

Aqua Southbourne Grove LLP

27 Southbourne Grove | Bournemouth | BH6 3QS



Summary of property and position

Located in the ever-popular suburb of Southbourne Grove, the property comprises a substantial building, laid out over basement, ground and 2 upper floors, together with good size beer garden.

The ground floor, basement and part first floor of the property together with the beer garden are let to Estelle Limited on a lease for a term of 21 years from February 2011 therefore having just under 10 years unexpired. The current passing rent is £33,345 and is subject to annual reviews in line with the retail price index. The tenant trades from the premises as 'The Grove', this is their only outlet, but we believe they trade well and we understand from the vendor that they have proven to be a good tenant.

The remainder of the first floor and the entire second floor of the property are divided to create 7 bed-sits and let out on Assured Shorthold Tenancy agreements. These produce an annual income in the order of £36,000, which is netted down to a figure in the order of £27,000 after deduction of utility bills, cleaning costs and managing agents fees. We are informed that the rents are relatively low and that the turnover of tenants is low. We would also comment from our own inspection that the quality of the accommodation was of a high standard, not to be confused with the lower end of this market.

Southbourne Grove seems to go from strength to strength and we are very pleased to have secured this property. It is a very prominent, substantial piece of real estate for the money and benefits from a south facing rear trading garden, which is extremely rare in the locality and gives the commercial space an edge over its competitors. The upper floors of the property could lend themselves to conversion to flats in time to come, or given the plot and the building size a more comprehensive redevelopment might be viable subject to planning.

The Property

Purchase Price:	£730,000
Tenure:	Freehold
Tenant:	Estelle Limited (Bar operator) & private individuals
Commercial Lease:	21 years from Feb 2011 (no breaks)
Gross Rent:	£69,492 *
Net Rent:	£60,000 *
	Before Lewis Fees and personal taxation
Commercial Rent Review:	Annually in line with the Retail Price Index (RPI)
Repairs:	Landlord responsible, but can reclaim from the commercial tenant.

*Subject to fluctuation to reflect shorter term nature of residential tenancies

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Description	Total including VAT (£)
Purchase price	730,000
Stamp duty	26,000
Legal costs	10,800
Mortgage arrangement fee	0
Agents fees	8,760
Lewis purchase fee	24,090
Float *	18,910
Valuation	1,440
Total	£820,000

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



The Investment

We are delighted to present an opportunity for LLP investments from suitably knowledgeable and experienced investors. **This is not available for pension investors due to the residential content.**

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 8.20% per annum (after residential property management fees).

Immediate Income

Income will be paid monthly in advance at 6.5% per annum before tax, increasing each year, partially in line with inflation.

An investment of £25,000 will pay income of £135.42 per month, with future expected increases.

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 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 **£820,000** of funds. Investing in the LLP will result in taxation.

Lewis' annual fee is 4% plus VAT of the rental income (currently **£2,400** + VAT per annum), paid quarterly in advance. Lewis Property Services (UK) Ltd annual fee is 2% plus VAT of the rental income (currently **£1,200** + VAT per annum). If future rents increase, then so too will Lewis' ongoing fee.

Summary

Although this is a managed intensive property investment, we love this property for the following reasons :-

- It is a whole lot of property for the money, including a large residential content.
- The location is excellent in the heart of the Southbourne parade, with a good mix of restaurants, coffee shops and bars.
- The South facing garden is a good part of this bars offering, proving particularly popular over the Summer months.
- The commercial element of the rent is increased annually in line with inflation.
- There could be potential for long term residential development options, in an area where prices are rising with its popularity.

I am delighted to recommend this investment to you.

Stay well

Tim Lewis

How the LLP works:

The investment is known as a Property Investment Club because each member will have day to day control over the management of the property. 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 a Limited Liability Partnership (LLP). 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 you 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 at your marginal rate.

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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