

**SUBJECT: Investment & Commercial Portfolio  
Performance Update**

**MEETING: Performance & Overview Committee**

**DATE: April 2026**

**DIVISION/WARDS AFFECTED: All**

**1. PURPOSE:**

For Performance & Overview Committee to receive a performance update on the Council's commercial and investment property portfolio.

**2. RECOMMENDATIONS:**

- 2.1 That the performance of the commercial and investment property portfolio is noted.

**3. KEY ISSUES:**

**Background**

- 3.1 This report provides an update on the current performance of the council's commercial and investment property portfolio, including Castlegate Business Park and Newport Leisure Park investments, MCC's County Farms portfolio, and retail and industrial portfolio.
- 3.2 MCC benefits from a diverse land and property portfolio that has delivered a commercial return over a number of years. The portfolio is managed in accordance with the strategic principles and objectives set out in the Council's approved 2023-2027 Asset Management Strategy. The asset register consists of a range of different land and property which have come into MCC ownership over many years through a mixture of acquisition, donation, or council/government reorganisation. These include:
- Acquired investments of Castlegate Business Park and Newport Leisure Park
  - Industrial units
  - Retail units

- Office accommodation
  - County Farms and Bryngwyn Livestock Market
  - Oak Grove Solar Farm
- 3.3 Ongoing management and monitoring of the commercial and investment portfolio is undertaken by officers within MCC's Estates, Finance and Legal departments. Acquired investment assets are supported as part of the wider functions and responsibilities of Landlord Services, and departments are in regular contact with the appointed managing agents for the respective sites. The cost of managing agents is incurred by tenants of the respective properties, recovered via service charge payments.
- 3.4 The combined gross income for all investment and commercial assets, inclusive of acquired investments, for 25-26 was £3.871m.
- 3.5 Since acquisition, both acquired investments have generated a combined net income of £1,836,832. In accordance with the Asset Investment Policy, both assets were acquired as long-term investments capable of generating a financial return and/or strategic economic development impact. It remains the officer recommendation that both assets are retained for these purposes.

### **Acquired Investment Portfolio**

- 3.6 The investments of Castlegate Business Park and Newport Leisure Park were acquired via the Council's Asset Investment Policy. The Asset Investment Policy facilitated acquisition of assets to meet the strategic aim of generating commercial returns, thereby helping to offset wider budget pressures facing the Council. The policy also established the criteria for evaluation of commercial and property investments, measured against the return on investment (ROI) or net income return, over and above the borrowing repayment cost.
- 3.7 At the time of acquisition, prudential borrowing was used to acquire or invest in property, with the cost of borrowing serviced by the resulting rental streams. As a result of the Council's risk appetite and the ongoing strain on its financial standing, any further investment will only be considered in order to support the core policy objectives contained within the Council's latest Community & Corporate Plan and where deemed prudent, sustainable and affordable. The Performance & Overview Scrutiny Committee now receives annual updates on the performance of the Council's property investment portfolio.
- 3.8 Figure 1 shows a summary of financial performance and occupancy rates of the respective portfolios. Further detail on activity associated with each portfolio is outlined in the subsequent section:

	Castlegate Business Park	Newport Leisure Park	
ROI as of March 2024	-3.74%	0.15%	
ROI as of March 2025	-1.81%	1.44%	
ROI as of April 2026	-2.8%	1.80%	
Forecast ROI 26-27	Refer to 3.24	2.40%	
Occupancy rates as of March 2024	85.6%	97%	
Occupancy rates as of March 2025	87.7%	97.1%	
Occupancy rates as of April 2026	85.6%	97.1%	
Net income to MCC 25/26	-£206,550	£294,613	£88,063
Net income to MCC since acquisition	-£367,093	£2,203,925	£1,836,832

- 3.9 Since acquisition, both assets have generated a total income of £1,836,832 above borrowing repayments. Newport Leisure Park is scheduled to exceed the original 2% above borrowing investment criteria in 26/27, but Castlegate Business Park falls significantly below this target. The total annual borrowing costs of £1,471,674 continue to be met in full. As a result, these assets continue to be held as strategic employment, economic development, and income generating assets.
- 3.10 Castlegate Business Park's letting activity has stabilised, with the majority of new lettings achieved via MonSpace initiative or expansion of existing tenants. Recent engagement with multiple letting specialists within the sector has confirmed that the marketing process remains appropriate and quoted rents remain competitive. Castlegate Business Park's performance is most materially affected by business rates corrections, and the surrender of units 520 & 560 / 511 & 515 by an existing tenant who will vacate in July 2026. As outlined in 3.22, negotiations are ongoing with an existing tenant who has fallen into arrears and is seeking to regear their lease to reduce the extent of their occupation. This is likely to further negatively impact the performance of the asset; however proactive and targeted steps continue to be made to deliver an improved ROI.
- 3.11 Newport Leisure Park continues to generate a strong net return to MCC, with the final remaining vacant unit under offer. Newport Leisure Park exceeds 2% ROI and is forecast to approach 3% ROI by 27/28. Continuing to let vacant space will improve the financial performance of both assets, reducing MCC's exposure to business rates, service charge and utilities, and increasing its net return. The 26/27 forecast is reflective of existing lettings and known surrenders (following exercising of break clauses).

## Castlegate Business Park

- 3.12 Castlegate Business Park was acquired in September 2018 for £7million together with a service charge loan of £900k and associated acquisition costs. The asset consists of mixed office and production/warehouse space amount to circa 217,000 sqft situated in 18 acres of land adjoining the Caldicot settlement. The property at the time of acquisition was 95% occupied, the majority to Mitel who were the original owners of the site. Following surrender of 60% of the property by Mitel in March 2022, MCC Estates have worked to reduce this void through securing new tenants and expansion of existing businesses.
- 3.13 As of March 2026, the occupancy rates are at 85.6%, a marginal decrease on the 2025 occupancy rate. The plan below illustrates the remaining vacant floor space. Details of lease activity since March 2025 are set out below:



- 3.14 MCC Estates 'MonSpace' initiative, which makes available 9 smaller office suites on more flexible terms than might otherwise be accommodated by the sector, continues to return strong occupancy levels. This has reduced vacant space in the property that may otherwise have been more challenging to let. It has also enabled several local businesses to be retained in the area.

### Flexible office space to suit your needs...

CastleGate Business Park





- Free parking
- Onsite cafe
- Excellent transport links
- 15 minutes from the M4

- 3.15 As of March 2026, 7 of the 9 suites remain occupied by a range of businesses including accountancy firms, mortgage advisers, and an integrated structural glass & steel company. One of the two remaining vacant suites is under offer. The letting of MonSpace generates a total rental to MCC of £65,832 pa.
- 3.16 During the reporting period, 9 different businesses have occupied the respective suites spaces within the MonSpace, enabling the property to accommodate a range of business needs including formal meeting space, events and short-term hire. The property has also been used as alternative premises during refurbishment works on a business's primary workspace. The property also accommodated MCC's staff conference day in April 2025.
- 3.17 The 'Tintern Suite' has been let to Squeaky Clean Solutions Ltd, a local business who have been established for a few years operating out of their home address. The Tintern Suite has allowed the business to establish themselves in a commercial setting, allowing for expansion and employment of additional staff.
- 3.18 The 'Caerwent Suite' has been let to Novum Structures UK Ltd, a global structural engineering firm currently previously based in Chepstow but have offices in the USA, Canada, across the UK, Germany, Turkey and China. They specialise in integrated structural glass, steel & ETFE solutions. Novum Structures UK Ltd occupy one of the largest suites within MonSpace.
- 3.19 The onsite café operator (Castell Coffi) continues to trade well, and a lease extension has been secured. The granting of the lease has resulted in a rental uplift to MCC and has secured the offer until at least 2030. The café continues to contribute positively to the catering offer on site and is reducing the service charge liability that historically was associated with the onsite first floor canteen. Consideration is being given for the expansion of the café offer, which would further improve the occupancy of the space.
- 3.20 A small workshop has been let to Subcool Maintenance Ltd, a local air conditioning engineering firm based in Caldicot. They required a base onsite to undertake their daily checks of the cooling systems. The workshop is primarily used for storage.
- 3.21 The Castlegate Business Park car park continues to be hired to facilitate a number of local events, including charity events with Portskewett Football Club and events at Caldicot Castle. The large car park is also being hired by local businesses within the Severn Bridge Industrial Estate for additional parking, further generating a rental for MCC.
- 3.22 Despite additional MonSpace units being let, the overall occupancy rate is scheduled to reduce in 26/27. Notice has been served by an existing tenant (DAQS, a modular building specialist) who will surrender 4 of the 5 units they occupy within the property from July 2026. The surrender equates to 4,125 sq ft and approximately £16,000 of rental consequence to MCC. This will

increase the void rate to 16.3%. No notice has been served to vacate the remaining unit, which remains under legal agreement.

- 3.23 The 2025 Performance Update acknowledged that an existing tenant was in arrears and discussions ongoing regarding payment plans to address short-term cash flow pressures. Whilst the tenant has sought to respond to market conditions through a restructuring of their business and movement to DIY focus, they have been unable to adhere to the repayment schedules. As a consequence, negotiations are well advanced to secure a regearing of their lease that would include reduction of their occupied space. This would enable an important local employer to operate on a more sustainable footprint within the property and secure full repayment of the debt. The consequences of any concession and surrender are anticipated to be concluded ahead of Outturn reporting and will be included as part of that update.
- 3.24 As of March 2026, Castlegate Business Park is projected to generate a commercial loss of £206,550. This is primarily as a consequence of business rates corrections relating to the original surrender of space of Mitel in 2022. With the exception of the lease surrender referenced in 3.22, no other break clauses have been exercised. The next available break option is January 2027, with negotiations ongoing to secure a long-term lease renewal. Figure 2 below forecasts the ROI implications of additional space being let or vacated:

Letting	Occupancy %	ROI	Net Income
9,571 sq ft	90%	-1.2%	£-92,992
20,351 sq ft	95%	-0.5%	£-34,912
31,130 sq ft	100%	2.2%	£162,804
<b>Surrender</b>			
11,989 sq ft	80%	-4.9%	-£348,798
22,769 sq ft	75%	-6.6%	-£476,702
33,337 sq ft	70%	-8.4%	-£602,090

- 3.25 The consequence of any negotiated surrender, as per 3.23, is reflected in Figure 2 and proactive steps are being taken to ensure vacated space is re-let at the earliest opportunity. The above projections also presume no rental increase associated with existing tenants. Rent reviews are underway with a number of existing occupiers, and efforts are being made to identify further efficiencies associated with the service charge regime (thereby enabling further savings). This would improve the ROI projections detailed within the table.
- 3.26 Castlegate Business Park has been selected as one of Cardiff Capital Region's three pilot projects for 'Helping Business Lower the Load'. The project includes a 2-phase scheme – phase 1 being an energy audit profiling data to determine feasibility of smart local energy systems, and phase 2 being development of a digital twin to explore intervention scenarios and investment.

Such interventions will enable MCC to further reduce operating costs, thereby improving the attractiveness of the offering and reducing MCC's holding costs.

- 3.27 In the absence of a significant new letting during the reporting period, Castlegate BP remains on a difficult but significantly improved trajectory following the various lettings and expansion of tenants since the loss of Mitel as anchor tenant in 2022. At acquisition, 13 businesses occupied 95% of the property. As of April 2026, 16 businesses occupy 85.6% with over 300 staff employed from the premises. Efforts continue to be made to work closely with existing tenants to secure the expansion and development of established businesses, whilst also providing incubator spaces for the growth of new ventures. Our marketing strategy remains one focused on opportunities to diversify and attract sectoral partners (e.g. complimentary businesses within the semi-conductor and MedTech sectors) and constructive recent dialogue with Cardiff Capital Region has contributed to a number of promising recent enquiries. Castlegate BP also featured within CCR's Investment Prospectus for 2026 – included due to the strategic opportunity it presents.

### **Newport Leisure Park**

- 3.28 Newport Leisure Park was acquired in March 2019 at a cost of £22.5million. It is situated on the Newport/Monmouthshire border and comprises of a mix of six restaurants, two retail units and three leisure units within an 11-acre site. At the time of acquisition, all of the units were let on the basis of long leaseholds with no rental or service charge arrears.
- 3.29 Since acquisition, the park was subject to significant closures as a consequence of the Covid pandemic and we have experienced turnover in tenants. Despite the turnover, the asset is currently generating a net return to MCC of 1.80%. There is one remaining vacant unit at the property, with the rest of the property operating consistently and in accordance with our forecasts.
- 3.30 Details of letting and management activity since March 2025 are set out below:
- 3.31 In January 2024, MCC elected to exercise forfeiture on the lease of Unit 9B Tiffins. This followed an extended period of rental arrears and inability of the tenant to address the debt. This unit is the only vacant unit at the Leisure Park and is under offer for a new occupier. Head of Terms have been exchanged for the new occupier, with the proposed letting being subject to change of use planning consent (change to retail). Should planning consent be granted, a long-term lease is to be entered that will generate a rental value aligned to the returns achieved at acquisition of NLP.
- 3.32 Grid capacity has been secured for the development of 10 new Electric Vehicle charging bays at the site. Contracts have been exchanged and planning application submitted. Once installed and subject to completion of a rent-free period at launch, the EV chargers would generate in excess of £35,000 of rental benefit to MCC.

- 3.33 The 2025 Performance Update noted the proposed letting of Unit 6, previously occupied by Pizza Hut, to Horizon Vets Ltd. The veterinarians completed their fit out of the unit and have been trading since late 2025. The letting has generated a competitive rental return to MCC, and we understand that their trading position has been strong and exceeds the original projections.
- 3.34 Two existing tenants are subject to rent reviews in early 26/27. A £25,000 pa fixed increase in rental will take effect from April 2026. Another tenant is subject to a rent review which is shortly to be negotiated. The fixed increase in rental is reflected in the 26/27 forecast.
- 3.35 Unit 1, let to Cineworld, continues to be subject to the outcome of the national restructure of the Cineworld Group. As previously reported, the rent payable has been adjusted since December 2024 and will remain on a reduced value until December 2027 (at which point it will be revalued). McDonalds and Cineworld have recently approached MCC for a cross-promotional event at select cinemas within the UK. NLP has been selected as one of the sites due to high footfall within the leisure park and wider estate.
- 3.36 MCC are in negotiation with an advertising board company (Route Media) who have applied for planning permission. Planning permission has been refused; however, we understand the applicant is appealing with decision. Should the decision be overturned on appeal, this will further enhance the rental income from the asset.
- 3.37 There are no tenants in arrears at Newport Leisure Park. There are no leases scheduled to expire in the forthcoming financial year and no break options that can be exercised within the next 18 months. The asset remains stable and generating a commercial return to MCC.

### **Commercial and Other Investment Portfolio's**

- 3.38 The Council's industrial portfolio comprises of 40 units ranging in size from 365ft<sup>2</sup> to 2,850ft<sup>2</sup> located within Caldicot and Raglan. They continue to be in high demand. Currently the portfolio is 97.5% let and there are rental arrears in the region of £16k, a £16k reduction on arrears in 2025 and £4k of which is within a month of the due date. This equates to less than 8.7% of the rent roll. Unit 5, Pill Farm Industrial Estate Caldicot has been let to a new occupier on a 5-year lease. Unit 8D, Old Pill Farm Industrial Estate has also been re-let to a new occupier (Hot Tub Revive Ltd) on a 5-year lease. 5G Castleway Industrial Estate is the final vacant unit and is shortly to be tendered.
- 3.39 The retail portfolio is made up of 23 secondary neighbourhood units, which are a combination of freehold and long leasehold tenures. Whilst there has been some movement in occupation following surrender of retail premises in Chepstow, the portfolio overall remains very well occupied. The refurbishment of the former One Stop Shop at Monmouth Market Hall using grant funding secured by the Regeneration Team has been completed. A new 3-year lease

has been agreed for this unit, subject to a Change of Use Application for a Bridal Dress Shop being approved. A Change of Use application has been approved for the former planning offices at Market Hall for the use of a gallery, workshop and event space. A new 5-year lease for the premises is progressing through legal. The new leases will generate a rental income for MCC and offset ongoing revenue costs for the respective properties. A new tenant has also been secured for Thornwell Pavilion, with a lease to be entered shortly generating a competitive rental value. Rental arrears across the retail portfolio represent less than 2% of the rent roll.

- 3.40 The ground floor of Innovation House, Magor continues to be occupied on the ground floor by MCC's Social Care Workforce Development Team, alongside a commercial operator on the second-floor smaller wing generating a rental return. The remaining vacant space continues to be marketed. CNG Fuels, who develop, own and operate sustainable refuelling infrastructure for HGVs, are hiring the overflow car parking area at Wales1 Business Park as a site compound. This occupation is to facilitate construction project on the land adjacent to the business park. The licence fee is generating in excess of £13,000 to MCC.
- 3.41 There are 24 farm holdings in the Council's ownership generating an improving commercial return. There are £45k of arrears for County farms, £35 of which relates to an individual farm holding and where debt recovery action is ongoing. This represents 16% of the rent roll. Two agricultural cottages have recently been declared surplus and are shortly to be marketed for disposal. 2 further vacant cottages are in the process of being refurbished and will be marketed to let. A 10-year farm business tenancy (FBT) extension has been agreed at Lower House Farm. 2 new FBTs have been agreed in the succession case at 4 Llandewi Court Farm. MCC also continue to receive rental payments from the Bryngwyn Livestock Market, which makes rental payments based on a combination of turnover and base rent.
- 3.42 Income from the Council's solar farm is currently forecasting to generate a net income of £473,862 at month 9, £128,507 more than the budgeted surplus of £345,355. This is mainly due to improvements in efficiency following maintenance works, higher ROC values, and better than average weather conditions resulting in increased income. Latest monitoring indicates minimal change to the forecast through to year end. Since 2017, the solar farm has generated a gross income for MCC of £6,026,592

#### **OPTIONS APPRAISAL:**

The report is not a decision-making report. The report represents a performance review of the commercial and investment portfolios, as required under the governance changes outlined in the Asset Management Strategy. Therefore, no option appraisal is required.

#### **1. REASONS:**

The Asset Management Strategy requires a 6-month performance review of the Council's commercial and investment portfolios.

## 2. RESOURCE IMPLICATIONS:

The 25/26 projections have been adjusted to reflect the changes and risk associated with surrenders and business rates corrections at Castlegate Business Park. Despite these changes, the investment portfolio is forecast to generate a £88,063 net income due to Newport Leisure Park projected significant return and a net surplus, after borrowing repayments.

£30.7m of the approved £50m asset investment programme has been spent on the two acquired investments at Castlegate and NLP. £1,852,738 of the remaining fund has been retained within the capital budget to apply to any future maintenance and development work required across the sites, with the remaining balance now expired and removed from the budget.

	Castlegate			NLP			Combined		
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
Expenditure	796,980	998,736	201,756	1,037,287	1,022,089	-15,198	1,834,267	2,020,825	186,558
Income	-682,400	-792,186	-109,786	-1,359,825	-1,316,702	43,123	-2,042,225	-2,108,888	-66,663
<b>Net Return</b>	114,580	206,550	91,970	-322,538	-294,613	27,925	<b>-207,958</b>	<b>-88,063</b>	<b>119,895</b>

As a result of the investments, budgeted income targets have been introduced. The latest forecast at period 3 of 2025/26 shows a net surplus generated on NLP of £294,613 and a deficit of £206,550 on Castlegate, a combined surplus on both investments of £88,063. This results in an in-year forecast budget pressure of £119,895.

As a strategic asset within the county, information has been sought on the number of jobs created at Castlegate Business Park since the last performance update. Castlegate Business Park continues to be a significant employer with 313 staff employed at the site.

The capital values of both assets continue to be impacted by the respective sectors, and the impact on rent roll will continue to impact the capital appreciation/depreciation. Both assets will be revalued in accordance with MCC's programme of annual asset valuations, with anticipated improvements in the capital value of Newport Leisure Park and minor changes in Castlegate Business Park. Outturn reporting will provide a more detailed update on the asset valuation of both assets.

**3. EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING)**

There are no equality and Future Generations implications arising from the purpose of this report. This report provides a performance review of the commercial and investment portfolios.

**4. CONSULTEES:**

Stacey Jones – Finance and Resources Manager

**5. BACKGROUND PAPERS:**

Appendix 1 – Performance Dashboard

**6. AUTHOR(S):**

Nicholas Keyse – Acting Head of Landlord Services

**7. CONTACT DETAILS:**

Tel: 01633 644773

Email: [nicholaskeyse@monmouthshire.gov.uk](mailto:nicholaskeyse@monmouthshire.gov.uk)

## Appendix 1 – Performance Dashboard

Performance Indicators		
Measures/Milestones	25/26 Target	March 2026
<b>Total Gross income target for investment and commercial portfolio</b>	<b>£3,768,672</b>	<b>£3,969,839</b>
Industrial Unit Gross Income	£223,275	£181,987
County Farm Gross Income	£284,120	£275,832
Solar Farm Gross Income	£677,032	£844,695
Retail and Office Gross Income	£542,110	£570,840
% of rental arrears from commercial portfolio total income	2%	3.8%
Castlegate Business Park Occupancy Rates	100%	85.6%
Newport Leisure Park Occupancy Rates	100%	97.1%
Castlegate Business Park – Job creation from lettings or existing tenants	n/a	313 employed