



# Proplend Loan Request

|                                     |   |
|-------------------------------------|---|
| <b>Date</b>                         | 10 <sup>th</sup> October 2017                         |
| <b>Property Name</b>                | Albany House – High Wycombe                           |
| <b>Property Description (Short)</b> | A 42,000 sq.ft. warehouse leased to a storage company |



### Loan Request Summary

|                                |                               |   |               |
|--------------------------------|-------------------------------|---|---------------|
| <b>Borrower</b>                | A property investment company | <b>Valuation</b>                            | £2,700,000    |
| <b>Loan Type</b>               | Commercial Investment         | <b>Total Loan Required</b>                  | £780,000      |
| <b>Purchase/Refinance</b>      | Capital raising               | <b>Loan to value (LTV)</b>                  | 29%           |
| <b>Property Asset Class</b>    | B8 - Warehousing              | <b>Whole loan blended interest rate p/a</b> | 7%            |
| <b>SIPP</b>                    | Suitable for a SIPP           |   |               |
| <b>Current Property Income</b> | £240,000 p.a.                 | <b>Rental Value</b>                         | £240,000 p.a. |

### Borrowers Loan Requirement

| <b>Tranche</b> | <b>Risk</b> | <b>LTV</b> | <b>Loan Amount</b> | <b>Gross Interest Rate p.a.</b> | <b>Interest Cover</b> | <b>Loan Term</b> |
|----------------|-------------|------------|--------------------|---------------------------------|-----------------------|------------------|
| C              | Higher      | 66-75%     | £ ---              | ---                             |                       |                  |
| B              | Medium      | 51-65%     | £                  |                                 |                       |                  |
| A              | Lower       | 0-50%      | £ 780,000          | 7%                              | 4.4x                  | 12 months        |
| <b>Total</b>   |             |            | <b>£ 780,000</b>   | <b>7%</b>                       | <b>4.4x</b>           | <b>12 Months</b> |

## OVERVIEW

### Borrower

- The Borrower is an established investment company that owns six commercial properties (including the Subject Property) with an aggregate value of £15.5 Million.
- The total rental income to the Borrower is £840,238 p.a.
- The total current borrowings of the Borrower are £850,000 producing a net assets value of some £14.65 Million
- The Principal also has a residential portfolio with an equity of approx. £6.5 Million.
- The Borrower has been classified with an A score, classed as a very low risk, by reference agency Credit safe.

### Property

- The Subject Property is predominately a four-storey, Victorian building to which a more modern block was added in the 1960's
- The total gross floor area is 42,000 sq.ft.
- The Property has been fitting out to provide 26,900 sq.ft. of self-storage facility, including two commercial lifts, at a cost of £1.25 Million
- The Property is let to a self-storage company on a 10-year FR&I lease at a rent of £240,000 p.a.

- The Tenant has been trading since 2007 and has been graded as very low risk by reference agent Creditsafe
- The Borrower and Tenant have a common Directorship and ownership.
- The Property is valued as an investment at £2.7 Million.

#### Loan Request

- The proposed Borrower wishes to raise a net sum of £750,000 (after all charges and interest retentions).
- The monies will be used to purchase land to the rear of the Subject Property for £800,000.
- The loan will be repaid from sale proceeds of another site which is being sold in 2018 for £2.3 Million.
- The loan is required for a 12-month period and there will be a 2% early repayment penalty if it is repaid with the first three months of the loan term.
- Interest on the proposed loan will be 7% p.a. equating to £54,600 p.a.
- The rental income of £240,000 p.a. from the Subject Property covers the interest 4.4x

#### Security

- The Loan will be supported by a first legal charge over the Subject Property.
- Director's personal Guarantee from the Director for 10% of the loan sum
- Proplend will retain 3 months interest from the Loan. (The Borrower was not prepared to agree to a 6 month interest deposit and, in view of the very low gearing and financial strength of the Borrower, a 3 month deposit was considered acceptable in this instance)

#### Loan Tranches

- Tranche A, comprising £780,000, will attract gross interest of 7% 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 Borrower is a limited company by the name of Fortitude Investments (Commercial) Ltd. It was incorporated in 1997 and, as its name implies, it invests in commercial properties. The Company currently owns nine properties with an aggregate value of circa £15.5 Million producing a combined rental income of £840,238 p.a.

The Borrower's existing loans total £850,000 and it services interest and capital repayments on

this loan at a cost of £51,000 per quarter i.e. £204,000 p.a. There is therefore a surplus rental income to service the proposed loan of £636,238 p.a. This surplus covers interest on the proposed loan 11x.

A search with credit reference agency, Creditsafe, gives the Borrower an A rating which is classed as very low risk.

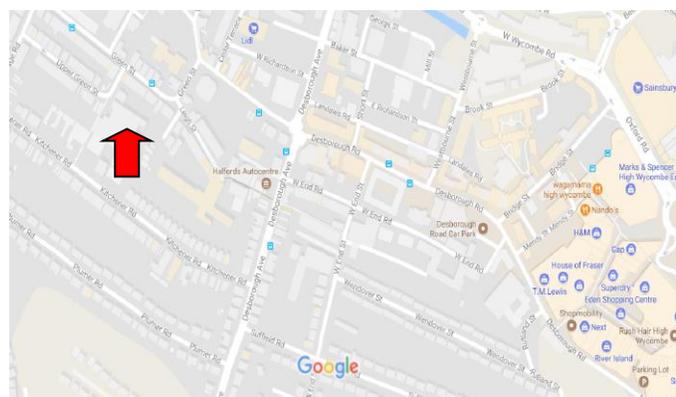
## Business Plan

The Borrower has granted an option to sell another, unencumbered, property to a major housebuilder for £2.3 Million. The Purchaser has spent a considerable sum on obtaining planning consent for redevelopment. The Purchaser is therefore highly likely to exercise its option by June 2018 whereupon the Borrower will be in a position to fully repay the proposed loan. In the unlikely event that the sale of the Property does not proceed, the Borrower should not have any difficulty in securing refinance on the Subject Property, given the very low gearing and the rental income.

## THE PROPERTY

### Location

The Subject Property, known as Albany House, located in Leigh Street, High Wycombe Bucks, HP11 2QU. A busy market town, located 30 miles to the west of London, High Wycombe has a population of approx. 125,000. Albany House was originally constructed in the Victoria Era by William Birch and was one of several factories in Leigh St making Windsor Chairs, for which High Wycombe was renowned. It was later occupied by furniture manufacturers E Gomme Ltd producing its popular G Plan range. Although the Subject Property has continued to be occupied throughout its life, some of the surrounding factory buildings that together form the Leigh Street Quarter have fallen into disrepair. The Quarter is the subject of a Development Brief issued by the Council and is now the subject of a major planning application by Developers, IDM Properties, for conversion into 230 residential flats (see <http://www.idmproperties.com/property>). An approval of this scheme is expected within the next month and the development will have a very positive impact on the Leigh St Quarter as a whole and, more specifically, the Subject Property due to the anticipated increase in custom for storage.



## Asset Description

Albany House is a largely Victorian Building, which was extended in the 1960's. Spread over four floors, the gross internal area is £42,000 sq.ft. Acquired in 2007 by the Borrower, it was converted into a self-storage facility providing 370 storage units ranging in size between 10 sq.ft and 400 sq.ft. The total net lettable storage area is 26,900 sq.ft. Two substantial commercial lifts were installed and customers access their individual units through three layers of coded security. The whole facility is monitored by 12 CCTV cameras on a 24/7 basis.



## Tenure

The Property is freehold.

## Valuations

A valuation of the Property has been carried out by Cluttons in September 2017, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

**Market Value:** £2,700,000  
**Vacant Possession Value:** £2,400,000  
**Open Market Rent:** £240,000 p.a.

## TENANTS & LEASE

### Tenants and Leases

Upon completion of the conversion works in 2007, the Building was let on a 10 years lease to Store Space Ltd at a rental of £240,000 p.a. The lease is to be extended for a further 10 years on at the same rental level. Store Space operates the self-storage business employing a manager and a customer service assistant. A recent credit search of Store Space Ltd, through reference agency Creditsafe, gives the Company an A rating and classes it as very low risk.

Store Space Ltd is a private limited company which has common ownership with the Borrower. It trades as Storage King having taken a franchise from Storage King which operates 25 stores across the UK. <https://www.storageking.co.uk/company-information/about-us/>

### A Declaration of Interest

The Borrower, and its Principal, was introduced to Proplend by Richard Berkley, a member of our new business team. He has known and acted for the Borrower for the past 25 years. When the Tenant was incorporated in 2007, Richard Berkley was asked to keep an eye on the new business as he lived locally to the facility and had both financial and property experience. He therefore agreed to act as a Director of the Tenant company and continues to do so. He does not draw a remuneration or dividend from the Tenant.

## 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 Mortgage including first ranking legal charge over the Property
- 3 months interest will be retained from the Loan and held on account.
- A Personal Guarantee from the Director and sole Shareholder of the Borrower for 10% of the facility

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

### **Serviceability**

The Interest Cover Ratio on the Subject Property alone is 4.4x, and the ICR on the Borrower as a whole is over 11x, indicating that the current rental income is more than sufficient to cover the interest expense.

### **Interest Reserve**

Proplend will retain £13,650 (3 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 50%
- An ICR ratio of 2:1

**LENDER RISKS:**

| <b>RISK</b>   | <b>LEVEL</b>      | <b>MITIGANT</b>  |
|---|-------------------|--|
| 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 sold its other property as planned. | HIGHER RISK       | <ul style="list-style-type: none"> <li>With a gearing level of 31% and an ICR of 4x, the Borrower is likely to find alternative funding should the need arise</li> </ul> |
|   | MEDIUM RISK       |  |
|   | <b>LOWER RISK</b> |  |

|   |                   |  |
|---|-------------------|--|
| 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"> <li>The Tenant has been in occupation for the past 10 year and will sign a new 10 year lease on the same terms.</li> <li>If it is unable to do so, an alternative self-storage operator can be found at a rental level which will comfortably service the interest on the loan</li> </ul> |
|   | MEDIUM RISK       |  |
|   | <b>LOWER RISK</b> |  |

|  |   |  |
|--|---|--|
| Risk that the Property falls in value due to either macro-economic or property-specific reasons. | HIGHER RISK<br>TRANCHE C<br>65-75% LTV        | <ul style="list-style-type: none"> <li>It is felt unlikely that the value of the Subject Property will fall by 69%.</li> </ul> |
|  | MEDIUM RISK<br>TRANCHE B<br>51-64% LTV        |  |
|  | <b>LOWER RISK<br/>TRANCHE A<br/>0-50% LTV</b> |  |

**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. A copy Valuation Report

## 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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