

Nova Shepton 83 Pension and LLP Syndicate

Townsend Shopping Park | Shepton Mallet | Somerset | BA4 5SB



ESTD 1968
PetsCorner

SPORTSDIRECT.COM

Carphone Warehouse

LAURA ASHLEY



COSTA

NEW LOOK

Argos

Nova Shepton 83



The Coach House & Pod Units

Purchase Price:	£8,350,000
Tenure:	999 year lease from 2010 at £2 per annum
Current Rent:	£730,534 per annum in total
Tenants:	Various see schedule below
Repairs:	Tenants responsible for all repairs via a service charge

The Property

The property is located in the historic market town of Shepton Mallet. The estimated population of 10,000 is likely to increase as a result of a sizeable residential development in the planning pipeline, which is situated within half a mile of the property. There is very little in the way of competing centres within a 20 mile radius and the closest major centre is a 40 minute drive to Bath.

The property is located close to the town centre and comprises a modern retail warehouse parade, two accompanying retail pod units, a small office building and a 220 space car park on a site, approaching 4 acres. Immediately adjacent is a 90,000 sq ft owner occupied Tesco supermarket and Tesco fuel station which acts as a strong driver of footfall to this shopping park.

Unit	Tenant	Lease Expiry	Break Date	Passing Rent (£ per annum)	Passing Rent (£ per sq ft)
1	Argos Ltd	19 August 2022	-	£153,000	£15.06
2A	Boots UK Ltd	21 March 2028	22 March 2023	£102,746	£17.19
2B	Sportsdirect.com Retail Ltd	25 September 2021	-	£68,000	£17.10
3	New Look Retailers Ltd	19 April 2021	-	£154,500	£15.24
4A	Laura Ashley Ltd	30 August 2022	-	£94,753	£19.00
4B	Pets Corner (UK) Ltd	23 June 2027	-	£87,535	£17.31
7	The Carphone Warehouse Ltd	29 July 2022	-	£30,000	£19.28
8	Costa Ltd	24 June 2032	24 June 2028	£40,000	£25.87
Coach House	Vacant	-	-	£0	£0.00
				£730,534	Avg. £16.83

This is a rare opportunity to acquire a well let retail warehouse parade with attractive planning consent at modest and arguably sustainable rents. While there are concerns over the future of many High Streets across the country, convenient shopping with easy vehicular access and plenty of free parking, we feel, still has a positive future. This is reflected in the new lease agreed with Boots at a high rent and neither Laura Ashley or Carphone Warehouse exercised recent break clauses in their leases. The New Look store was categorised as high performing and therefore suffered no rent reduction when the Company Voluntary Arrangement was carried out in 2018.

In addition, Tesco have recently agreed to remove a restriction on the units, which prohibited the sale of food. Therefore, subject to planning permission, the units will appeal to tenants who were previously precluded because they had a food offering such as Poundland, B&M, Home Bargains, etc.

The possibility of letting or selling the Coach House building or to create another pod unit in the car park (taking into account a covenant with Tesco not to reduce parking below 1 space per 225 sq ft of retail accommodation) provides further opportunity to enhance returns.

Description	Total including VAT (£)
Purchase price	8,350,000
Stamp duty	407,000
Legal costs	42,000
Mortgage arrangement fee	30,000
Agents fees	75,150
Lewis purchase fee	275,550
Carey Fee / Float *	330,580
Valuation	18,720
Total	£9,529,000



The Investment

We are inviting pension and LLP investments from suitably knowledgeable and experienced investors.

The Capital Growth (Deferred Income) investors will take on a share of the mortgage.

The Immediate Income investors will accrue their share of the rent from day one.

For further information please contact your personal adviser at Lewis.

Potential Return

The syndicate is buying this property at a gross yield of 8.75%.

Immediate Income

Income will be paid monthly in advance at 7.20% per annum before tax.

An investment of £95,290 will receive income of £571.74 per month (£6,860 per annum)

Deferred Income

For those that want a deferred income stream an investment of £65,290 together with a £30,000 share of the mortgage, makes a total investment of £95,290.

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

- Immediate share of the rent of £6,860 per annum after the annual charge; this is used firstly to repay your share of the mortgage.
- This rent represents 10.51% per annum from the original investment or 17.51% per annum for a pension investor who has received higher rate tax relief at 40% on the contribution.
- The mortgage is likely to have been repaid in 5 years, assuming an average interest rate of 5.65% per annum.
- The immediate variable mortgage interest rate is circa 3.75% per annum.

* The float is designed to provide a buffer for any vacant unit or unanticipated costs.

The objective is to form a syndicate whose members can transfer in circa **£6,529,000** of funds. The syndicate will then borrow circa **£3,000,000** 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 is 4% plus VAT of the rental income (currently **£29,221** + VAT per annum), paid quarterly in advance. Lewis Property Services UK Ltd annual fee is 2% plus VAT of the rental income (currently **£14,610** + VAT per annum). If future rents increase, then so too will Lewis' on-going fees.

SUMMARY

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

- ◆ We feel that we are buying this virtual freehold at a good price, taking advantage of current uncertainty.
- ◆ Despite concerns on retailing, we believe that this market allows us to cherry pick some excellent assets.
- ◆ The location in central Somerset covers a very wide catchment.
- ◆ The adjacent Tesco's Superstore and filling station is a real pull to this estate.
- ◆ The rents are sustainable for these national tenants.
- ◆ Having looked at a number of similar opportunities over recent months, none have had such strong core fundamentals as presented by this opportunity.

Best wishes

Tim Lewis



Lewis Investment is a trading name of Lewis & Co (Investments & Pensions) Ltd which is authorised and regulated by the Financial Conduct Authority. Investment via your pension is regulated and will be covered by the Financial Services Compensation Scheme (FSCS) and the Financial Ombudsman Service (FOS). Direct investment into commercial property, outside of a pension, is not regulated and as such, **may not** have recourse to the FOS or FSCS

Risk Factors

These 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 has liabilities, like maintenance and empty business rates. 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, there is no guarantee that the rent will increase. 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.

Liquidity Issues

- Commercial property is a long term holding; generally for no less than 6 years.
- A member can leave the syndicate at any time. Under the terms of the Syndicate Rules any share to be sold will initially be offered to the remaining members. If they do not wish to purchase the entire share any remaining share will be offered to non-syndicate members.
- If a purchaser cannot be found the property will be sold. Due to the nature of the investment a sale may not be immediate.

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