

DECISION TAKEN UNDER DELEGATION TO THE CHIEF EXECUTIVE

Subject:

Disposal of 109 Waterhouse Lane, Chelmsford, Essex CM1 2RY

Date of Decision:

3rd June 2026

Decision Number:

3/2026

Background:

The Council acquired 109 Waterhouse Lane in 2017, since then, the asset has generated a consistent income stream, with a current rental income of £225,232 +VAT per annum. At the time of purchase, interest rates were low, enabling the Council to secure relatively strong investment return compared to other asset classes. Since then, the market has changed significantly, and it is not anticipated that borrowing conditions or yields will return to those levels in the short to medium term.

The Council agreed a reversionary lease with the tenant in October 2020 extending the lease to a term of 25 years, expiring on 30th September 2045. The long length of the unexpired term provides a secure and long-term income stream, which helps to support the agreed sale price. The existing lease also puts the Council in a strong position when negotiating, as there is no immediate re-letting or vacancy risk associated with the property.

At present, the property is operated as a petrol filling station. There is increasing uncertainty surrounding the long-term viability of such assets due to the transition across the globe towards electric vehicles and alternative fuels. This represents a potential future risk to both income security and capital value, which supports the rationale for disposal.

Analysis of comparable investment transactions from across the UK has been used to inform this sale. The comparables obtained demonstrated yield levels broadly consistent with 109 Waterhouse Lane, with evidence typically falling within the 5% to 6.5% range. Notably, the sale of Rayne Road Service Station, Braintree, which transacted at a net initial yield of approximately 6.5%, provides strong regional specific evidence. This indicates that the yield achieved for 109 Waterhouse Lane is strong given market conditions, reflecting a pricing level consistent with the comparable evidence obtained.

Urgency powers are sought due to the time-sensitive nature of the proposed disposal. A sale has been agreed with the current tenant, Rontec Properties Limited, for the acquisition of the freehold interest. The purchaser is in a unique position as the occupational tenant, and there is a risk that delay could result in withdrawal from the transaction. Based on available market comparables and the income of the property, Officers are satisfied that the agreed price represents best consideration reasonably obtainable. The disposal will also enable the Council to release capital tied up in the asset, allowing reinvestment to support wider corporate and financial objectives.

Supporting Information:

The Leader of the Council was consulted before making this decision and had no objection to it.