**

The Chair, or his nominee, to answer any questions raised by members of the public in accordance with Standing Order 40.

At the time of publication of this agenda no questions were received.

**5. Urgent Actions**

To consider any urgent action that have arisen since last meeting.

**6. Forward Plan**

**13 - 14**

To note the Forward Plan for future Commercial Assets Sub-Committee business.

**7. Annual Commercial Property Report**

**15 - 40**

The Sub-Committee is asked to recommend to Corporate Policy and Resources Committee to:

1. Approve the Annual Commercial Property Report for the year ending 31 March 2026; and
2. Publish the Annual Commercial Property Report on the Council's website.

**8. Exclusion of Public and Press (Exempt Business)**

To move the exclusion of the Press/Public for the following items, in view of the likely disclosure of exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order

2006.

**9. Commercial Portfolio Update**

**To Follow**

To receive an update on properties within the Commercial portfolio.

*This update contains exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to Information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in any contract or other type of negotiation with a prospective purchaser who could then know the position of the Council.*

a) Communications House

**To Follow**

The Sub-Committee will scrutinise the report on the Disposal of Communications House.

b) 12 Hammersmith Grove

**To Follow**

The Sub-Committee will scrutinise the Disposal of 12 Hammersmith Grove.

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**Minutes of the Commercial Assets Sub-Committee  
7 September 2026**

**Present:**

Councillor L. E. Nichols (Chair)  
Councillor D. Saliagopoulos (Vice-Chair)

Councillors:

S.N. Beatty

R. Chandler

H.R.D. Williams

**Apologies:** M. Bunney

**In Attendance:** Councillors K. Howkins

**60/26 Apologies for absence & substitutions**

Apologies were received from the independent member of the Sub-Committee, Mark Bunney.

**61/26 Minutes**

The minutes of the meeting held on 10 August 2026 were agreed as a correct record.

**62/26 Disclosure of Interest**

Councillor Williams advised he was employed part-time at a unit in the Elmsleigh Centre.

**63/26 Questions from members of the Public**

There were none.

**64/26 Urgent Actions**

There were none.

**65/26 Forward Plan**

The Sub-Committee received the forward plan for future sub-committee business.

The Sub-Committee **resolved** to note the forward plan.

#### **66/26 Exclusion of Public and Press (Exempt Business)**

The Chair wished to discuss as much of the remaining items on the agenda in public session, and suggested the public and press be excluded only when necessary during debate.

#### **67/26 Commercial Portfolio Update**

The Sub-Committee received updates on the progress with asset rationalisation as well as rent collection, arrears and voids within the Commercial Portfolio.

The Sub-Committee **resolved** to note the updates.

#### **68/26 Disposal of Elmbrook House and 17 Station Road, Sunbury**

This item was discussed before Item 8, “Commercial Portfolio Update.”

The Chair read a statement from the Sub-Committee’s Independent Member which endorsed the officer recommendation.

The Sub-Committee noted the offers received and explored the reasons the preferred bidder was recommended. The sale price was interrogated with reference to site-specific characteristics. The Sub-Committee noted that two buildings were included in the sale, and discussed the options for the development of the site.

It was proposed by Cllr Beatty, seconded by Cllr Nichols and **resolved** to exclude public and press for part of the discussion of this item and for the remainder of the agenda in accordance with paragraph 3 of part 1 of Schedule 12A of the Local Government 1972 (as amended) because it was likely to disclose information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because the disclosure to the public would prejudice the financial position of the authority in being able to undertake even handed negotiations and finalising acceptable contract terms.

The Chair advised he would provide a note summarising the committee’s considerations and questions to the Corporate Policy and Resources Committee ahead of their consideration of the report (attached).

**69/26     Property Investment Report**

This item was discussed under item 8, Commercial Portfolio Update.

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## **Spelthorne Borough Council Services Committees Forward Plan**

This Forward Plan sets out the decisions which the Service Committees expect to take over the forthcoming months.

Please direct any enquiries about this Plan to [CommitteeServices@spelthorne.gov.uk](mailto:CommitteeServices@spelthorne.gov.uk).

## Spelthorne Borough Council

### Commercial Assets Sub-Committee Forward Plan

| Anticipated earliest (or next) date of decision and decision maker                                    | Matter for consideration          | Key or non-Key Decision | Decision to be taken in Public or Private | Lead Officer                        |
|-------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------|-------------------------------------------|-------------------------------------|
| Commercial Assets Sub-Committee 05 10 2026<br><br>Corporate Policy and Resources Committee 12 10 2026 | Annual Commercial Property Report | Non-Key Decision        | Private                                   | Katherine McIlroy, Asset Manager    |
| Corporate Policy and Resources Committee 12 10 2026<br><br>Council 22 10 2026                         | 12 Hammersmith Grove              | Key Decision            | Part public/part private                  | Coralie Holman, Group Head - Assets |
| Corporate Policy and Resources Committee 12 10 2026<br><br>Council 22 10 2026                         | Communications House              | Key Decision            | Part public/part private                  | Coralie Holman, Group Head - Assets |



### Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

#### Stage 1

##### Report checklist – responsibility of report owner

| ITEM                                                                                                | Yes / No    | Date     |
|-----------------------------------------------------------------------------------------------------|-------------|----------|
| Councillor engagement / input from Chair prior to briefing                                          | Yes         |          |
| Relevant Group Head review                                                                          | Yes         | 16/09    |
| MAT+ review (to have been circulated <b>at least 5 working days before Stage 2</b> )                |             |          |
| This item is on the Forward Plan for the relevant committee                                         | Yes         | 9/9/2026 |
|                                                                                                     | Reviewed by |          |
| Finance comments (circulate to Finance)                                                             |             |          |
| Risk comments (circulate to Lee O'Neil)                                                             | LO          | 11/09/26 |
| Legal comments (circulate to <a href="mailto:legal@spelthorne.gov.uk">legal@spelthorne.gov.uk</a> ) | JC          | 11/09/26 |
| HR comments (if applicable)                                                                         |             |          |

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

#### Stage 2

##### Report checklist – responsibility of report owner

| ITEM                                                                      | Completed by          | Date rec'd                     |
|---------------------------------------------------------------------------|-----------------------|--------------------------------|
| Monitoring Officer commentary – at least <b>5 working days before MAT</b> | L Heron               | 10/09/26                       |
| S151 Officer commentary – at least <b>5 working days before MAT</b>       | T. Collier            | 10/09/26                       |
| Commissioner engagement                                                   | LS                    | 16/09/26                       |
|                                                                           | Delete as applicable: | No issues (for review 21/9/26) |
| Confirm final report cleared by MAT                                       |                       | 22/9/2026                      |

# Commercial Assets Sub-Committee

**Monday 5<sup>th</sup> October 2026**

|                                  |                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Title</b>                     | Annual Commercial Property Report for Financial Year 2025/26                                                                                                                                                                                                                                                                                            |
| <b>Purpose of the report</b>     | To make a recommendation to Corporate Policy and Resources Committee                                                                                                                                                                                                                                                                                    |
| <b>Report Author</b>             | Katherine McIlroy – Asset Manager                                                                                                                                                                                                                                                                                                                       |
| <b>Ward(s) Affected</b>          | All Wards                                                                                                                                                                                                                                                                                                                                               |
| <b>Exempt</b>                    | No                                                                                                                                                                                                                                                                                                                                                      |
| <b>Exemption Reason</b>          |                                                                                                                                                                                                                                                                                                                                                         |
| <b>Corporate Priority</b>        | Resilience                                                                                                                                                                                                                                                                                                                                              |
| <b>Recommendations</b>           | <p><b>Sub-Committee is asked to:</b></p> <p>Recommend to Corporate Policy and Resources Committee to:-</p> <ul style="list-style-type: none"> <li>• approve the Annual Commercial Property Report for the year ending 31 March 2026 and;</li> <li>• to publish the Annual Commercial Property Report in Appendix A on the Council's website.</li> </ul> |
| <b>Reason for Recommendation</b> | <p>The Annual Commercial Property Report provides an overview of the performance of the investment portfolio assets as at the end of the financial year 31 March 2026.</p> <p>The report ensures that there is full transparency around the portfolio and its performance.</p>                                                                          |

## 1. Executive summary of the report

| What is the situation                                                                                                                                                                                                                | Why we want to do something                                                                                                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• The Annual Commercial Property Report (attached as Appendix A) provides an overview of the performance of the investment properties as at the end of the financial year 2025/26.</li> </ul> | <ul style="list-style-type: none"> <li>• We recommend the report is approved by Members and made publicly available on the Council's website to ensure that there is full transparency around the portfolio and its performance.</li> </ul> |
| This is what we want to do about it                                                                                                                                                                                                  | These are the next steps                                                                                                                                                                                                                    |

|                                                                                                                                 |                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>For the report to be recommended to Corporate Policy and Resources Committee.</li> </ul> | <ul style="list-style-type: none"> <li>To make any amendments required by this Committee. Recommend to Corporate Policy and Resources Committee that the report is approved for publication on 12<sup>th</sup> October.</li> </ul> |
|---------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## 2. Key issues

- 2.1 The Annual Commercial Property Report (attached as Appendix A) is produced by the Asset Service. It includes an analysis of the investment property portfolio as at 31 March 2026 and highlights the key asset management initiatives delivered over the financial year 1<sup>st</sup> April 2025 to 31 March 2026.
- 2.2 The report is factual and looks back over the past financial year. The objective of the report is to inform Members of the annual valuation of the investment properties, the financial performance of the portfolio and the asset management activity undertaken by the Asset Service. The performance of the portfolio is set out in the context of the wider South East office and retail markets. During the financial year as a result of Statutory Directions issued by the Secretary of State for Housing, Communities and Local Government (MHCLG) in May 2025, the property strategy changed to a focus on debt reduction and asset rationalisation. It is important to note that the Directions supersede the Asset Management Strategy and Asset Management Plan 2024/25-2028/9 which had set the objectives and key performance indicators for the portfolio at the start of the financial year and which the Annual Commercial Property Report is intended to review.
- 2.3 Due to the current asset rationalisation programme the report (attached as Appendix A) has been carefully reviewed to ensure that it does not include confidential information which may unfairly prejudice the Council's ability to achieve best consideration from the sale of the investment properties nor release confidential information concerning the Council's tenants. The report attached as Appendix A is recommended to be published on the Council's website. It should be noted that the valuation of the portfolio in March 2026 should not be regarded as the disposal value of the portfolio.

## 3. Options appraisal and proposal

- 3.1 We consider the report to be an accurate and transparent review of the performance of the investment property assets during the financial year 2025/26.
- 3.2 **Option A** – There is no such requirement for the Council to produce such a report or to make it public. As such there is the option to do nothing and not report on performance.
- 3.3 **Option B** – Approve the report (subject to any required amendments) and publish the report on the Council's website. It is felt that due to the size, nature and intense scrutiny that surrounds the Council's investment portfolio that it is not a realistic option to withhold information. We recognise the need to be open and transparent in reporting about the portfolio and how it is

performing. The report provides an easy reference point for members of the public, press and the frequent FOI requests that we receive. It is also important in providing a summary of the investment portfolio for audit purposes, both internal and external.

**Option B** is the Council's recommended option.

#### **4. Risk implications**

- 4.1 There is significant risk of not achieving best value in the sale of the properties if information regarding values, rents and strategy is made publicly available. The Asset Service has considered the report attached as Appendix A and is satisfied that the contents do not pose a risk to the Council.
- 4.2 Risk management is embedded in the work that the property team undertake. The Council's approach to risk and how it is managed is included in the Asset Management Strategy 2023/24 - 2027/28 together with the risk register. The property team works with a number of external consultants in their field of expertise whether it be letting agents, valuers or building surveyors to ensure the best outcome for the Council. The Council also closely monitors the financial position of all our tenants and guarantors using the Dun and Bradstreet.

#### **5. Financial implications**

- 5.1 The report clearly sets out the valuation, income, expenditure and net financial position of the investment properties.

#### **6. Legal comments**

By publishing an overview of the performance of the investment property portfolio, the Council provides transparency and assurance that the portfolio is pro-actively managed to achieve cash flow security and effective debt management.

#### **Corporate implications**

#### **7. Commissioners' comments**

- 7.1 The report accurately captures the historic operational and financial performance of the Council's commercial property portfolio. The valuation data and overall financial performance of the portfolio is an appropriate reminder of the need to continue with the disposal strategy set out in the Improvement and Recovery Plan.

#### **8. S151 Officer comments**

- 8.1 The S151 Officer confirms that all financial implications have been taken into account. Whilst there are no direct implications arising from the report, the investment assets have a very significant financial impact on the short and

medium term financial position of the Council. It is therefore appropriate that there is transparency in review of the performance of the portfolio.

**9. Monitoring Officer comments**

- 9.1 This report supports transparency by providing an overview of the investment property portfolio performance for scrutiny by the elected members and the public.

**10. Procurement comments**

- 10.1 There are no procurement implications in this report.

**11. Equality and Diversity**

- 11.1 Not applicable

**12. Sustainability/Climate Change Implications**

Not applicable.

**13. Other considerations**

- 13.1 None considered.

**14. Local Government Reorganisation Implications**

- 14.1 The Statutory Directions from the Secretary of State concerning debt reduction and asset rationalisation implicitly consider Local Government Reorganisation in Surrey.

**15. Timetable for implementation**

- 15.1 The report will be presented to the Corporate Policy and Resources Committee on 12<sup>th</sup> October. Thereafter, if approved it will be uploaded to the Council's website.

**16. Contact**

- 16.1 Katherine McIlroy MRICS – Asset Manager ([k.mcilroy@spelthorne.gov.uk](mailto:k.mcilroy@spelthorne.gov.uk))

***Please submit any material questions to the Committee Chair and Officer Contact by two days in advance of the meeting.***

**Background papers:** There are none.

**Appendices:**

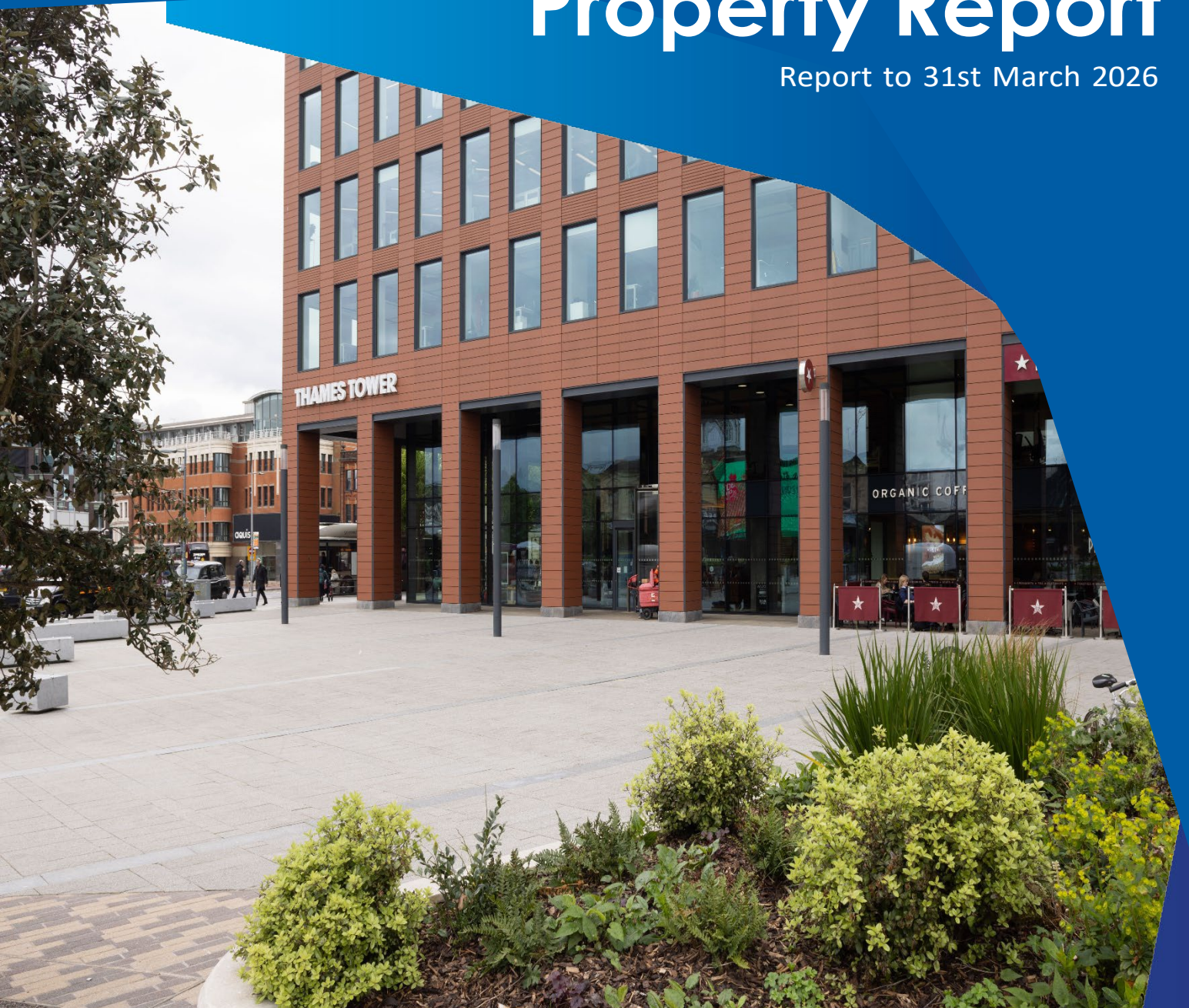
Appendix A – Annual Commercial Property Report (Public)

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Spelthorne Borough Council Property Fund

# Annual Commercial Property Report

Report to 31st March 2026



@spelthornebc



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# 1 Introduction

The Annual Commercial Property report is produced by the Assets Service on behalf of Spelthorne Borough Council. It includes an analysis of the commercial property portfolio owned by the Council as at 31st March 2026 and highlights the key asset management initiatives delivered over the last 12 months. The Annual Commercial Property Report is part of a suite of documents that support the Asset Management Strategy.

The commercial portfolio is wholly owned by Spelthorne Borough Council. The Council acquired the commercial properties using borrowing from the Public Works Loans Board (PWLb), a statutory lending facility operated by the HM Treasury during the period 2016 to 2018. The primary objective of the acquisition programme was to generate income to support the delivery of front-line services in response to Government grant funding being removed. As at 31 March 2026 the Council owned 12 investment properties and the contracted rental income<sup>1</sup> per annum was £42.77 million.

On 8 May 2025 the Secretary of State for Housing, Communities and Local Government (MHCLG) issued Directions under the Local Government Act 1999 appointing Commissioners to address governance and financial sustainability issues highlighted in the 'Best Value' Inspection Report published on 17 March 2025. In particular, the Directions highlighted the need to reduce the Council's exceptionally high level of external borrowing. In response to central government intervention, the Council adopted an Improvement and Recovery Plan (approved in February 2026), the key initiatives included debt re-structuring and an asset rationalisation programme.

The Statutory Directions prescribed the activity of the Asset Management Team for the majority of the financial year following the appointment of Commissioners in May 2025. The Council's borrowing portfolio was re-financed in November 2025 to reduce borrowing in line with the Statutory Direction. In addition, the Council's minimum revenue provision policy for setting aside money to repay debt was revised comprehensively in November 2025 bringing the Council in line with statutory guidance and ensuring a robust approach to repaying borrowing. The debt rescheduling exercise reduced total outstanding debt by £342m - which is roughly a third. An asset rationalisation programme was instigated, with Knight Frank appointed to advise on a carefully managed programme of asset sales to generate capital receipts which will be used to further reduce debt. Meanwhile, the portfolio continued to be managed in accordance with the asset investment strategy and business plans to protect value and minimise expenditure.

In conjunction with the statutory intervention, local government re-organisation progressed at pace with the Secretary of State announcing the decision to implement two unitary authorities for Surrey in October 2025. In March 2026 the Surrey (Structural Changes) Order 2026 came into force establishing West Surrey unitary authority from 1 April 2027.

<sup>1</sup> Contracted rent is the legally binding rental income specified within an executed lease document.

# 1 Introduction - continued

The timeframe has implications for the asset disposal programme with the net proceeds of the sales reducing the overall debt to be transferred to the new unitary authority. The properties still held by the Council on 1 April 2027 will be transferred and managed by West Surrey. The Asset Management Team has been engaging in collaborative work along with other Surrey councils and will be sharing data on our commercial assets in preparation for vesting day.

## Commercial Portfolio Key Facts (at 31/3/2026)

|                                  |                 |
|----------------------------------|-----------------|
| Net Asset Value (31 March 2026)  | £525.78 million |
| Number of Property Holdings      | 12              |
| Average Lot Size                 | £43.81 million  |
| Contracted Rent per annum        | £42.77 million  |
| Estimated Rental Value per annum | £51.86 million  |

\*Contracted rent valued by Knight Frank under RICS regulations at the valuation date. This excludes for example Tenants in rent free

\*\*The rent that a property could achieve in the open market at the valuation date.

## 2 Property Valuation

The investment portfolio is independently valued annually at the 31st March to comply with the Council's accounting obligations. Knight Frank LLP undertook the annual valuation for the year ending 31st March 2026 as part of their five year contract appointment.

At the 31st March 2026 Knight Frank LLP valued the portfolio at £525.78 million. The commercial portfolio is valued on a market value basis in accordance with the RICS Professional and Global Valuation Standards.

Overall, the portfolio decreased in value over the 12 months to 31st March 2026 by £91.375 million or 14.81%. Since the portfolio was originally acquired, overall, the assets have decreased in value by £550.918m or 51.1%.

## 3 Property Market Review

### 3.1 South East Offices

There were a number of key economic and structural factors driving the occupational market over the last 12 months namely an accelerated 'flight to quality', a shortage of super prime stock, stabilised hybrid working patterns and an increase in occupiers operating costs.

Occupier demand was relatively weak across the South East during 2025. Letting activity measured by the amount of floor space let was lower than 2024 and below the 5 and 10 year long term average<sup>2</sup>. Whilst take up was modest, it was focused on the best-in-class buildings with high quality amenities and strong ESG credentials. Over the last 3 years 85% of all office take-up was Grade A and in 2025 this had increased to 91.5% of all lettings<sup>3</sup>. The flight to quality is an enduring trend with corporate occupiers only prepared to move for the very best office space. This impacts landlords who need to invest substantial capital to ensure that their property meets occupiers expectations including energy efficiency ratings of EPC A/B.

The Grade A market is now polarised with 'super prime' comprising of newly built or substantially refurbished Grade A properties which are outperforming older Grade A stock. The availability of new stock particularly to accommodate requirements in excess of 50,000 sq.ft is severely limited across the South-East and the development pipeline is constrained. Development activity has not recovered from the slowdown that began in 2020 and new office development is concentrated in Cambridge and West London<sup>4</sup> with very little in the pipeline along the Thames Valley.

The shortage of new supply is placing upward pressure on rental levels in some key towns in the Thames Valley including Reading, Windsor and Maidenhead. Headline rents have been achieved in Reading (£56 per sq.ft) and Maidenhead (£60 per sq.ft) on the new schemes delivered in 2025 and 2026. Rental growth is filtering down to older Grade A buildings such as Thames Tower where we have seen rental growth over the last two years. A new headline rent of £60 per sq.ft was set at Tempo, a newly completed scheme in Maidenhead in Q1 2026.

The flight to quality has polarised the office market; Grade A supply has been falling due to limited speculative development leaving the older properties in lesser regarded towns lingering on the market.

The average South East vacancy rate across all towns stabilised during 2025 as hybrid working is now the norm and whilst occupier-release space is still entering the market it is at a much slower pace. At the end of March 2026 Colliers reported that all grade vacancy in the South East was 12.5%, representing an 18 months low<sup>5</sup>.

The supply of secondary office space remains elevated in a number of town centres including Reading, Maidenhead, Windsor/Marlow and Stockley Park. Contrary to the downward trend West London including Ealing, Hammersmith and White City all saw an increase in vacant space at the beginning of 2026.

The Council had an occupational vacancy rate of 7.7% across the portfolio in the office buildings located in Reading, Uxbridge, Slough and Staines. As the year progressed it was noticeable that the level of new enquiries and viewings for the vacant space declined.

<sup>2</sup> Hollis Hockley South-East Office Market Overview 2025

<sup>3</sup> Hollis Hockley South-East Office Market Overview 2025

<sup>4</sup> Knight Frank, South East and Greater London Offices Q1 2026

<sup>5</sup> Colliers, 'South East Office Snapshot' April 2026

### 3 Property Market Review - continued

The rise in occupational costs from business rates and service charges together with high costs to fit-out space had reduced businesses appetite for signing leases and taking on new space. The lack of confidence in the wider economy and narrowed corporate profit margins resulted in many businesses looking to renew short term. This was evident at Thames Tower in Reading where we completed a number of lease renewals and 12 Hammersmith Grove where the Council were in lease renewal negotiations.

The office investment market in the South East saw less activity in 2025 compared with 2024 with £1.26 billion traded which was a reduction of 14% year on year<sup>6</sup>. Both sales volumes and deal size reduced, with investors focusing on smaller lots sizes. According to Knight Frank the average office deal size at March 2026 was £9.5 million<sup>7</sup>. Uncertainty around the Autumn 2025 budget and geopolitical uncertainties affected investors' appetite for risk which resulted in a cautious approach to investing. As a result investors were prioritising prime, ESG compliant assets in locations with resilient occupier demand. Private UK investors and property companies accounted for the largest share of acquisitions in the South East who were typically looking for value-add, multi-let assets in established markets. Overseas investors typically French, Middle Eastern or Israeli capital were focused on well-let properties to strong covenants. Opportunistic private buyers at the smaller end of the market were active seeking discounted or repositioning opportunities and distressed sellers. The key sellers continued to be UK institutions and Receivers/Administrators off-loading non-core, secondary assets with high vacancy or in need of significant capital expenditure to comply with future energy performance regulations.

#### 3.2 Retail and Shopping Centre Market

Retail property performance to March 2026 was supported by a gradually improving economic backdrop, despite continued geopolitical uncertainty and higher operating costs for businesses. Inflation eased during the period, allowing the Bank of England to begin reducing interest rates, while real wage growth remained positive, supporting household spending.

Nevertheless, retailers continued to face cost pressures from increases in employer National Insurance contributions and the National Living Wage introduced in April 2025, together with ongoing global supply chain risks arising from conflicts in Ukraine and the Middle East. These factors resulted in cautious but improving consumer and investor confidence.

Retail trading performance improved over the period. Knight Frank reported retail sales values (excluding fuel) increasing by 4.1% year-on-year in March 2026 while sales volumes increased by 1.7% year-on-year. Over the first quarter of 2026 as a whole, retail sales values were 5.0% higher than the corresponding period in 2025, with sales volumes increasing by 3.4%<sup>8</sup>. These improvements reflected resilient consumer demand despite continuing inflationary and geopolitical pressures.

Footfall also continued to recover during the period, although growth remained relatively modest. Industry evidence indicated that shopping centres generally outperformed high streets in terms of visitor numbers, benefiting from their broader leisure and food and beverage offer, while prime city centre locations continued to attract strong occupier demand.

<sup>6</sup> Colliers, South East Offices Snapshot – January 2026

<sup>7</sup> Knight Frank 'South East and Greater London Offices' Q1 2026

<sup>8</sup> Knight Frank 'Retail Sales Dashboard' March 2026

### 3 Property Market Review - continued

The improving footfall trend, combined with stronger retail sales performance and declining vacancy rates, supported rental growth and investor confidence in prime retail assets.

On the back of improved consumer spending the occupier market outlook was positive. The number of retail stores affected by distressed retailers was less than 2024 with the most notable 'failures' being Claire's Accessories, Bodycare and Poundland. The vacancy rate continued on a downward trajectory with a national vacancy rate at its lowest level (13.5%) since COVID in 2020<sup>9</sup>. At the prime end of the market rental growth was evident. With this cautious optimism, some key retailers were committing to investment in their stores and spending on shop fits and refurbishments.

This has included River Island who have demonstrated their confidence in the Staines market by fully refitting their store and we are expecting further refits from Fragrance Shop and Beauty Brow in the next 12 months.

The Elmsleigh Centre performed well in line with market trends demonstrating rental growth in a number of new lettings (see section 4.1 below). The occupancy rate of 100% at year-end is remarkable for a regional centre. Whilst footfall continued to marginally decline by 2% retailers performances remained upbeat despite the cost of living affecting consumer spending.

Income from mall commercialisation space increased to a level higher than pre-covid, demonstrating increased interest in promotional space and "pop ups" including oud perfume and Mediterranean foods. Investment activity also strengthened. According to CBRE, UK retail investment volumes reached approximately £1.5 billion in Q1 2026, representing 14% of total UK commercial property investment<sup>10</sup>.

Investor demand remained focused on retail parks, prime shopping centres and dominant regional high streets, reflecting renewed confidence in well-located retail assets with strong occupational fundamentals.

Overall, the retail property sector outperformed much of the wider commercial real estate market delivering a total return of 9.6% in 2025<sup>11</sup> with shopping centres and foodstores the best performing sub-sector within the retail market.

<sup>9</sup> Knight Frank 'The Retail Note – Retail in 2026:Retaining the Crown' January 2026

<sup>10</sup> CBRE 'UK Retail at a Glance Q1 2026' May 2026

<sup>11</sup> Knight Frank 'The Retail Note – Retail in 2026:Retaining the Crown' January 2026

## 4 Asset Management

### 4.1 Lettings & Lease Renewals

In the last 12 months, despite continued challenging market conditions the Council completed seven new lettings totalling 35,557sq.ft. Three office lettings comprising 25,428 sq.ft completed at Thames Tower in Reading and the Charter Building in Uxbridge and four retail lettings at the Elmsleigh Shopping Centre.

#### New Lettings Completed to 31 March 2026

| Date Completed | Property                                  | Sector | Area sq.ft |
|----------------|-------------------------------------------|--------|------------|
| Aug-25         | 5th floor Thames Tower, Reading           | Office | 4,680      |
| Jun-25         | Ground floor Charter Building, Uxbridge   | Office | 14,899     |
| Jul-25         | part 2nd floor Charter Building, Uxbridge | Office | 5,849      |
| Aug-25         | 77 High Street, Staines Upon Thames       | retail | 3,171      |
| May-25         | Unit 37 Elmsleigh                         | retail | 904        |
| Oct-25         | 91 High Street                            | retail | 1,191      |
| Jul-25         | Unit 35-36                                | retail | 4,863      |
| Total          |                                           |        | 35,557     |

#### Lease Renewals Completed to 31 March 2026

| Property                                  | No. of lease renewals |
|-------------------------------------------|-----------------------|
| Elmsleigh Centre and High Street, Staines | 7                     |
| Summit Centre, Sunbury                    | 2                     |
| 17 Station Road                           | 1                     |
| Thames Tower                              | 2                     |
| Total                                     | 12                    |

Over the last 12 months new lettings generated an income of £1.03 million per annum and an increase in rent of £120,314 per annum. The vacancy rate across the portfolio was 7.7% by floor area or 8.4% by rental value.

#### Vacant Property as at 31 March 2026

| Property             | Town     | Sq.ft to Let | % of Property total floor area |
|----------------------|----------|--------------|--------------------------------|
| Porter Building      | Slough   | 35,998       | 1.9%                           |
| Elmbrook House       | Sunbury  | 2,661        | 0.1%                           |
| The Charter Building | Uxbridge | 54,407       | 2.8%                           |
| Thames Tower         | Reading  | 13,933       | 0.7%                           |
| Communications House | Staines  | 11,945       | 0.6%                           |
| Summit Centre        | Sunbury  | 28,778       | 1.5%                           |
| Total Portfolio Void |          | 147,722      | 7.7%                           |

## 5 Investment

The Council sold 3 Roundwood Avenue in Stockley Park completing the sale on the 30th March 2026. The property had been identified as an underperforming asset, providing a net operating loss (after finance costs) in the last three financial years 2022-2025. The property had a void rate of 76% with low short-term prospects of re-letting due to limited occupier demand and over supply of office space at Stockley Park. The building required substantial capital expenditure to refurbish the first floor office space to facilitate re-letting which the Council could not support.

To comply with the Statutory Direction, the Council agreed to an asset rationalisation programme in November 2025 to underpin the revised Medium-Term Financial Strategy following the debt re-structuring. Knight Frank LLP were subsequently appointed following a competitive procurement process to advise the Council on the property disposals. The Council will be undertaking a strategic sales programme over the next 3 years. A number of properties were being prepared for sale at the year-end with the first tranche to be brought to the market in May 2026 for a sale in the FY 2026/27.

### **3 Roundwood Avenue, Stockley Park.**



## 6 Key Performance Indicators

The Council has set a number of key performance indicators for the Investment Portfolio. The key performance indicators are published as part of the Asset Management Plan. The key performance indicators set targets for the management of the investment portfolio and focus on income, expenditure, portfolio risk and tenant risk. A copy of the KPI's can be found as Appendix A.

### 6.1 Financial (Income & Expenditure)

The Council's budget setting process involves forecasting the income generated from the investment portfolio for the upcoming financial year and the irrecoverable expenditure. On an annual basis forecasts are provided for the next 5 years together with a detailed budget for the next 12 months. Budget setting takes place in the Autumn prior to the 1 April start of the financial year.

The investment properties benefit from a contractual income stream governed by the rent agreed under the lease. Whilst the lease contract allows the Council to budget the net receivable income with some accuracy there is an element of unpredictability and risk due to tenant default, insolvency, rent reviews, lease renewal negotiations or the exercise of break options.

Income and expenditure are monitored on a monthly basis and reported quarterly to Committee Members throughout the financial year.

The Council received a rental income of £47.91 million from the investment portfolio for the financial year ending 31st March 2026 slightly lower than budgeted by 1% or £517k. The rental income stated in the financial accounts is higher than the contracted rental income stated in the valuation due to insurance reimbursements, general licence income, contributions from dilapidation payments, rent top ups and amortised lease incentives.

Operating expenditure for the financial year totalled £4.91 million. Due to responsible management expenditure was 32% or £2.32 million below budget. Irrecoverable expenditure relates to the costs that the Council as Landlord incurs in the effective management of the properties. This may include expenditure associated with vacant property such as business rates, insurance and service charge as well as refurbishment costs, letting costs and professional fees.

Overall, the net income position was positive with the investment portfolio providing the Council with an income (before finance costs) of £43 million. Net income exceeded the budget set by the Council for the investment portfolio by £1.8 million or 4%.

#### 6.1.2 Financial Outturn

The table below demonstrates the net income or loss to the Council of the investment properties after finance costs, management set aside and sinking fund movements. In November, in line with the Council's financial strategy the investment properties were refinanced and the debt re-structured. The Council refinanced £905 million of existing debt with the Treasury, secured a discount of £342 million and reduced the overall debt by 32%. The impact of the refinancing was an increase in the minimum revenue provision and interest payments across the portfolio.

The cost of servicing the debt totalled £73.95 million. Overall, the net position including finance costs was a loss of £26.64 million.

## 6 Key Performance Indicators – Continued

| Net Surplus/Loss after Financing Costs(as presented in the Annual Accounts FY25/26) |                  |
|-------------------------------------------------------------------------------------|------------------|
|                                                                                     | Totals £000s     |
| Rental Income                                                                       | (45,649 )        |
| Other Income                                                                        | (1,143 )         |
| Lease Incentives                                                                    | (1,114 )         |
| <b>Total Income</b>                                                                 | <b>(47,906 )</b> |
| Operating Costs                                                                     | 4,908            |
| <b>Total Expenditure</b>                                                            | <b>4,908</b>     |
| Financing costs                                                                     | 22,781           |
| Minimum Revenue Provision                                                           | 51,165           |
| Contribution from reserves                                                          | (4,983 )         |
| Set aside for management costs                                                      | 670              |
| <b>Net (Surplus)/Loss</b>                                                           | <b>26,635</b>    |
| Net Surplus/Loss after Financing Costs (as presented in Annual Accounts FY 25/26)   |                  |

### 6.2 Tenant Risk

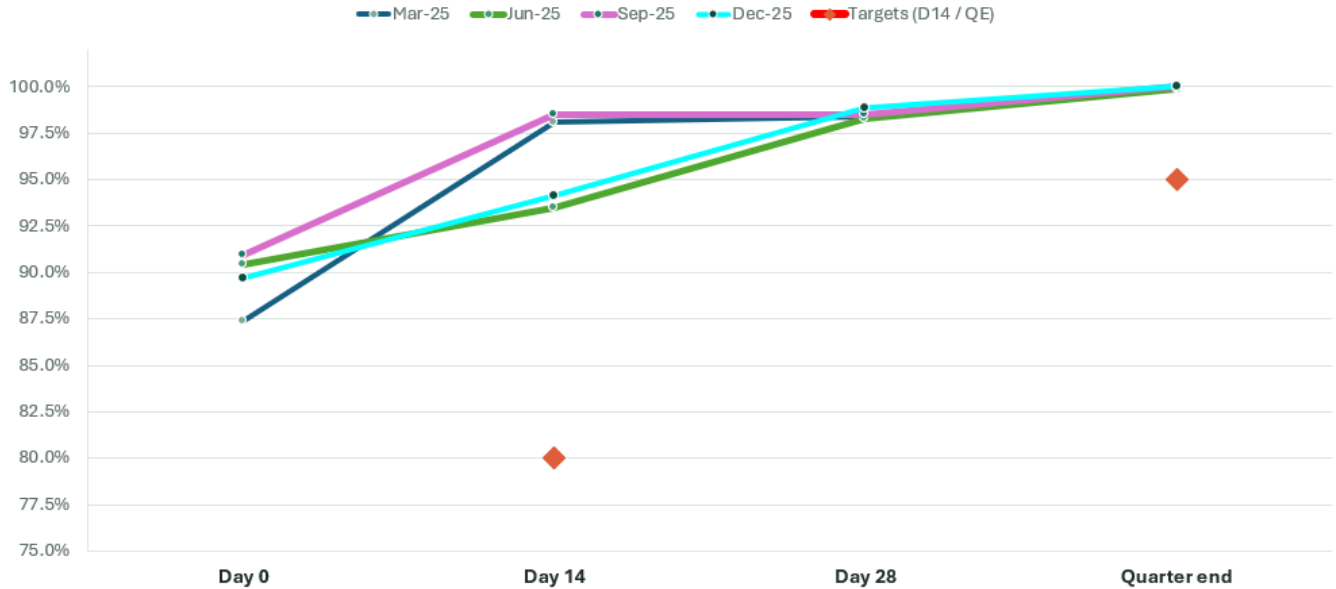
Tenant default poses a great risk to the performance of the portfolio. To ensure that current and future occupier risk is identified and mitigated the Council monitors the credit rating of the tenants. A review of the credit ratings and a 'RAG' risk score is undertaken on a bi-annual basis using a credit monitoring service (currently Dun & Bradstreet).

The Council has stringent processes in place to monitor the collection of rent and identify potential problem tenants. The Council commits to collecting 90% of all quarterly demanded rents within 14 days of the due date and 100% of all rent by the quarter end. The Council is responsible for invoicing and credit control, having taken the rent collection function in-house for the office portfolio from March 2025 and the retail portfolio in September 2025. In-house rent collection provides greater transparency and control whilst also improving treasury management.

## 6 Key Performance Indicators – Continued

### Collection exceeds 98% by Day 28

Portfolio snapshots, Mar–Dec 2025 • Targets: 80% at Day 14 and 95% by quarter end



The Council exceeded the portfolio target over all four quarters of the 25/26 financial year collecting an average of 96.1% of all office rent over the year within 14 days. The collection rate was 100% by the quarter end. No bad debt provisions were made during the year for non-collected rent or insolvent tenants.

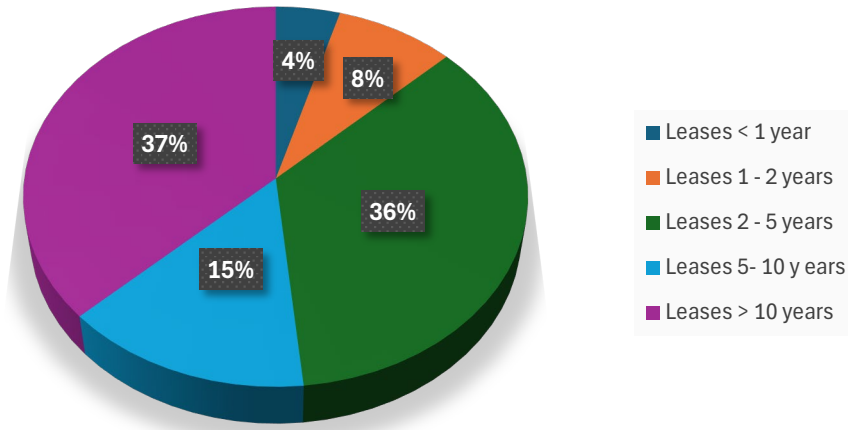
The quarterly retail rents exceeded the KPI for the September and December quarter. Since September when the Council took in-house the rent collection, an average of 99.4% of all rent was collected 14 days after the due date with 100% collected by the end of the quarter.

### 6.3 Portfolio Risk

In general, the portfolio had a decreasing weighted average unexpired lease term (WAULT) over the past 12 months with 47% of the headline rent due to expire in less than five years. The WAULT of the investment portfolio is 6.36 years until expiry and 5.87 years to the earliest break. The Council's exposure to tenant risk due to expiring leases increases if Sunbury Business Park is excluded due to the longer lease profile and high proportion of rent that the property contributes to the overall rent roll. The declining lease profile across the portfolio in the current occupier market was the main reason for the outward yield shift in the valuation which resulted in reducing capital values. Active asset management ensures that there are strategies in place to preserve the income by early lease renewal negotiations.

## 6 Key Performance Indicators – Continued

### % of Contracted Rent



*Total Portfolio – Longevity of Income based on lease length*

The Council's portfolio is predominantly invested in South East offices. Based upon the March valuation 92.2% is invested in offices, 2.8% in light industrial and 5.1% in retail (shopping centre). The lack of geographical and sector diversification is a consequence of the investment acquisition strategy during the period 2016-2018. The investment criteria was to acquire property which presented an opportunity for residential development within the borough or prime, core properties located in the Heathrow economic area. The high office weighting has had a negative impact on performance over the last five years.

## 7 Conclusion

Over the last 12 months, the portfolio has seen an overall fall in capital value due to shortening lease lengths and office vacancies in stubborn and oversupplied occupier markets. Nevertheless, the portfolio vacancy rate remains well below the office industry norm, the Elmsleigh Shopping Centre has remained fully occupied unlike other struggling regional schemes and the rent collection as a result of bringing the function in-house has increased to 100%. The investment portfolio has contributed above budget net income of £43 million but following debt re-financing made an overall loss for the financial year. A disposal programme was in place at the year end to meet the Council's statutory obligation to liquidate the portfolio and reduce the overall debt burden. One property at Stockley Park was sold at the year end. Looking forward, asset management will focus on lease renewals and lettings to reduce the void rate and improve the income profile. Since March, the prolonged conflict in the Middle East has created economic uncertainty with major institutions having downgraded their projections for property returns. Overall, there is less optimism than at the beginning of 2026. The current economic climate of inflationary pressures, higher gilt yields and the expectation of interest rate rises will make for challenging conditions going forward.

## Appendix A – Key Performance Indicators

|                                                                                          | Responsibility             | Reason                                                                                       | Data Source                           | Benchmark                                                                              | Performance against Benchmark                                                                                                                            | Comments                                                                                                                                |
|------------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| <b>FINANCIAL (INCOME)</b>                                                                |                            |                                                                                              |                                       |                                                                                        |                                                                                                                                                          |                                                                                                                                         |
| Portfolio Income Growth                                                                  | Asset Management           | To assess how SBC portfolio compares to budget in terms of net receivable income             | Monitoring reports/ financial outturn | Target is to match or exceed Budget income outturn                                     | Budget net receivable income<br>£41.20 million<br><br>Actual net receivable income<br>£43.00 million                                                     | Exceed budget.                                                                                                                          |
| Deliver a Net Contribution to Revenue budget of £10.8m+ on average over a 3 year period. | Asset Management & Finance | To ensure continued provision of service delivery                                            | Monitoring reports/ financial outturn | Target is to match or exceed net contribution after financing costs to revenue budget. | Net income/(loss) transferred to the revenue budget.<br>FY 2023/2024<br>£7.2 million<br>FY 2024/2025<br>£8.8 million<br>FY 2025/2026<br>(£26.64 million) | Due to Statutory Directions & property re-financing the property portfolio produced a net loss after financing costs of £26.64 million. |
| <b>FINANCIAL (EXPENDITURE)</b>                                                           |                            |                                                                                              |                                       |                                                                                        |                                                                                                                                                          |                                                                                                                                         |
| Irrecoverable Revenue Expenditure                                                        | Asset Management           | To monitor expenditure on refurbishments and holding costs against Budget and Business Plans | Monitoring reports/ financial outturn | Target = Budget                                                                        | Budget irrecoverable revenue expenditure (operating costs)<br>£7.22 million<br><br>Actual irrecoverable revenue expenditure<br>£4.91 million             | Underspent compared to budget.                                                                                                          |

|                                                 | Responsibility   | Reason                                                                                                                  | Data Source                 | Benchmark                                                                                    | Performance against Benchmark                                                                                                                                                                                                 | Comments                                                                                             |
|-------------------------------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| <b>LEASE EVENT MANAGEMENT</b>                   |                  |                                                                                                                         |                             |                                                                                              |                                                                                                                                                                                                                               |                                                                                                      |
| Rent Reviews                                    | Asset Management | To avoid delays in recording rental uplifts and for good estate management reasons and to maintain tenant relationships |                             | All reversionary rent reviews to be instigated prior to rent review date unless by exception | One rent review was completed over the 12 months recorded at nil uplift.                                                                                                                                                      |                                                                                                      |
| Lease Expiries                                  | Asset Management | To avoid delays in recording rental uplifts and for good estate management reasons and to retain existing tenants       |                             | All contracted out expiries to be instigated prior to expiry date unless by exception        | All lease expiries were instigated by the expiry date.                                                                                                                                                                        | Details of the completed lease renewals are listed on page 10 .                                      |
| <b>TENANT RISK</b>                              |                  |                                                                                                                         |                             |                                                                                              |                                                                                                                                                                                                                               |                                                                                                      |
| Regular review of occupier credit ratings       | Asset Management | To ensure that current and future occupier risk is identified and mitigated against                                     | Dun & Bradstreet & Experian | Target = bi-annual reporting                                                                 | Bi- annual updates are provided as part of Asset Management reporting of Business Plans and half year review.                                                                                                                 | 8 of the top 10 tenants are of low or low moderate financial risk according to Dun & Bradstreet.     |
| Rent collection (lease rent only, exc turnover) | Asset Management | Regular monitoring of rent collection to assist with Finance budgeting and to identify problem tenants                  | Property Agents             | 80% within 14 days<br>95% of income demanded by Qtr end                                      | March '25 Qrt day 14: 98.1%<br>June '25 Qrt day 14: 93.5%<br>Sept '25 Qrt day 14: 98.5%<br>Dec '25 Qrt day 14: 94.1%<br>March '25 Qrt End: 100%<br>June '25 Qrt End: 99.9%<br>Sept '25 Qrt End: 100%<br>Dec '25 Qrt End: 100% | Exceeded benchmark across all quarters during the financial year. 100% of all annual rent collected. |

|                                                                                                      | Responsibility   | Reason                                                                            | Data Source      | Benchmark                                                            | Performance against Benchmark                                                                                                | Comments                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------------------------------------------|------------------|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Portfolio Weighted Average Unexpired Lease Term to exceed market average lease length on new letting | Asset Management | To ensure strategies are in place to preserve longevity of income                 | Annual Valuation | Property sector regional geographic reports provided by Knight Frank | Investment portfolio weighted average unexpired lease term to first break (March 2026) was 5.87 years & 6.36 year to expiry. | The investment portfolio weighted average unexpired lease term is shorter than the average market lease length.                                           |
| Void rate of portfolio split into office and retail to be less than sector and geographical average  | Asset Management | To ensure strategies are in place to ensure void costs remain as low as possible. | Property Agents  | Property sector regional geographic reports                          | The Council's office void rate at (March 2026) was 7.7% as % of floor area and 8.4% as a % of ERV.                           | This is less than the sector and geographical average. The Council does not subscribe to the MSCI index so we are unable to publish the benchmark figure. |



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