



Proplend Loan Request

Date	04/07/2016
Property Name	Imperial Trading Estate, Lambs Lane North, Rainham, Essex, RM13 9XL
Property Description (Short)	Mix of industrial and warehouse/trade units in a fenced and gated 1.67 acre yard



Loan Request Summary

Borrower	A Limited Company	Valuation	£ 1,325,000
Loan Type	Commercial Investment	Total Loan Required	£ 500,000
Purchase/Refinance	Purchase	Loan to value (LTV)	38%
Property Asset Class	Industrial	Whole loan blended interest rate p/a	7.50%
Property Income	£122,022 p.a.	Rental Value	£152,000

Borrowers Loan Requirement

Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Interest Cover	Term
C	High	66-75%	£ ---	---		
B	Med	51-65%	£ ---	---		
A	Low	0-50%	£ 500,000	7.50%		
Total			£ 500,000	7.50%	3.25x	24 Months

OVERVIEW

Borrower

The proposed Borrower is a Limited Company.

Property

- Industrial estate occupying a 1.7 acre plot. Existing buildings measure c. 36,650 sq ft.
- Income is currently derived from 20 tenants occupying 22 units, a BT (O2) Telephone mast, a portacabin café, and storage containers. Occupancy has historically been over 90% but is normally at full capacity.
- There are an additional four tenants that have purchased long leasehold interests to their respective units (a total of 7 units).
- The tenants are on 28 day notice licenses, but the majority of tenants are long term, having been in occupation for 5+ years.
- A formal valuation by Kemsley was completed in March 2016 which indicated a Current Market Value of £1,325,000.
- An informal valuation in 2014 indicated a Gross Development Value of £6 – 7.5 million, and a Site Value, with Planning Consent, in excess of £2.5 million.
- The property is currently unencumbered.
- The Directors have been managing all aspects of the investment since it was purchased in 1986.

Loan Request

- The loan is to assist with the purchase of shares from an existing partner who is very ill and who, along with his family, own 60% of the company.
- The agreed purchase price for the 60% shareholding is £575,000. The purchasing Directors will be investing £125,000 of their own funds and also financing the associated valuation/solicitors fees.
- The industrial estate is the only asset in the company.
- The proposed loan of £500,000 includes a provision for the retention of six months interest and the payment of Proplend fees.
- The proposed gearing level will be 38%.
- Annual interest expense will be £37,500, giving an interest cover of 3.25x against current rental income.

Loan Tranche

- Tranche A, comprising £500,000, will attract gross interest of 7.5%.p.a.
- Lenders are offered the opportunity to lend with minimum loan amounts of £1,000 on a 'first come first lend' basis.
- The loan is SIPP and SSAS eligible.

Security

- The Loan will be supported by a first legal charge over the Property.
- Proplend Security Limited will retain 6 months interest from the Loan, which will be held on account and used to service interest, should the Borrower fail to meet a monthly repayment.
- Personal Joint and Several Guarantee from the ongoing Directors of the Borrower, limited to the sum of £100,000.

THE PROPERTY

Location

The Property is located in Rainham, a suburb of London situated 18 miles east of its centre. Rainham is well placed for access to the national road network, with easy access to the M25 via the A13.

The Property is located on the northern side of Lambs Lane North in a predominately residential area (although the immediate surrounding properties are industrial premises).



Asset Description

The Property comprises an industrial estate made up of a number of very small to medium sized industrial units with a perimeter road running around the outside.

The Property was built in the 1930's, most likely as a single occupancy site, which was subsequently broken up into a large number of smaller units. The units are generally of solid, load bearing brickwork elevations with duo-pitched roofs supported by metal or timber frames. They offer accommodation aimed at the bottom end of the rental market, and many occupiers trade in motor repairs, which gives the estate a scruffy appearance.

Approximate Gross Internal Area is approximately 36,650 ft² (24,826 ft² excluding the long leasehold properties). The rectangular parcel of land measures approximately 6,750.3 m² (1.67 acres)



Tenure

The Property has Freehold Title.

Valuation

A valuation of the Property was carried out by Kemsley LLP in March 2016, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

Market Value: £ 1,325,000

Vacant Possession Value £ 1,325,000

Market Rent: £ 152,000 p.a.

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 & LEASES

Tenants and Leases

There are currently 20 tenants occupying 22 units, a BT (O2) telephone mast, a portacabin café, and storage containers providing income. In addition, there are four tenants that have purchased long leasehold interests to their respective units (a total of 7 units).

Unit Number	Tenant	Tenancy Start	Annual Rent		Comments
Imperial Trading Estate, Lambs Lane, Rainham, Essex					
1070	A-wan Venture UK Ltd	01.05.2015	£4,200.00		
1071	D. Bematavicius	16.09.2013	£4,200.00		
1072	Floyd Berayemi	01.07.2014	£2,600.00		
1073	Mr. K Adams	01.02.2013	£2,600.00		
1074	N. Lumpitt	01.06.1997	£3,384.00		
1075	S. Snow	01.02.1993	£3,900.00		
1076	Tom Hayes	10.11.2012	£4,200.00		
1077	Pam Stevenson	01.10.2011	£2,400.00		
1078	M. Nobles	09.06.2014	£3,600.00		
1079	Direct Clading	01.02.2014			Service Charge 10%
1080	Direct Clading	01.02.2014			1079, 1080, and 1098 Occupied as 1 Unit
1081	Derwood & Abel	01.04.1978	£16,356.00		
1082	Derwood & Abel	01.04.1978			Included in 1081
1083	V. R. Maeder	01.05.1986	£5,000.00		+ 2.76% Service Charge
1084	John Chambers	01.11.2011	£6,480.00		
1085	X. R. Fastners	01.06.1987			Service Charge 12.18%
1086	X. R. Fastners	01.06.1987			1085 and 1086 Occupied as 1 Unit
1087	P. Slater	01.06.2005	£6,000.00		
1088	P. Slater	29.09.2006	£6,000.00		
1089	Kevin Tom	01.04.2016	£8,400.00		
1090	M. Hillery & Sons	01.10.2014	£8,400.00		
1091	Watmough Panelcraft	01.03.1983	£8,912.00		
1092	B. & S. Davies	01.10.1979			Service Charge 5.35%
1093	Invention 2000 Ltd	01.04.016	£7,500.00		
1094	C&C Site Services	15.05.2005			Service Charge 5.07%
1095	Adrian Stanley	01.01.2008	£3,900.00		
1096	Lary McLod	01.05.2016	£4,200.00		
1097	John Dickson	01.03.2000	£2,880.00		
Café	John Chambers	08.06.1993	£1,320.00		PortaCabin
BT	BT Cellnett (O2)	16.02.1999	£3,250.00		Telephone Mast
Containers	Bones & Hantley		£2,340.00		
Total			£122,022		

The tenants are on 28 day notice licenses, but the majority of tenants are long term, having been in occupation for 5+ years. The majority of tenants are individuals, with no further financial information available. The tenants with financial information available file abbreviated accounts and show minimal assets. Given the nature of the businesses operating from the industrial estate (mechanical, auto, builders' trade), this is to be expected.

There are no rental arrears as at the date of this report.

THE BORROWER

Borrower

The proposed Borrower, District and Suburban Properties Limited (“D&S”), is a single asset company owning the subject Property. The ongoing directors and majority shareholders of D&S will be Ali Gourpinar and Adam Gourpinar. Other family members will hold minority shares.

D&S has an Equifax Credit Score of B (Very Good). Their latest accounts dated 31/03/15, show Turnover of £110,779, Profit Before Tax of £30,017, Total Assets of £853,261, and Net Worth of £772,952.

Ali Gourpinar’s net worth is made up primarily of real estate which is valued at £3.3m with mortgages of £296,000, which give a net worth of £3m.

Adam Gourpinar’s net worth is also primarily real estate valued at £1.47m with mortgages of £670,000, which give a net worth of £800,000.

Business Plan

The Directors have several options for the site. One is to obtain residential planning permission and sell the site to a developer. Other options include selling some of the units piecemeal to the current tenants or a standard commercial refinance of the property at the end of the term.

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 £18,750 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 E Ali Gourpinar and Mr Adam Gourpinar, limited to the total sum of £100,000. This is sufficient to cover interest for the full period of the proposed loan.

Interest Reserve

Proplend will retain £18,750 (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 Property is currently producing rental income of £122,022 per annum.

The interest servicing cost will be £37,500 per annum.

The Interest Cover Ratio is 3.25x indicating that rental income is sufficient to cover the interest expense.

In addition, the Borrowers are aware that current rental income is below market rent (valuation puts market rent at £152,000), and they will be starting a rent review process once the share purchase is complete. This rent review process should result in an increase in overall rental income, which will further strengthen the ICR.

Covenants

- Asset Cover (LTV) maximum 50%
- Interest Cover (ICR) minimum 2.00x

RISKS

Loan Risks and Mitigation

- Loss of tenants. The property is currently fully let and is historically let at over 90%. The rental income stream is not reliant on a single tenant (13% being the highest single tenant percentage). Given the very strong income cover, rental income would have to decrease by 69% before the loan interest could not be met. Additionally, the plans for the property include residential development in which vacant possession will be sought. The Estate is surrounded by residential, new build, schemes setting a precedent for Planning Permission. The Borrower has already declined an unconditional offer to purchase the Site for £1.25 Million.
- Decrease in property value. At 38% LTV, the property could decrease in value by 62% (£825,000) before the property LTV would exceed 100%. Given the potential redevelopment value, a decrease of this nature is highly unlikely.

Loan Rationale / Conclusion

The rationale for the proposed facility is to assist with the purchase of shares in an existing, single asset, company. The company's shares are currently owned by two families, and this loan request would see the existing 40% shareholders obtain 100% shareholding.

This interest only facility for the next 24 months will release surplus rental income to allow the company to renegotiate rents to market level, assist with the potential purchase of the long leaseholds from several of the tenants, and also for the application for planning permission for the residential redevelopment of the site.

The property is in a good location with excellent transport links into London. It provides good collateral to support the loan at 38% LTV and 3.25x interest cover.

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 March 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:

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.