



Proplend Loan Request

Date	2/11/17
Property Name	1) Southampton light industrial 2) Chandler's Ford retail
Property Description (Short)	1) Two adjoining light industrial units, providing 4332 sq ft. of accommodation. 2) Ground floor fitness studio.



Loan Request Summary

Borrower	A Limited Company	Valuation	£392,500
Loan Type	Commercial Investment	Total Loan Required	£281,250
Purchase/Refinance	Purchase	Loan to value (LTV)	72%
Property Asset Class	Light industrial	Whole loan blended interest rate p/a	8.50%
Current Property Income	£33,600	Rental Value	£33,600

Borrowers Loan Requirement						
Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Interest Cover	Loan Term
C	High	66-75%	£ 26,125	12.79%	1.41x	
B	Med	51-65%	£ 58,875	9.60%	1.63x	
A	Low	0-50%	£ 196,250	7.60%	2.25x	
Total			£ 281,250	8.50%		36 Months

OVERVIEW

Borrower

The proposed Borrower is a special purpose Limited Company. The Principal & Guarantor is an experienced businessman with a successful trading business.

Property

- The Southampton Property is of steel trussed frame construction. There are offices of blockwork construction within Unit 5. Externally there is a large shared yard facility providing parking and loading areas, with potential for outside storage.
- The Borrower is proposing to secure the site from which to run his classic car sales business.
- There is currently a single tenant, paying £24,000 p.a. They will be relocating and only the classic car business will trade from the site.
- The structure is OpCo/PropCo and a formal lease between the two will be drawn up with rent of £24,000 p.a.
- The additional security is a commercial freehold property in Chandler's Ford, valued at £128k, with a retail tenant, paying £9,600 rent p.a. under a License To Occupy.

Loan Request

- The loan is to assist with the purchase of the target Property in Southampton.
- The proposed loan of £281,250 includes a provision for the retention of six months interest and the payment of Proplend fees.
- The proposed gearing level is 72%.
- Annual interest expense will be £23,906 giving an interest cover of 1.41x against current rental income.

Loan Tranches

- Tranche A, comprising £196,250, will attract gross interest of 7.6% p.a.
- Tranche B, comprising £58,875, will attract gross interest of 9.6% p.a.
- Tranche C, comprising £26,125, will attract gross interest of 12.79% 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 both Properties.
- Directors Personal Guarantee, limited to the sum of £28,125.
- Debenture

BORROWER

Borrower

The borrower is Style Interiors (Hampshire) Ltd - Sole Director Marc Kurn. Marc and his wife Sandra Kurn each have a 50% share. The Company has not traded for some time, and is a dormant company. As expected therefore, it has a credit rating of nil. The registered office address is the accountants, and as is quite common, is a CCJ hotspot. 12 CCJs are registered in all, but none have any relation to our borrower whatsoever. Marc is advising HMRC and re-registering for Corporation Tax accordingly.

Principal, Marc Kurn's credit search is clear. He has provided his full UK passport as ID, Council Tax bill as proof of address, and has passed the Lexis Nexis IDU search.

His assets and liabilities statement shows his personal net worth to be £748k. This is comprised broadly of half property, half long-term investments (shares and pensions).

In addition to the security offered, Marc has a second investment property in the Central Precinct, Chandler's Ford worth £100k, with £20k o/s with Barclays which he has also owned for 7 years, as well as a rental flat in Hill Lane, Southampton worth £110k, with o/s mortgage of £85k with Barclays. He is a Southampton local with a good knowledge of the local property market.

Marc's business partner, Andrew Peake (not a security provider), has been a car dealer for 32 years. They pride themselves on providing excellent customer service, and their Auto Trader Overall Rating is 5 stars (out of 5) <http://www.autotrader.co.uk/services/car-dealers/uk/south-east/hampshire/winchester/andmarc-cars-winchester-dpp-10009062>

They have been trading as Andmarc Cars for 10 weeks and have made a profit of £70k in that period. By way of a snapshot, they currently have 25 cars in stock, at a cost of £90k, with anticipated sale value of £125k.

Neither Company can produce financials – Style Interiors has been dormant, and Andmarc Cars commenced trading in April 2017. However, Marc's accountant is Fiander Tovell Chartered Accountants, Southampton, who are members of the UK200 Group.

Business Plan

Marc Kurn is purchasing the light industrial unit in Southampton for £270k (£225k + VAT).

The current occupier of the Southampton premises, Vision Scaffolding, are expanding and having to relocate to larger premises in Havant. This is a rare opportunity to acquire a commercial freehold in this part of Southampton.

He has requested a 36-month term to allow the business to become established and generate sufficient profits to afford a fully amortising commercial mortgage. Plan is to make a capital reduction after 3 years before remortgaging.

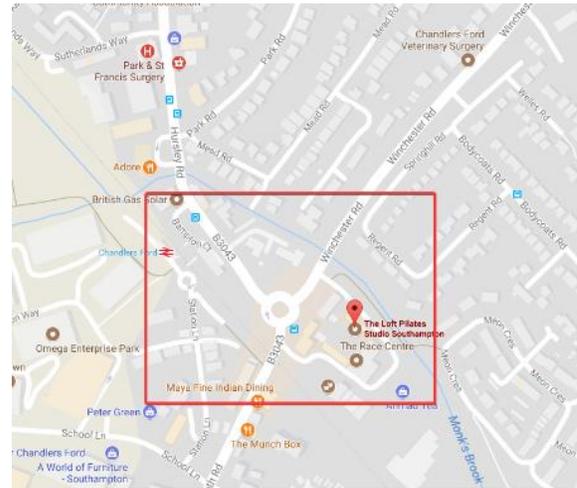
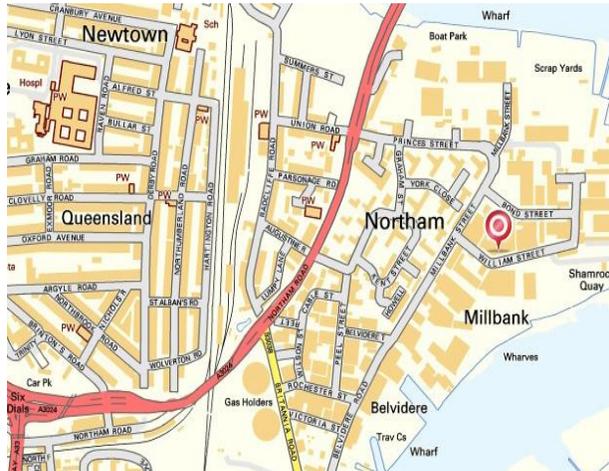
Once the scaffolding company vacate, the premises will be ready for them to trade from immediately, without the need for any conversion, as they will only require floor space. I have visited the premises and they are presented well internally, with office, kitchen and WC facilities. There will likely be some modest refurbishment over time, but this is non-urgent and will be funded out of cashflow, as and when affordable.

Marc Kurn is one of two Directors of Andmarc Cars - irrespective of their occupation of the Southampton premises, Marc will be keeping this property, as with all of his properties, for long-term investment purposes. The valuation report is expected to confirm that continued demand for premises of this size and nature is good.

PROPERTY

Location

The William Street property is a purpose built industrial unit on Muira industrial trading estate. It is located in the Northam area of the city of Southampton, close to Northam Bridge and the St. Mary's stadium. The property is located in an industrial street surrounded by warehouses and commercial business units.



A preliminary desktop Environmental Search has identified that the property may be a moderate to high risk of being on contaminated land. This is due to past land uses recorded of Oil Stores in 1910, and petroleum depot 1952-1953. It is a condition precedent that the borrower take out a Contaminated Land Indemnity Policy, with a minimum level of cover of £270,000

The Central Precinct property is located in the Chandler's Ford area in the Borough of Eastleigh, close to Chandler's Ford railway station, in a commercial shopping parade.

Asset Description

Southampton – The subject property comprises two adjoining, one-storey light industrial units, providing 4332 sq ft. of accommodation. The property was built in 1960. The walls are of traditional block construction. The roof is pitched with corrugated covering.

Chandler's Ford – The Loft Fitness Studio comprises a single-storey mid-terrace retail unit, within a purpose-built shopping parade, The Central Precinct. The property is approximately 50 years old, and provides accommodation of 712 sq ft. The walls are of traditional brick construction.

Tenure

Both properties are Freehold

Valuations

Valuations were conducted by Now Chartered Surveyors of Southampton on 7 July 2017, copies of which can be viewed in the supporting documents;

Southampton - Vacant Possession Value £264,500, Open Market Rental Value £26,000.

Chandler's Ford – Vacant Possession Value £128,000, Open Market Rental Value, £9,600.

TENANTS & LEASE

Tenants and Leases

Southampton - A new lease will be signed between Style Interiors (Hampshire) Ltd and Andmarc Cars Ltd, with rent of £24k p.a.

Chandler's Ford – The Loft Fitness Studio who are on a License to Occupy, pay rent of £9,600 p.a. No financial information is available on the tenant as the owner of the fitness studio is a Sole Proprietor – they have been in situ since 2014. Their landlord, our borrower advises that the business is successful, and rent is always paid when due.

<https://www.loftpilatessouthampton.com/> They specialise in Reformer Pilates, and all staff have been trained by the owners' sister, whose clients include The Welsh National Rugby team, and Wasps RFC.

The Central Precinct comprises 18 retail units – all bar three are fully occupied, and the vast majority of which are owner-occupied. As a result, it is a well-presented precinct, albeit in a tertiary location.

SECURITY & SERVICEABILITY

Security

The Security for the Borrower's performance under the loan will be documented by Paris Smith LLP 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 Properties.
- Proplend 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.
- Director's Personal Guarantee, limited to the sum of £28,125.
- Debenture

Interest Reserve

Proplend will retain £11,953 (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 properties are currently producing rental income of £33,600 per annum. Interest expense will be £23,906.

The Interest Cover Ratio is 1.41x, indicating that the current rental income is more than sufficient to cover the interest expense.

Loan Covenants

- Asset Cover (loan to value) minimum 75%
- Minimum ICR 1.25x

LENDER RISKS:

RISK	LEVEL	MITIGANT
Risk that the management of the Borrower vehicle is not able to execute their business plan.	HIGHER RISK	<ul style="list-style-type: none">• The management of the borrower has direct property management experience over the Chandler's Ford property for over 7 years, and is respectable and trustworthy.• The management of the borrower have generated profits in the short time since commencing trading, and have over 30 years relevant sector experience.• The management is looking to lease other properties within the industrial estate in Southampton.
	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">• In the event that the car business fails, the borrower expects to be able to immediately let the unit out to another tenant, due to the demand for similar units in that location.• The Loft Fitness Studio can vacate giving one month's notice, under the terms of the Licence to Occupy.• Marc is of sufficient personal wealth and integrity to ensure that our interest will continue to be serviced.• Proplend holds 6 months interest in reserve.
	MEDIUM RISK	
	LOWER RISK	

		<ul style="list-style-type: none"> • Current income is 1.41x the interest due, allowing for up to 30% fall in income. • If income cover falls below 1.25x the loan is in technical default.
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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"> • 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 execute any other security held from the borrower. • Default interest is charged during the period of default.
	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 property is well located in a stable UK city. • There are very few similar sites available in such a desirable location. • Proplend limits the maximum loan to value against a property to 75%. This means the borrower has to have a minimum of 25% equity in the property to borrow on Proplend. • So a property would have to fall in value by more than 25% for lenders in Tranche C to be affected, fall 35% for lenders in Tranche B to be affected or fall by more than 50% for lenders in Tranche A to be affected. • Proplend Security Limited maintains a panel of experienced valuers who must have adequate professional indemnity insurance to provide property valuations.
	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 Legal Report & Property Summary
3. A copy of the Valuation Reports dated 7 July 2017 (valuer confirmed as of 25th October the valuation on both properties hold good for a further month).

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.