



Custodian Capital

DIRECT PROPERTY OWNERSHIP



Private Syndicates



PRIVATE SYNDICATE – CASE STUDIES



Geared syndicate

The Problem

- Growing IT business with two owners/directors want to buy a new office for their own occupation
- Directors want to maximise the use of their SSAS which has a current value of £400,000
- Property to be purchased is valued at £1,200,000
- Maximum borrowing of £200,000 giving total available funds of £600,000 and a shortfall of £600,000

The Solution

- Establish a Custodian Capital Private Syndicate to acquire the property for £1,200,000
- Directors contribute £100,000 into SSAS benefitting from tax relief
- Business invests £100,000
- LLP established between directors and their partners which invests £200,000
- Private syndicate secures a bank loan of £400,000
- Lease back to the business at £90,000 per annum for 15 years

The Outcome

- New office premises acquired
- Loan to be repaid over first 10 years
- No rent paid to third party landlord
- Business to make in specie transfer of its share of the syndicate as SSAS contributions over first 2 years
- Syndicate to buy out LLP over time
- Year 10 – SSAS owns property outright



Business flexibility syndicate

The Problem

- Family car dealership who want to buy freehold of one of their showrooms and adjacent land for £1,140,000
- Business cannot take out any further loans due to current growth strategy
- Business owner's SIPP has £450,000
- Maximum borrowing £225,000
- Property is currently leased and is over-rented. This is restricting ability to invest money back in to the business

The Solution

- Establish a Custodian Capital Private Syndicate to acquire the property for £1,140,000
- Business owner and third party SIPP to invest £640,000
- Business invests £120,000
- Private syndicate secures a bank loan of £380,000
- Lease to the business is varied to reduce the current rent by £10,000 per annum and to include an additional parcel of land, adjacent to the dealership

The Outcome

- Dealership and expansion land acquired
- Loan to be repaid over first 15 years
- No rent paid to third party landlord
- Business to make in specie transfer of its share of the syndicate as SIPP contributions over first 2 years
- Business has secured both a reduced rent and expansion land
- Year 15 – SIPP's own property outright



Professional partnership syndicate

The Problem

- Private accountancy practice wanted to acquire a £1,650,000 office for their own occupation
- The senior partner wanted to retire in the next five years so needed a structure that would allow flexibility in the future
- Five other partners also wanted to participate in varying degrees, all investing through their SIPP's

The Solution

- Establish a Custodian Capital Private Syndicate to acquire the property for £1,650,000 plus costs
- Senior partner plus five others invested £1,285,000 through their SIPP's
- Private syndicate secures a bank loan of £445,000
- Lease back to the business for 10 years at £123,000 per annum

The Outcome

- New offices acquired by the partners' SIPP's
- A single loan is secured at a syndicate level to be repaid over first 5 years
- No rent paid to third party landlord
- Over time senior partner will reduce his share of ownership and sell to the remaining partners
- Syndicate structure allows for changes in ownership without the need to adjust the loan terms
- Partners can shrink or expand the ownership of the syndicate to match the partnership of the business at any one time



PRIVATE SYNDICATE – CASE STUDIES



Acquisition finance syndicate

The Problem

- A Northern Irish Property developer wanted to secure acquisition finance as quickly as possible to purchase a retail development site near Belfast
- The site, with two fully let units, was available at £400,000 from the receiver
- The development was valued at £800,000 prior to the purchase
- Due to the time parameters sources of equity or bank finance were limited

The Solution

- Establish a Custodian Capital Private Syndicate from which a loan can be made to the developer
- Investors contribute investments from £10,000 to £50,000 to the syndicate
- In return a comprehensive loan facility agreement and personal guarantee are agreed giving first charge over the development site to the investors
- Investors would receive a gross return on their investment of 9% per annum for 3 years
- The borrower is permitted to repay the loan after 12 months but this will incur an early payment charge of 4.5% of loan value

The Outcome

- Loan to be repaid after 3 years with an additional charge for early repayment
- The client secures the site and is able to develop the site further with additional funds. In 1-3 years the developer is hoping to sell the site on for a profit
- Planning for a standalone coffee shop was granted within 2 months of the syndicate's establishment adding value to the site



Residential development land syndicate

The Problem

- A group of five private investors wanted to purchase some residential development land with the hope of improving the planning permission
- The investors could only finance this by using a combination of funds from both their pension scheme and personal wealth
- It is difficult to combine these investments and retain the required flexibility using a joint purchase arrangement

The Solution

- Establish a Custodian Capital Private Syndicate to acquire the land for £1,300,000 plus costs
- The five investors contribute £600,000 from their pension schemes
- The additional £700,000 is made from personal investments

The Outcome

- Successful acquisition of the land without the need for bank finance
- Possibility of enhancing value through an improved planning permission
- Medium term return expected to investors and their pension schemes ultimately secured against residential development land
- Flexible structure with each investor having control of their share



Asset management syndicate

The Problem

- Two business partners wanted to purchase a traditional mill building with development land
- The plan was to split the mill into 8 lettable units and develop the surplus land for retail use
- The mill was on the market for £1,000,000 but the partners only had £300,000 of their own equity
- Although the pension scheme had money and a potential investment from an additional private investor was possible it was not easy to combine all these resources and have the flexibility of ownership required in the future

The Solution

- Establish a Custodian Capital Private Syndicate to acquire the property for £1,000,000 plus costs
- The pension scheme invests £700,000, the business partners £300,000 and a separate private investment of £100,000
- No need for bank finance

The Outcome

- The syndicate intends to buy out the 3rd party shareholder and the pension scheme over a number of years as the site is developed and increased rental income is achieved
- The two business partners each own a 50% share of the property personally which was their ultimate objective
- The pension scheme achieves a double digit income return and an improvement in capital value during the hold period

BESPOKE PROPERTY SOLUTIONS FOR INVESTORS & OWNER OCCUPIERS

Private Syndicates

'A group of connected party or associated investors, to include SIPP and SSAS pension schemes, who combine resources to buy a property investment through a tax transparent, special purpose vehicle'

Our Private Syndicate is a flexible and tax efficient structure designed to facilitate the purchase of business premises and other investment properties.

2-20 members are required to include: ■ Private Investors ■ Pension Schemes ■ Limited Companies ■ Partnerships ■ Charities

Benefits



Investor Control

- Each investor has control of their share of the asset

Simplified Funding

- A single loan secured as non-recourse debt can be agreed at the syndicate level rather than against individuals
- Investors cannot lose more than their original investment
- The syndicate allows a broad base of investor participation, which can also reduce the requirement for debt
- For self-invested pension investors borrowing at a syndicate level offers greater flexibility than borrowing against the pension scheme

Tax Transparent Structure

- Investors receive gross rental income, net of costs

Background

Custodian Capital, a subsidiary of the Mattioli Woods Group, is an established property investment and management business, which provides a structure for SIPP, SSAS and private investors giving access to direct property ownership. We manage a portfolio of over 80 commercial properties held in a range of bespoke syndicated structures, valued at £140 million. In addition to providing the structure, establishing the syndicate and managing the property, Custodian Capital can also arrange any bank funding.

Custodian Capital Limited

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A Mattioli Woods Company



Custodian Capital

DIRECT PROPERTY OWNERSHIP

Does not create a Collective Investment Scheme

- These syndicates do not constitute a collective investment scheme and therefore are not subject to the Financial Conduct Authority

Professional Management

- Custodian Capital is a professional property manager

Flexible Ownership

- Each investor can adjust their percentage ownership
- Investors can transfer ownership to their pension scheme through in specie pension contributions
- Selling some or all of the investor's ownership to another party does not impact on the loan or other investors