

NOVA **EXION 79** Pension and LLP Syndicate
Exion 27, Crowhurst Road, **BRIGHTON** BN1 8AF



The Property

Located in the ever popular and affluent City of Brighton and Hove, the property enjoys an exceptional location adjacent to the A27, being the main trunk road across the South Coast, serving Portsmouth, Chichester, Worthing, Brighton & Eastbourne.

The building was constructed in 2001 and still has a very modern and appealing appearance. It extends to 26,273 sq ft over ground and first floor and benefits from a very good parking ratio in a city where the Green Party have a stronghold and many office buildings have very few spaces.

The property is fully let to 2 strong tenants who have been in occupation for over 10 years each and appear very ensconced.

The supply of offices in Brighton has seen a dramatic reduction over recent years as many buildings have been converted to residential, this has caused upwards pressure on rents due to demand outweighing supply.

Consequently there could be an angle subject to the necessary consents to convert the ground floor in years to come into offices as well in order to exploit this. Alternatively, the property may lend itself to complete redevelopment with a far taller structure in its place, again subject to all necessary consents.

Purchase Price	£5,500,000
Tenure	Leasehold – 125 year lease from May 2003 with option to extend for another 125 years at nil cost. Peppercorn ground rent
Tenant Ground	Floor Image Data Group Ltd – 15 years from 4th September 2016 (no breaks)
Tenant 1st Floor	University of Brighton – 1st Floor North & 1st Floor South let on two identical leases for 5 years from 9th June 2018
Break Options	Only University of Brighton – tenant only at end of year 3.
Repairs	Tenants are responsible for all repairs via a service charge.
Rent	£406,040 per annum
Reviews	Only ground floor tenant – 5 yearly upwards only



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Description	Total including VAT (£)
Purchase price	5,500,000
Stamp duty	264,500
Legal costs	30,000
Mortgage arrangement fee	13,750
Agents fees	49,500
Lewis purchase fee	181,500
Carey Fee / Float	104,000
Valuation	9,600
Total	6,152,850

VAT will be reclaimed of circa £45,100 at first VAT quarter.

Please note that the float account and VAT refund will act as a buffer for any future vacant units and property rates should the university exercise a break option in 3 years time. We are just being cautious.

The objective is to form a syndicate whose members can transfer in circa **£4,777,850** of funds. The syndicate will then borrow circa **£1,375,000**, secured against the property. The loan will be from a bank or possibly a private lender. Investing in the LLP (non pension) will result in taxation.

Lewis' annual fee 4% plus vat of rental income (currently **£16,241.60** + VAT per annum), paid quarterly in advance.

Lewis Property Services UK Ltd annual fee 2% plus vat of rental income (currently **£8,120.80** + VAT per annum).

Potential Return

The syndicate is buying this property at a gross yield of 7.38%.

Immediate Income

Income will be paid monthly in advance at 6.20% per annum before tax.

An investment of £ 50,000 will receive income of £258.33 per month.

Deferred Income

For those that want a deferred income stream an investment of £47,530 together with a £14,000 share of the mortgage, makes a total investment of £61,530.

This will acquire an estimated 1.00% of the property and the following estimated returns:-

- Immediate share of the rent of £3,816.87 per annum after the annual charge; this is used firstly to repay your share of the mortgage.
- This rent represents 8.03% per annum (from the original investment or 13.38% per annum for a pension investor who has received higher rate tax relief at 40% on the investment).
- The mortgage is likely to have been repaid in 4 years, assuming an average interest rate of 5.65% per annum.
- The immediate variable mortgage interest rate is circa 3.50% per annum.

The Investment

We are inviting pension and LLP investment.

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

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

We are only accepting appropriate investments from suitably knowledgeable and experienced investors. For further information please contact your personal adviser at Lewis.

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.

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We are delighted to recommend this investment property to you for the following reasons:-

The Exion building, completed in 2001 provides flexible accommodation to suit a wide range of occupiers. It has a prestigious double height glazed reception and an 8 person lift.

With an immediate income of 6.20% per annum after costs, we consider this to be an excellent purchase. However, the identical leases to University of Brighton allow them a break option and we have built in a float to provide a safety net should they choose to use it in 3 years time. They have been 'in situ' for the last 10 years and we understand they provide the following services for Brighton University; Estate & Facilities Management, Health & Safety, Accommodation & Hospitality Services.

The property is ideally located just a few metres away from the A27 and only 3 minutes from the A23 /A27 Junction. This makes it ideal for employees, company visitors and allows for speedy distribution. Hollingbury Commercial & Industrial Park is nearby has an Asda Superstore, an out of town retail park with Marks & Spencer, Matalan, Next, together with a Renault car dealership, self-storage operator and other office accommodation.

The latest UK Powerhouse report (Spring 2018) predicts Brighton will be the 8th fastest growing city in the UK in 2018, rising to 6th by 2028.

The City of Brighton and Hove is an important cultural and commercial centre with a population of 274,000 and an urban catchment area of 500,000. Economically, the city is characterized by having an affluent and youthful population with an excellent skill level which in turn has attracted high profile international corporate occupiers such as Legal & General, American Express, Kimberley Clark, BUPA, Lloyds Bank and Southern Water.

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 maintenance and empty . Additionally, a failed tenant or lease expiry may require that the mortgage is paid whilst a new tenant is found. A location's general economic profile and demand for property may change over time.
- * Although rent reviews tend to be upward only, there is no guarantee that the rent will increase (however you will note that on page 2. Property yields and values can fall as well as rise and the costs tend to be high at purchase.
- * The value of the property and the income from it may fall or rise. Past property market values are not a guide to future property values and you may not get back what you invested.

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