

Full Loan Request: Haywards Heath retail



Deal Summary

Loan Type	Commercial Real Estate Loan	Borrower Profile	Investor
SIPP Classification	SIPP eligible	Loan Purpose	Refinance

Property Summary

Market Value	£980,000	Property Income	£59,000
Vacant Possession Value	£980,000	Market Rental Value	£59,000
Tenure	Long leasehold	Asset Class	Retail

Loan Summary

Total Loan Required	£625,000	Loan to Value (LTV)	63%
Blended Interest Rate	7.9%	Interest Cover	1.2x
Loan Term	12 months	Interest Expense (p.a.)	£49,386

Tranche	Risk	LTV	Loan Amount	Interest Rate	Interest Cover
B	Medium	51-65%	£135,000	9.36%	1.19x
A	Low	0-50%	£490,000	7.5%	1.61x

Borrower Details

Name	A UK-registered Special Purpose Vehicle, with no other assets.
Registration	Limited Company
Directors / Shareholders	A full review of the Directors and Beneficial Owners, and AML/KYC has been completed on all relevant parties.

Applicant Details

Name	Tina Johnson	Marital Status	Married
Experience	The applicant is a 56-year old, experienced property developer/investor, dealing mostly with residential property, but also mixed use, developing their first property in 2004.		
Credit History	Clear		
Additional Information	The applicant has a personal net worth of £1.95m. There are no other facilities currently held with Proplend by this borrower or applicant.		

Loan Details

Overview	To refinance the current lender's facility, expiring 13/1/2018.
Gross Loan Amount	£625,000
LTV	63%
ICR	1.2x
Serviceability	Halifax are paying £59,000 rent p.a through out the loan term, against interest payments of £49,386 p.a.
Interest reserve	Proplend will retain £12,346.50 (3 months interest) from the gross loan amount which will be held on account. The balance of the Interest Reserve will be applied to the repayment of principal at the end of the loan term.
Early Repayment	2% if repaid within the first 6 months, no fee thereafter.

Existing Facility

Existing Facility Description

There is currently a £2.2m facility with the current lender for the entire building, including the upper floors that are being converted to residential. Upon completion, our loan will refinance the commercial element, and another lender will provide development finance to clear the current lender in full. The residential element of the scheme has a value currently of £2.35m, and the commercial, £980k. Although there is a facility of £2.2m with the current lender, only £1.8m has been drawn. However, repayment of the debt is due in January 2018, and I am told that it is in the small print of their loan facility with, that no draw-downs are permitted in the last three months of the term. The borrower has produced the loan contract, which confirms this. The borrowers need this cash to finish off the development, practical completion of which is due in the next four weeks.

Property Details

At present the property comprises a three-storey building thought to have been built in the 1960s of conventional methods and materials. The ground floor has a building society in occupation with the upper floors most recently used as office and gymnasium accommodation. Construction comprises a solid concrete frame with brick faced cavity walls to the sides, beneath an unseen roof. Internal construction to the upper floors comprises solid concrete floors with limited solid masonry internal partitions remaining. Upon purchasing the property in April 2016, the borrower applied for, and was granted planning permission to convert the first and second floors to residential - four flats on each floor - and also to add a third floor comprising 3 new flats. We are asked to provide a net loan of £600k in order to refinance the commercial element of the existing outstanding debt. The remainder is being extended by the current lender by two months. Practical completion of the development of the upper floors is anticipated by the end of December, and the flats are already listed for sale on RightMove.

Location Report

The property is located in the centre of Haywards Heath, with most neighbouring properties comprising offices and retail stores. All commercial services are within less than a mile of the property with the road outside a busy local route known as the B2272.

Tenant Details

Main Tenant	Halifax Bank of Scotland	Activity	Retail
Lease Type	FRI	Lease Start Date	1999-01-26
Months to Lease Break	14	Months to Lease End	14

Security

Main Site	First Legal Charge	Debenture	Debenture Required
Personal Guarantee	Individual Guarantee of the Director of A UK-registered Special Purpose Vehicle, with no other assets. for the sum of £62,500		

Exit Strategy

The borrower bought the property in April 2016, with a view to converting the upper floors into flats. These will be sold, however the borrower will retain the commercial property as a long term investment. The borrower is undecided at this stage whether to repay our debt on maturity upon the sale proceeds from the flats, or refinance with a high street lender, which they will easily be able to do when Halifax renew the lease. For info only, the expected sales values for the completed flats are £2.4m.

Covenants

LTV Covenant 65%

Fees

Arrangement Fee 2% Broker Fee 0%

Report on Title

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

Lender Risks

Mitigant

Risk Level

Risk that the management of the Borrower is not able to execute their business plan.

In the unlikely event that Halifax do not renew the lease beyond 2019, only a short rental void would be anticipated due to the primary town centre location of the property, and the 100% occupation of all neighbouring commercial property.

Medium

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.

The borrower is of sufficient means and moral fibre to ensure our interest payments are serviced in the event of any rental voids.

Low

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.

As soon as Halifax renew the lease, a term mortgage will be easily achievable with any high street lender.

Low

Risk that the Property falls in value due to either macroeconomic or property specific reasons

The LTV is 63.8%, meaning that the property would have to fall in value by a third, to drop below the balance of the loan. The Vacant Possession Value is expected to be confirmed by the valuer to be higher than today's value, subject to the current lease.

Low

Conditions Precedent

The following actions have been completed prior to credit approval:

- Satisfactory AML/KYC checks in respect of the Borrowers / Directors / Shareholders
- Clear credit searches against the Directors / Shareholders
- Formal, independent valuation addressed to Proplend Security Limited by a RICS qualified valuer confirming market value of the property.
- Satisfactory completion of all stated security requirements / Report on Title.
- Adequate insurance cover with Proplend Security Limited named as First Loss Payee
- Proplend Ltd diligence to be satisfied that interest payments can be serviced
- Loan to value not to exceed 75% on draw down

Documents

The following documents are available to download via the Loan Request screen:

- A Draft Standard Loan Contract
- The Report On Title and Lettings Report produced by Paris Smith
- A copy of the Valuation Report

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

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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