

## **High profile tenanted office accommodation purchased as part of Commercial Strategy**

South Somerset District Council (SSDC) has acquired Alchemy, a unique office location in Welwyn Garden City, as part of the Council's Commercial Strategy.

The instantly recognisable building offers 38,880 square feet of contemporary office accommodation and Grade A specification to its high profile tenants and is considered as one of the best in Welwyn Garden City.

### **Details of the deal**

With the assistance of Chartered Surveyors, Savills, and regional law firm, Moore Blatch, SSDC were able to complete the off-market purchase of Alchemy for £9,730,000, reflecting a net initial yield of 7%.

The property, which is only half a mile from Welwyn Garden City station and 30 minutes from King's Cross, is occupied by many well-known tenants, including the Environment Agency and Deutsche Telekom (T Mobile). The building also neighbours the headquarters for retail giant, Tesco.

The property is currently considered to be underlet; with inferior quality buildings south in Hatfield, suggesting rents of £25 per square foot could be achievable should any of the existing tenants choose to vacate.

The Council's Portfolio Holder for Commercial Strategy, John Clark, comments; "This is an important investment for the Council, with a high quality building and tenants in an area where we can expect to see rental growth. The substantial income from this property will go a long way to securing local public services."

### **Why is SSDC becoming more commercial?**

The Council is currently operating in a complex financial climate where it needs to deliver savings rising to £6 million per year until 2022. This is in addition to having to cut its costs substantially since 2010.

SSDC has sustained a 70 per cent reduction in its Government grant funding since 2010 and further reductions are likely in the future whilst demand for and costs of many services continues to rise. It became clear that SSDC needed to make the most out of its assets and look for new opportunities which could generate income to protect the wide range of services our communities receive and create opportunities to fund new projects.

It has seen the Commercial Services and Income Generation team given a significant ongoing annual income target for commercial investment income and great progress is being made.

This is about making prudent financial decisions, which will create significant income, to get the best results for South Somerset but still, where possible, supporting the local economy.

In the future, we will have countered the loss of grant funding from Central Government through sensible investment and we will continue to deliver vital services, parks and open spaces as well as exploring new opportunities to make South Somerset an outstanding place to live, play and work.

### **How does the Council decide on where it invests?**

Every decision that is made is being rigorously tested and checked. The Commercial Property Team is working to ensure that SSDC does not overpay for property due to the lack of supply, and is not exposed to undue risk, for example within the retail sector, where significant changes are currently occurring nationally. A huge and diverse range of opportunities have been considered and rejected in the past year from a car showroom in Newcastle to an industrial estate in Poole. Reasons for rejection can include the asking price not matching our valuation, unacceptable risk to income, non-compliance with our commercial aims and objectives, and over-exposure to a particular market.

SSDC is investing in a diverse range of locations and asset types to ensure that it spreads any risks attached to investments which reflects sound investment practice. This includes assessing whether an investment outside the district will deliver a better rate of return for our communities than a similar opportunity in South Somerset.

The asset joins a diverse portfolio of industrial, office, retail and energy investments geographically spread across the South of England and South Wales assembled to help meet South Somerset's ambitious commercial investment strategy.