EMPIRE
PROPERTY HOLDINGS

BROCHURE 2016/2017

RISK WARNING

This document should only be read in conjunction with the Information Memorandum (IM) dated 25th November 2016. Please therefore refer to the information which appears on pages 2 to 5 of the IM for further information.

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ABOUT US

Empire Property Holdings 2 ('the Company') was incorporated as a Special Purpose Vehicle (SPV) to acquire commercial properties for development into residential accommodation by Empire Property Concepts ('the Developer').

The Developer is a separate limited company that will project manage the developments. The Developer will also manage the lettings of the properties and will liaise with it's private and council letting contacts to secure lettings. This will provide funds out of which the capital and interest returns to subscribers will be met along with refinancing.

EMPIRE PROPERTY CONCEPTS

Empire Property Concepts was set up by Director, Paul Rothwell, in September 2009.

Paul began his investment career at university completing his first property during his studies. Since 2003, Paul has continued to develop properties with his brother, Adam but wished to seek investors to provide his services to.

Empire's progress has been strong, even against the backdrop of difficult economic and property market conditions respectively. The Company has continued to market itself well and attract new investors to aid it's growth.

Since it's inception, the Directors believe they have achieved growth in the product offering to include Consultancy, Joint Ventures (JVs) and Loans for Property. The latter is used to facilitate the development of projects to be retained as an investment within a SPV, and then refinanced to return investors funds.

Empire seeks to market to new investors and deal with the administration and development cost collection only. Empire has also expanded it's team in terms of management, build management, accounts and administration.

Paul has reserves of £500k as a contingency for the current Empire business model. Paul also has approximately a 50% equity stake in a £33 million portfolio. He currently has 750 units under management to include his portfolios and consultancy clients.

STRATEGY

The Company will use the funds raised to acquire suitable commercial properties and strategically renovate and manage these assets to achieve the fixed returns.

Investment offers a fixed double digit return on investment, and allows investors to benefit from opportunities in the real estate market without management commitment or concentration of investment in any one property.

Once converted, the properties would become a commercial asset whose underlying value whilst linked would not be reliant on the variable housing market price index.

The Company plans to take full advantage of current market conditions and acquire assets through the following methods:

- Acquire suitable commercial property in prominent towns or cities
- The funds will be used to acquire and develop the property into residential accommodation
- The properties will be renovated using permitted development rights where possible, or the equivalent full planning requirements
- The Company will purchase commercial properties and undertake the necessary development to provide quality letting HMO studios or self-contained flats at a significant yield
- The Company will then liaise with known private and council letting contacts to efficiently let the properties.

The cost of every project and every future project can be standardised to provide a business plan for each property. The details of each potential project will be input into a feasibility spreadsheet and the viability can be quickly assessed. The main factors affecting the project are the purchase price of the property and the cost of renovation. These factors are controlled as explained below.

Each room is given an average cost to complete, which takes into account all aspects of the renovation, project management, administration, licensing, and liaison with councils.

The only other factor is the purchase price of the room and therefore in each case, we can identify the purchase price of each room that should not be exceeded.

SUMMARY

The Directors believe that for several years it has become abundantly clear that the credit crunch has fundamentally changed the way the UK housing market operates. Combined with the recent regulation of the mortgage markets, accessibility to the debt required to step on to and up the housing ladder has been fundamentally altered.

The legacy of the credit crunch means the generational divide in the UK housing market will continue to widen, as private renting grows and homeownership among both the under 35s and 35-49 year olds falls further.

At the end of 2004, the average UK house price had risen by 63% in just three years, resulting in a significant shift in house price to household income ratios (Savills, Q4 2014). Together, these two factors mean that the housing market has been, and will continue to be shaped as much by the affordability of a mortgage deposit, as by servicing that mortgage on a monthly basis. (Savills, Q4 2014)

IMPACTS ON OWNERSHIP

This will have several impacts according to Savills (Q4 2014);

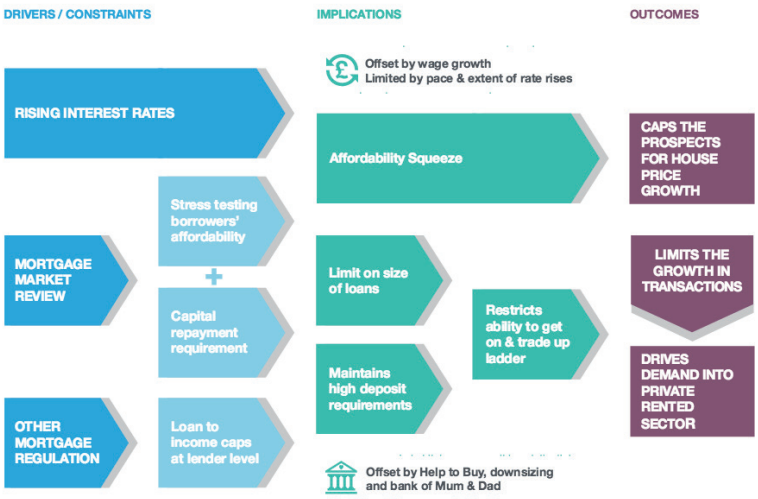
It will suppress the recovery in transaction levels and continue to put downward pressure on levels of mortgaged homeownership. Combined with limited prospects for a significant expansion of social housing provision, this means continued growth in the number of households in the private rented sector and a widening of the generational divide in the UK housing market.

The under 35s have the highest outgoing on housing, equivalent to an average of £8,571 per household across England and Wales. Some 56% of the £37bn paid by these households was to a private landlord. By contrast, the annual housing costs of the 50-64 age group fell to an average of £4,182 per household, reflecting the extent to which they have been able to access homeownership historically, pay down their mortgage and enjoy the benefits of low interest rates on their remaining debt.

The census tells us that in 2011 private renters accounted for 46% of all households under the age of 35 across England and Wales, a figure that rose to 54% in London. Among 35-49 year olds the level of private renting almost doubled between 2001 and 2011, to account for one in five households nationally.

Initiatives such as Help to Buy can only limit the flow of households into the private rented sector to a degree. When the cost of servicing a mortgage rises as interest rates eventually climb, mortgaged owner occupation will continue to fall, while limited accessibility to mortgages means that the bulk of new households will be private renters.

Savills are forecasting the number of private rented households in England and Wales will increase by 1.2m over the next five years and levels of owner occupation will fall by 202,000 households. This would mean that by the end of



SAVILLS RESEARCH, RESIDENTIAL PROPERTY FOCUS Q4 2014

	5-year forecast	No. of Households (Millions)		Forecast change		% of Households	
		2014	2019	Millions	%	2014	2019
ENGLAND & WALES	Owner Occupiers	14.87	14.67	-0.20	-1.4%	62%	59%
	Private Renters	4.86	6.04	+1.2	+24.3%	20%	24%
	Social Renters	4.09	4.04	-0.05	-1.1%	17%	16%
LONDON	Owner Occupiers	1.56	1.46	-0.10	-6.8%	47%	42%
	Private Renters	0.99	1.24	+0.25	+24.8%	30%	36%
	Social Renters	0.78	0.77	-0.01	-1.1%	23%	22%

Age band forecasts show generational divide widening in England & Wales
Owner occupier levels: 16% for under 35s to 80% for 65+

UNDER 35 | 35-49 | 50-64 | 65+

SOURCE: SAVILLS RESEARCH, 2011 CENSUS, DCLG

2019, over 24% of all households across the UK would be in the private rented sector.

Among the under 35s, the proportion of households in the private rented sector would increase to 66%, with homeownership falling to just 16% of the total. Even in the next age band (35-49), homeownership would fall to just 55% of all households, with private renting accounting for 28% of households – rising to 38% in London.

The Directors would argue that these trends have the potential to change the way we look at housing in the UK and a shift away from homeownership.

WHAT DO TENANTS REALLY WANT?

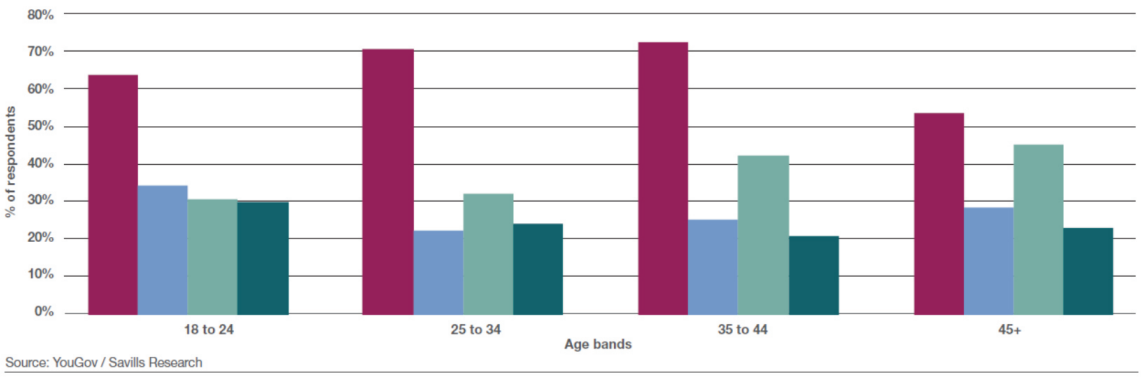
Savills (2014) carried out an exclusive YouGov Survey of 2,300 private sector tenants in cities across the UK.

In summary, the Savills survey shows tenants seek better quality homes near public transport and value flexibility;

- Barriers to homeownership: difficulties raising a mortgage deposit is given as the biggest reason for renting across all age groups. However, older tenants also cited the failure to meet lenders' mortgage criteria as a barrier.
- Search for quality: the desire for better accommodation, followed by the need to relocate is the main reasons for moving. Wealthier tenants in London are prepared to pay more for amenities such as private balconies, en-suite bathrooms, on-site gyms, off-street parking and scenic views.
- Location: 49% of respondents said proximity to work or university is the most important factor when choosing a rental home. Location is even more important to Londoners, particularly to households on incomes of at least £80,000 a year.
- Transport links: 52% of tenants live within five minutes of their nearest public transport (73% within 10). In London, 60% of respondents commute for more than 30 minutes. Outside the capital, only 30% travel more than 30 minutes.
- Longer tenancies: while tenants aged over 35 years would prefer longer tenancies, this is not the case for younger tenants who prefer flexibility – particularly those under 24 years.
- Affordability: our analysis suggests the average household in London spends 27% of their gross income on rent compared with 26% outside of London. Given the high level of rents in London, this suggests that tenants in the capital are more likely to share.
- Flexibility: 24% choose to rent because it is less hassle and they like the flexibility. This figure could grow if the quality of rental stock improves.

REFERENCES

1. Savills (2014) Residential Property Focus Q4 2014 - pdf.euro.savills.co.uk/residential---other/rpf-q4.pdf
2. Savills (2014) What Do Tenants Really Want? - http://pdf.euro.savills.co.uk/residential---other/yougov-survey.pdf



SOURCE: SAVILLS RESEARCH

TRACK RECORD

EMPIRE HOUSE - DONCASTER

Empire House is a mixed use development comprising three floors.

The building was previously called Weston House and up until it was acquired by Empire, it was an empty former HMRC tax office. The property has been developed in accordance with the now permanent permitted development right to convert offices to residential.

EXCHANGE HOUSE - WAKEFIELD

The property was acquired by Empire and developed in accordance with the permitted development right to convert it from offices to residential.

The ground floor comprises of two retail units which are let to a high profile sports retailer and a well-known food retailer. The upper three floors have been converted into 30 self-contained studios.

YORK HOUSE - DONCASTER

A permitted development conversion from a B1 office to 29 self-contained residential flats.

York House is a mixed use development compromising of four floors. The property was acquired through a Joint Venture partnership after being sourced by Empire. Empire then arranged for the planning requirements under the permitted development rights and were then instructed to manage the build development.

For more details of our track record, please see www.empirepropertyconcepts/done-deals

SIMPLE GUIDE

To Investment and Security

You have read this brochure in conjunction with the Information Memorandum (IM) and wish to invest.

Application form is assessed by Empire Property Holdings along with relevant AML documents.

Empire Property Holdings will request a transfer of funds directly to the company bank account.

Your investment starts and interest accrues the day after funds are received by Empire Property Holdings.

A Loan Note will be issued to confirm your investment.

A Development site is acquired and redevelopment work to residential accommodation commences.

Once the site construction is complete, the individual units will be let and refinancing will be organised. Funds are returned to the Company and simultaneously the legal charge is removed at the Land Registry.

Security Trustees act on behalf of the Loan Note holders to oversee the bank account and hold the first legal charge.

The team at Empire identify another development site and the process starts again.

At the end of the term, your original investment is returned to you together with interest.

KEY PARTNERS

EMPIRE PROPERTY CONCEPTS - *www.empirepropertyconcepts.co.uk*

Empire Property Concepts will provide full development services for Empire Property Holdings.

DLP PLANNING - *www.dlpconsultants.co.uk*

DLP provides Empire with planning consultancy on all projects undertaken. DLP provide the initial appraisal of all subject development sites, upon which a purchase decision and entry price is determined.

JACKSON BARRETT & GASS - *www.jbgass.com*

Jackson Barrett & Gass is an award winning law firm who specialise in property. They will deal with all conveyancing matters and ensure sound legal title for stakeholder security.

NICHOLSON & CO - *www.nicholson-and-co.co.uk*

Nicholson & Co is a company of chartered building surveyors, offering prompt, effective advice to investors, landlords and tenants alike.

ENS NOISE & SOUND CONSULTANTS - *www.environmental-noise-solutions.co.uk*

ENS Noise provides specification advice and noise testing services in order to ensure the development sites attain the required profile.

NCM FUND SERVICES LTD. - *www.ncmfundservices.com*

The Security Trustee will act as agent and Security Trustee on behalf of the Loan Note Holders in connection with the Debenture.

JMW - *www.jmw.co.uk*

JMW is one of the North West's leading full service law firms. They are responsible for the Loan Note and Information Memorandum (IM).

ANTHONY BURKE & ASSOCIATES

Anthony Burke are private building regulations advisors who provide building regulations supervision to all Empire development sites.

SUB-CONTRACTORS

Empire has 7 main sub-contractor builder teams and usually have around 50 people active at any one time.

FAQ'S

WHY LOAN NOTES?

A Loan Note is a professionally structured financial instrument; it is a legal contract that specifies the duration of the loan, when the loan is required to be re-paid and the interest payable.

WHY ARE THE INTEREST RATES SO HIGH?

The Interest rates are high because they reflect the high yield basis of our model and this is demonstrated in our track record of Done Deals - **http://empirepropertyconcepts.co.uk/done-deals**

WHAT MAKES EMPIRE DIFFERENT?

Empire is a company designed to encapsulate all the aspects required in order to create a profitable property investment venture. We can provide the complete package, from acquisition to renovations, lettings to finance. By doing so, we create profitable, efficient and sustainable investments.

IS THERE A DUE DILIGENCE PACK AVAILABLE?

A full suite of documents is available on request.

CAN A COMPANY INVEST AND ARE JOINT INDIVIDUAL APPLICATIONS ALLOWABLE?

Yes, a company can make an investment, subject to receipt of the necessary anti-money laundering (AML) documents. Joint applications are also acceptable subject to receipt of AML documents for each investor.

CAN I INCLUDE THIS INVESTMENT AS PART OF MY SIPP OR SSAS?

We are unable to accept SIPP investment but we are SSAS compliant and therefore able to accept this type of investment.

WHEN IS THE START DATE OF THE INVESTMENT CALCULATED FROM?

Interest starts to accrue the day after your funds are received by the Company.

WHAT ARE PERMITTED DEVELOPMENT RIGHTS?

The Permitted Development Scheme by virtue of The Town and Country Planning (General Permitted Development) (England) (Amendment) Order 2016 (SI 332) allows developers to convert office buildings into residential apartments without the need to apply for specific planning permission. A simple form is submitted to the relevant planning department and as long as the exterior look of the building is not being changed, for example by adding extensions or another floor, nor does the building in itself present a flood/ asbestos risk and no transport issue is created in the process the local authority cannot object.

WHEN ARE INTEREST PAYMENTS MADE?

1. The 2 Year income product ('the 2 Year income product') is a 2 year fixed rate secured loan note. Interest is payable every 6 months in arrears and the subscription price is repaid at the end of the term.

2. The 2 Year growth product ('the 2 Year Growth Product') is also a 2 year fixed rate secured loan note. Interest is compounded annually and payable at the end of the term with a bonus together with the subscription price.

3. The 4 Year growth product ('the 4 Year Growth Product') is a 4 year fixed rate secured loan note. Interest is simple and payable at the end of the term with the subscription price.

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Tel: 01302 639 444 Email: info@empirepropertyholdings.co.uk Web: www.empirepropertyholdings.co.uk