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investment



Nova Slough 68 Pension and LLP Syndicate

In the heart of the Thames Valley, the area undergoing huge redevelopment.



NOVA Slough 68 Pension and LLP Syndicate - Sports Direct and Dreams, 383—389 Bath Road Slough SL1 5QA

Purchase Price	£7,100,000
Total annual rent	Sports Direct £260,000 per annum
	Dreams Ltd £205,920 per annum
	Total £465,920 per annum
Tenure	Freehold
Tenant	Sportsdirect.com Retail Ltd
	Dreams Ltd
Lease	Sports Direct 15 years from completion (10 year break option)
	Dreams Ltd 20 years from 22.11.2005
Rent review	Sports Direct RPI compounded 5 yearly (1% and 3% cap and collar)
	Dreams Ltd 5 yearly upward only (mezzanine excluded)
Repairs	Full tenant repairing



- The Property**
- The property consists of two adjoining retail warehouse units arranged over ground and mezzanine levels. In total the unit is 37,000 square feet.
 - The site is 1.51 acres with 102 car parking spaces.
 - Slough is a major commercial centre in the Thames Valley and on the new Crossrail, improving access to central London and to Heathrow airport.
 - Slough has benefited from £1 billion of regeneration and Crossrail will further enhance the town on completion in 2019.
 - Since 2012 house prices in Slough have increased by 46% and this reflects the upward growth of this town.
 - Junction 5 of the M4 motorway is only 2.5 miles from this property, which is situated on the main A4 Bath Road



Slough is set to grow at a far faster pace than the national average because :-

- **Arrival of Crossrail in 2019 will significantly cut journey times to central London (fastest 14 minutes) and Heathrow airport (6 minutes).**
- **Planned expansion of Pinewood Studios.**
- **Likely addition of third runway at Heathrow.**
- **Slough regeneration— already underway.**

Development Potential

With a site area of 1.51 acres we believe that there is the potential to achieve an additional building on the car park site. There is a requirement in this location for a national coffee unit and subject to planning permission, we believe that terms may be agreed at a rent of circa £70,000 per annum, with a build cost of £600,000. This will increase the return as well as adding a development profit to the capital value of the syndicate and LLP. Investors will have the option of taking a share of a loan to pay for this additional unit—or by paying a further sum, resulting in increased income.

Description	Total including VAT (£)
Purchase price	£7,100,000
Stamp duty	£344,500
Legal costs	£33,600
Mortgage arrangement fee	£36,000
Agents fees	£68,160
Lewis purchase fee	£234,300
Carey /cap fee/float	£40,040
Valuation	£5,400
Total	£7,862,000

VAT will be reclaimed of circa £ 56,910 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.

Potential Return

The syndicate is buying this property at a gross yield of 6.56%.

Immediate Income

Income will be paid monthly in advance at 5.57% per annum before tax. Therefore an investment of £ 50,000 will receive income of £232.08 per month.

Due to the RPR nature of the Sports Direct lease we will expect the income to increase to 5.8% per annum in 5 years time.

Deferred Income

For those that want a deferred income stream an investment of £27,105 together with a £22,895 share of the mortgage, makes a total investment of £50,000.

This will acquire 0.6359% of the property and the following estimated returns:-

- Immediate share of the rent of £2,785 per annum after the annual charge. This is used firstly to repay your share of the mortgage.
- This rent represents 10.27% per annum from the original investment or 17.12% per annum for a pension investor who has received higher rate tax relief at 40% on the investment.
- The mortgage is likely to have been repaid in 9.50years, assuming an average interest rate of 5% per annum.
- The immediate variable mortgage interest rate is 2.85% per annum

The objective is to form a syndicate whose members can transfer in circa **£4,262,000** of funds. The syndicate will then borrow circa **£3,600,000** 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 **£18,637** + VAT per annum), paid quarterly in advance.

Lewis Property Services UK Ltd annual fee 2% plus vat of rental income (currently **£ 9,319** + VAT per annum).

The Investment

We are inviting pension and LLP investment to a maximum of **£800,000**

- **The capital growth (Deferred Income) 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.



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

- ◇ **This is a large freehold property on an under utilised site, with two good tenants and an affordable rent.**
- ◇ **The location through regeneration and Crossrail point towards an excellent future for the Slough area.**
- ◇ **With 8.5 years to the end of the Dreams lease and 10 years to the break option for Sports Direct, this is an attractive investment.**
- ◇ **Dreams Ltd have just announced a £40 million profit for 2016 and Sports Direct made a profit of £302 million for the 12 months to April 2016.**
- ◇ **It should be noted that this property is currently owned by Mike Ashley, the Chairman and founder of Sports Direct.**
- ◇ **The size of the site allows for potential of additional development.**
- ◇ **We favour this property for all these reasons and recommend the investment.**

Tim Lewis

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.

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 (however in this case the Sports Direct rent increases as outlined). Property yields and values can fall as well as rise and the costs tend to be high at purchase.