

Nova RWB 95 SIPP Syndicate

Unit 5C | Interface Business Park | Bicknell Lane | Royal Wootton Bassett | SN4 8QQ

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A TWO STOREY OFFICE AND WAREHOUSE BUILDING SET IN A PICTURESQUE LOCATION WITH EXCELLENT AMENITIES WITHIN MINUTES OF THE M4 MOTORWAY

Summary of property and position

Located around 1 mile South of Junction 16 of the M4 Motorway (the same junction that serves much of Swindon to the North), Interface Business Park is excellently positioned between Royal Wootton Bassett and the motorway.

The property comprises a modern warehouse/office building which extends to just over 15,000 sq ft, made up of 9,000 sq ft of warehousing and just over 6,000 sq ft of offices. Over the last 6 months the property has been the subject of a comprehensive and high quality refurbishment programme to suit the occupiers needs, which we are informed has cost over £500,000.

The agreed purchase price for the property of £1,544,000 represents just over £100 per sq ft, which we consider to be the cost of replacing the building alone, with no allowance for the land it sits on or developer's profit and we therefore believe that the purchase price represents good value for money and is well-underpinned for the future.

The tenant, Clarendon Speciality Fasteners, <https://www.clarendonsf.com/>, is a top-end engineering firm, producing products for Formula 1 amongst others. For the year ending September 2018 they posted a turnover of £26,744,000 and a pre-tax profit of £4,568,000. They are a wholly owned subsidiary of Diploma Plc <https://www.diplomaplc.com/>

Generally, demand for warehouses has grown enormously over recent years, which has served to increase rents and with a lack of new warehousing stock in the pipeline, it is believed that this trend will continue.

The Property

Terms:	Sale & Leaseback
Purchase Price:	£1,544,000
Tenure:	Freehold
Tenant:	Clarendon Specialty Fasteners Ltd
Rent:	£95,000 per annum
Lease:	A new 15 year lease with a tenant break at year 10
Rent Review:	£107,484 after 5 years: open market review at year 10 (if break not exercised)
Repairs:	Tenant Responsible



Description	Total including VAT (£)
Purchase price	1,544,000
Stamp duty	82,140
Legal costs	14,400
Mortgage arrangement fee	4,500
Agents fees	18,528
Lewis purchase fee	50,952
Carey Fee / Float *	15,280
Valuation	7,200
Total	£ 1,737,000

* = The float is designed to provide a buffer for any unanticipated costs.

VAT will be reclaimed of circa £15,180 at first VAT quarter



The Investment

We are inviting pension 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 after completion.

For further information please contact your personal adviser at Lewis.

Potential Return

The syndicate is buying this property at a gross yield of 6.15%. This will increase to 6.96% at the first rent review.

Immediate Income

Income will be paid monthly in advance at 5.14% per annum before tax.

An investment of £40,000 will pay to your SIPP income of £171.33 per month.

Deferred Income

For those that want a deferred income stream an example investment of £29,637.32 together with a £10,362.68 share of the mortgage, makes a total investment of £40,000.

This will acquire an estimated 2.30282% of the property and the following estimated returns:-

- Immediate share of the rent of £2,055.96 per annum after the annual charge; which is used firstly to repay your share of the mortgage.
- After repayment this rent represents 6.93% per annum from the original capital investment or 11.56% 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 circa 6 years, assuming an average interest rate of 5.00% per annum.

This document has been produced for information purposes. It is not intended to be an invitation to buy, or act upon the comments made, and all/any investment decisions should be taken with advice, given a appropriate knowledge of the investor's circumstances. You must satisfy certain investor criteria before you can be considered eligible to invest. For further information please contact your personal adviser at Lewis.

The objective is to form a syndicate whose members can transfer in circa **£1,287,000** of funds. The syndicate will then borrow circa **£450,000** secured against the property. The loan will be from a bank or possibly a private lender. Investing in the LLP will result in taxation.

Lewis' annual fee is 4% plus VAT of the rental income (currently **£3,800** + VAT per annum), paid quarterly in advance. Lewis Property Services (UK) Ltd annual fee is 2% plus VAT of the rental Income (currently **£1,900** + VAT per annum). If future rents increase, then so too will Lewis' ongoing fee.

Summary

We always like sale and leaseback, off market purchases where the tenant has a property that particularly suits their trade.

- The freehold purchase is in a good location, with good proximity to the M4 motorway.
- Properties that are part office and part warehouse are often in strong demand.
- The tenant has been trading for some years and the lease benefits from the guarantor of its strong parent Diploma PLC.
- The fixed rent increase in 5 years time, will allow an automatic increase in rent from this syndicate.
- A 15 year lease, albeit it with a 10 year break, is hard to come by nowadays.

Although this is only a pension investment, there will be a small holding purchased via an LLP, to allow Lewis' to properly administer the syndicate. This will only be for an investment of £8,685 and will allow strong governance for this pension syndicate. The members will be Anita Lewis and Fiona Garvey. They will not be taking a share of the loan and will receive the same terms as the SIPP Syndicate members.

Best wishes

Lee van Hoyland

How the SIPP Syndicate works:

You will have direct ownership of the property through your Options SIPP. This will be limited to your share of the original purchase price and the costs involved. Rental income will be based on your percentage of ownership of the syndicate after fees and any monies held back for a float account, which are outlined in this prospectus. If you choose the mortgage option your SIPP will be liable for your share of the overall mortgage repayment which will be repaid by your rental income until final redemption.

Full details of your exact share of the property, rental income, fees and mortgage repayment term will be provided in your recommendation report, if after discussion with your adviser it is felt that the investment is suitable for you. Any rental income will not be subject to income tax in your SIPP, however taxation can be charged when you start taking benefits from your SIPP.

Although certain activities will be delegated to an appointed agent, you will retain control over major aspects of the property management, including rental contracts, changes in tenancy agreements, potential sale etc. You will also receive ongoing education on the commercial property market through newsletters and AGMs.

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, it may reduce in uncertain times. 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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