

Report to the Council

Committee: Cabinet

Date: 17 December 2013

Portfolio Holder: Councillor A Grigg

(Asset Management and Economic Development)

Recommending:

That a supplementary capital estimate in the sum of £3,484,000 be approved for the purchase of the long leasehold Head Lease interest of 2 - 8 Torrington Drive, Loughton including the Sainsbury's store, car park and 0.121 acre car park in Burton Road.

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1. The site of the Sainsbury's store and other properties at Torrington Drive, Loughton has been monitored for some time by the Council's Asset Management Coordinating Group since the Council is the freehold owner. Torrington Drive Ltd, a subsidiary of Stobart Properties, owns the Head Lease of 125 years from 31 May 1988 with an unexpired term of 99 years.
 2. An opportunity has arisen for the Council to purchase the Head Lease and we have taken advice from the Council's chartered surveyor consultants, Bidwells LLP including their opinion of market value based upon market evidence. The purchase price following negotiations is £3,350,000 plus Stamp Duty at 4% = £134,000. The negotiated purchase price is on the basis that Torrington Drive Ltd will complete a new sub lease with Sainsbury Plc for at least 15 years from 24 June 2013.
 3. The new sub lease will be conditional on Sainsbury Plc entering into a development agreement with Torrington Drive Ltd to carry out refurbishment works which will provide a new Sainsbury's store of 19,440 sq ft (gross internal area), demolition of existing unit shops and a new car park of 49 spaces.
 4. The Council would then accept a surrender of the Head Lease from Sainsbury's. This would result in Sainsbury's new sub lease being direct with the Council making all future transactions simpler.
 5. The acquisition of the Head Lease will provide the Council with a valuable addition to its property portfolio providing additional income of £224,424 per annum at an initial net yield of 6.44%.
 6. As freehold owners of this site and of the adjoining petrol station site the Council would be able to consider future redevelopment of both sites in accordance with the regeneration Design Brief approved by the Council in 2008. This would be subject to the sub lease agreed with Sainbury's and the lease of the petrol station.
 7. If the site is not purchased any future redevelopment would have to be agreed with the Head Lease owner at an appropriate time in the future. This would not give the Council the

control of the site and would adversely impact on the likelihood of securing and influencing the regeneration of the larger site.

8. We recommend as set out at the commencement of this report.