



# Proplend Loan Request

<b>Date</b>	14/11/2017
<b>Property Name</b>	The Liverpool Pizza Slice Company Ltd
<b>Property Description (Short)</b>	A small retail / fast food unit plus two residential units let as an HMO



## Loan Request Summary

<b>Borrower</b>	A Limited Company	<b>Valuation</b>	£700,000
<b>Loan Type</b>	Commercial Investment	<b>Total Loan Required</b>	£305,000
<b>Purchase/Refinance</b>	Capital Raise	<b>Loan to value (LTV)</b>	44%
<b>Property Asset Class</b>	Mixed Use inc. residential	<b>Whole loan blended interest rate p/a</b>	8.5%
<b>Current Property Income</b>	£65,880	<b>Rental Value</b>	£69,200

## Borrowers Loan Requirement

Tranche	Risk	LTV	Loan Amount	Gross Interest Rate p.a.	Interest Cover	Loan Term
C	High	66-75%	£ ---	---		
B	Med	51-65%	£ ---	---		
A	Low	0-50%	£ 305,000	8.5%	2.54x	12 months
<b>Total</b>			<b>£ 305,000</b>	<b>8.50%</b>	<b>2.54x</b>	<b>12 Months</b>

## OVERVIEW

### Borrower

- The proposed Borrower is a Limited Company, registered in the UK. The Principal & Guarantor owns three unencumbered properties (including the Subject property) worth a combined £1.5m. Previously a Quantity Surveyor but no longer practises.

### Property

- The Subject Property comprises a three storey, plus attic and basement, end terrace Victorian mixed-use premises providing a ground floor and basement commercial shop and two self-contained flats each let to students providing five bedrooms with shared living accommodation.
- The commercial unit is let to a pizza takeaway for £14,400 p.a. with the lease running to Feb. 2022. no breaks. The flats are let as an HMO on ASTs for £51,480 p.a.
- The total rental income is therefore £65,880 p.a.; slightly under rented compared to valuer's MRV of £69,200 p.a.

### Loan Request

- The loan is to raise finances to assist with the purchase of another property for £350,000. The borrower has £80,000 to invest and needs to borrow a minimum of £270,000 for a period of 12 months while he secures a cheaper loan.
- The property will sit outside of the SPV and will not fall under our 1<sup>st</sup> charge.
- The proposed loan of £305,000 includes a provision for the retention of six months interest and the payment of fees. The net loan will be £280,938.
- The proposed gross gearing level will be 44%, with the net at 40%.
- Annual interest expense will be £25,925, giving an interest cover of 2.54x against current rental income. Rental income would need to fall by >60% to not meet interest repayments.
- The loan will incur an early repayment fee of 2% if repaid in the first 6 months.

### Loan Tranches

- Tranche A, comprising £305,000, will attract gross interest of 8.5% p.a.
- Lenders are offered the opportunity to lend with minimum loan amounts of £1,000 on a 'first come first lend' basis.

### Security

- The Loan will be supported by a first legal charge over the Property.
- Proplend will retain 6 months interest from the Loan, which will be held on account and used to service interest, should the Borrower fail to meet a monthly repayment.
- Personal Joint and Several Guarantee from a Beneficiary of the Borrower, limited to the sum of £60,000.

## **BORROWER**

### **Borrower**

- The proposed Borrower is The Liverpool Pizza Slice Company Ltd. The sole director/shareholder is Mathew Berridge; he owns three unencumbered investment properties, (including the Subject Property) with a combined value of £1.5 Million. Previously a QS but does not practise any longer.
- Further background – the borrower volunteered that he had a ‘scar’ on this credit file. The IDU search reveals that this is a CCJ for £824 registered in Jan 2017. Mr Berridge states that this was for a credit card which he was not using and overlooked servicing. The correspondence went to an old address. The debt was settled in April.

### **Business Plan**

- The proposed loan will be used by the applicant to provide the balance of the purchase price on a barn costing him £350,000.
- The applicant will invest £80,000 and requires a minimum of £270,000 to complete the purchase.
- The applicant will use the 12-month loan period to seek refinance using a cheaper term facility secured on the residential barn, or through the sale of one or more unencumbered properties.

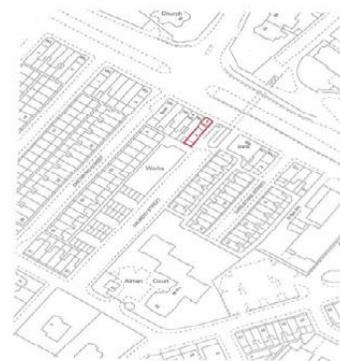
## PROPERTY

### Location

- The Subject Property is located within Aigburth approximately four miles to the south of Liverpool City Centre. The wider area of Aigburth continues to be a popular residential area, due to the facilities on offer to its residents. There is a large availability of open and recreational space such as Sefton Park, Otterspool Promenade and the recently refurbished Festival Gardens.
- The popular Lark Lane area of Aigburth is a short walking distance from the Subject Property and is widely considered to be one of the City's most 'bohemian' quarters with an abundance of restaurants, bars and cafes. The area was recently featured in the Guardian's 2015 list of 'best urban places to live' in the country.
- The area surrounding the Subject Property is largely residential in character and is predominately made up of terraced properties. However, there are a substantial amount of larger detached and semi-detached properties located on the opposite side of Aigburth Road around Sandringham Drive, Alexandra Drive and Parkfield Road.
- Aigburth is served by Aigburth Road (A561) which links the area to Liverpool City Centre, approximately 4 miles to the north. Aigburth Road supports several retailers ranging from national brands, such as Tesco, Home Bargains and Subway, through to a variety of smaller independent shops and fast food outlets that are operated by local traders. There have been some visible improvements and modernisations along the street recently, with some properties benefiting from new shop fronts, signage, and windows. The shop units are set back from the main road and there is a modest amount of on-street parking available.
- Transport links within the immediate locality are excellent. Regular bus services operate along the A561 linking the Subject Property with Liverpool City Centre to the north and Speke and Liverpool John Lennon Airport to the south. St Michaels train station is located within 0.5 miles of the Subject Property. St Michaels, situated on the 'Northern Line' of the Merseyrail network, provides a 7minute rail service to Liverpool City Centre



H.M. LAND REGISTRY		TITLE NUMBER	
ORDNANCE SURVEY PLAN REFERENCE		MS 413137	
SJ 3487	SECTION	Scale 1:1000	
COUNTY MERSEYSIDE	DISTRICT LIVERPOOL	© Crown Copyright	



## Asset Description

- The Subject Property comprises a three storey, plus attic and basement, end terrace Victorian mixed-use premises providing a ground floor and basement commercial shop and two self contained flats each let to students providing five bedrooms with shared living accommodation. Construction is typical of its age and type with external elevations faced in brick with an extension to the rear which has been rendered. Roof coverings are pitched and tiled. Windows comprise of double glazed units throughout with velux windows to the roof.
- Fronting Aigburth Road at ground floor the accommodation is arranged as a pizza takeaway shop with basement prep area and storage. Internally the accommodation provides a Customer waiting and dining area and rear kitchen with stairwell to the basement. At basement level, there is food preparation area, staff WC and further stores/staff area. Externally windows are provided via a double-glazed shop front with electronic security roller shutters.
- The residential accommodation is finished to a good standard throughout and was fully upgraded a few years ago with more recent cosmetic upgrading undertaken since as part of a programme of maintenance.



## Tenure

The Property is freehold.

## Valuations

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

**Market Value:** £700,000  
**Vacant Possession Value:** £600,000  
**Market Rent:** £69,200 p.a.

## TENANTS & LEASE

### Tenants and Leases

The Subject Property is currently let to 11 tenants on the following terms:

Commercial Rental – 6 years from 20 February 2016 for £1,200pcm / £14,400 p.a. – no breaks, no right to reprice, FRI

Remaining leases are ASTs, the residential units are let as HMO to 10 student occupants for £51,480 p.a.

The aggregate rental income is therefore £65,880 providing 2.54x ICR.

Weak, local covenant supported by significant AST income. Rental income would need to fall by >60% to not meet interest repayments.

## **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 first legal charge over the Property
- Personal Joint from the Director and Shareholder of the Borrower, limited to the sum of £60,000.

### **Interest Reserve**

Proplend will retain £12,963 (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.

### **Serviceability**

The Site is currently producing rental income of £65,880 per annum. Interest expense will be £25,925.

The Interest Cover Ratio is 2.54x, indicating that the current rental income is more than sufficient to cover the interest expense.

### **Loan Covenants**

- Asset Cover (loan to value) minimum 50%.
- Interest cover minimum 2x

## **LENDER RISKS:**

<b>RISK</b>	<b>LEVEL</b>	<b>MITIGANT</b>
Risk that the management of the Borrower vehicle is not able to execute their business plan.	HIGHER RISK	<ul style="list-style-type: none"><li>• The borrower has direct property management experience, with an unencumbered portfolio of 3 properties worth £1.5m est.</li><li>• The borrower was previously a QS but no longer practices.</li><li>• The proposed LTV is sufficiently low that the borrower should be able to find another loan provider to refinance with before loan maturity.</li></ul>
	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"> <li>Weak, local retail covenant but with 5 years remaining on the lease we can be comfortable with this income over the 12-month life of the facility.</li> <li>Income supported by significant AST income; let to 10 students so the likelihood of losing all this income is extremely low.</li> <li>Proplend holds 6-month interest reserve.</li> <li>Current income is 2.54x the interest due, allowing for up to 60% fall in income.</li> <li>If income cover falls below 1.25x the loan is in technical default.</li> </ul>
	MEDIUM RISK	
	<b>LOWER RISK</b>	

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"> <li>LTV is sufficiently low and ICR sufficiently high to make refinance to another lender likely.</li> <li>Some concern about the borrowers CCJs making refinance potentially more difficult.</li> <li>Refinance of flats above a fast food restaurant may also be difficult.</li> </ul>
	<b>MEDIUM RISK</b>	
	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"> <li>The property is well located in a stable UK city.</li> <li>The value of the Subject Property would need to fall by 56% before the proposed facility is not covered by the Property's worth.</li> <li>Proplend Security Limited maintains a panel of experienced valuers who must have adequate professional indemnity insurance to provide property valuations.</li> </ul>
	MEDIUM RISK TRANCHE B 51-64% LTV	
	<b>LOWER RISK</b> 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 Legal Report & Property Summary
3. A copy of the Valuation Report dated 11<sup>th</sup> September 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 Requests* and select the Loan
2. If the *Loan Request* is still *Pending* you can register your interest via the *Pre-Offer* facility
3. If the *Loan Request* is *Active* and your Proplend account has sufficient funds to cover your Loan Offer then 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 you need to transfer funds to your Lender Account in order to make an Offer to Lend then go to the *Lender Dashboard* and *Transfer Funds* 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*.
5. Once your funds have cleared in your Lender Account you will be able to make an *Offer to Lend*.
6. If you have any questions, please call us on 0203 379 8290

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

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