



# Proplend Loan Request

<b>Date</b>	23 February 2017
<b>Property Name</b>	Southfields - Physiotherapy
<b>Property Description (Short)</b>	A ground floor freehold shop, comprising 458 sq ft, let to a physiotherapy / chiropractic practice



## Loan Request Summary

<b>Borrower</b>	A Limited Company	<b>Valuation</b>	£220,000
<b>Loan Type</b>	Commercial Investment	<b>Total Loan Required</b>	£156,000
<b>Purchase/Refinance</b>	Refinance	<b>Loan to value (LTV)</b>	71%
<b>Property Asset Class</b>	Retail / Medical	<b>Whole loan blended interest rate p/a</b>	7.1%
<b>Current Property Income</b>	£14,400 p.a.	<b>Rental Value (including Ground Rent)</b>	£14,400 p.a.

## Borrowers Loan Requirement

Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Interest Cover	Loan Term
C	Higher	66-75%	£ 13,000	10.25%	1.30x	
B	Medium	51-65%	£ 33,000	8.20%	1.48x	
A	Lower	0-50%	£ 110,000	6.40%	2.05x	
<b>Total</b>			<b>£ 156,000</b>	<b>7.1%</b>	<b>1.30x</b>	<b>24 Months</b>

## OVERVIEW

### Borrower

The proposed Borrower is a Limited Company.

### Property

- The Property comprises a ground floor shop, forming part of a Victorian mid-terrace three storey building with residential accommodation above. There is a single tenant on the ground floor, paying £13,400 p.a., who utilises the premises as a physiotherapy / chiropractic practice. The lease expires 5 November 2018, but it is subject to a rolling 6 month break clause. The upper floors are the subject of a long-leasehold interest and produce a ground rent of £1,000 p.a.

### Loan Request

- The loan is to assist with the refinance of the Property, which is a current loan on the Proplend platform. The loan was drawn down in February 2015 and has been paid as agreed, with no late payments or defaults.
- The proposed loan of £156,000 includes a provision for the retention of six months interest and the payment of Proplend fees.
- The proposed gearing level will be 71%.
- Annual interest expense will be £11,079, giving an interest cover of 1.30x against current rental income.

### Loan Tranches

- Tranche C, comprising £13,000, will attract gross interest of 10.25% p.a.
- Tranche B, comprising £33,000, will attract gross interest of 8.20% p.a.
- Tranche A, comprising £110,000, will attract gross interest of 6.40% p.a.
- Lenders are offered the opportunity to lend with minimum loan amounts of £1,000 on a 'first come first lend' basis.

### 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.
- Personal Guarantee from the Director and sole Shareholder of the Borrower, limited to the sum of £156,000.

## **BORROWER**

### **Borrower**

The Borrower is a Limited Company formed for the purpose of holding the Property.

Keildon Property Ltd is owned 100% by Dr Neil Counihan. Dr Counihan is one of the UK's leading orthodontists. He qualified in Dentistry at Kings College Hospital, London, and then studied orthodontics at New York University. In 2000, he opened a private practice in Battersea and in 2004, he co-founded the award winning 'Elleven Orthodontics' in Harley Street.

Dr Counihan is a Registered Specialist in Orthodontics at the General Dental Council of the UK and is an active member of the British and European Orthodontics Societies. He is also one of the few orthodontists in the UK who regularly take on orthognathic cases, and he has had patients from all over the world travel to him for this treatment.

Dr Counihan will also be guaranteeing the loan, limited to £156,000. His property portfolio has a net asset value of £2.47m and is comprised of 10 properties across the UK and Spain.

### **Business Plan**

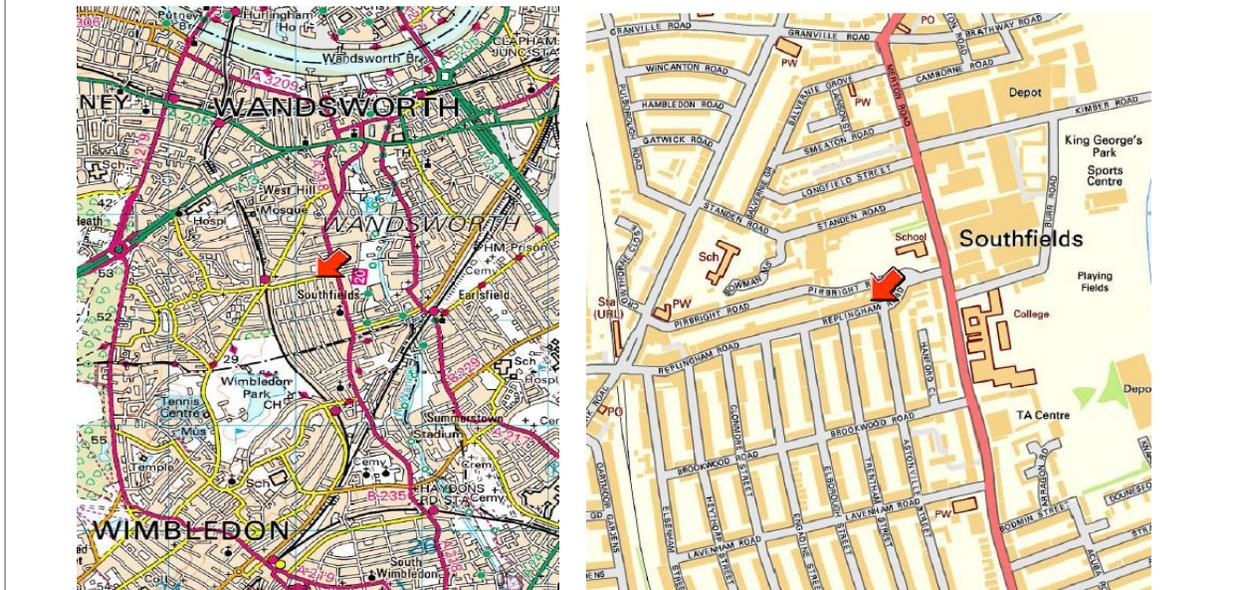
- The Property was purchased in 2000 as a derelict unit. It was refurbished, and it has been let since. The current tenant has been in occupancy since April 2007.
- In 2014, the Property was transferred into the borrowing vehicle, Keildon Property Ltd, and a 999 year lease was granted on the 1<sup>st</sup> and 2<sup>nd</sup> floor residential unit to Dr Counihan. The residential units are valued at £540,000 and are currently income producing.
- The Borrower intends to hold the property as a long term investment and use profits from his other business to redeem the loan or refinance the loan.
- The Borrower is currently a loan on the Proplend platform. The loan was drawn down in Feb 2015 and has been serviced as agreed with no late payments or defaults.

## **PROPERTY**

### **Location**

The subject property is situated on the northern side of Replingham Road in Southfields, an area administered by Wandsworth Council. It is located away from the main retail pitch, within a predominantly residential use location. Surrounding retailers are local traders and include a mix of local restaurants, solicitors, dry cleaners, hair and beauty and home security.

Southfields is a small district, located 6 miles south-west of Charing Cross. The street services local residents and is predominantly made up of independent traders. National retailers that are nearby include Tesco Express, HSBC and Sainsbury's Local. Southfields tube station (District Line) is located a 5-10 minute walk to the west of the subject property, close to the main retail pitch of Southfields.



### **Asset Description**

The Property has brick elevations, with timber framed single glazed windows, beneath a pitched tiled roof. It comprises a ground floor shop forming part of a Victorian mid-terrace. It has three storeys with residential accommodation above the shop unit. The upper floors are let on a long-leasehold interest to Dr Counihan. Only the ground rent of £1,000 p.a. is therefore reflected in the valuation of the freehold interest. The ground floor unit has net internal area of 458 sq ft and is let to a single tenant

The commercial ground floor unit trades as a Physiotherapy / Chiropractic Clinic. Internally, it provides two treatment rooms, a reception area to the rear with separate kitchenette and a WC. There is also access to a side-read courtyard.



#### Tenure

The Property is freehold.

#### Valuations

A valuation of the Property was carried out by Cluttons in February 2017, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

<b>Market Value:</b>	£220,000
<b>Vacant Possession Value:</b>	£190,000
<b>Market Rent (Including Ground Rent):</b>	£ 14,400 p.a.
<b>Market Rent (Excluding Ground Rent):</b>	£ 13,400 p.a.

#### Certificate of Title

A draft Certificate of Title has been 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**

The ground floor of the Property is let to a single tenant, Irene Inger Allen, with lease expiring 5 November 2018, although there is a rolling 6 month break clause. Rental income is £13,400 p.a. The tenant has been in occupation since 2007 and it is expected that the lease will be renewed.

Ms. Allen is the Clinical Director of Southfields Physiotherapy, which she opened in June 2007. The tenant also operates another clinical office on the same road as the Property. She treats all musculoskeletal problems, and her special interest is in gymnastics, martial arts, and dancing injuries.

The upper floors are the subject of a long-leasehold interest (982 years remaining) to Dr Counihan and produce a ground rent of £1,000 p.a.

There are very few, if any, vacant shop units on Replingham Road. Although the Property is situated away from the main retailing pitch, demand is still apparent for small lot sizes (such as the subject Property), resulting in low void periods and therefore attracting a number of private investors to the area.

## **SECURITY & SERVICEABILITY**

### **Security**

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

- The Loan will be supported by a first legal charge over the Property
- 6 months interest will be retained from the Loan and held on account. See Interest Reserve section for further details.
- Personal Guarantee from the Director and sole Shareholder of the Borrower, limited to the sum of £156,000.

### **Interest Reserve**

Proplend will retain £5,539 (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.

When the loan has only 3 monthly payments remaining, subject to the loan contract not being in breach and there having been no arrears, costs, or fees owing, Proplend will distribute the

Lenders' interest from the Interest Reserve as each remaining repayment falls due. The balance of the Interest Reserve will be applied to the repayment of the principal at the end of the term of the loan.

### Serviceability

The Site is currently producing rental income of £14,400 per annum. Interest expense will be £11,079.

The Interest Cover Ratio is 1.30x, indicating that the current rental income is more than sufficient to cover the interest expense.

### Covenants

- Asset Cover (loan to value) maximum 75%.
- Interest Cover minimum 1.2x.

### LENDER RISKS:

RISK	LEVEL	MITIGANT
Risk that the management of the Borrower is not able to execute their business plan.	HIGHER RISK	<ul style="list-style-type: none"> <li>• The Borrower has owned the Property since 2000, and it has been let since the refurbishment was completed. The Guarantor owns the residential accommodation above.</li> <li>• The Guarantor is an orthodontist with an extensive property portfolio, giving him multiple sources of income to service interest and repay the loan, if necessary.</li> <li>• The Borrower intends to hold the Property as a long term investment, and he will either repay the loan from personal funds or refinance.</li> </ul>
	MEDIUM RISK	
	LOWER RISK	
Risk that the Borrower stops making monthly interest payments to Lenders due to loss of lease income and or tenants whose leases had ended, had exercised a lease break or have gone into receivership.	HIGHER RISK	<ul style="list-style-type: none"> <li>• Interest is covered 1.30x, meaning income could decrease by £3,321 (23%) before the interest expense could not be met.</li> <li>• The Property is in a good location in an area with little to no vacancies, so if the tenant were to vacate, the re-let ability of the Property is strong.</li> <li>• Vacant Possession Value is £190k, which is</li> </ul>
	MEDIUM	

	RISK	<p>82% LTVPV. If the security had to be enforced, the value of the Property is likely to be at or above the outstanding loan amount.</p> <ul style="list-style-type: none"> <li>• Proplend holds a 6 month interest reserve, and there is a Personal Guarantee for £156,000 which is the whole loan amount.</li> </ul>
	<b>LOWER RISK</b>	

<p>Risk that the Borrower is unable to repay the loan principal at the end of the loan term because they have not been able to sell or re-finance the property.</p>	HIGHER RISK	<ul style="list-style-type: none"> <li>• At 71% LTV, the property would need to decrease in value by 29% (£64,000) before the LTV would exceed 100%. Given the vacant possession value, a decrease of this nature is unlikely.</li> <li>• Holding a first legal charge secured over the Property which is registered with the Land Registry and Companies House, enables Proplend Security Limited to appoint solicitors and / or a receiver to repossess the Property and sell it, and also execute any other security held from the Borrower.</li> </ul>
	MEDIUM RISK	
	<b>LOWER RISK</b>	

<p>Risk that the Property falls in value due to either macro-economic or property-specific reasons.</p>	<p><b>HIGHER RISK</b> <b>TRANCHE C</b> <b>65-75% LTV</b></p>	<ul style="list-style-type: none"> <li>• The Property is well located in a popular location with independent traders servicing the residents</li> <li>• The Property is let and producing income at Market Rent. Although the lease expires in November 2018, the tenant has been in occupation since 2007 and operates a second site on the same road.</li> <li>• Proplend Security Limited maintains a panel of experienced valuers who must have adequate professional indemnity insurance to provide property valuations.</li> </ul>
	<p><b>MEDIUM RISK</b> <b>TRANCHE B</b> <b>51-64% LTV</b></p>	
	<p><b>LOWER RISK</b> <b>TRANCHE A</b> <b>0-50% LTV</b></p>	

## 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 3 February 2017

### 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 Investments*, and select the Loan.
2. If the *Loan Request* is *Active* on the Proplend Loan Exchange (PLE) and your Proplend account has sufficient funds to cover your investment, pick the Tranche you wish to lend into and click *View Loan*. The next screen will show the amount of the Loan Tranche available and the key details. Click *Invest* to continue. Select the amount you wish to invest using the drop down menu and click *Invest*. Check the Loan Contract and click *Accept*. A copy of the Loan contract signed by you will appear in your *Lender Dashboard*. Follow the same process to invest into another Tranche.
3. If the Loan Investment is *In Funding*, 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 the *Loan Request* is still *Pending* you can register your interest via the *Pre-Offer* facility.
5. If you need to transfer funds to your Lender Account in order to make an investment or an Offer to Lend then go to the *Lender Dashboard Banking* 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*.
6. Once your funds have cleared in your Lender Account you will be able to make an investment through the PLE or an *Offer to Lend*.

If you have any questions, please call us on 0203 379 8290

**PROPLEND DISCLAIMER - PLEASE NOTE:**

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