

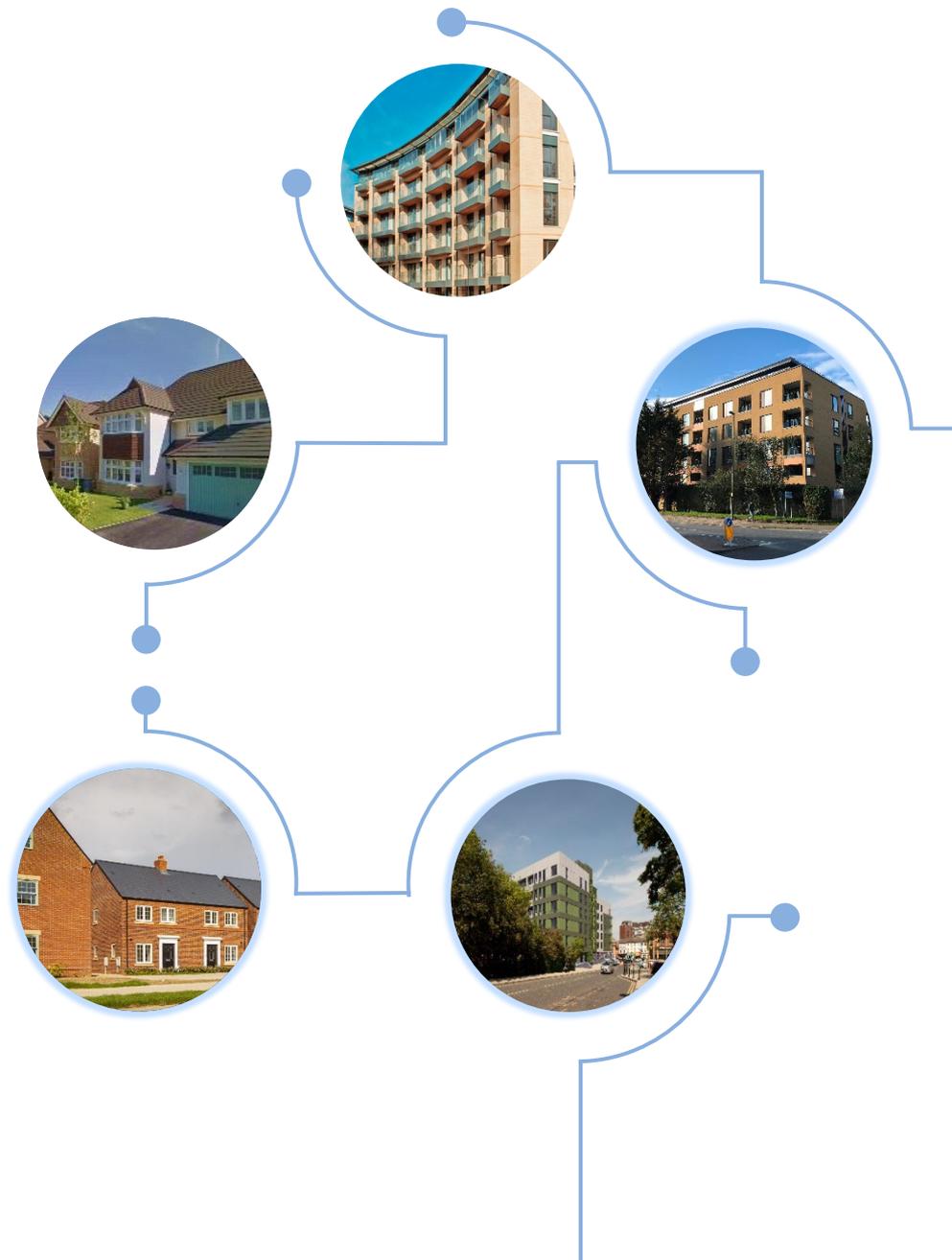


Gresham House
Specialist asset management

Temporary Accommodation Portfolio

Wesley House and Eaton Green Court

May 2022



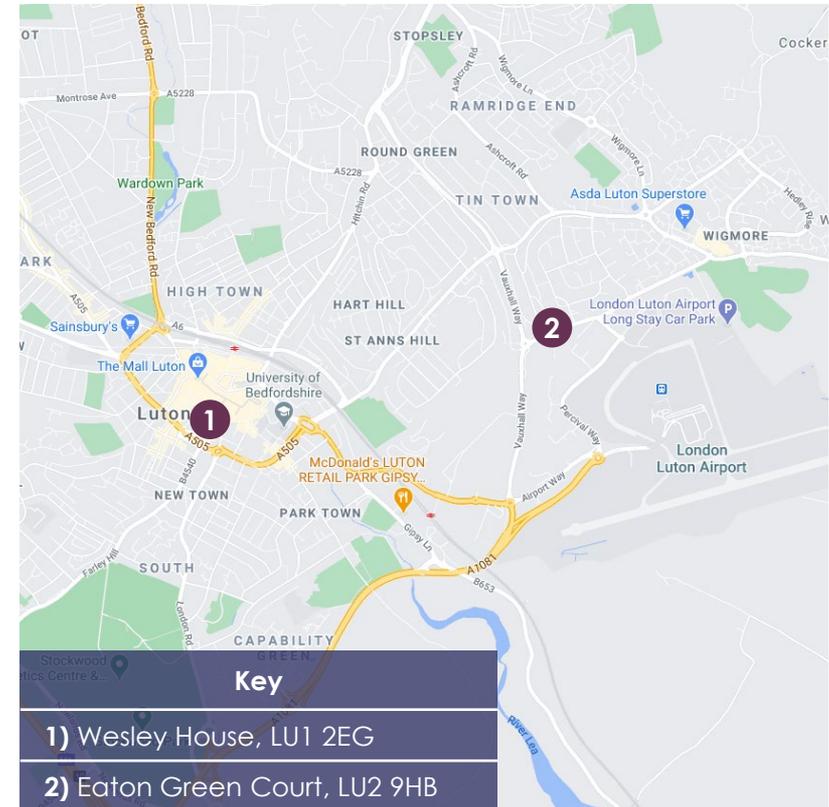
LOCATION & SITUATION

The portfolio consists of two developments, both located in Luton, a large town without city status and located in the county of Bedfordshire.

Luton Mainline Rail is located to the north of the town and provides regular services to St Pancras International with journey times from 22 minutes, allowing Luton to be a London commuter hub.

Wesley House is situated in Luton Town Centre, approximately 0.7 miles (1.1 km) south of Luton Station and is in close proximity to The Mall Luton and the University of Bedford Campus.

Eaton Green Court is approximately 1.2 miles (1.9 km) to the north east of Luton Town Centre and is situated in close proximity to Luton Airport.



WESLEY HOUSE, LUTON

Wesley House, Luton, LU1 5DA

Former office building located in central Luton, 5 minutes' walk from main railway station. Currently used by the Council to provide temporary accommodation for homeless families, such as young single mothers with children

Contains 134 residential units over 9 floors (35% one-bed; 53% two-bed; 12% studios)

Subject to a 10-year lease (structured as four separate leases) to Luton Council starting in 2015 under which the Council has the responsibility for voids, internal repairs and maintenance, clearing of common areas and returning flats in lettable condition

Subject to 20 year rooftop lease to Arqiva for annual rent of £12,500



Key Information

Asset Name	Wesley House
Location	Luton
Conversion to Current Use	2014
Ownership Interest	Freehold
Units	134
Net Rents (£K)	1,234
Lessee	Luton Borough Council
Remaining Lease Term (Years)	3.6-4.1 (excl. telecoms mast)
Inflation Linkage on Lease	CPI every 3 years (0% floor)
Lease Terms	Occupational/ fully repairing and insuring
Purchase Price (£M)	21.3

Key Features

Lease agreement with the Council transfers all the letting risk to the Council. Therefore, during the 5 remaining years of the lease rental income is assured

High likelihood that the Council will renew the lease in 2025 as there are a large number of people that require shelter to be provided by the council. A study from Shelter revealed that there are 4,189 people living in homelessness in Luton, which equates to one in 52 people

The Council has the obligation to return the units in the same condition they were in at the start of the lease

Private Rental Sector (PRS) use with flats in their current condition could provide much needed lower cost housing to the area, producing net income of £900k per annum

Rent Review

	Rent p.a.	Start	Next Review	End
Lease G,4	251,591.32	23/09/2015	22/09/2024	22/09/2025
Lease 1,2,3	356,011.98	26/06/2015	25/06/2024	25/06/2025
Lease 5,6,7	367,329.34	10/12/2015	09/12/2024	09/12/2025
Lease 8,9	246,826.34	20/01/2016	19/01/2025	19/01/2026



EATON GREEN COURT, LUTON

Eaton Green Court, Luton, LU2 9HB



Former student accommodation recently converted to a hostel providing temporary housing accommodation. Comprises 26 self-contained unit clusters across four blocks built around an internal courtyard, providing parking for 26 cars and cycle storage

Each floor provides two shared kitchens with open plan living/dining areas and four shower rooms

Located a short distance from Luton Airport (1.1 miles) and Luton Town Centre (1.6 miles)

Subject to a 10 year head lease to Mears Housing Management Limited (Mears Limited as Guarantor) for annual rent of £785,000. The entire property has been sublet to Luton Borough Council for rent of £1,028,352 per annum

Key Information

Asset Name	Eaton Green Court
Location	Luton
Conversion to Current Use	2017
Ownership Interest	Freehold
Units	155
Net Rents (£K)	785
Lessee	Mears Housing Management Ltd, which has granted a sub lease to Luton Borough Council
Remaining Lease Term (Years)	3.7
Inflation Linkage on Lease	None
Lease Terms	Occupational/ fully repairing and insuring
Purchase Price (£M)	13

LUTON MARKET DYNAMICS

Data shows that Luton has a considerable demand for Local Authority Housing, and will require a greater supply in the future



OVER 1,200 FAMILIES LIVE IN TEMPORARY ACCOMMODATION IN LUTON

(2ND HIGHEST AMOUNT EXCLUDING LONDON – BEHIND MANCHESTER)



THE RATE OF HOUSEHOLDS LIVING IN TEMPORARY ACCOMMODATION IS THE HIGHEST OUTSIDE OF LONDON

(1.5% OF ALL HOUSEHOLDS)



OVER 13,000 LUTON HOUSEHOLDS ARE ON THE WAITING LIST FOR LOCAL AUTHORITY ACCOMMODATION

(16.6% OF ALL HOUSEHOLDS, UK AVERAGE: 5.1%)



INSUFFICIENT SUPPLY OF TEMPORARY ACCOMMODATION IN LUTON

(19.9% OF TEMPORARY ACCOMMODATION IS PROVIDED ON NIGHTLY RATES)



LUTON ARE HAVING TO PROVIDE TEMPORARY ACCOMMODATION IN OTHER LOCAL AUTHORITY DISTRICTS DUE TO UNDERSUPPLY

(5.6% OF TOTAL CURRENTLY)



RAPIDLY GROWING NUMBER OF HOUSEHOLDS ON THE WAITING LIST FOR SOCIAL HOUSING

(CAGR OF 15.2% OVER THE LAST TEN YEARS)

FINANCIAL SUMMARY

Luton units currently have the finances and lease terms as seen below. Notably, Wesley house rents are subject to rent increases, the next of which is in June 2024.

Asset	Area / Floor	Lessee	Rent Payable	Uplift Mechanism	Lease Start	Next Review	Lease End	Remaining term (yrs)	Development Guide Price
Wesley House	G, 4	Luton Borough Council	£251,591.	CPI every 3 years (0% floor)	Sep-15	Sep-24	Sep-25	3.4	£21,099,000
Wesley House	1, 2, 3		£356,012		Jun-15	Jun-24	Jun-25	3.1	
Wesley House	5, 6, 7		£367,329		Dec-15	Dec-24	Dec-25	3.6	
Wesley House	8, 9		£246,826		Jan-16	Jan-25	Jan-26	3.7	
Wesley House	Telecoms Mast		Arquiva		£12,500	RPI	Sep-14	Sep-24	
Sub-total			£1,218,091					5.2	£21,099,000
Eaton Green Court	Whole	Mears Housing Management Limited, sub-let to Luton Borough Council	£785,000	N/A	Sep-17	N/A	Aug-27	5.0	£10,246,000
Sub-total			£785,000					5.0	£10,246,000
Total			£2,003,091					5.1	£31,345,000

Figures correct as of May-22

SOCIAL IMPACT



Social Need

The need for secure social housing in Luton has doubled over the 5 years from 2014, whilst it has dropped by 15% in the rest of England.

1/6 Luton households are currently on the waiting list for Local Authority Housing – an issue which can be tackled by increasing supply



Offering Affordability

The leases on these units with Luton Borough Council means that the units can be provided to tenants in receipt of either housing benefit or Universal Credit

The cost to Luton Borough Council of housing socially an financially vulnerable households in these units is considerably less than that of housing them in 'pay-nightly' accommodation



Improving Tenant Wellbeing

Mears Group provide independent living skills sessions to tenants, such as CV writing, enabling them to move eventually move on from the accommodation

Tenants also have access to mental health support through Mears Group, helping to maintain tenant quality of life

Investments in tenant wellbeing are expected to have multiple long term social benefits