



Proplend Loan Request

Date	15 th September 2017
Property Name	Hinckley
Property Description (Short)	2 retail units in Town Centre location



Loan Request Summary

Borrower	A Limited Company	Valuation	£670,000
Loan Type	Commercial Investment	Total Loan Required	£500,000
Purchase/Refinance	Refinance	Loan to value (LTV)	75%
Property Asset Class	Retail	Whole loan blended interest rate p/a	8.5%
SIPP	Suitable for a SIPP		
Rental Income	£54,500	Rental Value	£52,700 p.a.

Borrowers Loan Requirement						
Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Interest Cover	Loan Term
C	Higher	66-75%	£ 64,500	13.44%	1.24	
B	Medium	51-65%	£ 100,500	9.5%	1.56x	
A	Lower	0-50%	£ 335,000	7.25%	2.17x	
Total			£ 500,000	8.5%		36 Months

OVERVIEW

Borrower

- The proposed borrower is a special purpose Limited Company, registered in the UK. It has no other assets than the Subject Properties.
- The Principals and Guarantors are two wealthy individuals (father and son) who are British Nationals living abroad.

Property

- The Security comprises two adjoining retail units in a busy, town-centre location. Both units are let to multiple retailers with strong covenants.
- The leases for the two tenants run to Feb 2025 (with a break clause in Feb 2020) and June 2022

Loan Request

- The loan is to refinance current borrowings from Santander which, due to a policy change, is not renewing commercial loans upon maturity.
- The proposed loan of £500,000 provides for the refinance of the current borrowings 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 current aggregate rental income is £54,500
- The rental value of the property is £52,700 p.a.
- Annual interest expense will be £42,504.
- The Loan will incur an early repayment fee of 2% if repaid in the first twelve months reducing to 1% if repaid within the first twenty-four months

Security

- The Loan will be supported by a first legal charge over both Properties.
- Proplend 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 will retain 6 months interest from the Loan.

Loan Tranches

- .Tranche A, comprising £335,000, will attract gross interest of 7.25% p.a.
- Tranche B, comprising £100,500, will attract gross interest of 9.5% p.a.
- Tranche C, comprising £64,500 will attract gross interest of 13.44%
- 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 Yewstone Properties Ltd ("YPL"), incorporated in June 2003 when the Subject Properties were purchased. The declared turnover in the accounts for year ending 31st December 2016 show a turnover of £56,833 and a net, pre-tax, profit, after servicing current borrowings of £35,006. A recent credit search on the Borrower with credit reference agency, Creditsafe, graded the Company as a "moderate" credit rating. There was no adverse information recorded such as a CCJ.

The two Directors and Guarantors are Mr. Ridhwaan Daud, aged 39, and Harun Daud aged 62. Both British Passport holders, both live abroad, Mr R Daud and his family in Cape Town S.A. and Mr H Daud in Malawi where he has run a tyre supply business for many years. Mr H Daud has stated that he owns five properties in Malawi all of which are unencumbered. He states their aggregate value to be US\$ 3.25 Million which equates to approximately £2.5 Million. Whilst both Guarantors live outside the UK they have maintained a good track record for the past 15 years with Santander Bank (previously Abbey National).

Business Plan

Messrs Daud, purchased the Subject Properties in 2003 as a long-term investment for their Family. They have had a 15-year loan term with Abbey National (now Santander) and had every expectation that the Bank would renew the facility which they have been amortising at a rate of £25,500 p.a. for the past 15 years. Santander has, however, changed its policy on investment loans and it unable to renew the facility. The Applicants feel that they were left with too short a notice period within which to secure the optimum refinance package. Although the Applicants have requested a three-year term from Proplend, it is their intention to seek more favourable terms from an alternative Bank once they are beyond Proplend's penalty period for redemption.

Proplend has a copy statement from Santander, covering the period from June 2013 to March 2017, which shows regular quarterly payments (ahead of the due dates) which equate to approximately £43,000 p.a. We also hold a copy email dated 14th April 2017, from a Business Relationship Director at Sandander, confirming that the facility has been extended (pending refinance) and that the account is not in arrears.

THE PROPERTY

Location

The Subject Properties are located at 46-48 Castle Street, Hinckley, LE10 1DB. Hinckley is a busy Market Town which, according to the 2011 Census, has a population of just over 105,000. The units lie in the heart of the pedestrianized shopping area with other nearby retailers including Greggs, Costa, Vision Express, Dunelm, Carphone Warehouse, WH Smith, O2 and several national Banks. Hinckley & Rugby Building Society is situated immediately opposite the Subject Properties. A public car-park is also located no more than 40 yards from the Properties.



Views of Castle Street either side of the Subject Properties (time taken 7.00 am)

Asset Description

The security comprises two adjoining, brick built, retail units with a flat, asphalt, roof. On the front elevation, the buildings are two storey, reducing to single storey at the rear. Both shops are broadly similar in size, each providing at total of 2,028 sq.ft. and 2,050, sq.ft. net internal floor areas. Both Properties are classed as A1 from a planning perspective. Neither Property is listed but they do sit within the Town Centre Conservation Area.



48 Castle Street



46 Castle Street

The Properties lies midway along Castle St, and are therefore in the heart of the Town's pedestrianized shopping precinct. With a population of just over 105,000 (2011 Census), Hinckley has its own train station with direct links to St Pancreas and Euston. There is also good road access to major conurbations via the M69 and A5.



Tenure

The Properties are freehold.

Valuations

A valuation of the Property was carried out by Innes England based in Leicester in July 2017, a copy of which can be viewed in the supporting documents. The valuation concludes the following:

Market Value: £670,000
Vacant Possession Value: £480,000
Open Market Rent: £52,700 p.a.

It should be noted that the figure provided for the value with vacant possession is £20,000 less than the proposed gross loan (which includes an interest reserve of £21,250). It is thought unlikely, however, that both tenants would default on their leases, at the same time, within the loan period.

TENANTS & LEASE

Tenants and Leases

Unit 28 Castle Street is let to Holland & Barratt Ltd on a 10-year lease expiring in June 2022. The Tenant had an option to break the lease in June of this year and we are expecting confirmation in the final Report on Title that it elected not to exercise this option. We note that from statements that the rent is paid by Holland & Barrett Retail Ltd which filed accounts to 30th September 2016 showing a turnover of £444,127,000 and a pre-tax profit of £112,823,000. Credit reference agency Creditsafe rated the company as 'low risk'.

In June of this year, Holland & Barratt was bought for £1.8 Bn by L1 Retail which is a division of LetterOne a holding company owned by Russian Billionaire, Mikhail Fridman. Mervyn Davies, the former CEO of Standard Chartered, is Chairman of L1 and the Advisory Board includes Karl-Heinz Holland, previous CEO of Lidl Group, and John Walden, the former CEO of Home Retail Group.

Unit 26 Castle Street is let to CEX (Franchising) Ltd on a 10-year lease expiring February 2025. The Tenant has an option to break the lease in February 2020. This Company has filed accounts for the year ending 30th June 2016 showing a turnover of £24,257,000 and a pre-tax profit of £1,849,000. The Company has been given a 'low risk' rating by Creditsafe.

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 1.24x, indicating that the current rental income is more than sufficient to cover the interest expense.

Interest Reserve

Proplend will retain £21,250 (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%
- An ICR ratio of 1:1.24

LENDER RISKS:

RISK	LEVEL	MITIGANT
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 been able to sell or re-finance the property.	HIGHER RISK	<ul style="list-style-type: none"> The Borrower plans to refinance the Subject Properties within the loan period. Given the location of the security, within a busy shopping precinct in a Market Town and the spread of rental income risk across two good tenants, refinance in an orderly timescale should be achievable. The Applicant has accepted more expensive funding from Proplend so as to ensure continuing good track record and repayment of its existing Mortgagor in the agreed timescale.
	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 Borrowers and Guarantors have a good track record of interest payment and amortization of the Loan with Santander over the past 15 years. The tenant profiles are graded as 'low risk' and rental default is therefore considered unlikely
	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 location of the Subject Properties in the heart of a busy Market Town should ensure a continuing demand for this type of building both as an investment and for leasehold occupation from retailers.
	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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