



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and date of Committee	OVERVIEW & SCRUTINY COMMITTEE- 3 JUNE 2026
Subject	INVESTMENT PROPERTY REVIEW AND OUTTURN 2025/26
Wards affected	All
Accountable member	Alaric Smith, Executive Member for Finance Email: alaric.smith@westoxon.gov.uk
Accountable officer	Madhu Richards, Director of Finance Email: democratic.services@westoxon.gov.uk
Report author	Jasmine McWilliams, Head of Assets Email: democratic.services@westoxon.gov.uk
Summary/Purpose	To inform the Committee of the performance of the Council's investment property portfolio for 2025/26.
Annexes	Exempt Annex A – Outturn Report 2025/2026
Recommendation(s)	That the report be noted
Corporate priorities	<ul style="list-style-type: none">• Working Together for West Oxfordshire
Key Decision	No
Exempt	Exempt Annex A only
Consultees/ Consultation	Executive Member for Finance, Director of Finance, Head of Finance

1. EXECUTIVE SUMMARY

- 1.1. This report provides details of the Council's investment property portfolio and its performance for the year 2025/2026.

2. BACKGROUND

- 2.1. As a result of a strategic decision taken a number of years ago, the Council holds a portfolio of property assets to help support the revenue budget via investment income. This decision was taken by the Council, having identified an over reliance on cash-based investments in its reserves. These cash-based investments are susceptible to the movements of interest rates and therefore a major risk at times of falling interest rates.
- 2.2. In addition, it was identified that the approach of maintaining cash-based investments risked the value of the capital deposited being diminished over time due to the effects of inflation.
- 2.3. Therefore, a strategy was adopted and annually reviewed to allow the Council to take advantage of strategic and opportunistic investments in property that met the broad principles of improving the balance of the investment portfolio. This report seeks to update the Committee on the performance of this portfolio.

3. GENERAL PROPERTY UPDATE

- 3.1. In September 2011, the Committee took a strategic view that the investment strategy, with continuing record low levels of interest rates, should adopt a target ratio of commercial property to finance assets of 65% property and 35% cash.
- 3.2. The total investment property portfolio (excluding strategic/regeneration freehold sites Woolgate, Mill Walk and Marriotts Walk etc) now stands at £42.44m (£53.49m 1 April 25). The sale of a large investment property (Knights Court) was completed in 2025/26 which has contributed to the reduced portfolio valuation.

The long-term cash portfolio at 31/3/26 stood at £21.33m (excluding short term cashflow funds of £11.9m) and therefore the ratio of long-term property assets to overall long-term assets stood at 67%, slightly above the target set. The details are shown below:-

Asset Class	Amount (£m)
Property	42.44
Pooled Funds	11.45
REIT (Housing)	0.68
Third Party Loans (Housing and Solar)	9.2
Total	63.77

- 3.3. In addition to setting out the running yield on the properties (rent v total cost of acquisition), this report also tries to give a view on the overall return on property by taking

account of any appreciation or diminution in asset values. This also has the effect of accounting for losses incurred as acquisition costs are deleted from valuations.

- 3.4. The table at Annex A shows that the property values are, in some cases, lower than the purchase price. The principal reasons for this are the acquisition costs associated with such investments and the natural diminishing length of lease term that has an impact on asset values for investment purposes. Typical acquisition costs are 5% to cover stamp duty, fees and survey costs. On the portfolio overall, this has now been offset by capital appreciation.
- 3.5. It must be stressed that these gains (and losses) remain unrealised and are based on RICS Red Book valuations calculated to comply with CIPFA requirements for asset valuation. Annex A identifies the overall return on property assets taking account of the issues set out in 3.4 above.
- 3.6. As mentioned above, the principal reason for the move into commercial property was to protect the Councils income stream from the volatility of interest rates rather than capital appreciation, although appreciation remains a longer-term possibility. The financial implications section gives a commentary on the success in respect of the income stream relative to cash
- 3.7. The investment properties are subject to differing lengths of lease terms. The industrial estate at Swain Court has been excluded as it is not a capital asset of the Council (it is held under a head leases). Also excluded is Greystones Industrial Estate which is currently being reviewed and other buildings which are in part leased by Ubico for operational purposes, and garages which are viewed as de-minimus. Marriotts Walk being held primarily for regeneration purposes is also excluded.
- 3.8. Given the high proportion of long-term ground rents within the portfolio (Carterton, Woolgate and Mill Walk) the average unexpired lease term is longer when compared to many portfolios, at around 20 years, and this provides further assurance to the Council of a relatively stable long-term return. Of course, this can mask a range of leases expiring in a short time period and the table below shows the rental income attributable to leases by reference to expiry dates and consequent risk to revenue streams.

Lease Expiry @ 31/03/2026	Rental Income @ 31/03/2026
Within a year /vacant	£650,305
1 year – 2 years	£482,579
2 year – 5 years	£462,063
5 years – 10 years	£830,224
10+ years	£264,225

NB above figures do not include Marriotts Walk leases

3.9. A major focus over the coming year is to continue to make progress on leases in the within 1 year category and 1-2 year category. Given the potential risk of voids in this scenario the council has made provision within its reserves for such risk. Attached at Annex A is the outturn report including the council's investment properties

4. FINANCIAL IMPLICATIONS

- 4.1 This report is seeking to give the committee additional information by detailing yield not just compared to purchase price (running yield), but also the overall return on property by taking into account unrealised capital gains and losses (overall yield).
- 4.2 The running yield on the commercial property portfolio (excluding Marriotts Walk being a regeneration property and Woolgate and Mill Walk which were not purchased as part of the property strategy and are ground rents only) is currently around 6.79%. (8.5% on original cost).
- 4.3 The uplift in running yield being achieved on the commercial property compared to cash is around 3.31% being the difference in the running yield (6.79%) and the return in long dated cash in pooled funds, housing associations and third parties (3.48%). UK 10 year gilts currently attract a return of 4.68% and are a useful benchmark when comparing to long term cash.
- 4.4 In financial terms this 3.31% uplift in performance from property is worth around £1.53m per annum (£42.44m @ 3.31%). To date, the revised strategy has saved the Council more than £20m on a cumulative basis compared to cash.
- 4.5 Calculation of the overall return is quite a complex exercise which is summarised at Annex A. From this summary it can be noted that the annual overall return on property since acquisition, taking account of losses due to transaction (acquisition) fees and notional unrealised valuation losses and gains, is around 8.5% - some 1.71% over the running yield.
- 4.6 Some individual properties remain underperforming on an overall return basis - this is in the main part because the acquisition costs have been amortised (written down) over a shorter period of time than the older properties.
- 4.7 The overall return on property can be summarised as:-

(A)Overall Acquisition Price (incl costs)	£37.43m
(B)Latest Valuation	£42.44m
(C)Unrealised valuation gain (B-A)	£ 5.01m
(D)Overall Rental Stream (multi-year)	£ 41.28m
(E) Total Return (D+C)	£ 46.29m
(F) Rental Yield (D/A)	110%
(G)Unrealised Capital Gain (C/A)	13.3%
(H)Overall Yield (E/A)	124%
(I)Annualised Time Weighted Yield*	14.6%

* This takes account of both the relative size of the property and the length of time held in addition to the yield on the property.

The above analysis shows that despite acquisition costs the portfolio has now achieved an unrealised valuation gain and this, together with the rental performance of the portfolio, has led to, in overall terms, an extremely positive performance.

5. LEGAL IMPLICATIONS

5.1 There are no legal implications as a result of this report.

6. RISK ASSESSMENT

6.1 Holding any asset has an element of risk associated with that holding. Whilst property has the security of 'bricks and mortar' compared to financial assets, it does come with risks if that asset is not occupied or if the occupation market suffers due to difficult market conditions.

6.2 The purpose of this annual report is to enable a regular review of the asset holding to enable a view to be taken on the current risks associated with the holding.

6.3 The council has mitigated the risk of its property holding by having a broad portfolio of assets covering a range of sectors including Industrial, Office, Retail and Leisure. It also has a mix of ground rents and full occupational leases which underpin the returns by providing longer term stability.

7. EQUALITIES IMPACT

7.1 There are no equalities impacts as a result of this report.

8. BACKGROUND PAPERS

8.1 None

(END)