



Proplend Loan Request

Date	18 th September 2017
Property Name	Birmingham - Industrial
Property Description (Short)	A light industrial/workshop building split into 8 workshops



Loan Request Summary

Borrower	A Limited Company	Valuation	£455,000
Loan Type	Commercial Investment	Total Loan Required	£250,000
Purchase/Refinance	Capital raise	Loan to value (LTV)	55%
Property Asset Class	Light industrial	Whole loan blended interest rate p/a	8.0%
SIPP suitable?	Yes		
Current Property Income	£43,200 p.a.	Open Market Rental Value	£49,450

Borrowers Loan Requirement						
Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Interest Cover	Loan Term
C	Higher	66-75%	£ ---	---		
B	Medium	51-65%	£ 22,500	11%	2.16x	18 months
A	Lower	0-50%	£ 227,500	7.7%	2.47x	18 months
Total			£ 250,000	8.0%	2.16x	18 Months

OVERVIEW

Borrower

The proposed Borrower is a Limited Company. The Principal & Guarantor has a substantial net wealth, and is an experienced businessman with a successful trading business.

Property

- The Property is a light industrial / workshop building split into 8 workshops and let on short-term licences. They are producing an aggregate rental income of £43,200 p.a. One unit is vacant but negotiations are continuing to let this space for an additional £7,000 p.a.

Security

- The Loan will be supported by a first legal charge over the Property.
- A floating charge over the assets and undertaking of the Borrower.
- Personal Joint and Several Guarantee from the Directors of the Borrower, limited to the sum of £50,000 (Proplend Security Ltd already holds two other director's guarantees from Mr Sandhu for the sums of £83,000 and £60,000 in respect of loans to two other companies).
- Proplend will retain 6 months interest from the Loan.

Loan Request

- The borrower wishes to raise monies against this unencumbered investment to assist with the purchase of another property.
- The proposed gross loan of £250,000 includes a provision for the retention of six months interest and the payment of Proplend fees. The net loan will be £235,000.
- The proposed gross gearing level is 55% with the net loan equating to 52% LTV.
- Annual interest expense will be £20,000 giving an interest cover of 2.16x against current rental income. The rental income would need to fall by 54% before it doesn't cover the interest.
- The Loan will attract a 2% redemption fee if repaid within the first six months

Loan Tranches

- Tranche A, comprising £227,500, will attract gross interest of 7.7% p.a.
- Tranche B, comprising £22,500 will attract gross interest of 11%
- 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

The Borrower is a limited company by the name of Property Tab Ltd. ("PTL"). It was established in 2012 by Mr Avtar Singh Sandhu, aged 63, as a vehicle to acquire various property investments for his family. The sole Director of PTL is Mr Sandhu's son, Bhupinder, aged 37. The shares are held in a holding company called SAV Group Ltd, the shares of which are owned by Mr Sandhu (senior) and his wife.

Mr Sandhu (senior) has built up a very successful company which repairs and recycles mobile phones for multiple retailers. The company declared a turnover in the year ended Dec 2016 in excess of £19 Million and a net, pre-tax profit of over £800,000.

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 proposed loan will be used by the Applicant to provide the balance of the purchase price on another property in Birmingham costing £795,000 and valued at £830,000. This property is being bought by another company owned by Mr Sandhu and Proplend will be providing a facility of £600,000 to finance this purchase.

Mr Sandhu's plan is to refurbish the new property and then let it to a Housing Association. The anticipated rent from the Housing Association is £120,000 p.a. which, once achieved, will allow him to refinance all borrowings including the proposed loan. Should this plan not be achieved,

the Subject Property will continue to produce a rental income which equates to more than 200% of the interest on the loan.

THE PROPERTY

Location

The property is situated in the district known as Nechells, close to central Birmingham with a population of approximately 34,000 in the 2011 census.

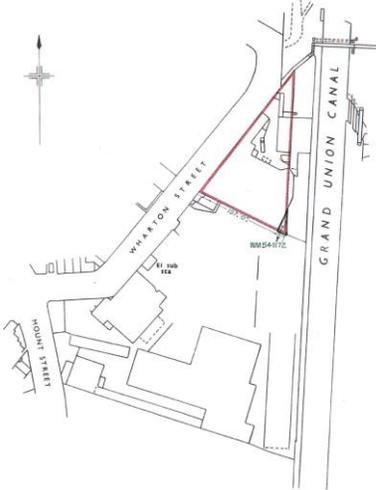
Nechells is served by Duddestone and Aston railway stations. The main bus service serving Nechells is the National Express West Midlands bus route 66 from Birmingham City Centre to Kingstanding, via Erdington. The proposed HS2 High Speed rail line from London to Birmingham, when constructed it will skirt the south eastern edge of Nechells, running alongside the Birmingham/Derby and under the Aston/Stetchford railways and Aston Church Road before continuing the new Curzon Street station.

Nechells is a heavily industrialised established location, conveniently located a short distance to the south of the M6, close to its junction with the A38M, which provides swift and easy access to the entire West Midlands motorway network



Asset Description

The Subject Property comprises a triangular site incorporated a yard and 7,825 sq. ft. of light industrial/workshop units. The workshops were most likely built in the 1950's, of brick wall construction with steel framed, pitched roofs clad in a combination of slates and corrugated metal. The Property is split into 8 units, 7 of which are let to small business most associated with the motor trade.



Tenure

The Property is freehold.

Valuations

A valuation of the Property was carried out by GJS Dillon Ltd which can be viewed in the supporting documents. The valuation concludes with the following figures:

Market Value (subject to leases)	£455,000
Value with vacant possession	£390,000
Estimated rental value	£49,450

TENANTS & LEASE

Tenants and Leases

The Property is currently let to seven tenants on the following terms:

Mr D. Walker – Monthly licence for £300 per month

Mrs LMC Ferris – yearly lease for £500 p.m.

Mr G Monkton – yearly lease for £400 p.m.

Mr V Griogorij - yearly lease for £1,000 p.m.

Mr D S Amin – yearly lease for £500 p.m.

Mr P Simpson – yearly lease for £400 p.m.

T P R Developments Ltd & Mr Tom King – yearly lease for £500 p.m.

The aggregate rental income is therefore currently £3,600 p.m. i.e. £43,200. There is scope to increase this by a further £7,000 p.a. as one unit is currently empty. The passing rent provides an IRC of 2.16x before any additional letting.

The covenant strength of each tenant is unknown and would be difficult to establish. There is, however, a good spread of income over seven tenancies and the income would need to drop by 53% before the interest could not be covered by the income.

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 £50,000 (Proplend Security Ltd already holds two director's guarantees from Mr Sandhu for the sums of £83,000 and £60,000 in respect of loans to two other companies).

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

Serviceability

The rental value to interest cover ratio is 2.16x and the current rental income would need to fall by 53% before interest cannot be covered by rental income.

Interest Reserve

Proplend will retain £9,996 (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 65%

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">• The Borrower is confident of being able to let the Property he is buying to a Housing Association. This will enable him to refinance this property and repay the proposed loan. Should this not occur, the proposed facility is sufficiently low LTV to enable a refinance with another lender before expiry of the 18 month term.
	MEDIUM RISK	
	LOWER RISK	

Risk that the Borrower stops making monthly interest payments to Lenders due to the failure of the business.	HIGHER RISK	<ul style="list-style-type: none"> The Borrower is in a position to service interest from other resources should all seven tenants fail to pay rent.
	MEDIUM RISK	
	LOWER RISK	

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"> The LTV is sufficiently low and the income to interest cover sufficiently high to make refinance achievable.
	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"> The value of the Subject Property would need to fall by 45% before the proposed facility is not covered by the Property's worth. Should this occur, however, the Director and Guarantor has the resources to pay off any shortfall.
	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 17th 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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