

MoneyMarketing

No 1 fund from Altyon

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Property company Altyon Partners has unveiled a UK commercial property fund that is available through an exempt unit trust and a limited partnership.

Altyon Partners No 1 will focus on secondary property and land, distressed industrial situations, conversion/ and change of use and off-market transactions. It will target a return of 12 per cent a year over its five to seven-year life, but will not invest in development opportunities.

Altyon was founded in 2009 by Simon Holley, Simon Blake and Lawrence MacLaughlin. Holley and Blake previously worked at property adviser CB Richard Ellis before founding their own firm, Holley-Blake in 1991. This was subsequently sold to CBRE in 2006. MacLaughlin has held senior positions at several firms including Merrill Lynch, Bankers Trust and SBC Warburg.

The exempt property unit trust aims to raise £25m from self-invested personal pension and small self-administered scheme investors who are looking for a tax-efficient UK commercial property investment. Capital gains are free of tax and the 20 per income tax that is payable can be reclaimed. The limited partnership is for non-pension investors looking for growth from a geared commercial property investment. Borrowing secured on the property assets and rent will be used to fund 50 to 70 per cent of each property purchase.

Altyon is seeing investment opportunities typically in property projects started before the economic downturn, which were relying on the availability of bank loans that have since become restricted. The firm says many projects can still provide significant returns and rents are rising, with a big jump in central London office rents expected.

The secondary market typically lags the prime sector, which has rebounded in the last six months, but Altyon believes the outlook for the prime sector is uncertain as rental growth has not improved and occupier demand is thin. It prefers the secondary market because it feels prices have not been artificially inflated, so there is more scope to enhance returns.

However, the use of bank borrowing, or gearing, to fund property purchases, increases risk as well as boosting potential returns.

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