



Proplend Loan Request

Date	10 th August 2017
Property Name	193 High Street, Henley-in-Arden
Property Description (Short)	Retail shop with residential accommodation above



Loan Request Summary

Borrower	A Limited Company	Valuation	£260,000
Loan Type	Commercial Investment	Total Loan Required	£195,000
Purchase/Refinance	Purchase	Loan to value (LTV)	75%
Property Asset Class	Retail premises with residential accommodation above	Whole loan blended interest rate p/a	9%
SIPP	Not suitable for a SIPP		
Proposed Rental Income	N/A	Rental Value	£21,135 p.a.

Borrowers Loan Requirement

Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Interest Cover	Loan Term
C	Higher	66-75%	£ 26,000	10.75%	N/A	12 Months
B	Medium	51-65%	£ 39,000	9.5%	N/A	12 Months
A	Lower	0-50%	£ 130,000	8.5%	N/A	12 Months
Total			£ 195,000	9%	N/A	12 Months

OVERVIEW

Borrower

- The proposed Borrower is a trading company which runs a successful hair and beauty business in Solihull.
- A recent credit search on the Company rated gives an A rating (defined a very low risk) and a score of 77 out of 100 with 794:1 odds on failure.
- The Directors will provide personal guarantee for the loan sum.
- The Directors have SIPPs one of which will be used to purchase the Subject Property from the proposed Borrower once change of use has been secured to 100% commercial.

Property

- The Subject Property lies in the busy market town of Henley-in-Arden being 16 miles from Birmingham and the same distance from Stratford upon Avon. There is good road and rail access to the major conurbations.
- The Property is a Grade II, mid-terraced building within the High Street with a public car-park to the rear.

Loan Request

- The loan is to assist with the purchase of the Property.
- The proposed loan of £195,000 provides for the purchase of the freehold interest for £260,000, plus the retention of six months interest and the payment of any facility fees payable by the Borrower
- The proposed gearing level is 75%.
- The rental value of the property is £21,135 which, if rent was being paid at this level, would cover 120% of the interest servicing cost.
- A penalty of 1% of the loan sum will be charged if the facility is repaid within the first six months.

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 Directors for the full amount of the proposed facility.
- Proplend Limited will retain 6 months interest from the Loan.

Loan Tranches

- Tranche A, comprising £130,000, will attract gross interest of 8.5% p.a.
- Tranche B, comprising £39,000, will attract gross interest of 9.5% p.a.
- Tranche C, comprising £26,000, will attract gross interest of 10.75% 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 trading company by the name of Aesthetics Ltd the Directors of which are Adrian and Sarah Bowron. They started their own hairdressing and beauty salon in May 2000, initially trading as a partnership and then incorporating in June 2014

The business currently trades from one outlet in Solihull. From this salon, the business achieves a consistent turnover in excess of £1 Million p.a. and, in the 12 months ended 31st May 2016, it achieved a pre-tax profit of £231,201. A recent credit search on the Company gave an A rating (defined a very low risk) and a score of 77 out of 100 with 794:1 odds on failure.

Business Plan

The Borrower is looking to expand by opening a second salon in Henley in Arden. They wish to purchase the property for this second salon via one of their SIPPs. The property they have identified has commercial on the ground floor but there is living accommodation on the first and second floor. This prevents them from purchasing the property directly in their SIPP.

They therefore intend to acquire the Property using the trading company, Aesthetics Ltd and immediately apply for change of use on the upper floors to full commercial, which they do not anticipate any difficulty with, given its established use for commercial purposes.

Upon receipt of permission, they will purchase the Property in one of their SIPPs and fully repay the outstanding loan.

The property currently has no income, but the Borrower has the cash resources to service interest during the loan period and provide the balance of the purchase price. In addition, a six month interest reserve will be retained by Proplend.

THE PROPERTY

Location

Henley in Arden is an attractive affluent market town midway between Birmingham and Stratford upon Avon. with a good range of shopping and leisure facilities including doctors, vet's surgery, public houses, restaurants, primary and secondary schools. The property is situated on the High Street of Henley in Arden set amidst residential, commercial and retail properties. There is a large public car-park to the rear.

The Town has a population of 2,750 and has good access to road, rail and air links with the M40 (J15) approximately 8 miles to the north, and Warwick Parkway Station 7 miles. Birmingham is 16 miles from Henley, and Birmingham International Airport and Railway Station is 15 miles away. With such communications, the Town is a very popular base for commuters to both Birmingham and London.



Asset Description

The Subject Property is a Grade II, mid-terraced, property of two-storey brick construction built in the early 19th century. Over recent years, the building has been converted to provide a single-storey rear extension, a conservatory and a loft conversion.

The Building has a mixture of concrete and timber joist and boarded floors throughout. At ground floor level, the property benefits from a timber framed single glazed bow window to front with three-quarter glazed timber door with single glazed inset panel to side, opening onto pavement. Gas and electricity meters to front right hand side. At the rear of the retail unit is a staircase leading to the first-floor accommodation and stores. To the rear of the retail shop is a single-storey extension which has a vaulted ceiling incorporating Velux roof lights and sliding doors leading to conservatory. Generally, the accommodation comprises plastered and painted walls and ceiling with concrete floor with ceramic tiles over.



At first floor level, there are two rooms, lobby with staircase leading to 2nd floor and a landing with WC/shower room and storage cupboards.

At 2nd floor level is a bedroom with limited head room to part. There is a roof light to the rear roof pitch.

Externally, the premises immediately front the High Street and pavement. At the rear is a large garden laid out mainly to lawn but incorporating a footpath providing access to a road and large community car park. The Town's GP practice is also located by the car-park.

The exterior of the Property is generally in good repair but internally there are many, half-finished improvements which the vendor has undertaken. The Applicants will, in any event, be spending some £30,000 on fitting out the premises once the change of use has been secured.

Tenure

The Property is freehold.

Valuations

A valuation of the Property was carried out by Natrass Booth Commercial based in nearby Hampton in Arden on 28th July 2017, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

Value with vacant possession:	£260,000
Value once transferred to SIPP, refurbished and let to Aesthetics Ltd:	£295,000
Open Market Rental Value:	£21,135 p.a.

TENANTS & LEASE

Tenants and Leases

During the period of the proposed loan, the Property will not be let and the Borrower shall be responsible for the servicing on the interest.

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
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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 1.2:1, but, in any event, the Borrower will service interest.

Interest Reserve

Proplend will retain £8,775 (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%

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 will proceed with its plan to refurbish the use the premises irrespective of the outcome of the application for change of use for the upper floors. The only change would be the fit out of the ground floor only.• Exit is via a sale to their own SIPP or a SPV owned by themselves.
	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's credit status appears to be strong but, in the event of a failure in the business, there is six months interest on deposit and the Directors are personally guaranteeing the loan.
	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 Directors have sufficient resources in their SIPP to fully repay the proposed loan without recourse to Borrowing. The Directors also have demonstrable net worth which is sufficient for the level of their proposed guarantees.
	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 overall loan is 75% LTV, therefore the property could fall in value by up to 25% before impacting the underlying loan The Property is in a strong high street location with nearby car-parking, medical centre and other retail units. This is a long term hold for the borrower
	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 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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