

# Full Loan Request: Delta View, Birmingham Office Block

<b>Main Site:</b>	Delta View , 2309 Coventry Road, Sheldon, Birmingham , B26 3PG
<b>Date:</b>	24-11-17
<b>Asset Description:</b>	The Subject Property is a seven storey office building dating from the 1960's with car-parking for 45 vehicles.



## Deal Summary

<b>Loan Type</b>	Commercial Real Estate Loan	<b>Borrower Profile</b>	Investor
<b>SIPP Classification</b>	SIPP eligible	<b>Loan Purpose</b>	Purchase

## Property Summary

<b>Market Value</b>	£1,200,000	<b>Property Income</b>	£124,830
<b>Vacant Possession Value</b>	£1,200,000	<b>Market Rental Value</b>	£138,264
<b>Purchase Price</b>	£1,200,000	<b>Asset Class</b>	Office
<b>Tenure</b>	Freehold		

## Loan Summary

<b>Total Loan Required</b>	£725,000	<b>Loan to Value (LTV)</b>	60%
<b>Blended Interest Rate</b>	8.5%	<b>Interest Cover</b>	2.03x
<b>Loan Term</b>	18 months		

Tranche	Risk	LTV	Loan Amount	Interest Rate	Interest Cover
B	Medium	51-65%	£125,000	10.9%	2.03x
A	Low	0-50%	£600,000	8%	2.70x

## Borrower Details

<b>Name</b>	SSB Homes Limited
<b>Overview</b>	A property investment company established by the Sandhu Family in 2005. There are currently no other borrowings or property in the Company.
<b>Registration</b>	UK registered Limited Company
<b>Directors/Shareholders</b>	<p>Bhupinder Singh Sandhu and Avtar Sandhu are the Directors of SSB Homes Ltd.</p> <p>Shares of SSB Homes Ltd are owned by Sav Group Ltd (91.07%), Bhupinder Singh Sandhu (2.09%), D K Sandhu (2.09%), Sandeep Sandhu (2.09%), Sharanjit Sandhu (1.82) and Avtar Sandhu (0.82%).</p> <p>Sav Group Ltd shares are owned by Duljit Sandhu (99%) and Avtar Sandhu (1%).</p>

## Applicant Details

<b>Name</b>	Mr Avtar Sandhu	<b>Marital Status</b>	Married
<b>Dependents</b>		<b>Marital Status</b>	Married
<b>Experience</b>	An experienced property investor and developer		
<b>Credit History</b>	Clear		
<b>Additional information</b>	<p>Mr Sandhu's main business interest is a successful business recycling mobile phones. In the 11-month period to November 2015, his Company achieved a turnover in excess of £21 Million and a pre-tax profit of over £861,000.</p> <p>In addition to his main business interest, he has developed various residential schemes including 19 apartments in Sutton Coldfield. He also owns and lets various other residential investments in the Birmingham area.</p> <p>Mr Sandhu is married with 3 children and 3 grandchildren. He lives in a wealthy part of Hampton in Arden near Solihull.</p>		
<b>Additional Proplend Facilities</b>	<p>Proplend currently have 3 facilities with this beneficiary totalling £1.65m against £3.85m of 1st charge security (LTV 43%).</p> <p>Following the completion of two up and coming transactions Proplend will have 4 facilities totalling £3.1m vs. £4.8m of 1st charge security (LTV 64%).</p> <p>At this time, appetite for lending to this beneficiary will be considered full. No further facilities will be extended until such time as existing funding Has been redeemed.</p>		

## Loan Details

<b>Overview</b>	The loan is to assist with the purchase of the Property and to provide a period for achieving a change of use.
<b>Gross Loan Amount</b>	£725,000
<b>LTV</b>	60%
<b>ICR</b>	2.03x
<b>Serviceability</b>	Sufficient contracted rental income to cover interest 2x.
<b>Interest Reserve</b>	<p>Proplend will retain £30,813 (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.</p> <p>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.</p>
<b>Early Repayment</b>	An early repayment of 2% will be charged on the total loan amount should the borrower wish to redeem the loan within the first 6 months and 1% will be charged between months 7 and 12.

## Business Plan

<b>Timeline and Motives</b>	The loan needs to complete by 8th December 2017.
<b>Development Plan</b>	<p>The location and nature of the Subject Property makes it suitable for change of use, under permitted development rights, to provide up to 36 one bedroom flats.</p> <p>The borrowers intention is to purchase the property and apply for change of use and planning permission to convert to residential.</p>

## Property Details

The Subject Property is a seven storey office building dating from the 1960's. It has car-parking for 45 vehicles.

Part of the ground floor is let to Fletcher Data Services by way of lease from 4th June 2016 to 3rd June 2019. This covers the ground floor, left hand section together with the entire first floor at a rent of £36,000 p.a.

The right-hand side of the ground floor is let to Polyandra Limited by way a lease from 22nd September 2014 to 21st September 2019 at a rent of £8,150 p.a.

Part of the second floor is let to Fair For You Limited by way of a lease from 1st October 2015 to 30th September 2020 at a rent of £10,680 p.a.

The exterior side is let to Elonex Sports PLC by way of a lease from 1st January 2015 to 31st December 2024 subject to a rolling 12 month break at a rent of £30,000 p.a.

A new lease is to be granted to Sutton Carter Investments Ltd for the third & fourth floors. The lease will run to September 2020 at a rental of £40,000 p.a. There will be a break option after 2 years.

The remainder of the second, fifth and sixth floors remain vacant.

Total rental income, £84,830 p.a.

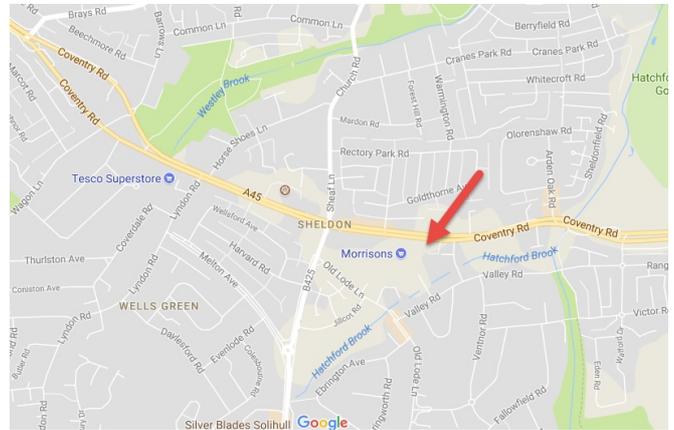


## Location Report

The Subject Property is situated in Sheldon, an area of east Birmingham adjoining the metropolitan borough of Solihull and Birmingham Airport. It covers an area of over 6 sq km and has a population of in excess of 20,000.

The property itself is situated in a prominent position on the main Coventry Road surrounded by a number of similar offices, Morrisons supermarket immediately adjacent and a number of retail units.

The extent of the property is as approximately edged in red in the below graphic



## Tenant

<b>Main Tenant</b>	5 Tenants - see tenant schedule	<b>Activity</b>	Office
<b>Lease Type</b>	FRI	<b>Average lease term</b>	18 months

**Lease arrangements** With the exception of an advertising hoarding, all the leases are short term commitments which expire in either 2019 or 2020. This suits the Applicants plan to secure change of use to residential under permitted development rights and then secure development funding.

**Tenant Strength** Weak, local covenants

## Security

<b>Main Site</b>	First Legal Charge	<b>Debenture</b>	Debenture Required
<b>Interest Reserve</b>	6 months	<b>Share Charge</b>	

**Personal Guarantee** Individual Guarantee of a Director of SSB Homes Limited for the sum of £725,000.  
 Proplend hold an aggregate £2.3m of personal guarantees from this beneficiary across 4 facilities against a net worth of £2.9m.

## Exit Strategy

Upon receipt of planning permission, the Applicant plans to refinance the Property with a Lender specialising in development finance. As the expected value of the Property with planning permission is circa £2 Million, refinance is not thought to present any difficulty.

## Covenants

LTV Covenant 65%

ICR Covenant 1.5x

## Fees

Arrangement Fee 2%

## Valuation

A valuation of the property was carried out by GJS Dillon on 20-10-17 a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £1,200,000

Vacant Possession Value: £1,200,000

Open Market Rental Value: £138,264

## Report on Title

A Report on Title will be supplied by Paris Smith LLP acting on behalf of Proplend Security Ltd, and its comments thereon can be viewed under documents.

Lender Risks	Risk Level	
Risk that the management of the Borrower is not able to execute their business plan.	LOW	The Applicant is confident that change of use under permitted development rights can be secured and therefore refinance will be available. In the event that it is not, the investment can continue to comfortably service the interest at 2x cover.
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.	LOW	There is a good spread of income across 5 tenants. The loss of any one tenant should not prejudice the servicing of interest. The Applicant is also in a position to service interest from other income
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.	LOW	If the Borrower is not able to secure change of use, the Applicant will seek to refinance on a term loan with another Lender and at 60% LTV with 2x ICR it is not thought that this will present a problem
Risk that the Property falls in value due to either macro-economic or property-specific reasons.	MEDIUM	The current value of the Property would need to fall by 40% before the principal sum is at risk of not being covered by the security.

## Documents

- A Draft Standard Loan Contract
- A Report On Title and Lettings Report produced by Paris Smith
- An open market and VP valuation by GJS Dillon dated 20th October 2017 in the sum of £1,200,000

## Next Steps

**If you are interested in participating in this Loan Request and are already fully registered with Proplend then:**

Log-in your Proplend Lenders Account, go to Loan Investments, and select the Loan.

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.

**If you have any questions, please call us on 0203 379 8290**

## **PROPLEND DISCLAIMER - PLEASE NOTE:**

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