



280 Cambridge Science Park

Q1 report

Dorset County Pension Fund

2022

Executive summary

Dorset County Pension Fund (“DCPF”) provides diversified exposure to good quality real estate located throughout the UK, across a range of sectors including offices, industrial, retail and other. The allocation to property reflects 9% of DCPF’s total assets, which currently represents approximately £300m. The strategy is to transition the portfolio gradually to a 50/50 split between Secure Long Income (“SLI”) and Conventional properties, with SLI properties within the Conventional portfolio counting towards the total.

OVERVIEW

	£297.1M	32
	Capital value (Combined DCPF portfolio)	Assets
	Conventional	SLI
Mandate	Commenced 1993	Commenced 2017
Performance objective	MSCI Quarterly over 5 years	LPI +2% per annum
Capital Value (Q1 2022)	£257.2m (87%)	£40m (13%)
Number of assets	23	9
Target portfolio size	£180m ¹	£120m
Value of purchases during quarter	-	-
Value of sales during quarter	£15.7m	-
Net initial yield (p.a.)	3.6%	3.8%
Average unexpired lease term (to break)	9.2 years (7.6 years)	66.7 years (16.8 years)

Combined Valuation

Direct Property (Q1 2022 values)	£274.3m
Indirect Assets (Q1 2022 values)	£22.8m
TOTAL PORTFOLIO VALUATION	£297.1m

Performance ²	Conventional	SLI	Combined	MSCI Quarterly Universe
Q1 2022	5.0%	1.8%	4.6%	4.7%
12 months	19.3%	10.1%	18.1%	19.6%
3 yrs p.a.	6.3%	6.1%	6.2%	6.4%
5 yrs p.a.	7.1%	-	6.9%	6.8%
7 yrs p.a.	7.4%	-	7.4%	7.1%
10 yrs p.a.	8.8%	-	8.8%	8.3%

¹ The Conventional portfolio includes SLI assets (c.12%), therefore the total SLI allocation will be 50%.

² Conventional, Combined and SLI are Nominal returns. SLI’s Real returns for Q1 2022 0%, 12 months to March 2022 5.1%, and 3 years 1.8% p.a. with LPI Q1 2022 at 1.8%, 12 months 5.0% and 3 years 4.3% p.a.

Economic and property

- Having started the year in good health, the UK economy has seen headwinds build through the early months of 2022.
- The impact of Omicron was ultimately limited, but the war in Ukraine is now driving higher prices and weaker sentiment.
- The inflation outlook remains the major economic uncertainty and concern. Further upward pressure on already elevated rates of inflation, via higher energy and commodity prices, means CPI is now expected to average 7.2% in 2022, before moderating to 2.6% in 2023. Stagflation continues to be discussed as a risk, but there is not yet any clear evidence of the required wage-price spiral becoming established.
- All Property returns hit a multi-year high in 2021 meaning 2022 was expected to be a year of moderating returns, even before the war in Ukraine. So far performance data has been robust. According to the MSCI Monthly Index, All Property capital values increased by 4.4% in Q1 2022, down from the 6.6% recorded in Q4 2021. Q1 is typically a softer quarter, so this outturn suggests positive momentum in the market despite the increased economic uncertainty.
- Our property forecasts were updated in March. The revisions were modest, and we do not see the war in Ukraine serving as a catalyst for a correction in values, although we must acknowledge that the figures were produced at a time of heightened uncertainty. The All-Property total return forecast for 2022-26 is now 5.3% p.a., which is a marginal reduction from 5.5% p.a. previously.

Conventional portfolio

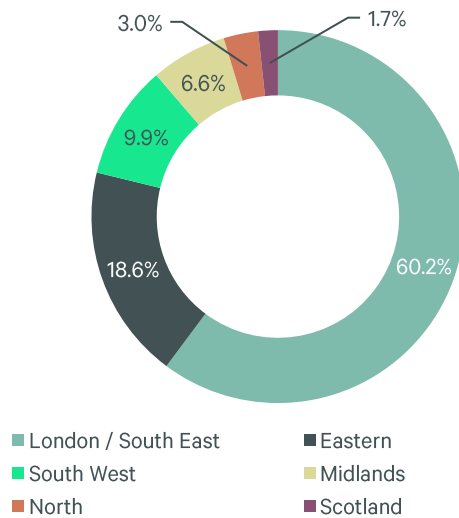
Portfolio information

KEY STATISTICS

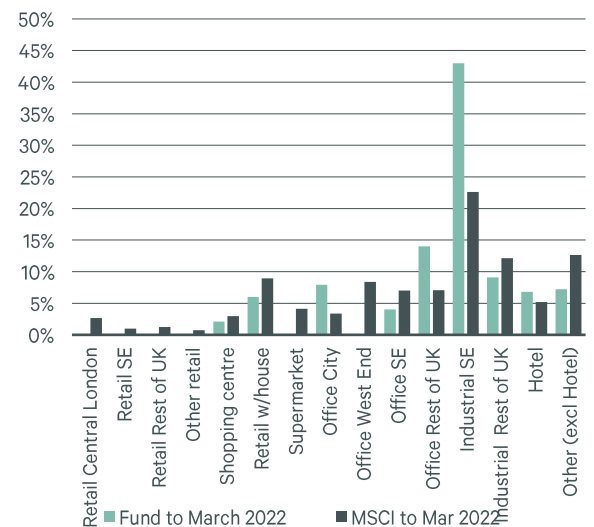
£234.3M Direct market value	£22.8M Indirect market value	£257.2M Total Conventional portfolio market value
23 (£11.7M) No. of assets (direct avg. value)	66 (£3.6M) No. of lettable units (direct avg. value)	19.9% (7.9%) Vacancy rate ³ (MSCI Quarterly Universe)
9.3 yrs (7.7 yrs) Avg. unexpired direct lease term (to break)	3.6% Direct net initial yield (p.a.)	11.7% % of income direct RPI / index linked
11.0% Rent with +10 years remaining (% of direct rent)	6.2% Rent with +15 years remaining (% of direct rent)	

GEOGRAPHICAL AND SECTOR EXPOSURE

Geographical breakdown



Sector breakdown



³ Core vacancy rate plus active development projects, which represent 10.2% of ERV.

Secure long income portfolio (SLI)

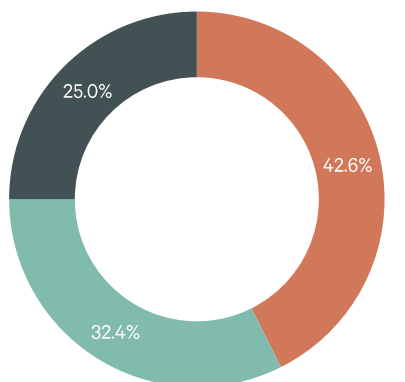
Portfolio information

KEY STATISTICS

£40.0M Direct market value	£0.0M Indirect market value	£40.0M Total SLI portfolio market value
9 (£4.4M) No. of assets (avg. value)	13 (£3.1M) No. of lettable units (avg. value) ⁴	0% Vacancy rate (% ERV)
66.7 yrs (16.8 yrs) Avg. unexpired lease term (to break)	3.8% Net initial yield (p.a.)	72.2% % of income index linked
53.7% Rent with +15 years remaining (% of rent)		

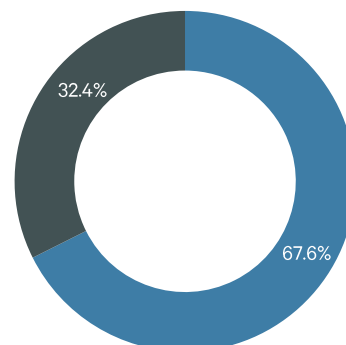
GEOGRAPHICAL AND SECTOR EXPOSURE

Geographical breakdown (% of total value)



- North
- Eastern
- Midlands
- London/Southeast
- South West
- Rest of UK

Sector breakdown (% of total value)



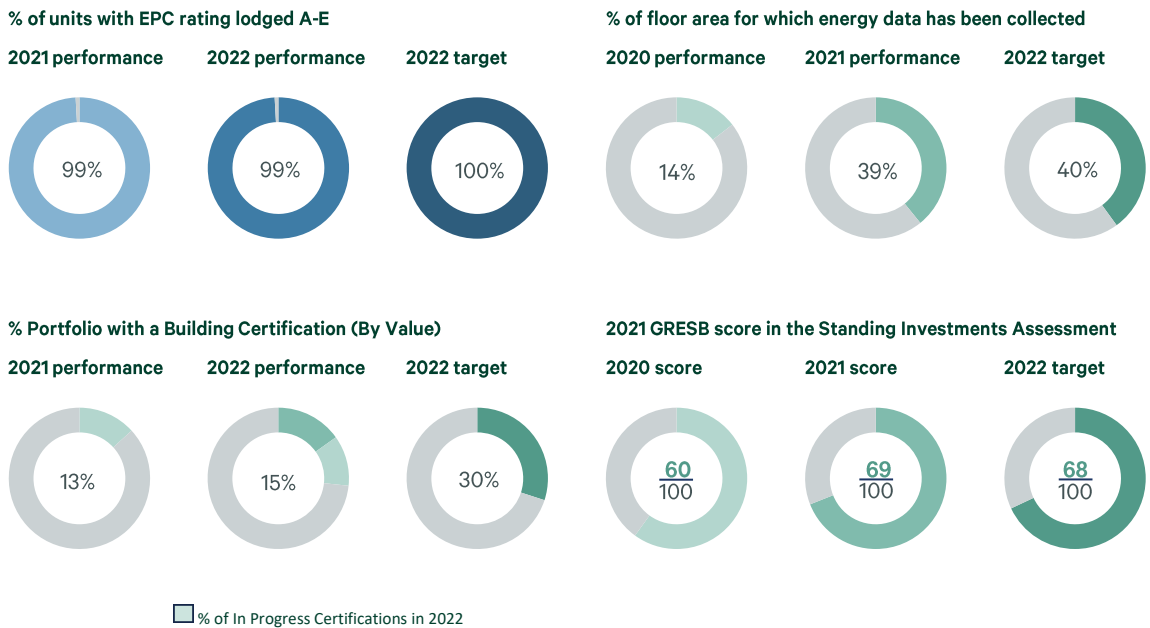
- Supermarkets
- Pubs
- Offices
- Hotel
- Residential
- Ret. W'house
- Industrial
- Other

⁴ Assumes each residential portfolio is treated as a single lettable unit.

Environmental, Social, Governance

DCPF's ESG performance

COMPLIANCE	TRANSPARENCY	CARBON
Energy ratings Policies TCFD Compliance risk Green leases	Building certifications Reporting Stakeholder engagement Data coverage	Energy Water Waste Tenant Workshops
All environmental compliance risks	GRESB Outperformance	18% Carbon intensity reduction



Key actions completed in Q1 2022

Action	Outcome	Compliance	Transparency	Carbon
TCFD Implementation	A high level climate adjusted flood risk review has been instructed for this portfolio.	x	x	x
EPC	The portfolio has completed one EPC assessment in the last quarter.	x		

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