



WEM COMMERCIAL

LTD

INVESTOR PACK

October 2020

Company Executive Summary



WEM Commercial Ltd was formed in June 2020 (co no. 12684654) by Kirsty Darkins & Jon Ballard, the two Directors of the company.

- WEM Commercial is a property development company focused on mixed use, commercial property conversions and new builds. We are committed to build or renovate to a high standard with a business model mixing 'hold' & 'sell' strategies dependant upon market conditions.
- Based in Stourbridge in the West Midlands, we source and invest in projects within a one hour drive time, 50 mile radius, in the West Midlands and Shropshire.
- We met through Birmingham Progressive Property Network in 2017, which Kirsty set up and continues to host, referring business to each other and providing professional advice to other members. We formed WEM Commercial after working on another project on a joint venture basis in 2019 to maximise our complimentary skillsets as a Commercial Surveyor and a Builder/Project Manager. Also to pool our long standing relationships with our respective experienced professional teams to achieve higher profits.
- We work with private investors to fund our projects on a loan for interest basis providing strong returns on capital. This enables us to negotiate lower purchase prices as we are buying cash and able to transact quickly.



Company Profile



Our Background

Kirsty Darkins has been a Commercial Property Surveyor for 20 years, working for blue chip companies up to Senior Director level asset managing multi million commercial and residential property portfolios including shopping centres, high street retail, industrial parks and office developments. Over the last 4 years Kirsty has built a commercial property consultancy KD Commercial and commercial investment company JK PropCo LLP with a current portfolio of 3 properties.

Jon Ballard has built a successful construction company: Minley Developments Ltd, capable of working across various sites from New Builds to extension or renovation projects. Over the last 16 Years Jon has been the primary Project Manager on various developments including the largest to date - £11m project upon the Belfast City Airport. This project included roads, Helicopter landing pads, environmental protective drainage systems & ancillary buildings.

Training and Education

Kirsty Darkins

BA Honours Degree in English and Sociology

MSc PG Dip Property Valuation and Management

MRICS - Member of the Royal Institute of Chartered Surveyors since 2005

Jon Ballard

Project Management - Intermediate Comd & Staff Course & RE Troop Commanders Course

Electrical - C&G Lv4 - Electrical Design Course - C&G Lv3 Electrician

MInstRE - Member of the Institute of Royal Engineers



Continuity Plan

All company data is securely stored in shared files accessible by Kirsty, Jon and their administrative support team.

In the event of either Director being unavailable or incapacitated the following contingencies are in place:

- Kirsty's role would be outsourced to an external professional surveyor with two firms identified and briefed.
- Jon has a team behind him in Minley Developments Ltd (his construction company), with a Site Manager who would step in and continue to run projects on his behalf.
- Power of Attorney (MD Ltd) - Jon's wife is a Co-Director of Minley Developments and has power of attorney to continue running the business if Jon is unable to.
- Power of Attorney (WC Ltd) - This is also in place for either Jon or Kirsty to continue to run Wem Commercial Ltd in the event that one of them is incapacitated.

Registered with the ICO for data protection

Case Study 1



Location

Boar Lane and Castle Gate in the center of the market town of Newark. This is a Joint Venture with JK PropCo LLP who own the building.

Description

The property consists of 5 ground floor retail units, fully let

One 2 bedroom flat in need of refurbishment

One 1 bedroom derelict cottage

Two floors dilapidated rooms above the Castle Gate retail units

Planning

This property is Listed.

Consent is in place for A1 (Retail) and A5 (Takeaway) on the ground floor.

Consent is in place for C3 residential on the upper floors, flat and cottage.

Tenure	Freehold
Purchase Price	£420,500
Current Gross Rent	£50,500
Gross Rent when resi refurbished & let	£72,350
End Value	£804,000
Tenancies	8 on letting and conversion
VAT	Not elected
Costs:	
Legal	£1,750
Stamp Duty	£10,525
Refurb Works	£150,000
Yield	12.7%

Case Study 1



DESCRIPTION

Multi-let mixed use property fronting Castle Gate. Five ground floor retail units let to four long term tenants A1 retail and A5 Takeaway.

Separate two bedroom flat and one bedroom cottage to the rear accessed via a courtyard. First and second floor rooms in need of refurbishment and conversion to HMO or apartments.

Tenants are local independent businesses with long trading histories.

Strong location opposite Newark Registry Office on the main road into and out of town with Boar Lane leading directly to the main shopping streets.

Active Asset Management

- Renew retail leases and increase rent to £50,000 pa. 3 leases are new or have been renewed with 3, 5 and 10 year terms, the other has 3 years remaining.
- Refinance commercial at uplifted value, reinvest profit to refurbish and convert residential upper parts.
- Two bedroom flat Boar Lane, refurbish, title split and sell the LLH interest to release capital c£100,000.
- Courtyard cottage renovate and convert to a two bed, sell or let.
- Convert part first and second floor to apartments, HMO or offices, let to increase rental income

Case Study 1



END VALUE EXIT STRATEGIES

Option 1: Title Split upper parts sell LLH retaining ground floor commercial & cottage

Rental Income £57,350 (Commercial units and ground rents for flat and cottage)

Capital Value £637,000 (Yield 13.5%)

Refinance £415,000 (65% LTV, repay investors £390k)

Capital out £325,000 (Sale of 3 x flats and balance of refinance)

Cost of works £150,000

Profit £175,000 (70/30 split with JV Partner)

Net Cashflow. £2,500 PM / £30,000 PA

Option 2: Let and hold upper parts, hold ground floor commercial. Sell 2 bed flat

Rental Income £72,350 (Commercial units and upper floors commercial lease HMO)

Capital Value £804,000 (Yield 12.6%)

Refinance £522,600 (65% LTV, repay investors £390k)

Capital out £232,600 (Sale of 2 bed flat and balance of refinance)

Cost of works £130,000

Profit £112,000 (70/30 split with JV Partner)

Net Cashflow. £3,000 PM / £36,000 PA

Case Study 2



Location

In the centre of Wellington, a small market town near Telford in Shropshire, the largest district centre of Telford. The town centre amenities including the train station are within easy walking distance. There are also numerous public car parks throughout the town.

Property

Shops with first and second floor offices. The property is vacant with two dual frontage retail units to the ground floor. Offices over the first and second floors accessed via a separate ground floor entrance.

Planning

A1 Retail ground floor being retained

B1 Offices first and second floor convert to flats under permitted development rights.

Tenure	Freehold
Purchase Price	£174,000
Gross Rent when let	£41,000
Net Rent when let	£38,300
End Value	£410,000
Tenancies	6 on letting and conversion
VAT	Not elected
Costs:	
Legal	£2,000
Stamp Duty	£480
Refurb Works	£115,000 (£25k grant funding)
Agents Fees	£3,000
Yield on letting	12.8%

Case Study 2



DESCRIPTION

3,038 sqft (282 sqm)

The property occupies a prime town centre position at the heart of Wellington. Occupiers in the immediate vicinity include; Greggs, Timpsons, Betfred and Lloyds Chemist.

The town has benefitted from a variety of regeneration works in recent years and development of a new Civic Centre and offices which a large number of Council employees have been relocated to.

The property currently consists of two adjoining retail units with frontages to both Crown Street and Bell Street and separately accessed first and second floor offices.

The property is vacant as the owner has closed their business and vacated the premises. Our strategy is to split the ground floor retail into three units and let on new 3-5 year leases at rents between £6,000 - £11,000 PA. The units will be under the Business Rates threshold making them affordable for retail businesses and incentives are available from the Council in the form of grants to encourage new businesses to locate in the town.

Case Study 2



There is no demand for town centre offices, our strategy is to convert the offices into 3 residential flats and let them on shorthold tenancies at rents of between £450-525 PCM (£5,400-£6,300 PA)

ASSET MANAGEMENT

- Agreed terms of purchase are exchange with a 5% deposit and delayed completion up to a maximum of 12 months. This enables us to refurbish and let the retail taking the rental income during the conversion of the offices to residential to offset the cost of works.
- Split the ground floor into 3 retail units and white-box.
- Let the 3 refurbished units. Market on separate leases available on new FRI leases, total rent £23,000 pa.
- Convert the first and second floor offices under permitted development rights into 1 two bedroom and 2 one bedroom flats. Let on shorthold tenancies at a total rent of £18,000 pa.

WORKS - REFURBISHMENT AND CONVERSION

- Ground floor retail split and white box cost of works £40,000. Grants have been approved by the Council for refurbishing the shop fronts and a contribution to bring the retail back into use in the sum of £25,000. (Also £15,000 cashflow from retail rents forecast to offset costs prior to completion of purchase)
- First and second floor convert to 3 flats, 1 two bed, 2 one bed. Cost of works £125,000.

Case Study 2



END VALUE

Rental Income	£41,000
Capital Value.	£410,000 (£41,000/10% market yield)
Return	13.7%
Cashflow	£3,417 pm gross, £1600 pm net of finance at 70% LTV

EXIT STRATEGIES

- Hold and refinance at 70% LTV pull out £287,000 leaving £12,000 of own capital in the deal. Net rent cashflow of £1,540 pm / £18,480 pa
- Title Split and create LLH interests for the flats, sell to owner occupiers pull out £255,000. Hold and refinance retail at 50% LTV pull out £115,000. All invested capital out plus capital uplift of £71,000 and net rent cashflow of £1,240 pm / £14,880 pa.
- Flip on as a fully tenanted strong cash flowing mixed use investment at £410,000, £111,000k pre tax profit.

Pipeline Project



Location

Located in the centre of Wem, a small town near Shrewsbury in Shropshire.

Two derelict Grade II Listed properties. A former three storey pub fronting the High Street and two former garage workshop units located on a small lane.

Purchase Price £200,000

Cost of Works £300,000

GDV £1,100,000 (subject to Agreement with supported living provider)

Planning

The properties are Listed.

Consent is in place for A4 Pub

Consent in place for B1 light industrial for the workshops.

Full planning permission will be required for both properties to change the use to residential.

Project

Convert the Pub and Workshops into 7 one bedroom self contained apartments with staff office to be let on a 25 year lease to the Local Authority or a Housing Association for supported living. Demand is confirmed for this location and we are working up proposals to be signed off before submitting detailed plans for planning permission and listed building consents.

