

## HIE Property Sales Information Requested from Economy, Energy & Tourism Committee

*“Information is requested with regards to each property HIE is seeking to sell, or have sold, the (a) purchase price; (b) market value; and (c) selling price; and explain the methodology used to select these properties and the process then gone through.”*

### Overview

Property Sales form part of the Capital Receipts income line within HIE Budgets and it is useful to see this in context for both 2013/14 and the planned position for 2014/15. The actual Capital Receipts for 2013/14 and plans for 2014/15 comprise broadly:

	2013/14 Actual	2014/15 Planned
Investment Portfolio – Property Sales	£ 2.1m	£ 2.7m
Campus – Development Land Sale	£ 1.6m	£ 1.1m
Equity Redemptions	£ 0.2m	£ 0.2m
Loan Repayments – Capital	£ 1.1m	£ 0.5m
<b>TOTAL</b>	<b>£ 5.0m</b>	<b>£ 4.5m</b>

The tables attached analyse the property sales component and highlight whether they were sales to existing tenants or 3<sup>rd</sup> parties. The tables show £2.1m of actual sales in 2013/14 together with the planned sales for 2014/15 comprising, £0.1m of sales already underway and a further £3.6m of projected sales including £1.1m for Development Land sales within the Inverness Campus project.

As the nature of these purchases and potential purchases can be commercially sensitive, some of the data has been kept anonymous.

### Basis of Valuations etc provided

In relation to the **purchase price** information requested, these properties, rather than being ‘purchased’ by HIE were all constructed directly by HIE. There is therefore no ‘purchase price’ in any of these cases.

In relation to the **‘market value’**, this is the same as the HIE ‘asset value’ or ‘book value’, namely, it is the valuation put on each property annually by independent external valuers; it assesses property value in line with international accounting standards as if the property were advertised for sale on the open market on an ‘investment’ basis; it does not reflect the value to an owner-occupier. At the point of disposal, market value is confirmed via an open market process or by an independent surveyor or district valuer.

In relation to the **‘selling price’** achieved, or expected to be achieved, in each case is listed in the table below.

### Property Strategy

HIE does not see itself as a long-term landlord and has a policy of disposing of properties with the sales proceeds being reinvested in new projects. Our experience is that best value is generally achieved by selling to sitting tenants, wherever possible. We frequently remind tenants of our willingness to sell and, over the years, many tenants have taken up this opportunity where it suits their business to do so and they can raise the funding.

Sales to sitting tenants have, in the past, been the main source of HIE property sales, though this varies year-on-year. Given the vagaries of the market, tenants’ financial circumstances etc, the target properties have to be kept under constant review by HIE and its agents. It is encouraging to note that

Banks are now starting to lend again on Commercial Properties, particularly to owner occupied businesses and we believe this will help support and underpin our current sales strategy.

Where tenants chose not to purchase, their continuing occupation is protected by the terms of their lease, however, HIE may choose to explore a sale to a 3<sup>rd</sup> party as an investment property with a tenant in situ.

### **Property Sales Process & Governance**

In terms of process, HIE's Leadership Team agrees an overall annual sales target. HIE staff, working with external property managing agents, then come up with a list of individual properties seen as being best potential sales targets for the particular financial year, which should cumulatively achieve the overall sales target. They may be selected as targets for a variety of reasons, for example, if they are the last remaining HIE-owned property in a block or industrial estate.

The sitting tenants are then approached to determine their level of interest. If a tenant is interested in pursuing purchase then HIE's managing agents provide proposed terms, including price. The tenant usually takes their own independent advice on the sale terms. Once provisional terms are agreed, HIE internal approval is sought under delegated authority procedures and the sale goes through the normal legal processes to conclusion.

Sales may also be achieved on an 'opportunity' basis where vacant premises are being marketed by HIE and come to the attention of a business requiring accommodation. If HIE is satisfied that there are no competing interests (if there were, a Closing Date for offers would be set) then HIE's property managing agents negotiate terms on behalf of HIE and again HIE internal approval is sought under delegated authority procedures and the sale goes through the normal legal procedures.

Progress against the sales target is kept under regular review by HIE's Leadership Team and highlighted to the HIE Board.

Location	Type of Property	Sale Price (£)	HIE Asset Valuation at 31/3/13 (£)	Purchaser	Sitting Tenant (S) or Open Market (O)
Site at Sandbank Business Park, Dunoon.	Serviced industrial land	107,300	100,000	Bonnar Sand & Gravel	O
Unit 3, Snipefield Industrial Estate, Campbeltown	Industrial workshop	81,000	60,000	Andrew Fraser	S
Plots 6.6, 6.8 and 6.10B Inverbreakie Industrial Estate	Serviced industrial land	131,000	73,500	ATC Reality	O
13 Clayton Court, Invergordon	Industrial workshop	90,200	65,000	House of Puzzles Limited	S
1A-1D River Close North, Alness	Industrial workshop	83,330	63,500	Michael Glenicki and David Dargie	O
Shinty Pitch, Glenshellach, Oban	Amenity land	25,210	0	M&K MacLeod	O
Averon Way, Development Site, Alness	Serviced industrial land	65,000	35,000	Diageo Scotland Limited	O
Unit 2 Pierowall, Westray, Orkney	Industrial workshop	12,500	7,000	Graham & Kathleen Maben	S
Plot 4C1 Teaninich Ind Estate, Alness	Serviced industrial land	85,000	52,500	Sureclean	O
Unit 3 Pierowall, Westray, Orkney	Industrial workshop	22,500	11,000	Meridian Salmon Group	S
Unit 8A/B Golspie Business Park, Sutherland	Office	136,250	109,800	Stend Limited	O
10b Balmakeith Ind Estate, Naim	Office	125,000	117,000	Goldwells Property Limited	O
17 Fyrish Way, Alness	Industrial workshop	55,000	24,500	Aquascot Limited	O
11b Plot 2 Kilmory Industrial Estate, Lochgilphead	Serviced industrial land	12,000	8,000	Dr Eco Services (Scotland) Ltd	O
Site 2 Leverburgh Ind Estate, Harris	Serviced industrial land	9,100	4,000	Bradfield Hall Farm Partnership	O
Site 3 Blar Mhor, Fort William	Factory	563,000	465,000	Marine Harvest	S
2 Blainaparc Road, Dingwall	Serviced industrial land	53,500	31,500	RJ Macleod	O
Phase 1 Carn Mor House, Fort William	Office	240,000	210,000	Corrie Construction	O
5 & 6 Fyrish Way, Alness	Industrial Workshop	78,000	30,000	Scotia Automated Inspection Services Ltd	O
1-4 Crossapol, Tiree	Industrial/Office	107,330	85,000	Tiree Community Business	S
<b>(1) Total Sales at 31<sup>st</sup> March 2014</b>		<b>2,082,220</b>	<b>1,552,300</b>		
<b>(2) Approved Sales Underway in Financial Year 2014/15</b>		<b>Price sought (£)</b>	<b>HIE Asset Valuation at 31/3/14 (£)</b>		
Land for road widening, Kilmory Ind Estate, Lochgilphead	Road verge	2,000	0	Argyll & Bute Council	n/a
Roadway leading to Portavadie Slip, Portavadie	Road	6,000	0	Business	S
Site in Cowal	Serviced industrial land	10,000	4,000	Business	O
Unit in Dunoon	Industrial workshop	20,000	18,000	Business	O
Port Ellen Pontoons, Islay	Yachting pontoons	1,500	0	Local Association	S
Unit in Dunoon	Industrial workshop	22,000	18,750	Business	S

Mast Site in Thurso	Telecoms mast site	33,000	19,500	Business	O
Site at Evanton (for bus stop)	Serviced industrial land	1,170	0	Highland Council	n/a
Site in Skye	Serviced industrial land	35,000	17,150	Business	S
<b>Potential additional total</b>		<b>130,670</b>	<b>77,400</b>		
<b>(3) Additional Sales Targets for Financial Year 2014/15</b>					
2 nr. property in Argyll & Islands	Industrial workshop			Business	S
1 nr. property in Caithness	Industrial workshop			Business	S
2 nr. Properties in Inner Moray Firth	Industrial workshop			Business	S/O
2 nr. Properties in Lochaber/Skye	Industrial workshop			Business	S
1 nr. Property in Moray	Industrial workshop			Business	S
3 nr. Properties in Shetland	Industrial workshop			Business	S
2 nr. Sites in Argyll & Islands	Serviced industrial land	1,843,000	1,354,000	Business	S/O
1 nr. Property in Inner Moray Firth	Office	700,000	510,000	Business	S
2 nr. Sites at Inverness Campus	Serviced sites	1,100,000	750,000	Businesses & institution	O
<b>Potential additional total</b>		<b>3,643,000</b>	<b>2,614,000</b>		

Highlands and Islands Enterprise  
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