



Proplend Loan Request

Date	03/06/2016
Property Name	14, 15, &16 George Street, Birmingham, B12 9RG 109 - 117 Sydenham Road, Small Heath, Birmingham B11 1DG
Property Description (Short)	A portfolio of office and industrial workshops in the Birmingham area.



Loan Request Summary

Borrower	A Limited Company	Valuation	£ 1,300,000
Loan Type	Commercial Investment	Total Loan Required	£ 815,000
Purchase/Refinance	Purchase	Loan to value (LTV)	63%
Property Asset Class	Freehold Office and workspace	Whole loan blended interest rate p/a	9.06%
Property Income	£103,682 p.a.	Rental Value	£116,000

Borrowers Loan Requirement

Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Interest Cover	Term
C	High	66-75%	£ ---	---		
B	Med	51-65%	£ 165,000	10.30%		
A	Low	0-50%	£ 650,000	8.75%		
Total			£ 815,000	9.06%	1.30x	18 Months

OVERVIEW

Borrower

- The proposed Borrower is a Limited Company. The two Directors who will purchase the existing company are both Chartered Surveyors and own a well-established commercial property agency based in the Birmingham area.
- Asset and Liability statements of The Directors show total net assets of £2.3 million and £431,000, for a total of £2.7 million. The assets are mainly in real estate and pensions.
- The Directors are well placed to actively manage and optimise the income from the two Properties. The Directors will provide a personal guarantee for the total sum of £200,000.
- The business plan / exit strategy of The Directors is to sell the industrial units to the current tenants over the next 18 months. They intend to keep the office units at the George Street location.

Properties

- The Portfolio comprises two properties which are being purchased.
- The first Property lies approx. 1.5 miles from the centre of Birmingham. Originally three houses, the Property now provides some 2133 sq ft of office space let to 9 tenants. The current gross income from these tenancies is £13,846 p.a. and its value is £400,000.
- The second Property lies about 2.5 miles from Birmingham's city centre and comprises a former factory which has been converted into office, workshop and storage units total about 28,280 sq ft. 19 tenants occupy the space paying an aggregate income of £89,836 p.a. and its value is £900,000.
- The Dec 2015 Bruton Knowles valuation indicated a combined security value of £1,300,000 and a market rental value of £116,000 p.a. The current combined rental income is £103,682 p.a.
- Annual interest expense is £73,870, giving an interest cover of 1.3x against a 90% occupancy and 1.40x against current rental income.

Loan Request

- The proposed gearing level, based on the Market Value, will be 63%.
- Tranche B, comprising £165,000, will attract gross interest of 10.3%.
- Tranche A, comprising £650,000, will attract gross interest of 8.75%.
- Lenders are offered the opportunity to lend with minimum loan amounts of £1,000 on a **'first come first lend'** basis.
- This Loan Investment is SIPP and SASS eligible.

Security

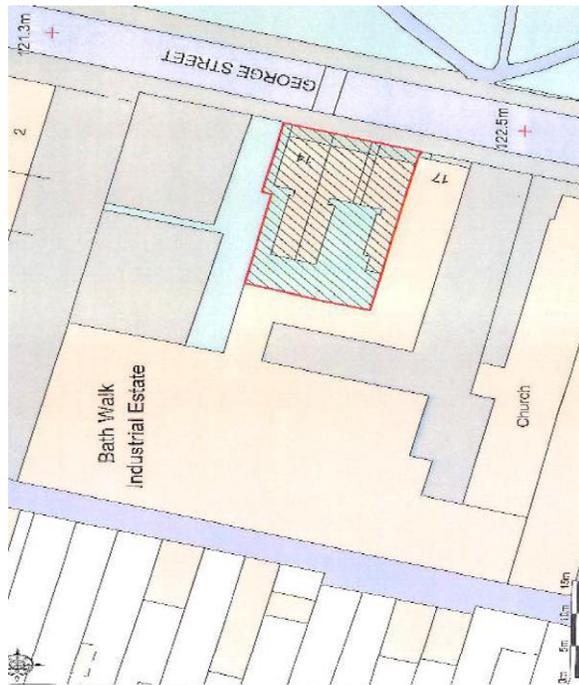
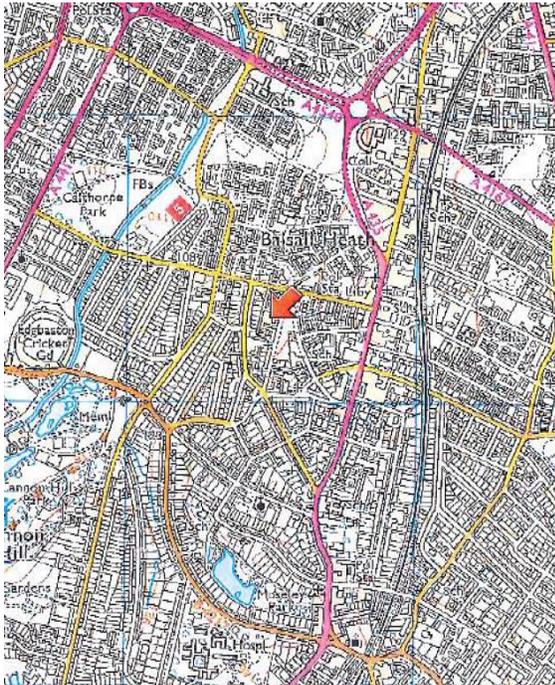
- The Loan will be supported by a first legal charge over the two Properties.
- Proplend Security Limited will retain 6 months' interest (£36,935) from the Loan, which will be held on account and used to service interest, should the Borrower fail to meet a monthly repayment.
- A Personal Guarantee from the Directors and Shareholders, limited to the total amount of £200,000, will be obtained.

THE PROPERTY

Location

14-16 George Street

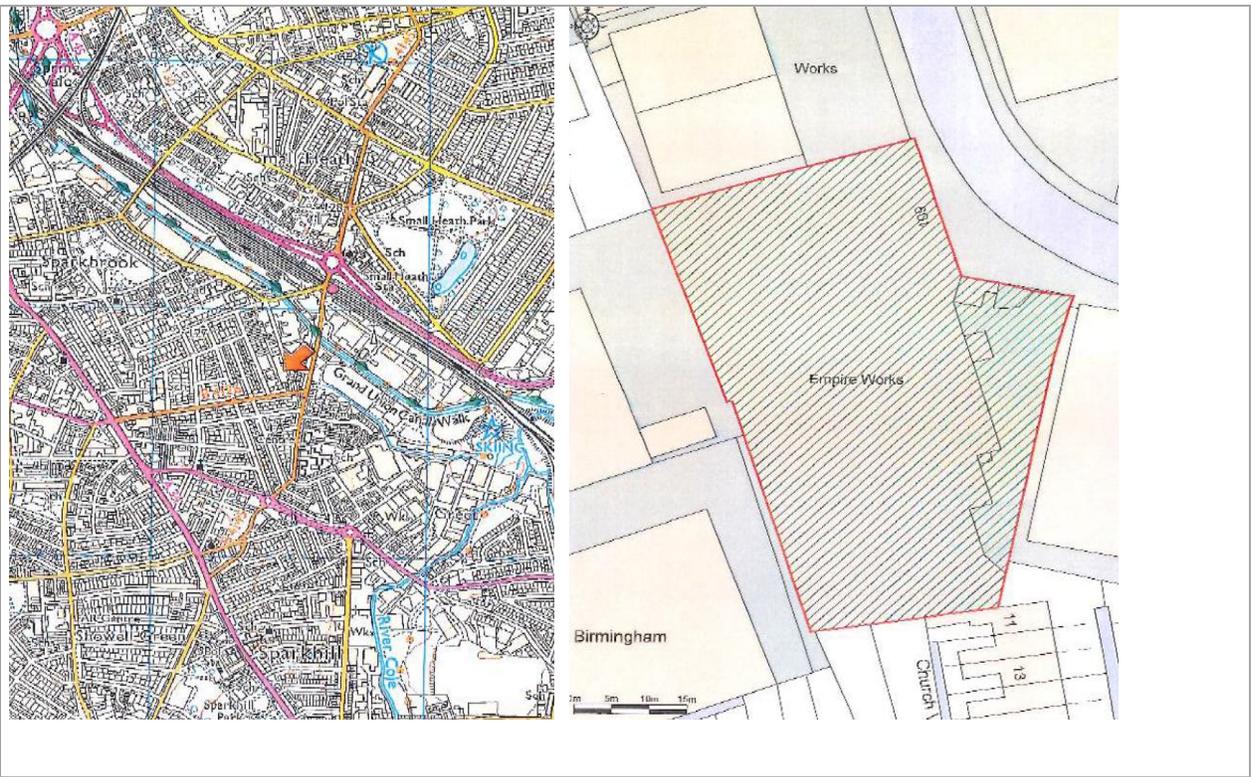
The Property is located 1.5 miles southeast of Birmingham City Centre, in an area of mixed commercial uses. There is good access to the local, regional, and national road systems. Occupiers within the immediate vicinity include showrooms, trade counters, tyre sales, and residential dwellings. There are also a number of older properties that are long term vacant pending refurbishment and redevelopment.



109 – 117 Sydenham Road

The Property is located 2.5 miles southeast of Birmingham City Centre and has excellent communication with motorways and main A roads, in addition to national links to the M6, M5, and M42.

Situated in the Small Heath area of the city, the area predominantly contains old industrial space with some redevelopment and future developments planned.



Asset Description

14-16 George Street

The Property is a multi-occupied office / storage of reasonable quality converted from 3 terraced former residential units fronting George Street.

The Properties are each of traditional construction with pitched roof, all of which have been converted to form 2 storey offices occupying 2,134 sq ft.



109 – 117 Sydenham Road

The Property is a 19th Century former factory which has been subdivided to create workshops and storage arranged over ground, first, and second floor levels.

The Property is generally of brick construction and surmounted by a multi-pitched roof and occupies 28,280 sq ft.

This property should attract potential investors due to the level of occupancy and the opportunity to maximise income, in addition to the long term redevelopment opportunities available.



Tenure

The Properties have Freehold Title.

Valuation

A valuation of the Properties was carried out by Bruton Knowles in December 2015, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

14-16 George Street

Market Value: £ 400,000
Vacant Possession Value £ 325,000
Market Rent: £ 26,000 p.a.

109 – 117 Sydenham Road

Market Value: £ 900,000

Vacant Possession Value £ 850,000

Market Rent: £ 90,000 p.a.

Bruton Knowles confirmed on 23rd May 2016 that the valuation of the properties have not decreased since their initial report in December 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 & LEASES

Tenants and Leases

14-16 George Street

Floor / Unit	Tenant	License Date	Annual Rent
15 George Street			
Ground Floor - Unit 57	Mr R C D'Arcy	20/06/2013	£ 1,716.00
Ground Floor - Unit 58	Mr A Akhtar	04/04/2014	£ 1,188.00
Ground Floor - Unit 59	Mr S S Bhachu	01/09/2012	£ 1,143.96
1st - Unit 60	Ms S B Andrews	10/09/2014	£ 1,716.00
1st - Unit 61	Mr Khames M Benhamadi	23/04/2014	£ 1,188.00
Total			£ 6,951.96
14 George Street			
Ground - Unit 62 / 63	Vacant		
Ground - Unit 64	Mr Mark Wilson	06/08/2008	£ 1,143.96
1st - Unit 65	Mr Abdul Sattar	14/08/2015	£ 1,619.88
1st - Unit 66	Mr Z Ramzan	13/01/2015	£ 1,430.04
2nd - Unit 67 / 68	Mr Juntal Ding	01/06/2014	£ 2,700.00
Total			£ 6,893.88
Grand Total			£ 13,845.84

There are currently 9 tenants and 1 vacant unit. All tenancies are let on a basic FRI lease agreement. The tenants are individuals / directors of companies, and no further financial information is available on them. There are no rental arrears as at the date of this report.

The tenants range from accountants, physiotherapists, herbal therapists, and a bookkeeper.

109 – 117 Sydenham Road

Floor / Unit	Tenant	License Date	Annual Rent
111-117 Sydenham Road			
Ground Floor - Unit 1	Mr T L Coates	01/10/2014	£ 9,438.00
Ground Floor - Unit 2	Mr C S Ali	07/03/2009	£ 7,799.76
Ground Floor - Unit 3	Mr M Basharat	01/04/2012	£ 7,799.76
Ground Floor - Unit 4	Mrs B Yassin	01/04/2014	£ 5,720.04
Ground Floor - Unit 5	Mr G Roberts	06/08/2014	£ 6,592.92
Ground Floor - Unit 6	Mr S Sumar	27/01/2014	£ 4,419.96
Total			£ 41,770.44
109 Sydenham Road			
Ground - Unit 7/ 8	Mr H Sokhi	15/08/2014	£ 7,799.76
Ground - Unit 9	Mr H Sokhi	15/03/2011	£ 1,143.96
Ground - Unit 10	Mr A Zulafiqar	01/02/2011	£ 4,200.00
Ground - Unit 11	Mr R Forbes	15/06/2015	£ 4,004.04
Ground - Unit 12	Mr Z Abbas	16/05/2014	£ 4,200.24
Ground - Unit 13	Mr M Riaz	08/01/2013	£ 4,800.00
Ground - Unit 14	Mr A L Boyce	05/12/2011	£ 2,859.96
1st - Unit 15	Mr Amer Ellahi	16/03/2015	£ 2,288.04
1st - Unit 16	AWAITING INFO - New tenant	TBD	£ 1,716.00
1st - Unit 17	Messrs Fazal Hussain	01/10/2012	£ 1,499.76
1st - Unit 18 / 19	Ms Sophia Smith	01/08/2015	£ 4,004.04
1st - Unit 20	Mr R J Stevens	01/12/2010	£ 3,432.00
1st - Unit 21	Mr A G Kakar	28/02/2014	£ 2,400.12
1st - Unit 22	Mr J Thompson	01/01/2015	£ 3,717.96
Total			£ 48,065.88
Grand Total			£ 89,836.32

There are currently 19 tenants spread over 20 licenses and no vacant units. All tenancies are let on a basic FRI lease agreement. The tenants are individuals / directors of companies, and no further financial information is available on them. There are no rental arrears as at the date of this report.

Tenants range from a double glazing company, a bed maker, metal fabricators, a storage facility, and an e-commerce business.

THE BORROWER

Borrower

The proposed Borrower, Goodman and Fineman Ltd, is a single asset company being acquired to purchase the Subject Properties. The two Directors, Mike Nattrass and Chris Booth, who will purchase the existing company are both Chartered Surveyors and run a well-established commercial property agency based in the Birmingham area.

Goodman and Fineman Ltd has an Equifax Credit Score of C+ (Above Average). Their latest accounts (abbreviated), dated 31/07/15, show Total Assets of £252,204 and Shareholder Funds of £153,144.

Mike Nattrass qualified as a Chartered Surveyor in the 1960's. After working for various companies, he established his own business in 1980. From 2004 – 2014 Mr Nattrass was an MP. We have been supplied with a statement of assets and liabilities for Mr Nattrass which indicates that he has net assets of £2.3m, mainly in property and pensions.

Chris Booth qualified as a Chartered Surveyor in 2003. He has been in the property management business since 1999. We have been supplied with a statement of assets and liabilities for Mr Booth which indicates that he has net assets of £431,000, mainly in property.

Business Plan

The business plan / exit strategy of The Directors is to sell the industrial units to the current tenants over the next 18 months. They intend to keep the office units at the George Street location.

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 Properties.
- A deposit of £36,935 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 Nattrass and Mr Booth, limited to the total sum of £200,000. This is sufficient to cover interest for the full period of the proposed loan.

Interest Reserve

Proplend will retain £36,935 (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 Sites are currently producing a combined rental income of £103,682 per annum. Given the nature of the licenses, we have conservatively underwritten the loan based on a 10% vacancy (£95,888).

The interest servicing cost will be £73,870 per annum.

The Interest Cover Ratio is 1.30x against a 10% vacancy, indicating that rental income is sufficient to cover the interest expense.

Covenants

- Asset Cover (LTV) maximum 70%
- Interest Cover (ICR) minimum 1.25x

RISKS

Loan Risks and Mitigation

- Loss of tenants. The rental income has been discounted by 10% (actual rental level is 96%), which provides a buffer for a decrease in income but will still ensure the 1.25x covenant is not breached.
- Decrease in property value. At 63% LTV, the properties would need to decrease in value by 37% (£485,000) before the sale of the properties would not repay the loan.
- Two properties held as security which can be sold in the event of default.

Loan Rationale / Conclusion

Both properties are multi-tenanted (28) so there is no reliance on a single tenant. The historical occupancy has been close to 100%, but we have underwritten assuming a 10% vacancy level.

One of the properties was originally a row of terraced houses which offers the ability to be turned back into residential accommodation. The Borrowers are experienced chartered surveyors who have intimate local knowledge of the Birmingham market through their business and existing similar property holdings. In addition to a strong loan to value, the loan will be further supported by a personal guarantees of £200,000 from the Directors. There is also a 6 month interest reserve retained on account, should the Borrower and Guarantor both fail to service interest.

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 December 2015
4. A copy of the Value Confirmation dated May 2016

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:

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