
Investment in Asda

Response to an enquiry from the Guardian

Enquiry: *I'm hoping someone at Mole Valley can answer a few questions about the Asda, which you own, in Ystalyfera, Swansea.*

- 1) *Was the £11.5m spent on the investment property an appropriate use of public money?*
- 2) *What is the property worth now?*
- 3) *How much does the council make annually in rent from Asda?*
- 4) *How concerned are you about the future prospects for bricks and mortar retailers and how it may affect your investment in the Asda store?*
- 5) *How many other out of area retail properties, or other properties, does the council own?*

I've dug out the accounts for Mova Property Limited, which is your wholly-owned company that handles the council's investment properties.

The latest accounts show that Mova recorded pre-tax profit of £295,172 on annual turnover of £733,200. Was this just for the Asda site in Swansea?

The accounts show £412,143 in interest and expenses paid. Was this interest payments made to lenders for the loan to buy the property?

The accounts also record net assets of £10.9m. Was this the amount the Asda site is now valued at? Down from £11.6m when it was purchased?

Response: Councillor Simon Edge, Cabinet Member for Prosperity said, "MVDC is confident that this purchase was the right property at the right price and represents value for money for taxpayers. By 2020 further reductions in Government funding may mean that MVDC needs to become entirely self-funding. The decision to invest in commercial property is entirely driven by the need to generate income to support the delivery of public services to our residents and businesses. Owning and operating commercial property is not new to MVDC, having owned such assets for many years.

"Following a robust evaluation process and consideration by a cross-party working group of Councillors, MVDC purchased an ASDA superstore in South Wales, at a cost of £11.5million - this includes all purchase costs. The price paid was supported by independent RICS valuation. The purchase is low risk given that the tenant, ASDA, is a highly reputable organisation that will provide MVDC a regular rental income stream.

"At the time of purchase Asda was valued at £10.8million in accordance with the RICS Redbook Standard. The latest valuation of the property in accordance with IA5 40 by Wilks, Head & Eve is £10,945,500. Annually Asda provides a rental income of £599,450.

“We are confident in our investment’s future prospects. Our purchase has a long, contractually binding lease until 2037 giving us 18 years of further income. Asda is a strong retailer rated as a 5A1 business by Dun and Bradstreet meaning they have a tangible net worth of £35m or above and minimum risk of failure. Asda has also been one of the best performing supermarkets over the recent festive period.

“We own no other out of area retailers within our Property Investment Strategy portfolio which holds 6 properties in total. The portfolio is diversified across types of asset, geographical spread and tenant mix. The business case for purchasing properties for income generation purposes has been developed with support from specialist commercial property advisors and accountants. This has led to a robust set of criteria against which every potential purchase is evaluated. We also have an expert team working on these purchases including four RICS chartered surveyors, with extensive commercial experience gained in the private sector.

“Mova Property Limited is a dedicated property investment vehicle through which some of our properties are purchased. The recent (March 2018) accounts for Mova Property Limited refer to three properties, Asda in Swansea, Game in Basingstoke and a residential property that is not part of our Property Investment portfolio but purchased for emergency housing. Mova Property Limited is fully funded by Mole Valley District Council with no third party loans. The three properties are together valued at £30,439,966. After liabilities are deducted (loans), Mova Property Limited is worth £10.9million.”

For more information regarding our Property Investment Strategy please see our webpage www.molevalley.gov.uk/propertyinvestment.

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