



Proplend Loan Request

Date	11 th September 2017
Property Name	Park Hotel, Birmingham
Property Description (Short)	Currently run as a small, budget, hotel with 28 letting rooms. The Applicant intends to let the whole Property to a Housing Association.



Loan Request Summary

Borrower	A newly registered limited company	Valuation	£830,000
Loan Type	Commercial Investment	Total Loan Required	£600,000
Purchase/Refinance	Purchase	Loan to value (LTV)	72%
Property Asset Class	C1 – Hotel	Whole loan blended interest rate p/a	8%
Proposed Property Income	£90,000 p.a.	Estimated Rental Value	£90,000

Borrowers Loan Requirement

Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Interest Cover	Loan Term
C	Higher	66-75%	£ 60,500	10.3%	1.87x	
B	Medium	51-65%	£ 124,500	8.52%	2.15x	
A	Lower	0-50%	£ 415,000	7.51%	2.89x	
Total			£ 600,000	8.0%	1.87x	18 Months

OVERVIEW

Borrower

The proposed Borrower is a newly incorporated limited company. The Director is a successful businessman with various significant property investments and a trading company with an annual turnover of some £19.6 Million, a post-tax profit in 2016 of £654,000 and a net worth of £2.9 Million. The Director will also guarantee 10% of the proposed loan.

Property

The Subject Property is located in the inner-city area of Perry Barr, Birmingham. Currently operating as a budget Hotel with 28 letting rooms, it is licenced as House in Multiple Occupation although, due to its size, its planning user class is believed to be sui generis (to be confirmed). Rooms are currently let individually, on a mostly weekly basis, for approx. £100 per week. The annual income is stated at £150,000.

The Applicant has existing property comprising 19 HMO rooms, which is let to a Housing Association for £90,000 p.a. The Applicant is already in negotiation with the Housing Association to enter into a single tenancy on the Subject Property for a commencing rental for circa £125,000 p.a. This letting will occur after purchase of the Property and completion of the proposed loan. The Applicant also plans to redecorate and refurbish the Property prior to re-letting it to an Association. As an interim measure, and as a condition of the proposed loan, his trading company will enter into a 10 year FR&I lease for a rental of £90,000 p.a. This letting will ensure rental income/interest cover of 1.87x, from a strong covenant, on day one of the proposed loan. When an acceptable letting has been secured with a Housing Association, the lease to the Applicant's trading company will be surrendered. If the letting to a Housing Association is only a short-term commitment (such as an annual licence), the 10 year tenancy with the Applicant's trading company will remain in place as the Head Lease.

Loan Request

- The Property has been valued at £830,000.
- Proplend has proposed a gross loan equating to 72.3% of the valuation.
- The proposed loan of £600,000 includes a provision for the retention of six months interest and the payment of fees. The net loan available to the Borrower will therefore be £564,000.
- The balance of the purchase price will be supplied by the Applicant through the refinance of other, unencumbered, Property.
- Annual interest expense will be £48,000p.a. giving an interest cover of 1.87 against proposed rental income.

Security

- The Loan will be supported by a first legal charge over the Property.

- A floating charge over the assets and undertaking of the Borrowing Company.
- Proplend Limited will retain 6 months interest from the Loan.
- A personal guarantee from the Director limited to £60,000. (Proplend Security Ltd already holds a director's guarantee from Mr Sandhu in the sum of £83,000 in respect of a loan to another company).

Loan Tranches

- Tranche A, comprising £415,000, will attract gross interest of 7.51% p.a.
- Tranche B, comprising £124,500, will attract gross interest of 8.52% p.a.
- Tranche C, comprising £60,500, will attract gross interest of 10.30% p.a.
- Lenders are offered the opportunity to lend with minimum loan amounts of £1,000 on a 'first come first lend' basis

THE BORROWER

The Borrower

Churchgate Ltd is a Special Purpose Vehicle ("SPV") owned by Mr Avtar Sandhu (the sole director). The subject Property is the sole asset owned by the SPV.

Mr Sandhu's main business interest is a successful business recycling mobile phones. In the 12-month period to December 2016, his Company (Greencyc Ltd) achieved a annual turnover of some £19.6 Million, a post-tax profit of £654,000 and a net worth of £2.9 Million

Mr Sandhu is married with 3 children and 3 grandchildren. He lives in a wealthy part of Hampton in Arden near Solihull. In addition to his main business interest, he has developed various residential schemes including 19 apartments in Sutton Coldfield. He also owns and lets various other residential investments in the Birmingham area.

No credit issues have been reported by Mr Sandhu in respect of himself or the SPV and this has been confirmed by credit checks. Mr Sandhu has another investment company which is currently borrowing £825,000 through the Proplend Portal on a property valued at £2.3 Million.

Business Plan

The Subject Property is being purchased for £765,000. With the benefit of the proposed lease, it has been valued at £830,000. The balance of the purchase price is being lent to the Borrower by another company owned by the Director. This other company is borrowing £250,000 against a currently unencumbered property to facilitate this.

The Subject Property is currently run as a Hotel with 28 letting rooms. The Applicant intends to refurbish the Property and then let it to a Housing Association to which he is already letting another nearby property with 19 letting rooms. The rent paid by the Housing Association for the 19 letting rooms is £85,000 p.a. and our Applicant is confident that he can achieve a rental of

circa £125,000 p.a. on the Subject Property. The Applicant cannot enter into a lease with the Housing Association until he has purchased the Property and refurbished it. Until this occurs, he will therefore be entering into a 10 year lease with his trading company for a rental of £90,000 p.a. A rental income at this level is more than sufficient to service the proposed interest of £47,505 producing an income cover ratio of 1.89x.

THE PROPERTY

Location

The Subject Property is located in an inner-city area of Birmingham known as Perry Barr. It sits in a prominent position on the A453, known as the Aldridge Road, which runs between the A34 and the M6. This provides good access to the City Centre to the south and other major conurbations. There are bus routes and a rail station within a short walk of the Property.



Asset Description

The Subject Property is a brick built, period building arranged over three floors. The walls are mostly solid (in keeping with a building of this age) with the extension to the rear having cavity walls. The roof to the original building is pitched and tiled whereas the extension has a flat roof. There are 28 letting rooms, 21 with en suites, 3 with showers and 4 with communal facilities. The overall area comprises 6,297 sq.ft. To the front of the hotel is car parking for 12 vehicles.

The overall condition of the Property can be described as tired but it the Applicants intention to refurbish and redecorate throughout before it is re-let to the Housing Association.



Tenure

The Property is freehold.

Valuations

A valuation of the Property was carried out by GJS Dillon Ltd of Droitwich in July 2017, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

Market Value: £830,000 (assuming a lease and rent of 90,000 p.a.)

Vacant Possession Value: £645,000

TENANTS & LEASE

Tenants and Leases

The Property is being sold with vacant possession. Upon completion, the entire building will be let to Greencyc Ltd (the Applicant's trading company) for a ten-year term at a rental of £90,000 p.a. In the 12-month period to December 2016, his Company (Greencyc Ltd) achieved an annual turnover of some £19.6 Million, a post-tax profit of £654,000 and a net worth of £2.9 Million.

It is, however, the Applicants intention to let the Property to a Housing Association, following refurbishment, and negotiations are ongoing at a proposed rental of £125,000 p.a.

SECURITY & SERVICEABILITY

Security

The Security for the Borrower's performance under the loan will be documented by Paris Smith 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 Debenture and Mortgage including first ranking 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.
- A Personal Guarantee from the Director and sole Shareholder of the Borrower for 10% of the facility. (Proplend Security Ltd already holds a director's guarantee from Mr Sandhu in the sum of £83,000 in respect of a loan to another company).

The drawdown of the Loan will be subject to receipt of a satisfactory report on title.

Serviceability

The Interest Cover Ratio is 1.89x, indicating that the current rental income is more than sufficient to cover the interest expense.

Interest Reserve

Proplend will retain £47,505 (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.

Covenants

- Asset Cover (loan to value): maximum 75%
- An ICR ratio of 1:1.25

LENDER RISKS:

RISK	LEVEL	MITIGANT
Risk that the management of the Borrower is not able to execute their business plan. 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.	HIGHER RISK	<ul style="list-style-type: none"> • Given the existing relationship that the Applicant has with the Housing Association he proposes letting to, it is highly likely that he will be successful in re-letting the Subject Property. Should this not happen, then the lease to the Applicant's successful trading company will continue. In either case, refinance should be achievable.
	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"> The financial covenants of both the Applicant’s trading company and the Housing Association are considered strong and therefore default on the lettings is considered unlikely.
	MEDIUM RISK	
	LOWER RISK	

Risk that the Property falls in value due to either macro-economic or property-specific reasons.	HIGHER RISK TRANCHE C 65-75% LTV	<ul style="list-style-type: none"> There is a continuing strong demand for social housing in the Birmingham Area. The Housing Associations that operate in the area are willing to pay £85 per person per week for this type of accommodation. With 28 letting rooms there is potential to rent the Property for £125,000 p.a. The valuation of the Property reflects a rental income which equates to 75% of this potential. It is therefore felt that a deterioration in the property market generally is unlikely to affect the value of the Subject Property.
	MEDIUM RISK TRANCHE B 51-64% LTV	
	LOWER RISK TRANCHE A 0-50% LTV	

DOCUMENTS

Additional Documents

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

1. A Draft Standard Loan Contract
2. The Report on Title and Lettings Report produced by Paris Smith
3. Copy Valuation Reports dated 19th July 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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