



Proplend Loan Request

Date	25 th July 2017 - FINAL
Property Name	Gladstone House, Walsall
Property Description (Short)	HMO comprising 21 residential units within a two-storey building – 18 x 2-bed, 3 x 1-bed.



Loan Request Summary

Borrower	A Limited Company	Valuation	£1,400,000
Loan Type	Commercial Investment	Total Loan Required	£800,000
Purchase/Refinance	Purchase	Loan to value (LTV)	57%

Property Asset Class	Residential/HMO	Whole loan blended interest rate p/a	11.34%
SIPP	Not suitable for a SIPP		
Proposed Rental Income	£113,000 p.a.	Rental Value	£113,400 p.a.

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%	£ 100,000	13.79%	1.25x	
A	Lower	0-50%	£ 700,000	10.99%	1.47x	
Total			£ 800,000	11.34%		18 Months

OVERVIEW

Borrower

- The proposed borrower is a special purpose Limited Company.
- The Principal and Guarantor is an experienced businessman, with a successful residential lettings business specialising in the type of HMO accommodation provided in the Subject Property.
- The Applicant's lettings company already rents a substantial residential property, with HMO status, located only 50 yards from the Subject Property where there is a shortage of available accommodation.
- The Applicants Letting Company will be taking a ten-year FR&I lease on the Subject Property for a commencing rental of £113,000 p.a.
- The Director will provide a personal guarantee for the sum of the loan.
- The assets and liabilities statement of the Director show a total net worth of £1.9m.
- The business plan/exit strategy of the Borrower is to fill the Subject Property with tenants currently awaiting accommodation, maximise the income paid the Local Authorities (projected to be in excess of £440,000 p.a.) and then refinance within 18 months.

Property

- The Subject Property lies approximately three-quarters of a mile to the north of Walsall town centre and it comprises 8,176 sq. ft. of living accommodation.
- It was built as a care home in the 1960's. Originally comprising double letting rooms, with the introduction of new minimum standards in the care sector, the building became unviable for its original purpose. In the 1990s, it was let to the YMCA whereupon the space was converted into 21, self-contained, one and two bedroomed flats (capable of accommodating 39 persons) plus an office, a common room and a caretaker's

accommodation. The YMCA was paying a rental of £135,000 pa. until 2014 when its lease terminated and it vacated the Property.

- Since 2014 the Property has been run as an HMO catering for persons needing urgent temporary accommodation. The Local Authorities in the area pay a rental of £218 per week for each resident. There is therefore scope to increase the rent paid by the Local Authorities to approx. £8,500 per week (£442,000 p.a.)

Loan Request

- The loan is to assist with the purchase of the Property.
- The proposed loan of £800,000 provides for the purchase of the freehold interest for £730,000, plus the retention of six months interest and the payment of any facility fees payable by the Borrower
- The proposed gearing level is 57%.
- The rental value of the property is £113,400.
- Annual interest expense is £90,750, giving an interest cover of 1.25x against current rental income.

Security

- The Loan will be supported by a first legal charge over the Property.
- Proplend Security Limited will hold a floating charge over the Assets & Undertaking of the Borrower.
- A personal Guarantee from the Director for the full amount of the proposed facility.
- Proplend Security Limited will retain 6 months interest from the Loan.

Loan Tranches

- Tranche A, comprising £700,000, will attract gross interest of 10.99% p.a.
- Tranche B, comprising £100,000, will attract gross interest of 13.79% 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

The proposed Borrower is a special purpose vehicle company by the name of Harpar Group Ltd ("HGL"), incorporated in August 2016 and nominated by the Applicant, Mr Jez Hill, to purchase the Subject Property. A credit search on HGL reveals that Mr Hill is the sole Director of HGL, the Company has not traded since it was formed and no detrimental credit history, such as a CCJ, has been recorded. Accordingly, it has been given a "moderate" credit rating.

Mr Hill has been involved in the accommodation of tenants classed as 'vulnerable' for the past 10 years.

In Oct 2008 he established DCB Accommodation Ltd ("DCB") which provides housing for approximately forty persons in a centre located in Stafford St, Walsall some 50 metres from the Subject Property.

Mr Hill advises that there is a permanent waiting list of prospective tenants at this centre. Proplend has been provided with financial statements for DCB for the 12 months ending 31st Dec 2016. This shows a turnover of £462,915 p.a., a pre-tax profit of £175,676 and a net asset value of £391,145. Results for the previous 9 months (change of year-end) show a turnover of £353,851 and a pre-tax profit of £71,068. A credit search on DCB grades the Company as a low credit risk with no detrimental credit history.

Mr Hill has provided an asset & liability statement showing a net worth of £1.9 Million.

Business Plan

In October 2015, the DBC entered into a 15-year lease on the Property. Following this the landlord went into receivership and an LPA was appointed by the incumbent lender. The existence of this lease has frustrated the Receiver from selling the Property in the open market and achieving the open market value.

The Applicant is therefore in the position to acquire the freehold interest in the Property for £730,000 which is significantly below the market value. The Applicant proposes to refurbish Property and then maximise the rental income. He will then refinance for a longer period on more competitive terms.

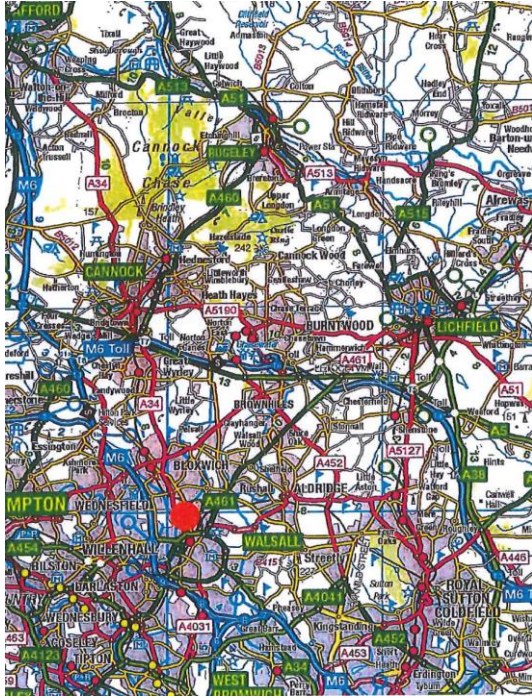
The Applicant already runs a successful business which accommodates 40 persons close to the Subject Property. There is a waiting list for prospective tenants. The Subject Property has the potential to accommodate up to 39 persons and thereby increase the rental income to circa £440,000 p.a.

There is a 2% early redemption penalty if the loan is repaid within the first 6 months.

THE PROPERTY

Location

The Subject Property is located in a residential district approximately ¼ mile from Walsall Town Centre. There is good road access to the M6 and the Town centre. There is also good train service to Birmingham and Wolverhampton.



Asset Description

The Property is a two-storey, brick built building arranged in an L-shape. Comprising 8,300 sq.ft. it provides 21 apartments mostly with two bedrooms. The Centre can therefore accommodate up to 39 residents. The Property also includes a communal lounge area and offices for staff. The valuation advises that the building is generally in good repair although there are areas which need improvement. It is the Applicants intention to carry out a program of repair and improvements following purchase.



Tenure

The Property is freehold.

Valuations

A valuation of the Property was carried out by Towler Shaw Roberts based in Wolverhampton in June 2017, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

Market Value: £1,400,000
Vacant Possession Value: £900,000
Open Market Rent: £113,100 p.a.

TENANTS & LEASE

Tenants and Leases

At completion, DCB is to enter into a new 10 year, fully repairing and insuring, lease on the Property at a commencing rental of £113,000 p.a. There will be an upward-only rent review on the fifth anniversary. DCB is licenced as an exempt provider which enables it to accommodate persons classed as vulnerable referred by the Local Authorities. These Authorities pay DCB £218 per person per week.

Financial statements for DCB for the year ended 31st Dec 2016 show a turnover of £462,915 p.a., a pre-tax profit of £175,676 and a net asset value of £391,145

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 the full amount of the facility

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

Serviceability

The Interest Cover Ratio is 1.25x, indicating that the current rental income is more than sufficient to cover the interest expense.

Interest Reserve

Proplend will retain £45,360 (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%
- 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.	HIGHER RISK	<ul style="list-style-type: none">• The Valuer has confirmed the opportunity to enhance the rental income• The prospect of increasing the income and realizing capital gain is good• Experienced operator in sector
	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 Borrower and Tenant has common Directorships and ownership. The Tenant has a proven track record and requires further accommodation. The Principal is also providing a person guarantee.
	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 proposed gearing at 57% is comparatively low and the Property value would need to drop by 43% for the loan not to be covered. Within a reasonable time, refinance is considered 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"> Such is the demand for similar property in the Walsall area, with the Local Authorities willing to pay £218 per person per week, it is felt that the Subject Property will fare better than other residential property investment in the event of a wider downturn in the Market. The Applicant has a waiting list of prospective tenants for 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 June 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

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.

Proplend Limited is Authorised and Regulated by the Financial Conduct Authority and entered on the Financial Services Register under firm registration number 726646. Proplend Limited is not covered by the Financial Services Compensation Scheme. Your capital is at risk and interest payments are not guaranteed if the borrower defaults.