

SAVILLS CHARITY

PROPERTY AND INVESTMENT MANAGEMENT • LEASING
PLANNING AND DEVELOPMENT • VALUATIONS
BUILDING AND PROJECT CONSULTANCY • RURAL



savills

WELCOME

Savills has been operating for more than 160 years, and right from the very beginning we have been helping charities to meet their aims.

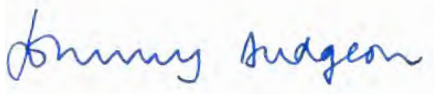
Charities, by their nature, start with an idea and we like to think we can advise on the practical matters so that you, the charity, can concentrate on letting your idea flourish.

We have a commitment to always employing the best people, who know their subject inside out: whether that's to do with property investment, planning permission, building management, valuation or rental agreements, we can supply an expert in that field.

The beauty of Savills is that our scale means we can provide advice across the property sector, yet far from sitting separately, we work together to look at projects from all angles and offer holistic solutions. Solutions that are backed up by both knowledge from our extensive experience and by data from our market-leading research department.

Every charity comes with its own specific aims and objectives and we offer a very personal, tailored service to reflect this. There's no one-size-fits-all here.

Whether you're new or established, urban or rural, big or small, Savills is the property management company that can help your ideas bloom.



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MANAGING YOUR ASSETS

Whether a charity owns a property as its headquarters or as an investment, how that property is managed is essential, both for fulfilling the needs of its occupiers and to make sure it's achieving the optimum return for its owners.

The Savills Commercial Property Management team prides itself on delivering operational excellence for all styles of property, from offices, to retail space to mixed-use schemes. More than this, we go above and beyond to make sure that any additional services that a client requires are met.

Operational excellence includes elements such as collecting the right amount of rent promptly, looking after all administrative aspects of the service charge and supplying contractors to ensure the building is well maintained.

"However, owners, occupiers and visitors expect and deserve far more from their managing agents," says Andrew Holden, Head of UK Portfolios. "They might want a guarantee that all the energy procured for the building is sustainably sourced, or for the space to have a positive social impact. Or they might want an office space that offers a programme of events and an app that connects everything that building has to offer whether it's booking a session at the gym to finding out if your dry cleaning is ready. Whatever the requests are, we have a dedicated "Place" team who can draw on our wide pool of expertise to make it happen."

LOOKING FOR A PROFESSIONAL OPINION?

Andrew Holden

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CASE STUDY

GREENWOOD HOUSE, BRACKNELL

- Mixed-use property.
- **What:** Energy audit to improve energy efficiencies and reduce annual £45,000 energy bill.
- **How:** Savills carried out a comprehensive review of energy consumption and costs and looked at all the mechanical and electrical equipment at the site.
- **Results:** Savills suggested improvement works costing £13,282 that would save 50,000kWh per year, giving a payback time of 1.7 years.
- **Benefits:** Reduced operational costs, increase in building's long-term value, enhanced appeal for investors, improved indoor environment for occupiers.

LEASE END OBLIGATIONS

As lease terms get shorter, it is important for landlords and tenants not to wait until lease expiry to protect their position. Our advice is to have properties surveyed and lease terms reviewed by both solicitors and surveyors before everything is signed.

“We recommend landlords produce and serve a detailed Schedule of Dilapidations at least six months prior to lease expiry,” explains Claire Hood of Building and Project Consultancy. “Quantifying the cost of exiting the building can often help in lease renewal negotiations and allows a landlord to have everything ready should the property become vacant.

Our specialist dilapidations team frequently provide support to charities wishing to undertake the works. “If your submission is that the work needs to be done, then do it,” Claire says. “Be decisive about what your future objectives are for the property and use this to steer your dilapidations strategy. Even if an additional rent free or capital contribution is offered to a new occupier to reflect the condition of the property where the previous tenant has failed to hand back the property in appropriate condition, this “loss” can be recovered if accurately quantified in the Heads of Terms.

By providing a transparent and pre-emptive approach to lease end events, charities can prevent conflict and protracted negotiations, while ensuring the property is well maintained and ready for marketing.

LOOKING FOR A PROFESSIONAL OPINION?

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NEED TO KNOW

BUSINESS RATES AND CHARITIES

- Business rates are paid by the tenant if a lease is in place and the landlord if the property is unlet.
- A registered charity is eligible for an 80% reduction of the business rates on a property that it wholly or mainly occupies for its charitable purpose.
- “Wholly or mainly” means the charity must occupy at least 50% of the building for its charitable aims. If it sublets an area or sets up a non-charitable shop in part of the property, it might lose its right to the 80% reduction in rates.
- If a charity vacates and then reoccupies a property within the same year (for example a seasonal Christmas card seller) then business rates are not applicable during its empty period. This also applies if it is occupied by a different charity, but within one calendar year.
- Non-profit organisations working for the benefit of the local community can apply for a 100% reduction in business rates. They need to supply a copy of their accounts and their purpose to the local council, who then puts the decision to a panel.



INVESTING FOR THE FUTURE

The Charity Property Fund, run by Savills Investment Management team, allows charities to reap the benefits of investing in property while keeping their stamp duty exemption and providing them access to a dedicated professional property management team. Initial investments can start at £10,000, meaning there's no need to raise huge amounts of capital. The Fund is run as a charity for charities. This makes it exempt from stamp duty and means that investors can be confident that the Fund is run with an ethical policy: it won't be investing in armaments or tobacco factories, it will treat its tenants fairly and refurbishments are always done with an eye to making properties as energy efficient as possible. The Fund is also run with zero debt.

The Fund's return has averaged 7.4 per cent a year since it launched in 2000, so investors can be confident that they'll receive a regular income to carry out their Charitable objectives.

The key to the Fund's success is careful property selection explains Fund Manager Harry de Ferry Foster. "We make sure our investments are adaptable and in locations with good underlying demand. For example, we acquired a block of five retail units and secondary offices in Bath and have transformed the office space into an hotel, serviced apartments and shared student accommodation. On the ground floor we have extended leases on two of the retail units, converted one to a health and fitness club and let the other two to food and beverage operators. This creates a sense of place and a sustainable virtuous circle. Because Bath is a city with multiple business streams and has significant restrictions on new developments we know we will always find a demand for these properties despite future changing trends.

"We make sure our investments are flexible and adaptable so that we don't get caught out by changing markets"





c.1,900
investors

£1.23bn
invested

126
properties owned
outright, zero debt

£245m
distributed as income
over last five years

24%
growth in investor base
over last five years

9.9%
return per annum,
annualised over last
10 years

All figures dated as at 31.12.19

LOOKING FOR A PROFESSIONAL OPINION?

If you would like Savills Investment Management team to look at your charity's property portfolio, we are happy to share our expertise on a pro bono basis

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DELIVERING THE DEVELOPMENT

With the current Government's push for house building and the corresponding change to planning regulations, there has rarely been a more important time to keep a constant review on property and its potential for development, whether that's an investment property or a charity's working premises. Considerations that might have seemed to be outside the scope of planning law previously, may now be highly influential.

This doesn't mean, however, that it's worth building for building's sake. Any development should always be in line with each individual charity's specific aims and objectives, as well as sustainable in the future.

John Bowles, Director of Planning, works with charities in a very holistic manner. "Charities are under more and more pressure to fill gaps being left by the public sector, but they don't necessarily have the requisite funding to do so," he says. "But property almost always has the potential to raise extra income, whether it's an investment asset that could benefit from a re-gear lease, the chance to sell off unproductive land, or development to provide new services and revenue streams."

LOOKING FOR A PROFESSIONAL OPINION?

John Bowles

Planning

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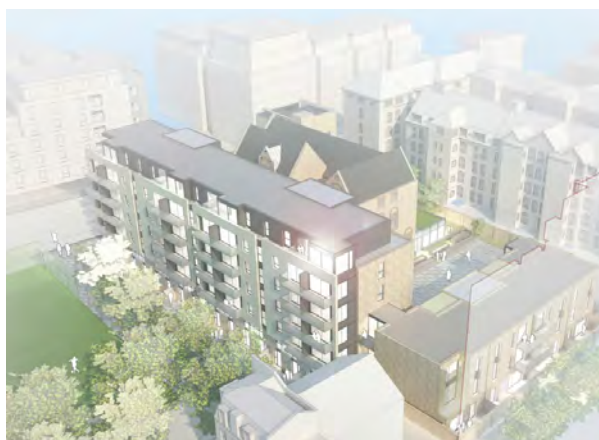
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Often it can be a combination of approaches. John is currently working with a residential care-provider charity whose facilities have become tired. They don't just want to replace like with like though, they want modern facilities and to use them to build stronger links with the local community.

"The current market means we are able to sell a plot of land to a housebuilder that raises the capital for the project," he explains. "We are working closely with the charity's residents, families and staff and the local community to establish what facilities we could build that users need and would enjoy, and can also forge enhanced links with the local community and provide an income stream for the charity." The answer that he and the charity have come up with, is a development that will include therapy pools, a café and an exhibition space – with the ongoing management of these facilities and services as important in John's mind as the development.

The skills John and the team bring go beyond simple knowledge of planning rules and regulations and the ability to broker a productive relationship between the client, the developer and the local community, they also think laterally about every project to create developments that truly enhance a charity's position.





CASE STUDY

ST LUKE'S PAROCHIAL TRUST

- A charity that operates activities and services for people living in their local area in Islington, London.
- **The brief:** To revitalise the charity's community centre in an old Victorian school building in a conservation area and create sustainable income for the charity. The services provided in the community centre needed to be maintained during construction.
- **The solution:** New six-storey homes were built around the perimeter of the site to fund the refurbishment of the community centre. This included the creation of an attractive, glass-fronted café that is open to the public and multi-purpose rooms of varying sizes. These provide income that funds the charity's work. The site has enhanced what it can offer its customers with the additional creation of parking and allotment gardens, which supply the café and are used for gardening classes and recreation.

ASSESSING THE VALUE

There are many good reasons for charities to have regular valuations of their investment property.

Firstly, it's advised in the Statement of Recommended Practice (SORP) guidelines to make sure that the accounts reflect the true value of any property assets.

Secondly, knowing the current value of a property allows charities to check they are getting the return they should be from that asset, which can be benchmarked against similar properties to see how well it's performing and whether there's potential to improve.

Thirdly, discussions with experts in particular markets can help charities to understand what their options are and provide a sounding board for any ideas they might be considering.

And finally, an extremely useful element of regular valuations, is that it creates good records, with all the information about a charity's assets recorded in one place.

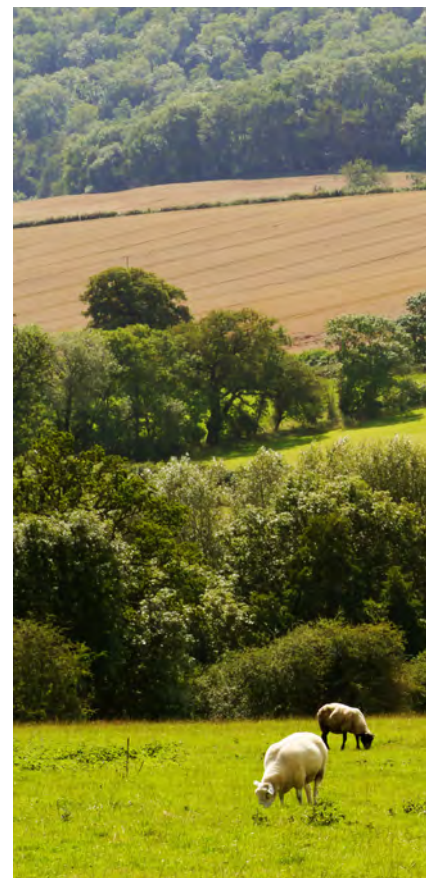
Valuations are, however, an expense, and so the question of how often they should happen is one that is always up for discussion. Gerald FitzGerald, Director of Portfolio Valuations, says there is no one-size-fits-all answer.

"It depends on what's happening in that particular market," he says. "Right now, for example, you might want to look more regularly at retail holdings where the market is changing fast. It's a discussion we would always have with a client to create a rolling programme of inspections, some of which might happen from a desk, others with site visits, some once a year, others only every three or five years."

With more than 400 expert valuers in the UK with specialisms ranging from solar farms to estates, houses to hotels, it's possible to find the right valuer and the right schedule for every client.

LOOKING FOR A PROFESSIONAL OPINION?

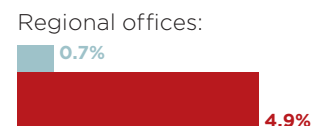
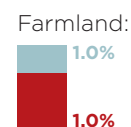
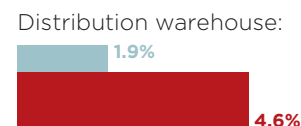
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RATE OF RETURN: Are your investments in line with the market?

Source Savills Research. As at 31.12.19



Five year forecasts for
capital gains on investment

Five year forecasts for
income return on investment

BENEFITS OF RURAL INVESTMENT

As the world focuses more and more on the climate emergency, rural property will become an ever more popular investment. Many organisations are looking to reduce their carbon footprint through offsetting their emissions and because rural property can offer beneficial schemes such as tree planting, the opportunities for partnership work – or even offsetting your own footprint – are increasing.

Many charities already own rural property – whether as an investment or as a fundamental part of their charitable work. They will know that this type of property typically comes with its own particular management requirements, as well as farmland, there are often old farmhouses, residential lets, derelict farm buildings, woodland and other commercial activities.

Savills Rural, which is involved in the management of around three million acres of rural Britain, takes the approach that all the disparate elements of a rural estate need to be looked at together on a rolling basis, which we call a whole estate plan. This examines how the different elements interact and where opportunities to increase the value of the estate or create additional revenue might be.

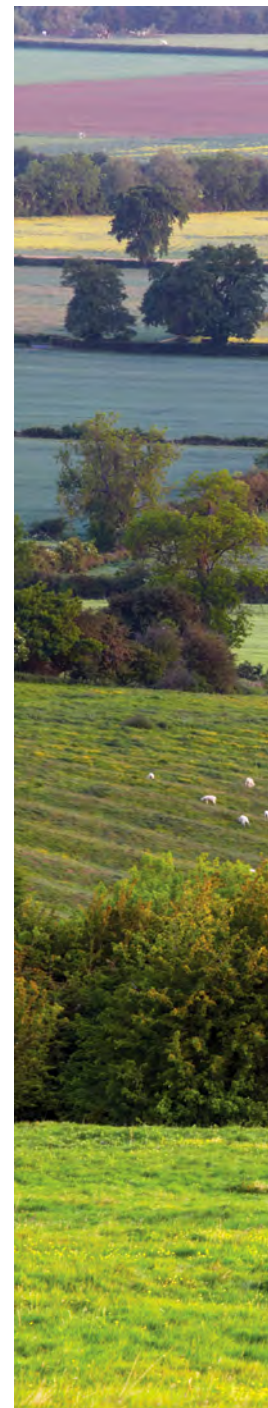
For example, if a farm is tenanted and that farmer starts talking about retirement, rather than looking at a straightforward replacement, a wider overview of the estate might suggest alternative options. The estate could be well placed to put forward a piece of land on the edge of a village for development and use the capital raised to improve the main farmhouse and convert some of the outbuildings into commercial opportunities.

“Every charity is different,” says Will Tidy of Rural Estate Management. “We work closely with trustees to make sure we understand their particular objectives and to agree a decision-making system. And we also understand that it’s the trustees’ necks that are on the line, which is why we go above and beyond with risk management. This is a hugely important area for anyone who is renting out residential property and at Savills we have a whole division that deals with regulatory compliance and makes sure that every gas safety certificate and smoke alarm check is updated when it should be. It’s a fantastic resource and leaves our rural estate managers free to concentrate on how best to run rural estates.”

LOOKING FOR A PROFESSIONAL OPINION?

Will Tidy

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Robert Harding / Alamy



CASE STUDY

THE HEART OF ENGLAND FOREST

- **What:** A charity that aims to plant, protect and preserve a 30,000 acre broadleaf forest across the heart of England, from the ancient Forest of Arden to the Vale of Evesham. It is currently covering about 7,000 acres.
- **Savills role in pursuing the charity's objectives:** Savills has been purchasing land for the charity to plant on, most recently a 300 acre farm as a result of an off-market approach.
- **Savills estate management role:** We also carried out valuations, advised on a farm tenancy structure, conducted a strategic review of the estate and a review of the in-hand farm business.

MAINTAINING YOUR PROPERTY

Increasing pressure on resources can lead to cuts in your maintenance budget. Regardless, buildings still require maintenance. There's no getting around this fact or the expense, but there are ways to manage the process to reduce the risk of unforeseen problems and the large bills that go with them.

We recommend five-yearly maintenance surveys of properties. These look in detail at everything from the condition of windows and doors, to the roof and rainwater systems, elevations and electrical and mechanical systems. Based on what these surveys discover, we can then create a strategic plan for the best way to manage the maintenance of the building to address any backlog and future planned maintenance.

This approach helps to keep properties weatherproof, warm, safe and efficiently run. We can also suggest ways to use the space more efficiently, reduce repair bills with a pro-active and preventative approach, cut down on energy use and, as a well maintained property will look and feel more appealing, it can have a huge benefit to staff wellbeing and is more attractive to new tenants.

Once the maintenance issues are identified, we can prepare an ongoing daily maintenance regime as well as a more strategic planned and prioritised maintenance schedule, which ranks the work in a hierarchy so that you know where to start. Most crucial are the actions that are needed as part of a legal requirement, these are followed by those that have an impact on health and safety, then those that are likely to cause more expensive problems if they're left untreated and finally those that will have to wait until there are available financial resources.

This systematic approach to looking after your buildings will not just help save money, it will help with peace of mind, in the knowledge that if it needs doing, it's on the list.

“There are ways to manage the process to reduce the risk of unforeseen problems”





CASE STUDY

JEWISH CARE, HENDON, LONDON

- **The challenge:** To demolish existing buildings and construct 32 independent living units in a confined space, while minimising any disputes arising from adjacent properties.
- **The solution:** Acting as project manager and agent for the client, we ensured that the design of the project met the brief and adhered to current legislation. We ensured that the overall quality of the design and finishes met with the client's high expectations.
- **The result:** Completed in January 2019, the Hendon project demonstrates the value we can add through a multi-disciplinary approach, combining project management services alongside in-house neighbourly matters services.

LOOKING FOR A PROFESSIONAL OPINION?

Kris Britland

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“Savills Building and Project Consultancy are reliable, efficient and always prompt to respond and implement action. I trust their judgement and enjoy working with them.”

Will Lawrie, Investment Director, OU Endowment Management

“After working on large capital projects for over 15 years Savills are one of the best. The team dynamic is second to none, as is the commitment to the client.”

Ian Grimes, Director, Jewish Care

“As a significant investor in property, the quality and reputation of our advisors is important to us and we consider Savills to be best in class.”

John Weir, Head of Real Estate, Church Commissioners for England

“Savills has held the property management mandate for The Charities Property Fund since 2001, assisting in delivering consistently an excellent service to the Fund and all the occupiers, providing brilliant basics of property management including robust statutory compliance, while developing their offer to accommodate the ever changing property landscape. They operate as a true trusted partner.”

Angy Benitz, Portfolio Director, The Charity Property Fund

SAVILLS SERVICES

- Building and Project Consultancy
- Business Space
- Central London and International Investment
- Development
- Education
- Energy
- Hotels and Leisure
- Housing
- Infrastructure
- Operational Capital Markets
- Planning
- Professional and Financial Services
- Property Management
- Research
- Residential Agency
- Residential Development Sales
- Residential Lettings
- Retail
- Rural
- Savills Investment Management
- UK Investment Valuation

