



Proplend Loan Request

Date	16 th September 2015
Property Name	797 London Road, Thornton Heath, Croydon, CR7 6AW
Property Description (Short)	A detached 1960's office building providing office accommodation arranged over ground and five upper floors.



Loan Request Summary

Borrower	A Limited Company	Valuation	£ 2,275,000
Loan Type	Commercial Investment	Total Loan Required	£ 1,137,500
Purchase/Refinance	Refinance	Loan to value (LTV)	50%
Property Asset Class	Freehold Office	Whole loan blended interest rate p/a	7.5%
Property Income	£206,685 p.a.	Rental Value	£208,630 p.a.

Borrowers Loan Requirement

Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Loan Term
C	High	66-75%	£ 0	0%	
B	Med	51-65%	£ 0	0%	
A	Low	0-50%	£ 1,137,500	7.5%	36 months
Total			£ 1,137,500	7.5%	

OVERVIEW

Borrower

The proposed Borrower is a Limited Company.

Property

- The Property is a detached 1960's office building of concrete framed construction, providing office accommodation arranged over ground and five upper floors with 28 car parking spaces.
- There are 8 tenants plus 2 phone mast leases, an electricity substation lease, and various car park licenses which yield an annual income of £206,685. The tenant's lease expiry dates vary from May 2016 – Mar 2017, the phone masts expire in February 2020 and January 2021, and the electricity substation expires in July 2062.
- There is currently 1 vacant unit.
- The Property has planning permission for the conversion of the office accommodation to provide 60 studio apartments and 11 one bed apartments, arranged over the ground to fifth floors.
- Cluttons LLP valued the Property on 2 April 2015 at a market value of £2.275 million and a vacant possession value of £2.365 million. As the extant leases expire the Property increases in value. Cluttons LLP confirmed in August 2015 that the additional new leases would have little to no impact on the value of the property, and values should maintain at the levels indicated in April 2015.

Loan Request

- The Property is owned outright by the Borrower, with no outstanding loans.
- The proposed gearing level, based on the Market Value, will be 50%.
- Tranche A, comprising £1,137,500, will attract gross interest of 7.5%.
- Lenders are offered the opportunity to lend with minimum loan amounts of £5,000 on a **'first come first lend'** basis.
- This Loan Investment is SIPP eligible.

Security

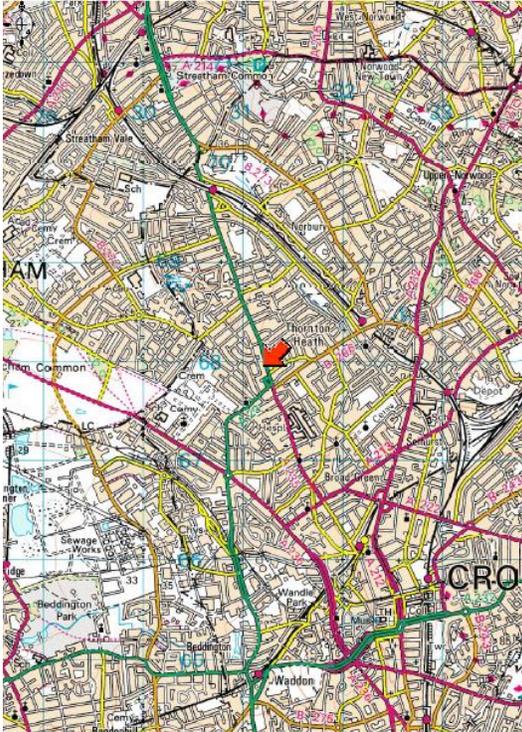
- The Loan will be supported by a first legal charge over the Property.
- Proplend Security Limited will retain 6 months' interest (£42,656) from the Loan, which will be held on account and used to service interest, should the Borrower fail to meet a monthly repayment.
- A Personal Guarantee from the Director and sole Shareholder, limited to the amount of £200,000, will be obtained.

THE PROPERTY

Location

The Property is located on the west side of London Road (A23), within the London Borough of Croydon. Thornton Heath is a densely populated suburb, 2 miles north of central Croydon and 8 miles south of central London.

The property is set back from London Road, with the immediate area comprised of a mix of residential and retail units, which were formally offices.



Asset Description

The property is a 1960's office building of concrete framed construction, with concrete brick elevations and single glazed casement windows, beneath a flat roof occupying 21,909 sq. ft and 28 parking spaces.

The building is set back from London Road and provides office accommodation arranged over ground and five upper floors, with structural open plan layouts.



Tenure

The Property has Freehold Title.

Valuation

A valuation of the Property was carried out by Cluttons LLP in April 2015, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

Market Value: £ 2,275,000
Vacant Possession Value £ 2,365,000
Market Rent: £ 208,630 p.a.

Online enquiries to the local planning portal confirmed that the property is not listed nor situated within a Conservation Area.

Since the valuation was completed in April, several new leases have been signed. Cluttons LLP confirmed in August 2015 that the additional new leases would have little to no impact on the value of the property, and values should maintain at the levels indicated in April 2015.

Certificate of Title

A draft Certificate of Title will be supplied by the Borrowers' Solicitors. This will be reported on by Keystone Law, acting on behalf of Proplend Security Ltd, and their comments thereon can be viewed under documents.

TENANTS & LEASE

Tenants and Leases			
Floor / Unit	Tenant	Lease Expiry	Annual Rent
797 London Road			
Ground Floor (Rear)	Advice Support Knowledge Information Ltd	28/02/2017	£ 13,500.00
Ground Floor (Front)	Global Tech Holdings Ltd	Licence	£ 28,800.00
Part 1st	Will Drafters Ltd	28/02/2017	£ 20,625.00
Part 1st	Premier GB Trading Ltd	Licence	£ 6,440.00
Part 1st	Unflatpack UKInstallation Limited	28/02/2017	£ 7,800.00
Part 2nd	Pipeline Tube and Casing	23/03/2017	£ 10,925.00
Part 2nd	MI Homecare Limited	05/05/2016	£ 16,245.00
Part 2nd	Short Term Business Finance Ltd	Licence	£ 11,000.00
3rd	Vacant		
Part 4th	Commercial Collection Services Ltd	08/01/2017	£ 20,888.00
Part 4th	Commercial Collection Services Ltd	08/01/2017	£ 11,304.00
Part 5th	Commercial Collection Services Ltd	08/01/2017	£ 15,794.00
Part 5th	Commercial Collection Services Ltd	08/01/2017	£ 14,164.00
Roof	T Mobile and Hutchinson 3G Limited	18/02/2020	£ 14,000.00
Roof	Telefonica 02 UK Limited	23/01/2021	£ 14,000.00
Car Park	Southern Eastern Electricity Board	01/08/2062	£ - NIL
Car Park	Various Car Park Tenants	Licences	£ 1200.00
Total			£ 206,685.00

There are currently 9 tenants occupying 12 units. In addition there are 2 telephone mast leases, 1 electricity substation lease, and 2 car park licences. There is currently 1 vacant unit. The Borrower intends to let the tenancies run off, so that he can obtain vacant possession and have the option to sell the Property to a developer. Rental income may, therefore, decline over the period of the loan.

Ground Floor, Rear Office is let to Advice Support Knowledge Information Limited (“ASKI”) with the lease expiring 28/02/17. Rental income is £13,500 per annum. ASKI has an Equifax credit score of D- (Average). The most recent accounts, dated 31/03/14, are abbreviated and only show £194, which is cash held. ASKI is a charity.

Ground Floor, Unit Front Office is let to Global Tech Holdings Ltd (“GTH”) on a short term license. Rental income is £26,400 plus £2,400 in electricity services per annum. GTH has an Equifax credit score of F (Very Poor). Although Equifax rates the company with a score of F, the credit report does not show any adverse details. The small size and young age of the company are two contributors to the low score. The most recent accounts, dated 31/04/14, are abbreviated, show Total Assets of £259,381 (of which £10,368 is in cash), and a Net Worth of £13,432.

Floor 1, Unit A is let to Will Drafters Limited (“WDL”) at a passing rent of £20,625 p.a. WDL has recently completed a new lease which expires 28/02/17. WDL has an Equifax credit score of A (very good). The most recent accounts, dated 31/07/14, show Total Assets of £190,730 (of which, £162,440 is in cash) and Net Worth of £121,220.

Floor 1, Unit B is let to Unflatpack UKInstallation Limited (“UU”) with the lease expiring 28/02/17. Rental income is £7,800 per annum (from 01/01/16). UU has an Equifax credit score of E (Below Average). The most recent accounts, dated 30/09/14, are abbreviate and show Total Assets of £12,985 (of which £3,732 is in cash), and a Net Worth of £913.

Floor 1, Unit C is let to Premier Trading GB Limited (“PTGBL”) on a short term licence. Rental income is £5,840 plus £600 in electricity services per annum. PTGBL has an Equifax credit score of A (very good). The most recent accounts, dated 31/03/14, show Total Assets of £1.1 Million (of which, £615,390 is in cash) and Net Worth of £976,030.

Floor 2, Unit A is let to Pipeline Tube and Casing Limited (“PTCL”), which has recently completed a new lease which expires on 28/02/17. Rental income will increase from £9,200 per annum to £10,925 per annum as of 29/09/15. PTCL has an Equifax credit score of B+ (good).

Floor 2, Unit B is let to MiHomecare Limited (“ML”) with the lease expiring 05/05/16. Rental income is £16,245 per annum. ML has an Equifax credit score of A (very good). The most recent audited accounts, dated 31/03/14, show a Turnover of £67.7 million, Profit Before Tax of £10.8 million, and a Net Worth of £15.4 million.

Floor 2, Unit C is let to Short Term Business Finance Ltd (“STBF”) on a short term licence. Rental income is £10,000 plus £1,000 for electricity services per annum. STBF has an Equifax credit score of I (Insolvent). The head office for STBF is a shared postal address for many companies and there are multiple CCJs attached to the address, although none of them specifically mention STBF. Those CCJs in addition to a negative net worth are most likely the reason for the Insolvent rating. The most recent accounts, dated 31/03/14, are abbreviated and show Total Assets of £156,097 (of which £155,955 is in cash), and Net Worth of (£4,497).

Floors 4 and 5 (4 units) are let to Commercial Collection Services Limited (“CCSL”) with all leases expiring on 08/01/17. Aggregate rental income is £62,150. CCSL has an Equifax Credit Score of B+ (Good). Their latest accounts, dated 30/04/14, show a Turnover of £4.2 million, a Profit Before Tax of £63,451, and a Net Worth of £660,018.

The car park spaces are let to CCSL on licences producing £400 p.a. and PTCL producing £800 p.a.

Roof Top Lease 1 is let to T-Mobile (UK) Limited (“T-Mobile”) and Hutchison 3G UK Limited (“H3G”) with the lease expiring 18/02/2020. Rental Income is £14,000 per annum. T-Mobile has an Equifax credit score of N (Not Trading - Dormant). Their latest accounts indicate that the company is now dormant, and there is no significant financial information. H3G has an Equifax credit score of I (Insolvent). Their latest audited accounts, dated 31/12/13, show a Turnover of £2.04 Billion, Profit Before Tax of £166.5 Million, and a Net Worth of (£5.6 Billion). The negative

net worth is most likely the cause for the Insolvent rating on the credit report. H3G owe £4.5 Billion in short term parent company loans, which is the main cause of the negative net worth.

Roof Top Lease 2 is let to Telefonica o2 UK Limited (“o2”) with the lease expiring 20/01/21. O2 has an Equifax credit score of N (Not Trading – Dormant). Their latest accounts, dated 31/12/2014 indicate that the company is now a dormant company.

THE BORROWER

Borrower

The proposed Borrower, Beta Circle Ltd, is a single asset company acquired to purchase the Subject Property. The sole shareholder is a Mr. Daniel Selby a Chartered Accountant who worked for various organisations including BDO Stoy Hayward and the BBC before establishing his own business ventures and investments. Through Beta Circle, he purchased the Subject Property some 12 months ago since when he has secured planning for change of use to residential.

We have been supplied with a statement of assets and liabilities for Mr. Selby which indicates that he has the cash resources to service interest on the proposed loan, for the period of the loan, without recourse to any rent arising from the Property.

Business Plan

The Borrower intends to allow the extant leases to expire over the next two years. If tenants express an interest to remain in the Property, on a short term basis, licences will be granted thereby retaining income but providing the flexibility to obtain full vacant possession when the need arises.

Since acquiring the property in June 2014, the Borrower has managed to extend the existing leases (at higher rents) that were coming to maturity to Q1 2017, as well as granting new leases to new tenants which also expire in Q1 2017. Where new or existing tenants express an interest in a new lease, then it is the intent of the Borrower to ensure these new leases also expire by Q1 2017, thereby generating income but providing the flexibility to obtain full vacant possession by during Q1 2017. The Borrower will continue to monitor local market developments and make a decision by Q1 2017 as to its preferred course of action. This could include a sale of the property (with the benefit of vacant possession if that is the buyers preference), redevelop it as residential units (either on its own or with a partner) or even to retain the property as commercial office premises and thus issue new longer term leases.

SECURITY & SERVICEABILITY

Security

The Security for the Borrower's performance under the loans will be documented by Keystone Law and held in trust on behalf of all the lenders by Proplend Security Limited. Such security will include:

- A first legal charge over the Freehold Property.
- A deposit of £42,656 will be retained from the loan and will be used to pay interest in the event that the Borrower defaults.
- A Personal Guarantee from Mr Daniel Selby limited to the sum of £200,000. This is sufficient to cover interest for the full period of the proposed loan.

Interest Reserve

Proplend will retain £42,656 (6 months interest) from the gross loan amount which will be held on account should the Borrower fail to meet the interest payments as they fall due.

Serviceability

The Site is currently producing a rental income of £206,685 per annum. The interest servicing cost will be £85,313 per annum.

The Interest Cover Ratio is 2.42x, indicating that rental income is sufficient to cover the interest expense.

The Borrower may not renew the existing leases as they come to maturity, in order that full vacant possession could be achieved within a two year period. The rental income could, therefore, decrease during the loan term although short term licences may be given to any tenant wishing to extend its occupancy for a limited period.

Assuming no licences are granted and no current licences renewed, however, the aggregate rental income in 2016 could decrease to £143,000 which will give an interest cover ratio of 1.68x. For the period from January 2017 to Oct 2017 the overall income could reduce to approx. £38,231, compared to an interest servicing cost for the same period of £71,094. This would produce an interest cover ratio of 0.54x and a deficit of £32,863.

The Borrower and its Director are not expecting this scenario, as additional income can be derived from short term licences. Should a shortfall arise for this period, it will be serviced from cash reserves from within the Company or from an injection of funds by Mr Selby. As a last resort, the 6 months interest reserve, retained by Proplend Security Limited in the sum of £42,656 can be used.

Covenants

- Asset Cover (LTV) maximum 70%
- There is no interest cover covenant as the the Borrower requires the flexibility

to obtain vacant possession in the event of it being a condition of sale.

RISKS

Loan Risks and Mitigation

- Decrease in property values. This is mitigated by the low loan to value of 50% and a higher vacant possession value than current market value, owing to the development potential of the property.

Loan Rationale / Conclusion

In addition to a low loan to value and a strong current interest cover ratio of 2.42x, the loan will be further supported by a personal guarantee of £200,000 from the Director and shareholder. There is also a 6 month interest reserve retained on account, should the Borrower and Guarantor both fail to service interest.

The property is in a good location, close to the centre of a major London suburb and much sought after by residential developers. The value of the security increases as the current leases fall away.

DOCUMENTS

Additional Documents

The following documents are available to download via the Loan Request screen:

1. A Draft Standard Loan Contract
2. The Legal Report & Property Summary
3. A copy of the Valuation Report dated 2nd April 2015

NEXT STEPS

If you are **interested in participating in this Loan Request** and are already fully registered with Proplend then:

1. log-in your *Proplend Lenders Account*, go to *Loan Requests* and select the Loan
2. If the *Loan Request* is still *Pending* you can register your interest via the *Pre-Offer* facility
3. If the *Loan Request* is *Active* and your Proplend account has sufficient funds to cover your Loan Offer then pick the Tranche you wish to lend into and click *Lend Now*. You will be required to enter the loan amount twice and then *Lend Now*. You then have the option to Lend again into a different Tranche if you wish. A copy of the Loan contract signed by you will appear in the *Waiting to Close* screen in your *Lender Dashboard*. When all the Loan Tranches are 100% filled, the Borrower will be invited to sign the Loan Contracts and the final Security documentation will be completed by Proplend Security Limited before drawing down the loan. This may take up to 10 days from 100% funding and you will be kept informed.
4. If you need to transfer funds to your Lender Account in order to make an Offer to Lend then go to the *Lender Dashboard* and *Transfer Funds* Screen. Here you will find our *Barclays Client Money Account details*, ensure to include your unique *Lender Reference* when you make the transfer or this may delay the transfer. Please let us know you are transferring funds via the *quick email facility*.
5. Once your funds have cleared in your Lender Account you will be able to make an *Offer to Lend*.
6. If you have any questions, please call us on 0203 379 8290

PROPLEND DISCLAIMER - PLEASE NOTE:

The information provided in this Loan Request is provided solely by the applicant borrower and not Proplend Ltd (“Proplend”) or Proplend Security Limited (“PSL”). Neither Proplend nor PSL has verified or audited the information in the Loan Request or the Loan Request itself; and the publication of the Loan Request by the applicant on the Service Website does not constitute any approval, endorsement or representation by Proplend or PSL in relation to the Loan Request. Neither Proplend nor PSL provides any warranty, representation or undertaking as to the accuracy, timeliness or reliability of the information in the Loan Request or that the Loan Request or any Due Diligence Material accurately reflects the risks associated with the Loan Request; nor does Proplend or PSL make any recommendation or give any advice of any kind in relation to the Loan Request. Expected bad debt estimates are estimates for general guidance only and neither Proplend nor PSL warrant their accuracy or reliability. Lenders should seek their own independent legal, financial, tax or other advice before lending. Capital at Risk.