



# Proplend Loan Request

<b>Date</b>	12 <sup>th</sup> May 2015
<b>Property Name</b>	281 Broadway, Bexleyheath and 38-40 Belmont Road, Erith
<b>Property Description (Short)</b>	Two mixed use, commercial properties on busy trunk roads in Essex. Three commercial tenants in each Property.



## Loan Request Summary

<b>Borrower</b>	An Individual	<b>Valuation</b>	£ 1,305,000
<b>Loan Type</b>	Commercial Investment	<b>Total Loan Required</b>	£ 978,000
<b>Purchase/Refinance</b>	Refinance	<b>Loan to value (LTV)</b>	75%
<b>Property Asset Class</b>	Mixed Use	<b>Whole loan blended interest rate p/a</b>	8.58%
<b>Property Income</b>	£106,744 p.a.	<b>Rental Value</b>	£108,500 p.a.

## Borrowers Loan Requirement

Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Loan Term
C	High	66-75%	£ 129,750	11.00%	
B	Med	51-65%	£ 195,750	9.75%	
A	Low	0-50%	£ 652,500	7.75%	
<b>Total</b>			<b>£ 978,000</b>	<b>8.58%</b>	<b>24 Months</b>

## OVERVIEW

### The Borrower

The proposed Borrower is a local businessman and developer who owns the Subject Properties in his own name.

### The Properties

#### **Bexleyheath**

- This is a mixed use property comprising two retail units fronting the Broadway and three storage units / open yard area to the rear that is situated away from the main retail pitch, amongst a large tertiary mix of local traders.
- There are 3 tenants which yield an annual income of £53,000. Tenancy expiry dates vary from January 2018 – February 2019.
- There are currently no vacant units.
- Cluttons LLP valued the Property on 2 April 2015 at a market value of £775,000 and a vacant possession value of £660,000.

#### **Erith**

- This is a mixed use property comprising a car showroom with forecourt, an additional car maintenance workshop to the rear, and two other buildings which are occupied by vehicle paint spraying and bodyworks repairs.
- There are 3 tenants which yield an annual income of £53,744. Tenancy expiry dates vary from September 2017 – October 2019.
- There are currently no vacant units.
- Cluttons LLP valued the Property on 2 April 2015 at a market value of £530,000 and a vacant possession value of £450,000.

### Loan Request

- The Borrower has residual loans at Nationwide totalling £975,000 (including redemption fees). The net loan, after the retention of fees and 6 months interest provision, will be £916,476 and the Borrower's Solicitor has confirmed that the Borrower will provide the balance required to clear Nationwide from his own resources. The proposed gearing level, based on the Market Value, will be 75%.
- Tranche A, comprising £652,500, will attract gross interest of 7.75%.
- Tranche B comprising £195,750 will attract gross interest of 9.75%.
- Tranche C comprising £129,750 will attract gross interest of 11.00%.
- Lenders are offered the opportunity to lend with minimum loan amounts of £25,001 on a **'first come first lend'** basis

### Security

- The Loan will be supported by a first legal charge over the Properties.
- Proplend will retain 6 months interest (£41,963) from the Loan, which will be held on account and used to service interest, should the borrower fail to meet a monthly repayment.

## The PROPERTIES

### Location

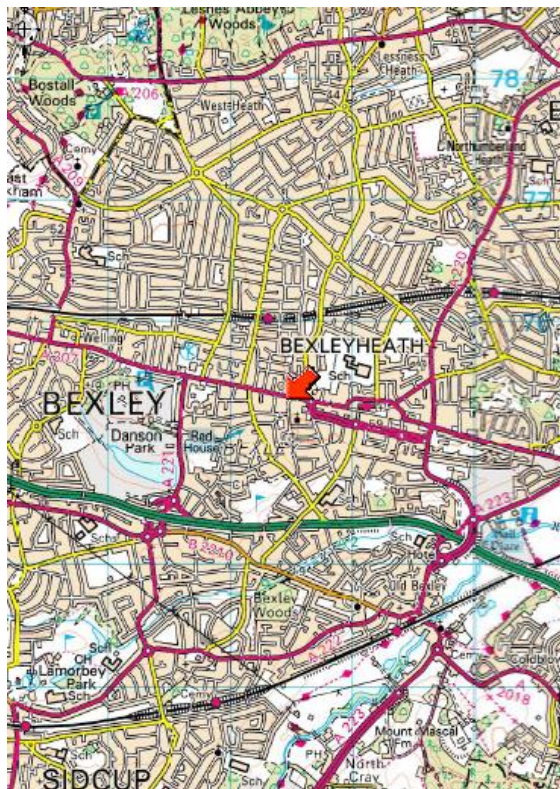
#### Bexleyheath

The address of the Subject Property is 281 Broadway, Bexleyheath, Essex DA6 8DG.

It is located on the southern side of Broadway (A207), within the London Borough of Bexley. Bexleyheath is a suburban district of south east London.

The site is located away from the main retail pitch, amongst a largely tertiary mix of local traders, which include restaurants, dry cleaners, and public houses. An Asda store is located within a short distance, and the Property is approximately a 10 minute walk from Bexleyheath Station for access to Central London via Charing Cross.

The Property is not only accessed from Broadway, but there is also vehicle access and a right of way from Lion Road. The Borrower also developed and owns Bethany Lodge to the east of the Subject Property. This could provide further vehicular access and a development opportunity for the Subject Property (subject to planning permission) at some future date.



## Erith

This Property is located on the northern side of Belmont Road in Erith, Kent, within the London Borough of Bexley. Erith is a district of south east London.

The site is set back from the road, adjacent to an office, a hand car wash, newsagent, and petrol station. The surrounding area is predominantly residential and the Borrower has recently developed a block of flats adjoining the Subject Property. He has previously secured planning permission to develop offices on the first floor of the front unit of the Property and he will be seeking permission to change its use to a residential flat. This will enhance the value of the Property.

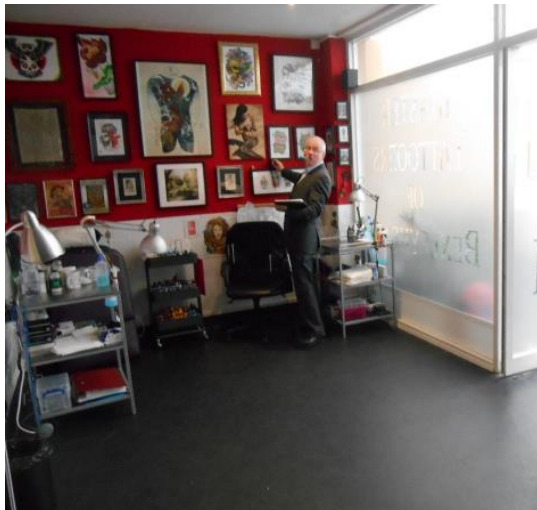




## Asset Description

### Bexleyheath

- The Subject Property comprises an office, a retail unit, three industrial buildings and an open storage/yard area.
- The retail unit, comprising 1,230 sq.ft, is arranged over ground floor with rear and first floor ancillary space. Internally, the ground floor unit comprises a front reception area, rear treatment rooms, kitchen and WC.
- The office space is accessed from Broadway adjacent to the retail unit. It provides 866 sq.ft in an open plan layout plus a mezzanine floor.
- To the rear of the offices is a steel framed light industrial unit of 1,66sq.ft.
- The Property also includes a brick built industrial building with a pitched corrugated roof, two roller shutter doors, an ancillary carpeted office and a small kitchenette. This provides accommodation of a further 1,053 sq.ft.
- At the rear of the site is a large open ended storage and yard area with a pitched corrugated roof and concrete floor. This unit provides a further 3,223 sq.ft.



## Erith

- The Subject Property comprises a car showroom and garage workshops. Access to the site is from Belmont Road, with a concrete forecourt and showroom to the left of the plot and with garage workshops to the rear of the showroom.
- Externally, the single storey showroom (building 1) comprises 677 sq.ft with brick elevations and double glazed windows beneath a flat roof. It includes a small office to the rear. The Borrower has secured planning permission to build an office over the current unit and he will seek to get change of use to a residential unit. Given his residential development immediately next door and the predominance of residential property in the area, this change of use is anticipated.
- To the rear of the showroom is a garage workshop (building 2) occupied by GW Coachworks. The garage comprises exposed block walls, a concrete floor, fluorescent tube lighting and is fitted with a paint shop to the rear. It provides accommodation of 703 sq.ft.
- An additional garage (building 3), comprising 830 sq.ft. is occupied by GW Coachworks and is located opposite and to the rear of the site. Externally, the single storey garage comprises brick elevations and basic up and over shutter doors, beneath a pitched corrugated asbestos roof. Internally the workshop comprises a concrete floor, exposed brick walls, fluorescent tube lighting and a small office to the left.
- At the back of the site is a 648 sq.ft. detached single storey unit (building 4), with metal clad walls, fluorescent tube lighting and a basic up and over shutter door, beneath a pitched steel truss roof.



## Tenure

Both Properties have Freehold Title.

## Valuation

### Bexleyheath

A valuation of the Property was carried out by Cluttons LLP on 02 April 2015, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

<b>Market Value:</b>	£ 775,000
<b>Vacant Possession:</b>	£ 660,000
<b>Market Rent:</b>	£ 62,100

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

### Erith

A valuation of the Property was carried out by Cluttons LLP on 02 April 2015, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

<b>Market Value:</b>	£ 530,000
<b>Vacant Possession:</b>	£ 450,000
<b>Market Rent:</b>	£ 46,400

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

The two properties provide aggregate security valued at £1,305,000.

## Certificate of Title

A draft Certificate of Title will be supplied by the Borrower's 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**

#### **Bexleyheath**

The retail unit is occupied by Master Tattooers of Bexleyheath on a five year lease commencing 3/02/14 and ending 2/02/19. The current rent is £15,000 p.a. with a review due in February 2017. The lease is in the name of Graham Hodgson of Master Tattooers of Bexleyheath, and as such there is no financial information available on the tenant.

The office unit is occupied by Emperor Homes Limited on a five year lease commencing 6/05/13 and ending 5/05/18. The current rent is £12,000 p.a. with a review in May 2016.

The three industrial units are all occupied by Bexleyheath Metals Ltd on a five year lease commencing 7/01/13 and ending 6/01/18. The current rent is £26,000 p.a. with a review due in January 2016.

It should be noted that the Borrower has an interest in Emperor Homes Ltd and his son owns Bexleyheath Metals Ltd. There are, however, are formal leases in place and all three tenants pay rent to the Borrower. The current aggregate rental income is £53,000 p.a., which is sufficient (along with the rent from the second property) to service the proposed loan. The recent valuation by Cluttons indicates, however, that this income could be increased to £62,100 p.a. if the units had to be re-let in the open market.

#### **Erith**

The car showroom unit is occupied by Ravinder Chhokar on a five year lease commencing 13/10/14. The current rent is £14,000 p.a. with a review due in October 2017.

The car body repairs unit is occupied by GW Coachworks on a 5 year lease commencing 10/09/12. The current rent is £30,540 p.a. with a review in September 2015.

The car mechanic unit is occupied by WD Autos on a five year lease commencing 10/09/12. The current rent is £9,204 with a review due in October 2017.

All of the leases at the Erith property are to sole proprietors and there is no additional financial information or business credit information available.

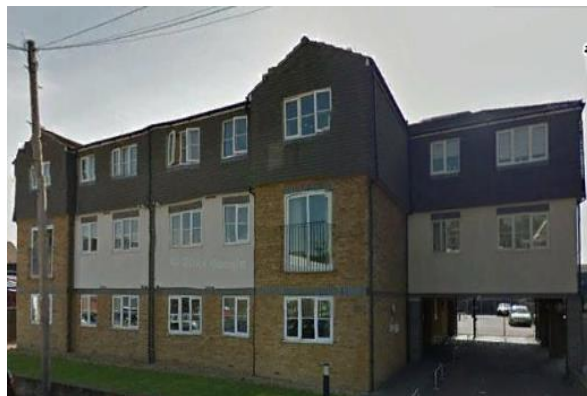


## **THE BORROWER**

### **Borrower**

Ronald Lee Johnson, aged 53, is a developer who, through his company “Emperor Homes Ltd” has built numerous residential unit in and around East London. These include 11 luxury apartments in the affluent area of Blackheath (see photo below left). He also built 14 flats known as Bethany Lodge (see photo below right). This development adjoins the Subject Property at 281 Broadway, providing it with, potentially, a third access and thereby enhancing its potential for residential development

A statement of assets and liabilities produced by the Borrower indicates that he owns property investments with an aggregate value of approximately £30 million and combined borrowings of £21.7 million. A recent Experian credit report on Mr Johnson indicates a score of 740 out of a possible maximum score of 999 which Experian considers to be a “Fair” score.



### **Business Plan**

The Borrower intends to apply for planning permission on both Properties to develop residential units. He will then seek development finance or sell either of the Properties with the benefit of the planning permission.

## **SECURITY & SERVICIABILITY**

### **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 Subject Properties.

### **Interest Reserve**

Proplend will retain £41,963 (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 £106,744 per annum. Interest expense will be £83,927.

The Interest Cover Ratio is 1.27x, indicating that rental income is sufficient to cover the interest expense.

### **Covenants**

- Asset Cover (LTV) minimum 80%
- Interest Cover (rent to interest ratio) minimum 1.25:1

## **RISKS**

### **Loan Risks and Mitigation**

- Loss of tenants. This is mitigated by a Market Rental Value of £108,500, which slightly more than the current rental income being received. In addition, the valuer indicated a Vacant Possession value of £1.11 million, which would more than cover the repayment of the loan if a sale of the properties was the preferred method of repayment.
- Decrease in property values. We have 2 separate properties as security, both of which have a potential to increase value through obtaining residential planning permission.

### **Loan Rationale / Conclusion**

The Borrower is an experienced investor and developer and is offering two fully let properties on 5 year leases, with the first lease expiry taking place after the maturity date of the loan. There is also the benefit of retaining a total of 6 months interest in a reserve account, which will can help provide the necessary servicing for a quarter of the loan term, if necessary.

## **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 Reports dated 2<sup>nd</sup> 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

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