

CRAIGARD
EXCELLENCE IN PROPERTY

Craigard is an energetic and fast-moving asset manager with a first-class reputation within the UK commercial property market. Formed in the Spring of 2005, Craigard offers an opportunity for sophisticated investors to directly participate in commercial property, through a tax transparent structure, on an asset-by-asset basis.

Background

Craigard has proven adept at anticipating trends – spotting value in rising markets and taking robust defensive positions when times get tough. Transacting over £150million worth of business since inception and securing around £35million of equity investment since 2012 is testament to this.

Targeting all forms of added value commercial property between £500,000 and £5million, a thoughtful and analytical approach is applied to each opportunity and each asset is acquired with a clear business plan. In order to achieve advantageous returns there is inevitably an element of considered risk, and therefore stock selection is key. This is where Craigard's expertise is first in class - alongside focused asset management, attention to detail and an incentivised co-investment structure. It has already conducted highly profitable exits on several properties, and in the couple of projects where the going has proved tough, Craigard has doggedly persisted in working through the issues.

Importantly, Craigard will always propose projects in which it will co- invest.

Grounded in comprehensive experience of over 35 years within the industry, leading Craigard is founder and Chartered Surveyor, Paul Foster. Paul built an impressive track record with IM Properties over 15 years, playing a leading role in the strategic direction of the company's growth from £15million to £500million of assets.

In 2015 Paul was joined by his son, David. Also a Chartered Surveyor, David brings over ten years of experience, primarily in the Business Space sector. He has both local experience on the South Coast with LSH, and most recently national experience based in London with Cushman and Wakefield. He was part of the Property Week Industrial Agency Team of the Year 2014.

For further background information, see www.craigard.biz



Craigard is a dynamic and opportunist organisation, adept at looking ahead to future market trends. It is small and boutique, therefore has a flexible and speedy mindset.

Why Craigard?

Craigard's core philosophy and skill sets have been summarised by a senior industry figure as:

- Deep knowledge of the investment market and effective senior industry connections built on over thirty years' experience
- A combination of hands-on asset management with an understanding of buildings and occupiers' needs in target markets
- Spotting soft value opportunities below the institutional price radar
- Harnessing debt and using it effectively
- Knowing when to exit and take a profit
- Co-investing

Typically, income-producing investments are targeted with prospects for enhancement and a good current (or potential) running yield. Craigard's target is to pay investors a 6% pa distribution gross of tax on an ongoing basis. In today's financing market, bank amortisation takes a significant sweep of available income. There may be vacant space or work may be required to the property. So, the target distribution may not always be achievable - in which case it is rolled up and paid when cash permits. Typical target total annual rates of return (including capital gains on sale) are 10 - 17% geared dependent on risk profile. These figures are after Craigard's performance fees, are paid on exit, and are gross of tax.

Fees

Craigard normally seeks an arrangement fee of typically 0.5% of the purchase price at the outset for sourcing the deal and setting up the structure, a modest quarterly fee through the life of the project to cover the cost of administering the property, and a performance fee at conclusion of the deal. The exit fee is typically 20/25% of the remaining capital gain and profit after investors have received their annual return on equity. All fees are looked at on a deal-by-deal basis, and are tailored to suit the rationale behind the business plan and the extent of the day-to-day workload involved in delivering a result.

And Craigard always co-invests.



Direct commercial property investment requires substantial equity, particularly now with more stringent lending criteria prevalent within the banking sector.

The Syndication Structure

Syndication allows investors the opportunity to place stakes at a modest threshold level from £100,000 upwards. In addition, this lower entry barrier allows the diversification of risk as an investor can take a stake in a number of different assets.

Craigard has taken advice from London lawyers Druces LLP, which has developed a Trust for Sale syndication structure. This offers a number of advantages:

1. Tax transparency.
2. Although there is no public market for an investor's stake, it is possible to undertake private sale and purchase of the individual investment.
3. Relatively inexpensive to set up and administer.
4. No personal liability for participating investors, either for any debt or for any further investment beyond that agreed at the outset.
5. Anonymity to investors behind a nominee company.
6. A direct property interest for each syndicate investor.
7. Ability to accommodate SSAPS and SIPPS, plus individual or corporate investors.

In order to retain the tax benefits of this particular type of structure, it is essential that investors have day-to-day control of all arrangements and decisions (aside from the general property administration by Craigard). This type of investment is not, therefore, suitable for passive investors. Provided the investors exercise this control, the structure will not amount to a Collective Investment Scheme and will not need to be regulated, therefore keeping running costs very reasonable.



Through creating a Private Investment Fund, Craigard can remain competitive, enhance debt terms, blend risks and improve investor returns.

LAUNCHING AUTUMN 2018 TO 2019

Craigard Select Property Investment Fund

Main Principles

- Build a portfolio of c.£50m – 10 to 12 income-producing commercial property assets of between £1m – £5m in value
- Aim to achieve top quartile income and capital gain with a moderate risk to reward profile
- Annual cash distributions will relate directly to rental returns, but are targeted at 5% gross overall and total investor returns 9–10% pa gross after costs and performance fees
- Raise a minimum £10m initially, rising by further committed cash call to a minimum of £20m. Minimum stakes £250K in two tranches
- The structure will be a Private Investment Fund in Guernsey and should be suitable for SIPP's, personal and corporate vehicles
- Tax transparent structure
- Craigard to identify stock, asset manage and co-invest
- A well regarded Non Executive Board
- Expected launch autumn 2018 to spring 2019

Benefits of the Fund

- Cash will be immediately available to move quickly to secure the best opportunities
- Loan interest rates will be lower
- Amortisation is softer (leaving more cash for investors or investment in the assets)
- Income and risk is spread across a basket of assets thus smoothing investor income
- Restricting the portfolio size means management can remain 'hands on' - vital in delivery of business plans
- An energetic UK asset manager with a strong track record
- Craigard will establish a Guernsey base and co-invest £500K





**Current
Portfolio**



Spectrum
Solent Business Park
Fareham
Hampshire
PO15 7AH

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Spectrum is a landmark office building situated in a highly prominent position overlooking the central lake of Solent Business Park.

“... the building is an attractive investment and there are real prospects for further returns.”



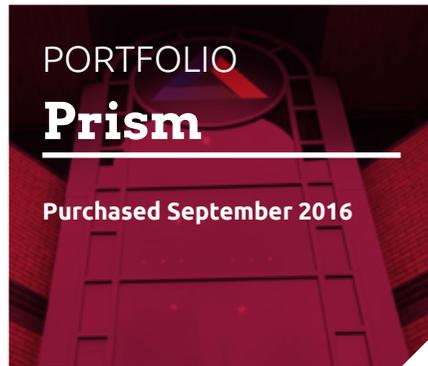
The building is around 30 years old, totals just under 40,000 sq ft on three floors and has an excellent parking ratio of 1:200. Previously tenanted by Santander, and owned by Mapeley which was in financial difficulty, Craigard secured the opportunity to acquire the freehold in October 2012 on a very short timetable at a highly attractive figure of £800,000 – £20 per sq ft.

The building required refurbishment and new M&E but has excellent flexible floor plates and good floor-to-ceiling heights. At this extraordinary pricing, Craigard quickly assembled a syndicate to acquire the building in under a month, receiving support from two other corporate investors in raising the cash to purchase and refurbish the building (a pre-let of the ground floor was secured to MITIE). Craigard has systematically remodelled the building into a modern energy efficient (EPC rating B) facility that is now fully let with six tenants paying rents of £10.00 -

£12.50 per sq ft. After rent frees expire the annual rental of the building is set to climb to around £475,000.

After careful analysis, Craigard offered the investors the opportunity to sell the property on conclusion of the initial business plan, or to refinance and hold it because rents before the recession were in the range of £15.00 - £17.00 per sq ft on Solent Business Park. There is no reason, with declining supply, that rents should not recover to that level over the next few years. Given it is newly refurbished, the building is an attractive investment and there are real prospects for further returns.

Investors have taken this concept on board and refinancing has been completed with Santander – raising £3.2million against a current value of £6million. This allowed investors repayment of their original stakes, rolled up interest of 8% per annum and Craigard has been paid part of its performance bonus – reinvesting some of its fee as equity in the deal. One of the investors decided not to participate in the refinancing, so an agreement was reached to acquire its stake. This is likely to be the first of a number of Craigard syndicate acquisitions where the property still has prospects for future return and investors will be offered the opportunity to retain the asset.



Prism
1650 Solent Parkway
Solent Business Park
Fareham
PO15 7AH

“The asset is a medium to long-term hold as it is felt that there is growth in the current rental levels.”

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Prism was purchased in September 2016, the first acquisition for the portfolio post-Brexit. It adjoins Spectrum – one of Craigard’s other investments.

The purchase price was £3.2million with circa 10% net initial yield at £110 capital value per sq ft.

The property comprises detached brick built office premises constructed in 1991 totalling 29,591 sq ft.

The building is multi-let to six tenants over ground and first floors with one suite of circa 4,500 sq ft vacant on the ground floor.

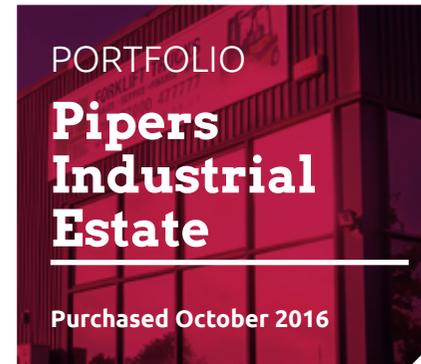
The current annual rent is £330,799 per annum.

Following the purchase of the property, Craigard undertook immediate refurbishment of the vacant ground floor suite and the common areas to improve the image of the building. The vacant suite now has highly efficient LED lighting and a state-of-the-art heating and cooling system, subsequently reducing a potential tenant’s overall occupational running costs.

The asset is a medium to long-term hold as it is felt that there is growth in the current rental levels and yield shift once full occupancy is achieved.



Pipers Industrial Estate
2 Pipers Way
Thatcham
RG19 4NA



This investment comprises a terrace constructed in the 1980's of traditional portal frame split into five units totalling 31,035 sq ft, and producing a rental income of £143,000 per annum.

Craigard agreed a purchase price of £2.255million for the investment producing a net yield of 8.25% with a capital value of £72 per sq ft - about new build cost. The debt was secured with Lloyds Bank.

This is the first purchase for the "Craigard Select" model, targeting steadier, longer-term income streams with slightly lower returns rather than the more traditional Craigard "value-add" opportunities.

The property on purchase was let to four different tenants. The one vacant unit of circa 6,500 sq ft has been refurbished and let to Bristol Ambulance at £7.00 psf and sets a new tone for the estate.

The units provide traditional industrial/warehouse space comprising clear span warehouse with smaller office content and a good sized loading apron.

Craigard is putting together a medium-term refurbishment programme on the estate for the benefit of its tenants.

The new rental level has seen the asset jump in value to c. £3 million in just 15 months.

"Craigard is putting together a medium-term refurbishment programme on the estate for the benefit of its tenants."

PORTFOLIO

Eskan Court

Purchased January 2014,
Refinanced Summer 2017

Eskan Court
2 Eskan Court
Campbell Park
Milton Keynes
MK9 4AN



**“... a value uplift
of circa 25% to
£4.2million over
18 months.”**

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Eskan Court is a multi-let office building. The total rent receivable is £360,237 per annum against a purchase price of £3.025million representing a current yield of just over 12%. Capital cost per sq ft on the 24,762 sq ft building amounted to just under £130.00 per sq ft.

Debt was secured from Santander, with just over £1.5million of equity raised.

The original pricing discount reflected the short-term leases at the property with about 40% of the space having

a lease expiry in 2015. Conversations were concluded with tenants Isotrak, and a five-year lease renewal secured. Negotiations took place with tenants Konica Minolta to remove its break clause therefore extending its term to 2022. The former Paribas Law suite was let to Alliance Automotive Ltd for a term of ten years with a break after five years, increasing the building's rental level.

On conclusion of lease negotiations, the reinforced income stream plus

positive yield shift in the market gave rise to a value uplift of circa 25% to £4.2million over 18 months.

After careful analysis, investors decided to hold the property for a further five to six years, because it is known that the supply side in the Milton Keynes office market is thinning rapidly so rental growth prospects are good. The refinance has allowed investors to release part of their original equity whilst still retaining an 8% distribution on the remaining stakes.



**Case Studies –
Concluded
Syndicates**





Rivermead Business Park
Pipers Way
Thatcham
RG19 4EP

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A ten unit mixed business space estate extending to 25,000 sq ft purchased in October 2013 for £1.85million, with a £1million loan from Santander plus investor cash.

The estate is well-located immediately next to the railway station and with a prominent main road frontage. It comprises small office and warehouse units attractive to local businesses. Initial yield was 9.5% with scope to drive the return to 11% per annum on letting of the four vacant units. Purchase price represented £75 per sq ft – a little more than the cost of new build.

At the time of purchase there were five lease renewals outstanding, all of which were subsequently concluded. Three new lettings were secured following refurbishment of the vacant space (unfortunately, although not entirely unexpected, one tenant lost due to business failure). The last two vacant units were in legals for new lettings, at which point through Craigard's agency contacts, a strong off-market offer of £2.5million was received from a specialist buyer.

Investors decided to accept after considerable debate. The offer reflected the enhanced income stream that was achieved, the improved building fabric through the refurbishments undertaken, but also yield shift, which was anticipated at the time of purchase. Investors achieved an annual return of about 25% over the two years of ownership.

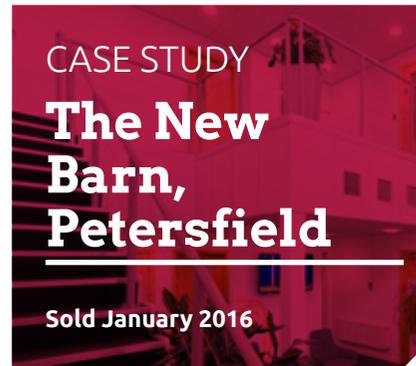
“Investors achieved an annual return of about 25% over the two years of ownership.”



The New Barn
Bedford Road
Petersfield
Hampshire
GU32 3LJ

**“... 66% return in two years ...
A very satisfactory outcome.”**

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This former research and development building, extending to around 20,000 sq ft, was purchased vacant in January 2014 alongside Moneybarn plc. Moneybarn had identified the property for its own occupation, but at that time wished to take a lease of the property rather than purchase it.

A back-to-back letting was concluded at a rental of £195,000 for a 12-year term, with a tenant break at year seven on payment of a six month rent penalty. As part of the transaction, Craigard invested £300,000 in the building for the installation of new M&E – primarily air conditioning. At the same time, the tenant undertook a comprehensive refurbishment of the entire property, converting it to contemporary offices for its long-term occupation. Investment yield including the capital contribution to the works was 9.65%.

A loan of just over £1million was secured from Santander, with the balance of the £2million in total cost raised from investors – primarily those seeking to reinvest from a successful Chippenham project sold in December 2013.

Moneybarn was a local business, well-established in the Petersfield area, which provided car finance for nearly new vehicles through the car dealership network. On purchase, Craigard spent a great deal of time with investors and the management looking at the financials of the business and its future. At that time, the business was coming out of a very difficult recession but had secured venture capital funding from Octopus that had allowed it to grow and hence the need for new accommodation. Investors backed the business and that judgement call proved well-founded, as in 2015 the company was acquired by Provident Life plc – a major financial and insurance business. Investors then decided that they would cash in their profit and the property was sold in January 2016 for £2.4million – 7.75%. This has shown investors 66% return in two years – part income and part capital profit. A very satisfactory outcome.



Linea
Ancells Business Park
Fleet
GU51 2UZ



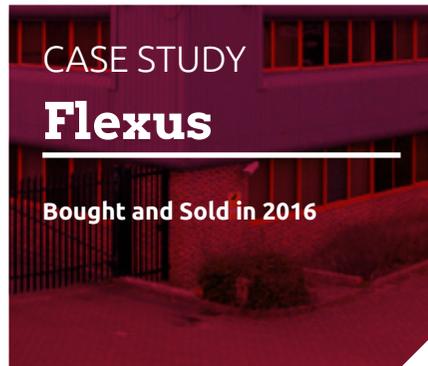
“... a sale of the building was the best line of action to cash in on the profit.”

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A modern, three-storey, 22,000 sq ft office building, located on the primary Business Park in Fleet. The property was purchased in early 2015 for £2.8million, reflecting a net initial yield of circa 8.25%. A loan of £1.55million was secured from Santander.

At the time of purchase the building was approximately 75% let. Over a period of 12 months, Craigard secured a letting of the remaining vacant space. The four tenants (Grass Roots Eventcom Ltd, Anite Telecoms Ltd, Verisk Analytics Ltd and PRMA Consulting Ltd) were paying a combined rental income of £303,339 per annum, producing a running yield of circa 10%.

There were various upcoming lease events, so whether to sell the property or to hold the asset in the portfolio was discussed with investors. It was decided that a sale of the building was the best line of action to cash in on the profit. The property was sold in March 2016 for £3.7million reflecting a net initial yield of circa 7.75%. The investors secured a total return of circa 50% over a 15-month period. Since sale Anite has exercised its break!



Flexus
Barnes Wallis Road
Segensworth
PO15 5TT

**“... the best return
Craigard has
achieved to date.”**

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The building comprised a dilapidated 30,000 sq ft two-storey Research & Development facility. It was sold by an LPA Receiver on behalf of an owner occupier which went into administration.

Craigard agreed a purchase price of £1.2million for the long leasehold interest where Hampshire County Council was the freeholder.

The head lease held numerous complicated restrictions, which Craigard renegotiated in return for a premium. This included extending the lease term to an institutional standard.

The property comprised two buildings linked together which were in need of complete refurbishment. Craigard’s business plan was to strip the building to a shell condition and then market the property for all opportunities. Craigard was then able to respond flexibly to occupier demands, whether refurbishment to offices, R&D or complete redevelopment for industrial use.

After a short period of marketing, ‘Just Develop It’, a local IT company expressed an interest in purchasing the property for its own occupation. A sale price of £3million was agreed, with Craigard carrying out some enabling works.

The investors secured a return of circa 100% on their investment in just six months. This represents the best return Craigard has achieved to date and will probably remain so for some time to come.



Testimonials from Craigard Investors

"Knows its territories. Sound stock selection. A genuine commitment to a comprehensive due diligence programme with proper attention to detail throughout that process. Thoughtful asset management plans for each asset and rigorous application of those plans post purchase."

H – PRIVATE INVESTOR – CONSULTANT CHARTERED SURVEYOR

"Investing with Craigard is refreshing because the complicated processes of investment decisions are made much more transparent by Craigard. What really makes the biggest difference is the very professional due diligence practised by the Craigard team on every purchase."

C – RETIRED CHARTERED SURVEYOR

"I have invested in many of Craigard's syndicates over nearly seven years. Craigard provides excellent stock selection, hard work, transparency, expertise from many years of experience, shrewd maximising of opportunities, and many great returns on investment.

This is all underpinned by careful and measured reading of market conditions."

J – RETIRED BUSINESSMAN

"Our Firm is delighted to invest with Craigard. From identifying opportunities through to execution, it demonstrates rigorous analysis and attention to detail, and it works hard to deliver investor returns. Also, the fact that it co-invests in the transactions gives us comfort with interests being aligned."

CHIEF INVESTMENT OFFICER, GLOBAL MULTI-ASSET INVESTMENT FUND

"A long time ago we nicknamed Paul 'Harry Potter' because in his younger years he had the specs and was a lookalike ... the glasses fell out of fashion but the name stuck as we have found him to be a magician with property!"

W – RETIRED CHARTERED SURVEYOR

"Paul and David really apply themselves to their chosen deals and have a good track record of picking winners. They always co-invest which is a reassuring statement of their belief in the opportunity. We have been delighted with the returns we have seen over a series of investments."

I – PROFESSIONAL INVESTOR- FAMILY FUND

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