

CASE STUDY

BUYING A VACANT PROPERTY

APPROVED FOR CLIENT USE | MARCH 2024



A client wants to acquire a vacant retail premises, and is intending to leave the property vacant for a few months until they can source builders to undertake refurbishment works before sourcing a tenant.

The Challenges

Bruno is looking to acquire a commercial property, and is considering establishing a SIPP with Curtis Banks to enable this. He has sourced a property that he wishes to acquire, which is a retail premises in an out of town location. The shop is in a run down state, and needs some attention before finding a tenant. He is certain that this is a great opportunity to buy the property and refurbish it (adding value) before securing a medium term income into his pension by way of rental income. He has been made aware that the builder will not be available for 3-6 months.

However, Bruno is unsure whether he is able to acquire the property and leave the shop vacant for a period until his chosen builder can undertake development works to the interior. He speaks with his financial adviser, Debbie, to get some advice.

The Actions

Debbie and Bruno discuss his options and agree that Debbie should proceed with establishing a SIPP for Bruno with Curtis Banks. Bruno has other pensions which they agree to consolidate in his SIPP, with an estimated total of £237,000. The shop that Bruno wishes to acquire is on the market for £180,000; however he is confident of securing this for a slightly lower price of around £175,000.

He estimates that the refurbishment works will cost approximately £25,000. Debbie suggests that Bruno account for a 15% contingency in respect of the costs of the works to account for the cost of materials, noting that Bruno has not had any quotations for the works as yet.

Bruno asks whether Curtis Banks have any additional requirements as the property will be vacant. Debbie explains that there are additional requirements, noting that there will be no income into the SIPP until a tenant is found and a lease is put in place. Debbie explains that Curtis Banks will need to retain a float of monies on account to discharge liabilities whilst the property remains vacant. She adds that this is likely to include any insurance costs, SIPP fees, business rates and maintenance charges. Bruno asks for an estimate of how much would need to be retained. Debbie confirms that the float couldn't be calculated until the purchase due diligence was underway, but that Curtis Banks would be able to confirm the amount required at that stage.

Furthermore, Debbie explains that Curtis Banks will require a minimum of 3 years' worth of known costs to be retained and ring-fenced within the SIPP; although as soon as a lease is in place, and assuming the rent would be sufficient to discharge all liabilities, these funds would simply be released for onward use.

Curtis Banks Group plc (registered number 07934492) and Curtis Banks Limited (registered number 06758825) are companies registered in England & Wales with their registered addresses at Dunn's House, St Paul's Road, Salisbury, SP2 7BF. Tel: 0370 414 7000 Fax: 0117 929 2514. Curtis Banks Limited is authorised and regulated by the Financial Conduct Authority (number 492502). Curtis Banks Pensions is a trading name of Suffolk Life Pensions Limited. Suffolk Life Pensions Limited is a company registered in England & Wales (registered number 1180742) and is authorised and regulated by the Financial Conduct Authority (number 116298). Suffolk Life Annuities Limited is a company registered in England & Wales (registered number 1011674) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (number 110468). The registered address of both companies is 153 Princes Street, Ipswich, Suffolk IP1 1QJ. Tel: 0370 414 7000 Fax: 0370 414 8000. Call charges will vary. We may record and monitor calls. If you're contacting us by email, please remember not to send any personal, financial or banking information because email is not a secure method of communication. SL431.202403 March 2024

Bruno understands why the funds are required and is happy to proceed.

The Results

Debbie proceeds with establishing a SIPP with Curtis Banks on behalf of Bruno. She also arranges for his existing pensions to be consolidated into the SIPP, ensuring that there is a small balance of funds available therein to pay for any upfront property transaction professional costs for example, solicitor search fees.

Bruno makes a successful offer on the property, securing it for £173,500. He also obtains a formal quotation from his builder, who estimates the works will cost £32,000.

Debbie also assists Bruno in completing the Property Form, which is the instruction from Bruno to Curtis Banks to begin the purchase process. As part of the purchase due diligence, Curtis Banks calculate the required float, and arrange for these funds to be ring-fenced within the SIPP prior to completion.

Curtis Banks liaise with the instructed professionals to satisfy due diligence and conclude the transaction. Within 3 months of completion, Bruno contacts the Developing Property Team at Curtis Banks to discuss beginning the works, noting that the builder is going to be available imminently. Bruno is given full details of the due diligence to be addressed before the development can begin, and works with the team to ensure that this is satisfied, allowing the builder to proceed.

On completion of the works, Bruno locates an estate agent to market the property for let, and asks Curtis Banks to instruct the agent accordingly. A tenant is sourced, and as a result the float monies are released back into the SIPP, which Bruno is then free to invest elsewhere.

Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

This information is based on our understanding of current legislation, including (but not limited to) FCA, PRA and HMRC regulation. It does not constitute any form of advice.

Contact Details

If you'd like to speak to us about anything on this fact sheet, please contact us on:
T 0370 414 7000

We may record and monitor calls. Call charges will vary.

E enquiries@curtisbanks.co.uk

Please remember not to send any personal, financial or banking information via email as it is not a secure method of communication.