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Lewis Investment is a trading name of Lewis & Co (Investments & Pensions) Ltd

Purchase Price	£1,900,000
Total annual rent	£141,500 per annum (net of annual ground rent).
Tenure	Long Leasehold 53 years unexpired
Tenant	Co-operative Group Ltd
Lease	53 years remaining (3 days shorter than the head lease)
Rent review	Every 7 years, upward only (next 2020)

"Representing a remarkable 53 years uninterrupted income at 6.35% after charges!"

The Property

- ◆ Situated in the heart of Exeter, only two doors away from the recently developed flagship John Lewis store and opposite the proposed bus station redevelopment site. The lease is to the Co-operative group who have sub-let to Poundland, who occupy the ground floor and basement, with the upper floors unused.
- ◆ The building we are informed extends to some 8,349 sq. ft. on ground floor. The property has a basement of 5,143 sq. ft. and 2 upper floors which are disused and unmeasured—so it is a substantial building.
- ◆ The interest that the syndicate is purchasing is for 99 years (less 1 day) from 29.09.1971 at a fixed ground rent of £4,500 per annum for the term of the lease. The whole property is in turn let to the Co-Operative Group Ltd for 99 years (less 4 days) from 29.09.1971.

Potential Return

The syndicate is buying this property at a gross yield of **7.44%**.

Immediate Income

Income will be paid monthly in advance **at 6.35% per annum after charges, but before tax.**
 Therefore an investment of £ 41,840 will receive income of £221.40 per month.

Deferred Income

For those that want a deferred income stream an investment of £25,840 together with a £16,000 share of the mortgage, makes a total investment of £41,840.

This will acquire 2.00% of the property and the following estimated returns:-

- Immediate share of the rent of £2,656.84 per annum after the annual charge. This is used firstly to repay your share of the mortgage.
- After repayment this rent represents 10.28% per annum from the original investment or 17.13% per annum for a pension investor who has received higher rate tax relief at 40% on the initial investment.
- The mortgage is likely to have been repaid in 7.25 years, assuming an average interest rate of 5.00% per annum.
- The immediate variable mortgage interest rate is 3.5% per annum

While this is a diminishing asset (with Exeter City Council owning the freehold), we love this opportunity as leases of this length are incredibly rare and to have the income secured against one of the countries strongest retailers, makes this opportunity rarer still! Additionally, Exeter is benefiting from a renaissance as it appears to be establishing itself as the capital of the South West. This part of Exeter City centre is experiencing a massive improvement with the John Lewis flagship store, the nearby Princess Hay Scheme and the proposals for the redevelopment of the bus station, consequently it is possible that the syndicate could receive a favourable offer for its interest prior to lease expiry.

Description	Total including VAT (£)
Purchase price	1,900,000
Stamp duty	84,500
Legal costs	19,200
Mortgage arrangement fee	8,000
Agents fees	0
Lewis purchase fee	62,700
Carey /cap fee/float	11,600
Valuation	6,000
Total	2,092,000

VAT will be reclaimed of circa £ 14,650 at first VAT quarter.

Liquidity Issues

- Commercial property is a long term holding.
- Generally a syndicate member should not invest for less than 6 years.
- A member can leave the syndicate at any time and there are a set of rules that provide a first option to the remaining members and it is only if they do not purchase the whole share, then it is offered out to non syndicate members.
- If no-one wishes to purchase the share to be sold, then the property will be sold.
- The value of the property may fall or rise. Past property market values are not a guide to future property values.

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.

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

- ♦ It is very rare to achieve an income stream of such security, in such a strong location for 54 years.
- ♦ Although the value is diminishing, Exeter City Council are the freeholders and a number of options could apply to achieve value from this property.
- ♦ The bus station redevelopment opposite is due to be redeveloped and therefore this section of real estate is likely to be of focus in due course.
- ♦ With bank accounts paying virtually no interest this is ideal for those that want to achieve a high income for a very long term from a secure tenant, or for those that can take advantage of the borrowing and are happy to have the income deferred.
- ♦ Some may wish to invest alongside a strong freehold syndicate, to achieve good balance.

Lee van Hoyland

The objective is to form a syndicate whose members can transfer in circa **£ 1,292,000** of funds. The syndicate will then borrow circa **£800,000** 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 4% plus vat of rental income (currently **£5,660** + VAT per annum), paid quarterly in advance.

Lewis Property Services UK Ltd annual fee 2% plus vat of rental income (currently **£ 2,830** + VAT per annum).

The Investment

We are inviting pension and LLP investment to a maximum of **£200,000**

- **The capital growth class will have a share of the mortgage.**
- **The immediate income class will receive their share of rent from day one.**

We are only accepting appropriate investments from suitably knowledgeable and experienced investors. For further information please contact your personal adviser at Lewis.

Risk Factors 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 will have certain liabilities, like maintenance. 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 only, 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 expensive at purchase.