

Zensight

ZENZIC'S QUARTERLY NEWS ROUNDUP

ISSUE 02

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Welcome

Welcome to the latest issue of Zensight and the first in 2024! At this time of year, your newsfeed is full of projections and expectations for the year ahead and I thought I'd add mine to the mix!

Outlook for 2024

A year ago inflation was close to 10% and there was real concern that the interest rate hiking cycle was far from finished. In the early days of 2024, there is a prevailing sentiment in the UK's financial landscape that interest rates have reached their peak and are poised to undergo a downward adjustment.

“*This anticipated decline in interest rates is expected to inject renewed vigour into the real estate market, acting as a catalyst for an upswing in asset prices.*”

As interest rates decrease, the cost of borrowing diminishes, making real estate investments more attractive and accessible to prospective buyers, investors and developers alike. The prospect of lower mortgage rates is likely to stimulate demand for property, fostering increased activity in the housing market. This potential shift in the interest rate environment is not only anticipated to benefit homeowners looking to refinance at more favourable terms but also to invigorate the broader real estate sector, creating a positive ripple

effect throughout the economy. Investors and homeowners alike are eagerly eyeing this forecasted change, anticipating a positive impact on the UK real estate landscape in the coming year.

GROWTH PROSPECTS FOR UK PLC

As 2024 unfolds, the economic outlook for the United Kingdom remains challenging to predict with absolute certainty, given the complex and dynamic global economic landscape. However, there is cautious optimism among economists and financial commentators regarding the country's growth prospects. Factors such as improving consumer confidence, robust employment figures and stimulatory fiscal measures will contribute to a more positive sentiment. While challenges such as geopolitical uncertainties and potential global economic fluctuations persist, many analysts express confidence that the UK is well-positioned to navigate these headwinds. As the nation adapts to evolving economic conditions, the hope is that prudent policies and a resilient economic foundation will foster stability and contribute to a trajectory of growth in 2024.

INHERITANCE TAX RECEIPTS SURGE

In 2023, the United Kingdom experienced a surge in inheritance tax receipts for the Exchequer, encompassing both traditional estates and gifts. Official statistics reveal that the total inheritance tax paid in the UK during 2023 was £7.09bn, a substantial increase (17%) on the £6.05bn paid in 2022 and surpassing all previous fiscal years by a significant margin. The surge in receipts can be attributed to a combination of factors, including the appreciation of asset values and especially in real estate markets. Absent any legislative change, inheritance tax is on course to deliver £9 billion for the Treasury by 2027/28. With both the Standard and Resident nil rate bands remaining frozen until at least April 2028, and compounded by house price inflation, more people are finding that when their house becomes unencumbered by a mortgage it takes up most if not all of their nil rate bands.



TOM LLOYD-JONES
Chief Investment Officer

News

Introducing Nadine Buckland

Nadine Buckland, founder and CEO of Zenzic Capital, provides an insight into Zenzic's journey since inception.

A decade ago, Nadine Buckland founded Zenzic Capital, embarking on an unconventional journey marked by diverse experiences in institutional sales and insolvency. Despite initial resistance to her father's advice, Nadine eventually embraced her desire for corporate independence.

Pre-Zenzic, Nadine found the typical corporate constraints rather challenging, preferring to focus on running a successful business rather than conforming to rigid rules. During her insolvency roles, Nadine observed a surge of fresh capital flooding into the UK, leading to a pivotal meeting with business partner and Zenzic co-founder, Tom Lloyd-Jones. Their complementary skills laid the foundation for Zenzic's inception in 2014 as an advisory firm.

The company's early years involved both Nadine and Tom forgoing personal income, with the emphasis being on reinvestment for growth. Zenzic started with small-ticket mezzanine financing before evolving into real estate investment management. The firm gained recognition for 'institutionalising' sub-£3m mezzanine tickets in the real estate finance market, which at the time, remained very much the lending preserve of individual HNW investors.

Eventually, Zenzic shifted focus to whole loan financing for real estate development, supporting SME home-builders and aspiring developers. In 2022, Zenzic dropped its advisory arm, aiming for £150m of lending and transactions sizes of up to £25m by mid-2024 onwards. Nadine envisions accelerating the opportunistic credit strategy which currently has £300m funds under management, leveraging a decade of advisory experience across the UK and Europe.

Market-wise, Nadine predicts a modest interest rate reduction in 2024, impacting real estate values positively. Challenges in refinancing operational real estate will present opportunities for Zenzic's flexible capital solutions. Confident in the company's long-term partnership potential, Nadine foresees sustained growth, supporting distressed borrowers and facilitating expansion plans as a long-term real estate capital provider.

Read the full article here:
issuu.com/bandcmagazine/docs/bcmagazine_issue_30/26



In the Pipeline

Below are a selection of projects we are currently reviewing.

PROJECT SUMMARY	Conversion of the existing building to provide a supermarket, four maisonettes above the store and four semi-detached houses within the grounds	Conversion of a public house to three detached houses and the development of six detached houses	Demolition of existing buildings and structures, and construction of 12 houses, comprising two bungalows, 10 Detached houses	Development of Forward Sold 306-unit BTR scheme
LOAN TYPE	Acquisition and Development Loan - Stretched Senior Facility	Acquisition and Development Loan - Stretched Senior Facility	Equity Release and Development Loan - Stretched Senior Facility	Mezzanine - Junior Facility
LOAN AMOUNT	£2.6m	£2.85m	£6m	£2.2m
LTGDV	72%	70%	68%	69%
TERM	18 months	18 months	24 months	33 months
EXIT	Refinance the supermarket and sale of all the residential units in the open market	Sale of all units in the open market	Sale of all units in the open market	Sale of all units in the open market

Latest Transaction



Zenic has completed a £1.5m Acquisition and Development Stretched Senior Facility to support Torsion Developments (experienced developer, with whom Zenic has a close relationship with). This project comprises the development of five detached houses. Each house will have a private garden and a garage.

This project marked Zenic's second collaboration with Torsion, following a JV agreement of a PBSA portfolio of four assets across the UK with a GDV of 150m.

TERM	15 months
SECURITY	A full security package for a facility of this nature including a first legal charge over the property. A charge over the shares of the Borrower and cross collateralisation between Torsion Homes Limited and Torsion Developments Limited.
LTGDV	75%
EXIT	Sale of all units in the open market

News

Zenzic Capital Launches £500+ Million Student Accommodation Strategy

In January 2024, Zenzic announced the launch of its UK Purpose-Built Student Accommodation (PBSA) strategy, aiming for a portfolio GDV in excess of £500 million. In collaboration with Torsion Group, the Leeds-based residential developer, the joint venture (JV) has already acquired five major schemes totalling £147 million. The JV is targeting a total portfolio GDV of over £250 million across seven schemes and will deliver a much needed 1,566 rooms by the 2025/26 academic year, addressing the UK's acute shortage of high-quality PBSA.

The first five schemes, strategically located in Russell Group university cities, will provide 817 beds and feature ensuite bedrooms, social and fitness spaces, study zones, and recreational areas. Two schemes in Leeds and Nottingham are already fully let, while the other three in Warwick, Nottingham, and Leeds are currently under construction.

This strategic move by Zenzic, its second within the special opportunities strategy, underscores the company's commitment to growth-led situations and tactical financings across the business cycle. Nadine Buckland, CEO of Zenzic Capital, emphasises the attractiveness of the PBSA sector, with a focus on meeting the modern students' needs through sustainability and a best-in-class approach.

Founded in 2015 by CEO Dan Spencer, Torsion Group is a private, multidisciplinary company specialising in developing, constructing, and operating accommodation-based schemes, including residential, student accommodation, and care & retirement living developments. With a track record of delivering over 30,000 beds across the UK, Torsion adopts an end-to-end, solutions-

focused approach to all projects. Torsion Group received notable recognition in 2023, being listed in The Times (Sunday Times) Best Places to Work, winning Large Business of the Year at the Yorkshire Post Excellence in Business Awards, and securing Developer of the Year at the Property Week Student Accommodation Awards.

To learn more about Torsion Group, visit www.torsiongroup.com



Product Highlight
ZEPS Investment Strategies: Income, Growth or Blended

ZEPS offers you the opportunity to select from two distinct investment strategies ('Income' or 'Growth') or to create a bespoke combination of both ('Blended').

Your financial advisor will be able to advise you on the most suitable strategy to meet your needs. The ZEPS minimum subscription is £25,000 after any initial Financial Advisor fees, with a minimum investment per strategy of £5,000.



Growth Strategy

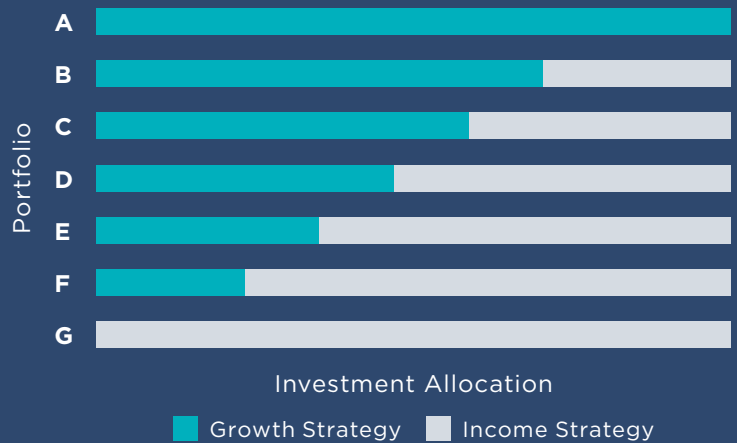
If you are looking purely for capital growth, the Growth Strategy offers a target return of 6% per annum over the medium-to-long-term. Returns will be accumulated during the lifetime of your investment and reinvested, rather than paid out as income.

Income Strategy

If you are looking for income, the Income Strategy offers a target return of 6% per annum, over the medium to long term. Returns will be calculated and paid out quarterly. Ad hoc withdrawals of capital may be possible (but not guaranteed).

Blended Strategy

For those who are looking for both income and capital growth, you can select a blend of the 'Income' and 'Growth' strategies. You are able to create a bespoke portfolio strategy that is most suitable for your age, health and financial situation. This blend can be changed over time to reflect your changing needs or circumstances.



Digital

ZEPS Website is Now Live!

The new dedicated ZEPS website is now live – www.zeniceps.com where you can find all the information you need on how the product works, key team members and the benefits for your clients.

You can also follow us on LinkedIn www.linkedin.com/showcase/zenic-estate-planning-service allowing you to keep up to date with product and relevant industry news, articles we've published and so much more.



Rights Issue Update

In January 2024, ZEPS successfully initiated its inaugural Rights Issue, a pre-emption offer for existing shareholders to raise additional capital.

Amid heightened demand for real estate finance, particularly in the SME sector, our current transaction pipeline is at an all-time high. This surge is attributed to the traditional banking sector's retreat from various real estate financings due to economic concerns and tightening monetary policy. The backdrop of increased interest rates throughout 2023 had led to a market where real estate credit is now favourably priced compared to real estate equity, offering comparable returns with reduced risk.

The Rights Issue has successfully secured additional capital for ZEPS to capitalize on emerging lending opportunities while favourable economic conditions persist. Foreseeing a downward trend in future interest rates, the decision to

raise funds now aligns with forward curves projecting reductions of 50-100 basis points by the end of Q2 2024. At the same time, investors were afforded the opportunity to benefit from further IHT relief by means of aggregating the periods of ownership of the shares they initially acquired and New Shares acquired under the Rights Issue for the purposes of qualifying for Business Relief.

The investment window for the Rights Issue has now closed, and we are delighted to announce its unequivocal success, generating approximately £2.5m in additional funding. The Zenic Estate Planning Service expresses its gratitude to all who supported this milestone. Thank you for being part of the continued ZEPS success story!

