

Nova Eastbourne 99 LLP & SIPP Syndicate
Unit 1 | Hawthorn Road | Eastbourne | BN23 6QA



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Summary of property and position

The property is situated on the busy Hawthorn Industrial Estate, situated approximately 2 miles north of the coastal town of Eastbourne. The estate is home to national tenants, such as Screwfix, Topps Tiles and Lok n' Store and carries very few vacancies.

The building comprises a modern construction, end of terrace industrial unit, currently used as a car showroom, extending to some 10,651 sq ft of accommodation on the ground floor. The property benefits from being extremely prominent as well as having a large forecourt. Therefore, we feel there will always be strong demand for this property.

The property is being sold by the proposed tenant who are seeking to release capital. They also own 2 car dealerships which are directly opposite the subject property. This is not uncommon as a practice and we have a number of other syndicated properties within the portfolio that we manage, which were bought on a similar basis. We also feel that the purchase price being paid for the property represents good value for money on the basis that the property is firmly underpinned as an industrial unit, for which demand is currently incredibly high.

The unit currently trades as Pronto Car Cosmetix, who carry out minor car repairs, who in turn sub-let part to a Mitsubishi dealership. The same person that owns these 2 businesses also owns and operates a number of sites directly opposite the subject property, where they trade as Ford, Kia and Skoda dealerships. It should be noted that Mitsubishi has announced its plans to no longer sell new cars into the UK market by the end of 2021, but it is intended that the property will continue to handle the sale of second-hand Mitsubishi vehicles and to carry out servicing of Mitsubishi vehicles. The premises will also be used generally to support the neighbouring dealerships.

The Property

| | |
|------------------------|--|
| Purchase Price: | £1,600,000 |
| Tenure: | Mixture of freehold and very long leasehold (residue of 999 year lease) |
| Tenant: | Pronto Car Cosmetix Ltd with a guarantee from Birchwood Garages Ltd. Birchwood Garages recently reported net assets as at December 2019 of £6.9m |
| Lease: | 10 years without breaks |
| Rent: | £100,000 per annum |
| Rent Review: | 5 year review in line with RPI, collared and capped between 1% & 3% over any given year. Therefore not going up by less than 5.1% or more than 15.9% over the 5 year period. |
| Repairs: | Tenant to be responsible for repairs |



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| Description | Total including VAT (£) |
|--------------------------|-------------------------|
| Purchase price | 1,600,000 |
| Stamp duty | 69,500 |
| Legal costs | 16,800 |
| Mortgage arrangement fee | 4,000 |
| Agents fees | 19,200 |
| Lewis purchase fee | 52,800 |
| Options Fee / Float * | 15,900 |
| Valuation | 4,800 |
| Total | £1,783,000 |

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

VAT will be reclaimed of circa £15,600 at first VAT quarter



The Investment

We are delighted to present an opportunity for 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 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 6.25%.

Immediate Income

Income will be paid monthly in advance at 5.18% per annum before tax. This will increase at the 5th review, based on inflation (cap and collar apply of 1% minimum and 3% maximum per annum averaged over the 5 years).

An investment of £35,660 will pay to you or your SIPP income of £153.93 per month.

Deferred Income

For those that want a deferred income stream an example investment of £35,660 together with a £8,000 share of the mortgage, makes a total investment of £43,660.

This will acquire an estimated 2.448% of the property and the following estimated returns:-

- Immediate share of the rent of £2,264 per annum (after the annual charge); which is used firstly to repay your share of the mortgage.
- After repayment this rent represents 6.34% per annum from the original capital investment or 10.58% 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 5.00% 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 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 **£1,783,000** of funds. The syndicate will then borrow circa **£400,000** 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 **£4,000** + VAT per annum), paid quarterly in advance. Lewis Property Services (UK) Ltd annual fee is 2% plus VAT of the rental income (currently **£2,000** + VAT per annum). If future rents increase, then so too will Lewis' ongoing fee.

Summary

I am delighted to launch this property for the following reasons:-

- The property is located on a good out of town industrial estate, with many national occupiers
- Industrial properties are in high demand and commanding high rental prices, supporting this purchase.
- The tenant is well established in the vicinity with two other dealerships in the same road.
- The corner site has excellent visibility

A good return with a 10 year term certain lease, in a very strong sector makes for a very solid investment.

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. However, this lease is linked to inflation.
- 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.

Lewis Investment
41 Commercial Road
Poole, Dorset
BH14 0HU
email: action@lewisinvestment.co.uk
web: lewisinvestment.co.uk

Tel: 01202 718400
Fax: 01202 718810

