

Good to speak to you reference the upper floors of the Boots in Looe.

I note that I had emailed you previously with regards to the onerous Long Leasehold that you are currently looking to market. The email is listed below this one for reference.

As discussed, I have now had a chance to speak to my business partner and we have agreed we would be amenable to a possible sale of the Freehold, including the ground floor, currently let to Boots until July 2028, at a rent of £41,257 per annum.

Clearly there is marriage value in someone looking to combine our interest and the long leasehold you are marketing. As it stands I am struggling to see how a purchaser will be able to take on the issues associated with the upper floors, all of which I have noted in my email below.

We have been tracking the market and are seeing that investors are still paying strong prices for Boots investments. If a purchaser were able to buy the Freehold and long leasehold they would have control over the entire property and the freedom to do whatever they want on the upper floors. It would increase the value of the long leasehold interest and make it significantly more attractive and valuable to the market.

We purchased the Boots as a long term hold and have been informed the store is critical for prescriptions and a very strong trader. In order for us to consider a sale we would want £650,000, which gives an investor a 6% return from Boots with no value put on the upper floors.

I am happy to speak to prospective buyers directly and / or answer and queries you may have.

Look forward to speaking,

Tom

On Mon, 13 Jun 2022 at 11:25

Hi John

Good to speak to you last week and understand a bit more about your plans to market the upper floors at 1-6 Coach House Arcade, Looe.

As agreed, I have summarised our understanding of the lease which will hopefully assist you in your marketing. Billy had advised you hold a copy of the lease, from which I assume your solicitors will be able to confirm the below;

- The premises is described as 'flats'. This is the whole of the first and second floors, the stairs leading up to the 'flats' and the garden to the rear. There are plans included in lease.
- The lease is 125 years from 25th May 1986. There are 88 years unexpired accordingly.
- Rent - £50 pa (1986 – 2026), £100 (2026 – 2066), £200 (2066 – 2111)

- Forfeiture clause. If rent unpaid or any Lessee covenants not observed or performed, then there is an ability for Lessor to take back the property and the lease gets determined/ ended at that point
- The above forfeiture clause does look pretty onerous without getting a legal view. (This is a risk going forward and this is highly likely to impact the chances of getting a mortgage, as a bank will be concerned that any Lessor can implement this and take back the asset, which means they won't have security around their loan)
- If the Lessee wants to assign the lease or under-let the property, then this must be offered to the Lessor first of all who has 21 days to make a decision to assign or under-let the premises. This effectively means that the Lessor has first right of refusal at all times lasting for the length of this lease. To note that any 'sale' of your interest would be by way of assignment as it is a leasehold interest.
- Separate to the above, the Lessors' consent is required for any assigning, under-letting or parting of possession
- Please note that there is a prohibition against using the premises for short term holiday lettings. This means that no part could be let out for this purpose and naturally no one would buy the lease to convert into flats/ accommodation for this purpose
- The Lessee shall not make any structural alterations or additions to the demised premises without the Lessor's consent
- The Lessee will pay all costs charges and expenses (including surveyor & solicitor costs) incurred by Lessor in respect of preparation and service of a notice under section 146 of the Law and Property Act.
- Every seven years to redecorate the interior of the demised premises. Every five years to redecorate the exterior.
- To maintain and repair in good and substantial condition the demised premises including the roof of the demised premises. The expression 'decoration' means to paint or otherwise treat all surfaces usually or requiring to be treated having first properly prepared such surfaces with such decoration to be carried out with good quality materials and in accordance with the best standards of workmanship.
- On expiry, to yield up the premises to same level of condition, i.e. in good and substantial condition.
- To permit the Lessor to enter the demised premises upon written notice to view the state of repair and condition. The Lessor can put in writing all defects and items of repair that the Lessee is liable to make good under the covenants contained in the lease. If the Lessee does not proceed diligently within 3 months of such notice to execute and complete such repairs the costs of doing so to be payable by the Lessee on demand and if not repaid to be recoverable as if the same were rent in arrear (this means as a debt, I think can forfeit the lease etc.)
- To keep and maintain the garden so far as the same is used as a garden in good order and properly attended

We believe there are a number of issues that the current lease presents and which any potential purchaser ought to be aware of. This is due to a combination of factors:

- The current condition of the property both internally and externally. Aside from this being fairly obvious from a visual inspection, a building survey would highlight this to any prospective purchaser. We would expect the money required to put the premises back into a good repair internally and externally as being significant. It is clear that the repair obligations haven't been adhered to, which would concern anyone looking at it.
- The length of the lease. It is not freehold or in excess of 100 years. Any buyer would be reluctant to spend the money needed for this type of 'short' leasehold interest – a party who is content with taking on a leasehold interest would at the minimum expect 125 - 150 years+
- It will be difficult to get a mortgage for a leasehold interest of less than 100 years. This covers both someone looking at this interest and also would impact the ability to sell off flats in the future where the lease length will be even shorter regardless of condition.
- Furthermore, any lender will be concerned about the forfeiture clause, state of repair and prohibitive clauses. Combined with the above this means that any buyer may have to pay cash without finance
- Even if the lease was assigned to another purchaser, aside from the consent issues for the assignment, any 'purchaser' would be inheriting the same restrictive/ prohibitive clauses. They would also be stuck if they ever wanted to sell the interest on as it would again have to be offered to the Lessor first. The requirement doesn't drop away at any point.
- Any buyer would NOT be able to use the property as a holiday home to let out as this is prohibited. It would need to be someone that would also be prepared to buy, spend the monies needed and occupy for themselves.