

NOVA LYME 26 PENSION and LLP SYNDICATE - Tesco Express, Bournemouth



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Lewis Innovative Investment is a trading name of Lewis & Co (Investments & Pensions) Ltd

81 Holdenhurst Road Bournemouth—NEW TESCO EXPRESS STORE

Lewis are pleased to recommend a new property syndicate, purchasing the 999 year lease of the part ground floor of a large recently built student accommodation building, benefiting from a new Tesco Stores Ltd Lease.

- Purchase Price **£900,000**
- Annual rent of **£55,000 per annum, RPI linked up to 4% per annum.**
- **20 year term lease with a 10 year tenants break option.**

The Property

- ◇ Prominently located in the central business district of Bournemouth, this site is ideal for a convenience store.
- ◇ The Tesco Express replaces the existing property at number 81 Holdenhurst Road.
- ◇ The property is 4,900 square feet ground floor retail.
- ◇ The expected spend by Tesco on the property is £400,000, making it less likely that they will break the lease in 10 years time.

The Investment

We are inviting pension and non pension investments.

The capital growth class (Deferred Income) will have a share of the mortgage.

The immediate income class will receive the share of the rent from day one.

Potential Returns

The syndicate is buying this property at a gross yield of 6.11%, with RPI increases up to a maximum of 4% per annum.

Deferred Income

For those that want a deferred income stream, an investment of £62,895, together with a £37,491 share of the mortgage, makes a total investment of £100,386. This will acquire 10% of the property and the following estimated returns are likely:-

- Immediate share of the rent £5,000 per annum after annual charge.
Share of the rent in year ten £6,741, assuming RPI increases of 3% per annum.
- This rent represents 10.71% per annum from the original investment, or 17.86% per annum for an investor that received higher rate tax relief on the investment.
- The investment is likely to have grown in value from £62,895 to £121,500 over the ten years. These figures assume RPI at 3% per annum and that the property value is based on the same rental calculation as today.

Immediate Income

For those that want income from day one, it will be paid monthly in advance at 5% per annum after costs, but before tax. Therefore an investment of £50,000 will receive income of £208.34 per month.

Description	Total including VAT (£)
Purchase price	900,000
Stamp duty	36,000
Legal costs	11,336
Mortgage arrangement fee	5250
Agents fees	16,200
Float account	5,000
Lewis purchase fee	21,600
Carey /cap fee	6,800
Valuation	1,680
Total	1,003,866

The objective is to form a syndicate whose members can transfer in £ 703,866 of funds. The syndicate will then borrow £300,000, secured against the property.

Liquidity Issues

- Commercial property is a long term holding. Generally a syndicate member should not invest for less than 6 years.
- A member can leave the syndicate at any time and there are a set of rules that provide a first option to the remaining members and it is only if they do not purchase the whole share, then it is offered out to non syndicate members.
- If no-one wishes to purchase the share to be sold, then the property will be sold.
- The value of the property may fall or rise. Past property market values are not a guide to future property values.

Summary

This property is very much what we look for in a commercial property investment;-

- The tenant is arguably one of the most successful businesses in the UK.
- Tesco's are probably the most selective of all the convenience stores.
- The property is located in the central business and university district of Bournemouth.
- The Tesco Stores Ltd lease is at a realistic rental.

I am therefore delighted to recommend this syndicate to you. It is particularly suitable to a geared investment, with the borrowing repaid from the rent over the years ahead. However if you want immediate income that too is available.

Tim Lewis

Risk Factors will be detailed in your personal recommendation report, but key risks to consider are;-

- ◆ Inflation can have positive and negative effects on commercial property. Low interest rates tend to be beneficial where a mortgage is being repaid.
- ◆ Vacancy risk is twofold. Firstly an empty property will have certain liabilities like empty property rates and maintenance. Additionally a failed tenant or lease expiry may require that the mortgage is paid while a new tenant is found. A locations general economic profile and demand for property may change over time.
- ◆ Although rent reviews tend to be upward only, there is no guarantee that they will increase, although the outlook for inflation will benefit this Tesco Stores Ltd lease, to the benefit of the syndicate. Property yields and values can fall as well as rise and the costs tend to be expensive at purchase.

Investing not through the pension will result in taxation. Full details will be explained in your personal report. Lewis' annual fee is 0.5% per annum of the property value.

Lewis & Co is authorised and regulated by the Financial Services Authority (FSA) for pensions, but this investment is not regulated by the FSA and is not covered by the Financial Services Compensation Scheme, disputes are unlikely to be within the jurisdiction of the financial Ombudsman Service.