

## Investment Opportunity

### 25 Riverside, Shoreham-by-Sea

- Plan 1:** To build two 3 bed detached houses overlooking Shoreham river and the High Street, 2 minutes from Shoreham beach and in an excellent location.
- Plan 2:** To enlarge and refurbish the existing bungalow should planning permission for plan 1 be refused.

August 2013

Manuka Design  
46a Keymer Road  
Hassocks  
West Sussex BN6 9TQ

01273 311229  
[info@manukadesign.co.uk](mailto:info@manukadesign.co.uk)  
[www.manukadesign.co.uk](http://www.manukadesign.co.uk)

## Contents

	Page
1.0 Site and opportunity	3
2.0 Strategy	4
3.0 Manuka's roles	4
4.0 How will returns be shared?	5
5.0 Forecasted returns	6
6.0 What happens if delays occur?	6
7.0 Why is a 12 month turnaround time realistic?	7
8.0 How will decisions be made in the event of problems?	8
9.0 Conclusions	8

### Appendices:

- A – expired planning permission (2008-2011) for 2 x new houses
- B – Plan A - costs and timeframes for 2 new houses
- C – Plan B – costs and timeframes for improving existing bungalow
- D – draft proposed plans for 2 x new houses

## 1.0 Site and opportunity

A well-positioned 2 bed corner-plot bungalow with detached garage (photo 1) for the agreed price of £278k which was granted permission for demolition and erection of 2 houses with South-facing rear gardens plus car parking but which expired in 2011 (appendix A). To the South, the property is a minute's walk from the highly desirable Shoreham Beach (photos 2 and 3), which sees properties sell for upwards of £3million. To the North, a new footbridge is currently being constructed (photo 4) which will provide excellent access to Shoreham High Street and railway station. The site has excellent views over the river and the High Street beyond (photo 5); and likewise the site can be seen from the High Street (photos 6, 7 and 8). Shoreham beach is a highly sought-after area benefiting from continued investment with particular reference to Old Fort Road and which runs parallel to this site.

We propose that this site represents an excellent opportunity to either:

(plan A) **re-obtain permission for 2 houses** and to sell both for a higher profit; or  
(plan B) **enlarge and improve the existing dwelling** and sell for a reduced profit.



## 2.0 The Strategy

An application to re-instate the permission which lapsed in 2011 is made and all efforts are made by Manuka to win permission.

Once the council has made its decision Manuka will immediately proceed with plan A (2 new houses) or plan B (improved bungalow). In the event that permission for 2 houses is refused we propose no appeal or re-submission but will immediately proceed with plan B so as not to delay investors' return.

## 3.0 Manuka's 3 roles

This proposal requires Manuka to function in 3 distinct roles as follows:

(1) As opportunity finder

It is Manuka's role to find and present an investible opportunity. In the event that Manuka finds an opportunity that yields a 22% or greater return, Manuka is paid a finders fee as set out in chapter 5 below. If the opportunity yields less than a 22% return to all investors Manuka receives no finders fee.

(2) As an investor

Manuka is to invest £150k in the opportunity, at the same rate of return and upon the same terms as any other investor. £112.5k of this money is a loan secured against the freehold and any return on the investment would first need to see this lent money reimbursed.

(3) As the contractor

It is proposed that Manuka is instructed to complete all works (whether plan A or B) in accordance with the latest small works JCT contract. Costings and timeframes for the work as per appendix B. Manuka's guaranteed role as contractor is subject to final costings and timeframes for either project being within 15% of the attached estimates. In the event that Manuka's final costings or timeframes differ to the estimates by more than 15%, the investors can decide by majority vote either to accept the increased costs or to put the project out to wider tender. See chapter 7 on how such decisions will be made.

## 4.0 How will the returns be shared?

Once the plot is sold and all costs have been paid, Manuka's solicitors<sup>1</sup> are instructed to distribute the surplus money in the following order:

1. Outside investors' money is returned<sup>2</sup>. If there is more than one outside investor but insufficient funds to pay all back in full, the money is to be returned on an equal percentage basis, until every outside investor has received back its original investment.
2. If a surplus remains, the money is used to pay back Manuka's investment until it is paid back in full.
3. If a surplus remains, outside investors are paid on an equal percentage basis up to a 5% return.
4. If a surplus remains, Manuka is paid up to a 5% return.
5. Steps 3 and 4 are repeated at 5% increments until all investors receive a 20% return on their investment.
6. If a surplus remains, all investors (including Manuka) are paid on an equal percentage basis up to a 22% return.
7. In the event that a surplus remains after all investors have received a 22% return, half of the remaining balance is paid to Manuka as a finder's fee in recognition of finding an outstanding investment opportunity. The remaining half is split equally between all investors on a percentage basis.

---

<sup>1</sup> ODT Solicitors, Brighton.

<sup>2</sup> "Outside investor" being any investor other than Manuka

## 5.0 Forecasted returns

This chapter is a summary of our costings (appendix B, plan A). Our best estimate is that total money spent will be £635k<sup>3</sup>; and that the houses will sell for a combined value of £880k (£450k and £430k respectively<sup>4</sup>). Total predicted gross profit is therefore £190k. According to the terms in chapter 5 we therefore calculate that an outside investor who has committed £485k will receive back £632k (or a 30.3% return on their investment over 12 months).

## 6.0 What happens if delays occur?

It is Manuka's responsibility to ensure that deadlines are met – not only at the construction and planning permission phases, but also when selling the plot(s). The consequences of delays for Manuka will be as follows:

- (1) Regarding the building works phase, Manuka will be subject to the financial penalties agreed within the JCT contract;
- (2) Regarding its finders fee, any such fee due to Manuka will be halved in the event that the return monies outlined in chapter 5 are not paid within 8 months of the estimated timeframe.
- (3) Regarding Manuka's investment, Manuka has the same incentives and penalties as any other investor.

---

<sup>3</sup> being £278k purchase price plus £168k per house including contingencies and landscaping plus £20k sales costs

<sup>4</sup> being the average given by 3 local estate agents who have independently examined the drawings

## 7.0 Why is a 12 month turnaround time realistic?

We believe it is realistic to acquire, build and sell the property(s) within 12 months for the following reasons (in chronological order):

*(1) We should be able to complete within 1 month once the investment is secured*

The property is vacant and is currently making the landlord no money. He is instructing his agents to chase as regards the sale. There is no chain involved.

*(2) A planning decision should take no longer than 3 months to acquire*

The planning process ought to take 8 weeks. Initial drawings are already completed (appendix 4). Preliminary talks with the planners have already taken place and drawings will be submitted as soon as contracts are exchanged (i.e. before completion).

*(3) Building works should take no longer than 6 months*

Manuka has experience of building projects of a similar or greater square footage within less than 6 months. Both houses will be built simultaneously.

*(4) It is reasonable to expect to sell the properties within 3 months of completing the building work*

We believe this is a reasonable assumption considering (a) the properties can be seen from the High Street (see photos) and are likely to generate significant local interest; (b) Manuka will create photo-realistic visuals in order to sell these properties from plan. The sales process will therefore begin well ahead of the construction work being completed.

Thus we believe it is reasonable to suppose a turnaround time of 12 months.

## **8.0 How will decisions be made in the event of problems?**

1. It is probable that unforeseen events will require some departure from the terms outlined in this proposal. In such circumstances, Manuka has the authority to take whatever action it considers necessary to deal with such events on behalf of all investors and to exercise judgment as to what information it shares. It is, however, expected to inform investors of serious changes or departures from the plan in a timely fashion.
2. In exceptional circumstances, any investor(s) can insist upon Manuka's authority being temporarily suspended and for a decision to be made by vote, whether by email, telephone or meeting. One investor has one vote, and any investment company can be represented by only one person.
3. Again in exceptional circumstances, any investor(s) can insist upon a meeting with, and which must be Chaired by, a Manuka Director, to which all investors must be invited, and which must take place within 3 weeks of a written request being received by a Manuka Director, if the investor has cause to believe Manuka have acted (or are likely to act) in a manner which unduly risks the money and/or the responsibility with which it has been trusted. Any decisions will be made by vote, and only investors will be allowed to vote under the terms in 7.2 above. Any decisions made by vote in this fashion will be final.

## **9.0 Conclusions**

We believe that this site represents an outstanding opportunity to provide investors with an excellent return in the current economic climate. There is good reason to suppose that 2 x 3 bed detached houses can be built on the site and sold to produce an excellent return within 12 months. Moreover, in the event that permission is refused, there is every reason to suppose that the existing bungalow can be extended, renovated and sold for a smaller profit. We invite investment on this basis.