

Nova Charlotte 98

Charlotte Place | Queen Charlotte
Street | Bristol BS1 4EX



The Property

Purchase Price: £5,000,000

Annual Rent: £327,601 (once 5th floor is let)

Tenure: Freehold

Tenants & Lease Terms: Various - see tenancy schedule

Repairs: Tenants responsible for repairs via service charge (some caps exist limiting the extent of major repairs)



Summary of property and position

Charlotte Place is located in the heart of Bristol's commercial district, one of the UK's top working destinations.

The building presents an opportunity to acquire a recently refurbished office building over 5 upper floors with a ground floor hairdressers.

The property is being bought freehold (many properties in Bristol are held long leasehold from the Council) and offers the added benefit of a secure 10 space car park, which is a real bonus in a city centre location such as this.

Prior to Covid, rents in Bristol were increasing rapidly, with top rents in excess of £35 per square foot, but this building is let at circa £23psf, which we feel is very sustainable even in a post-Covid world!

We also like the size of the floors, which is a popular size with occupiers, being just under 3,000 sq ft and feel demand will recover in a city like Bristol. This city has a large young work force that live in flats where home working is not always ideal. Bristol will also benefit from businesses moving out of London to take advantage of lower overheads.

We are informed rent receipts on the building were very good throughout the lockdown period, with some minor concessions being offered only relating to the period when offices could not be used. All other bills are up to date except for the hairdressers who are addressing some arrears of circa £4k.

In a more normal market we would have not been able to take advantage of this opportunity. The building was under offer in the early part of the year to Threadneedle at a price considerably in excess of the figure we have negotiated, but situations such as this can bring opportunities and we believe this is a very good long term asset.

Tenancy

The property is let in accordance with the tenancy schedule below.

Demise	Tenant	Area NIA	Lease Start	Break	Expiry	Rent PA	Rent psf	Act	Comments
Ground	Central Studio Salon Ltd	1,502	27/04/2014		26/04/2024	£20,000	£13.32	Inside	2019 break not exercised. O/S RR.
1st Floor	Meridan Business Support Ltd	2,864	04/03/2020	03/04/2024 & 3/04/2027	03/03/2030	£69,050	£24.11	Outside	3 months rent free year 1. 3 months rent free year 4 3 months rent free year 8.
2nd Floor	Sift Ltd	2,861	30/08/2019	30/08/2022	29/08/2024	£65,803	£23.00	Outside	
3rd Floor	Sift Ltd	2,856	30/08/2019	30/08/2022	29/08/2024	£65,688	£23.00	Outside	
4th Floor	Cypad Ltd	2,851	30/06/2016		29/06/2021	£39,872	£13.99	Outside	2019 break not exercised. O/S RR. s/c cap + rpi. No shortfall.
5th Floor	Vacant with Rental Guarantee	2,840	12 months			£65,688	£23.00	Outside	Vendor to provide 12 month rents, rates and service charge guarantee. Previously under offer at £78,651 p.a. on 5 year lease. 2 year break 2 months rent free.
Car Park Licence (1 space)	Cypad Ltd		30/06/2016		3 months' notice	£1,500		Outside	Cypad using for own bike rack.
Total		15,774				327,601			

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Description	Total including VAT (£)
Purchase price	5,000,000
Stamp duty	239,500
Legal costs	38,400
Mortgage arrangement fee	10,000
Agents fees	45,000
Lewis purchase fee	165,000
Options Fee / Float *	117,300
Valuation	4,800
Total	£5,620,000

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

VAT will be reclaimed of circa £42,200 at first VAT quarter



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 receive 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 6.50%.

Immediate Income

Income will be paid monthly in advance at 5.00% per annum before tax. Please note that this is a target income, that may reduce or increase based on occupancy. When fully let the estimated income will be 5.50% per annum.

An investment of £46,200 will pay a target income of £192.50 per month.

(Please be aware that we aim to pay a steady rate of 5.00% per annum after costs, however the actual rate will be dictated by our ability to maintain or find new tenants. It could be higher than this, but it could also be lower.)

Deferred Income

For those that want a deferred income stream an example investment of £46,200 together with a £10,000 share of the mortgage, makes a total investment of £56,200.

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

- Immediate share of the rent of £2,810 per annum after the annual charge; which is used firstly to repay your share of the mortgage.
- After repayment this rent represents 6.08% per annum from the original capital investment or 12.36% 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 4.60 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 an investor to act upon the comments made, and all/any investment decisions should be taken with advice, having taken into account an appropriate knowledge of the investor's circumstances. Investors must satisfy key investor criteria before they 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 **£4,620,000** of funds. The syndicate will then borrow circa **£1,000,000** 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 **£13,104.04** + VAT per annum), paid quarterly in advance. Lewis Property Services (UK) Ltd annual fee is 2% plus VAT of the rental income (currently **£6,552.02** + VAT per annum). If future rents increase, then so too will Lewis' ongoing fee.

Summary

We really like this central Bristol freehold for the following reasons:-

- Freeholds in this location are extra special
- The tenant list is technology orientated—very positive for our post Covid economy
- The rents are very reasonable for Bristol city centre
- The city is young and tech orientated.
- The building was refurbished last year and will be very appealing to tenants.
- The floor plate is the perfect size for businesses to downsize to from larger premises.

As a multi let unit, this syndicate carries more risk, but we have been conservative in targeting a return above 5.00% per annum, after costs. Fully let we are aiming for a return of 5.5% per annum, after costs.

With interest rates at virtually zero on bank accounts this is a very appealing long term purchase in one of the countries top business cities.

Stay well, Tim

How the Syndicate works:

The investment in the LLP is known as a Property Investment Club because each member will have day to day control over the management of the property. For both LLP & SIPP investors 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.

You will have direct ownership of the property through either a Limited Liability Partnership (LLP) or, for pension investors, 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, after fees and any monies held back for a float account, which are outlined in this prospectus. If you choose the deferred income option or mortgage option for SIPP investors, you or 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 be subject to income tax for LLP investors at your marginal rate and will need to be included in your tax return. Rental income for SIPP investors will not be subject to income tax, however taxation can be charged when you start taking benefits from your SIPP.

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 Compensation Scheme (FSCS) and the Financial Ombudsman Service (FOS). Direct investment into a commercial property, outside of a pension, is not regulated and as such, **may not** have recourse to the FSCS or FOS.

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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