

OCTOBER 2023

# Zenzic Newsletter

Quarterly round up of all Zenzic news

## Market Update

The foundations of real estate markets are undergoing a transformation. Since 2020, a combination of factors - a significant shift in how buildings are utilised, the most rapid increase in interest rates in over 40 years and the threat of recession - has led to a decline in asset prices. This turmoil will test conventional wisdom and necessitate a fresh approach to assessing real estate. For investors, while it may appear to be a daunting prospect it could also present one of the most opportune periods for capital deployment in many decades. As we have previously discussed, the value proposition for real estate credit both relative (to equity) and on an absolute basis is particularly strong currently. This encompasses fresh senior lending opportunities as traditional lenders withdraw, as well as opportunities in stressed scenarios.

Regarding the residential sector, the Royal Institution of Chartered Surveyors (RICS) monthly residential survey has been steadily recording an increase in new sales instructions. While this development should help bolster property transactions, the noticeable shortage in buyer inquiries suggests that further declines in house prices are on the horizon.

Our projections indicate a potential 6% decrease in prices for 2023\*. Assuming that the economic situation continues to improve and inflation continues its downward trend, we anticipate a gradual recovery in sales volumes. The rental market is poised to maintain a situation where demand significantly outpaces supply. Factors such as rising mortgage costs for prospective first-time buyers who are presently renting, a robust labour market, and elevated inflation levels will drive demand for rental properties. The recent Renters Reform Bill, which enhances tenant rights but also curtails landlord authority, may have adverse effects on rental supply. We project that rental values will rise by approximately 4-5% across the United Kingdom in 2023. Lenders are showing increased liquidity and a willingness to support residential investment assets, leading us to expect continued positive momentum in Build-to-Rent (BTR) investment volumes throughout the rest of the year.

\* Zenzic Capital research

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## Pipeline of potential transactions

Below are a selection of projects we are currently reviewing:

<b>PROJECT SUMMARY</b>	Providing funding for the acquisition and re-development of a 5-storey office building into 8 two-bed flats	Funding the acquisition and re-development of a 5-storey office building into 8 two-bed flats	Funding the acquisition and re-development of airspace, creating 8 one-bed and 2 two-bed flats	Funding the re-development of industrial and office space into 8 flats and 5 terraced houses
<b>LOAN TYPE</b>	Stretched senior	Mezzanine	Stretched senior	Mezzanine
<b>LOAN AMOUNT</b>	£4.3m	£3.2m	£2.4m	£700k
<b>LOAN TO GDV</b>	70%	67%	70%	77%
<b>LOAN TERM</b>	24 months	18 months	14 months	18 months
<b>EXIT</b>	Sale of all units on the open market	Sale of all units on the open market	Sale of all units on the open market	Sale of all units on the open market



## Recent Redemption

Zenzic has completed a £1.1m mezzanine facility provided through equity release to support the established SME housebuilder, Antler Homes, in their Slinfold development project. This project included 25 units, featuring a mix of 1 commercial unit, 16 private units, and 8 affordable units.

This project marked Zenzic's second collaboration with Antler Homes, following a highly successful debt offering in 2020, which was successfully redeemed in 2021.

**Term:** 24 months (18-month build and 6-month sale)

**Security:** A full security package for a facility of this nature including a second legal charge over the land.

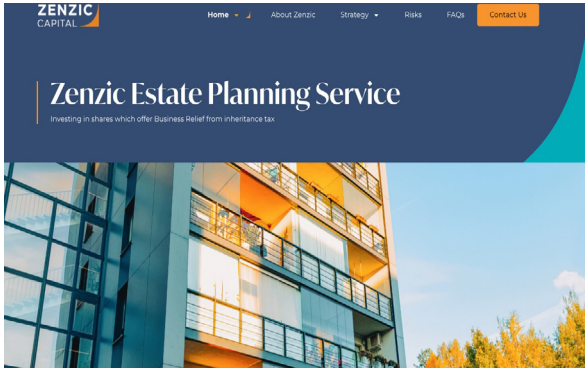
**LTGDV:** 63%

**Exit:** Open market sale of all units.

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## New website coming soon!



The Zenzic Estate Planning Service (or "ZEPS") enables investors to acquire shares in established real-estate lending firms, providing access to attractive opportunities with the aim of protecting capital and maximising returns, while qualifying for Business Relief. We believe ZEPS offers a compelling risk-adjusted return, benefiting from both income and future growth options, while aiding estate planning for future generations to benefit from.

Our new website, launching this month, offers advisors and their clients key insights into ZEPS, investment strategies and options, an interactive news blog, and more.

Keep a look out at... <http://www.zenziceps.com>

## Video Interview

Thomas Lloyd-Jones, Managing Partner of Zenzic Capital recently sat down with Intelligent Partnership to discuss the Zenzic Estate Planning Service, the investment strategy and the key characteristics we look out for when choosing real-estate opportunities.

**Click on the following link to watch the video:**  
[in conversation with Thomas Lloyd-Jones](#)



## Growth Investor Awards ZEPS receives nomination!

We're thrilled to share that ZEPS is a finalist at this year's Growth Investor Awards in the category of Emerging BR Investment Manager - Unlisted

The judges will evaluate ZEPS based on criteria like investee selection, investment performance, adviser relations, customer feedback, and overall impact. The winner will be unveiled at the awards ceremony to be held at the London Hilton on November 23rd.

**Best of luck to all finalists!**

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## Upcoming ZEPS Rights Issue

ZEPS is currently reviewing the possibility of a rights issue for current investors, potentially granting immediate IHT relief if the existing Business Relief (BR) shares already qualify.

The key principle is fairly simple, ownership conditions for unquoted shares can be relaxed if they can be linked to previously owned BR-qualifying shares. In this case, it is possible to aggregate the periods of ownership of the old and new shares for the purpose of satisfying the two-year ownership condition in relation to the new shares.

**Stay tuned for further updates.**

## New Loan Note investment options

After consulting with our key distribution partners, we are pleased to announce the expansion of our fixed income loan note investment offerings.

Investors can now take advantage of attractive fixed returns, with annual rates of up to 9.0% over a 3-year term and up to 8.5% over a 2-year term. These options provide both income and capital growth possibilities.

### 24-month Investment Options

Loan Note Issuer	ZSL Cap 6 Limited
Income Option 1 Payment Frequency	8.0% per annum Paid in 2.0% quarterly instalments
Growth Option 2 Payment Frequency	8.5% per annum Paid as a single bullet payment on maturity

### 36-month Investment Options

Loan Note Issuer	ZSL Cap 7 Limited
Income Option 1 Payment Frequency	8.0% per annum Paid in 2.0% quarterly instalments
Growth Option 2 Payment Frequency	9.0% per annum Paid as a single bullet payment on maturity

Opting for a longer-term investment may provide potential advantages, such as income security and support for long-term financial planning. This choice also offers insulation against anticipated future declines in interest rates. However, for those seeking greater flexibility and liquidity in their investments, our 2-year product may provide a compelling alternative, featuring both income and growth potential.

For further information, please contact:

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