

Sighting Paper: Birmingham Office Block



Deal Summary

Loan Type	Commercial Real Estate Loan	Deal Channel	Broker
Asset Class	Office	Borrower Profile	Investor
SIPP Classification	SIPP eligible	Loan Purpose	Purchase

Property Summary

Market Value	£1,200,000	Property Income	£124,830
Vacant Possession Value	£1,100,000	Market Rental Value	£175,000
Tenure	Freehold		
Purchase Price	£1,200,000	Purchase Type	Option

Loan Summary

Total Loan Required	£725,000	Loan to Value (LTV)	60%
Net Loan Amount	£679,688	Interest Cover	2.03x
Blended Interest Rate	8.5%	Loan Term	18 months

Tranche	Risk	LTV	Loan Amount	Interest Rate	Interest Cover
B	Medium	51-65%	£125,000	12.34%	2.03x
A	Low	0-50%	£600,000	7.7%	2.70x

Applicant Details

Experience Applicant owns numerous other commercial investment properties

Personal Assets £2,900,000

Credit History Clear

Special Circumstances [Account.SpecialCircumstances]

Borrower Details

Name SSB Homes Limited

Overview A property investment company established by the Sandhu Family in 2005.

Property Details

Property Description A seven-storey office block providing 17,455 sq ft of accommodation, with parking.

Number of Properties 1

Main Site

Location Secondary **Quality** 15 years +

Number of Tenancies 5 **Spec.** Standard Spec

Main Tenant Sutton Carter Investments Ltd **Activity** Property Investment

Lease Type FRI **Lease Start Date** 2017-11-24

Months to Lease Break 24 **Months to Lease End** 61

Main Tenant Details Commercial property investment

Financials Audited Accounts up to 2017-02-28 show the balance sheet net worth of £1,274,127 and Cash and Equivalents of £58,061.

Further Tenants 4 additional tenants, weak local covenants, providing a further £84,840 rental income per annum

Further Leases 4 local covenants on rolling 1 year leases

Loan Details

Overview	The loan is to assist with the purchase of the Property and to provide a period for achieving a change of use.
Timing/Motives	The loan needs to complete in November.
Business Plan/Exit	Refinance following receipt of planning permission for change of use.
Risks/Mitigants	Weak local covenants on short lease terms. Interest is cover 2x providing adequate headroom. Short average time to lease expiry will help when securing funding for change of use to residential should PP be confirmed.

Security

Main Site	First Legal Charge	Debenture	Debenture Not Required
Interest Reserve	6 months	Share Charge	Share Charge Not Required

Personal Guarantee	Individual Guarantee of the Directors and Shareholders of SSB Homes Limited for the sum of £725,000
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Fees

Arrangement Fee	2%	Broker Fee	0%	Early Repayment Fee	2% first 6 months, 1% months 7-12
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Recommendation

BDM	Despite some concerns over the valuation that has been supplied, the security provided by our first charge is sufficient to cover the proposed loan of £725,000 with LTV at 60% and 2.03x ICR. The asset is well located near to a major UK airport and is in an area where there is an evident lack of residential housing increasing the likelihood that PP will be granted for change of use. Proposal recommended.
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