

Full Loan Request: Walsall - Mixed Residential

Main Site:	115 -120 & 126, Stafford Street, Walsall, WS2 8DX
Date:	15th January 2018
Asset Description:	2 residential hostels for 43 "vulnerable" men, small car park, car sales lot (forecourt), yard/storage buildings and site advertising boards.



Deal Summary

Loan Type	Commercial Real Estate Loan	Borrower Profile	Connected to Occupier
SIPP Classification	Not SIPP eligible	Loan Purpose	Purchase

Property Summary

Market Value	£840,000	Property Income	£105,300
Vacant Possession Value	£825,000	Market Rental Value	£102,000
Purchase Price	£410,000	Asset Class	Residential Block
Tenure	Freehold		

Loan Summary

Total Loan Required	£475,000	Loan to Value (LTV)	57%
Blended Interest Rate	12%	Interest Cover	1.85x
Loan Term	18 months	Interest Expense (p.a.)	£57,000

Tranche	Risk	LTV	Loan Amount	Interest Rate	Interest Cover
B	Medium	51-65%	£55,000	19.64%	1.85x
A	Low	0-50%	£420,000	11.00%	2.28x

Borrower Details

Registration Limited Company

Overview The Company was formed for the purpose of purchasing the Subject Properties

Applicant Details

Experience The applicant worked in the residential accommodation sector for the past 20 years, in 2008 they formed an LTD to provide residential units for vulnerable persons who are not able or ready to live on their own

Credit History Clear - A credit report produced by Creditsafe on 15th Jan 2018 gives a credit score of 582 out of a possible total of 600

Additional Information The applicant has lived and worked in the Walsall area all his life. He now lives with his wife and Family in nearby Brocton in a substantial property valued at £1.7 Million. He has borrowing against this property of £769,000. He owns two other commercial investments through SPV companies.

One of these investments is valued at £1.3 Million against which Proplend is already lending £800,000. This account has been running since July 2017 without any problems or late payments.

A recently produced asset and liability statement shows a net asset worth of £1.94 Million.

Loan Details

Overview To purchase Freehold to Properties already occupied by Applicant

Gross Loan Amount £475,000

LTV 57%

ICR 1.85x

Serviceability The Applicant's trading company will be paying a rental of £105,300 p.a.

Interest reserve Proplend will retain £28,500 (6 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% first 6 months

Business Plan

Timeline Upon completion of the purchase, the Applicant intends to commence refurbishments to all of the Subject Properties

He plans to convert some unused buildings to the rear of the property to provide communal space for the residents. This will free-up space for further residents in the main properties. This process is likely to take 12 months

Property Details

7 terraced properties providing 30 letting rooms and accommodation for 43 residents classified as 'vulnerable' for which the Local Authority pays £218.48 per resident per week.

The Centre has been managed by the Applicant since in 2008. Upon completion, the Applicant will enter into a new five year lease for a rental of £105,300 p.a.

A valuation of the Property was undertaken in November 2017 which broke down the demise into 6 components detailed below.

The lease to will be on the whole demise of both Freeholds with the LTD sub-letting areas such as the car-park to a car sales company operated by the Applicants son.

Property Address	Market Value - Investment	Market Value 180 day - Investment	Market Value 90 day - Investment
115-120 Stafford Street	£406,000	£386,000	£365,000
126 Stafford Street	£210,000	£200,000	£190,000
Storage at rear 117 Stafford Street incl. yard	£106,000	£100,000	£96,000
Small car park (currently part of 126)	£16,000	£16,000	£15,000
Car sales Lot (Forecourt)	£76,000	£73,000	£70,000
Site display advertising	£26,000	£25,000	£24,000
Total	£840,000	£800,000	£760,000



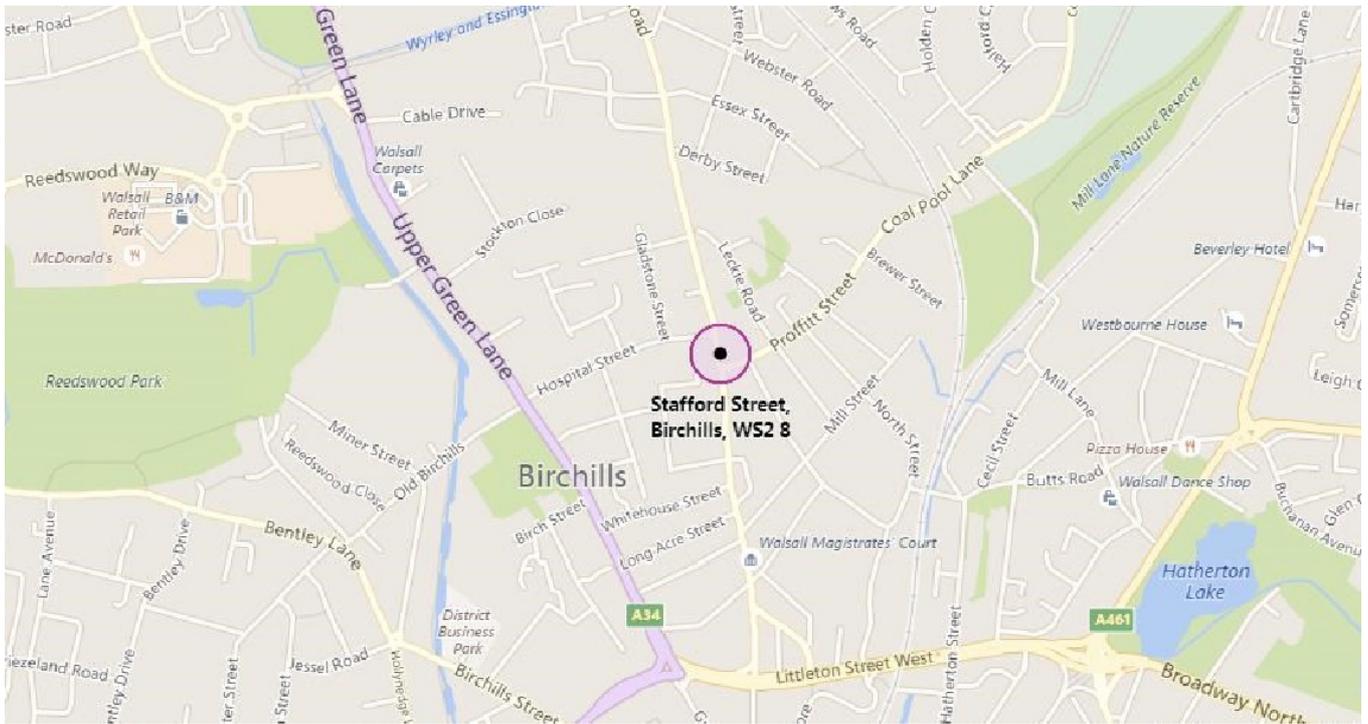
Location Report

The Subject Property is located in a residential district approximately ¾ mile from Walsall Town Centre.

Walsall is an industrial town to the north east of Birmingham, with a population of 170,994 (2001 Census) is located 11 miles to the south west of Lichfield, 10 miles to the north of Birmingham and 5 miles to the north west of Sutton Coldfield and 8 miles to the east of Wolverhampton.

Walsall is situated 2 miles distant from junction 10 of the M6. The town remains the principal commercial and residential centre for the local area, due largely to its position close to the national Motorway network.

The subject premises enjoys an extensive frontage onto Stafford Street (B4210 – main arterial route - considerable traffic flow), situated directly opposite the inter-section with Proffitt Street and within close proximity to the inter-section with Hospital Street.



Tenant Details

Main Tenant	Limited Company	Activity	Residential Care Provider
Lease Type	FRI	Lease Start Date	New lease to start from completion
Months to Lease Break	60	Months to Lease End	60

Lease arrangement The current tenant, has occupied the Subject Properties since 2008. The current tenancy agreements do not, however, cover all the properties. As a condition of the proposed loan, a new lease will commence between the Borrower and the tenant for a period of 5 years at a rental of £105,300 p.a.

Tenant strength In the year ended 31st December 2016, the tenant achieved a turnover of £462,915 and a pre-tax profit of £175,676. A credit report from credit reference agency, Creditsafe, graded the Company as 'low/risk' .

Security

Main Site	First Legal Charge	Debenture	Debenture Required
Share Charge	Share Charge Not Required		

Personal Guarantee Individual Guarantee of the Individual Director for the sum of £475,000

Proplend Security Limited also holds an £800,000 individual guarantee from the Director with respect to another facility financed via Proplend.

Other Salient Factors

The applicant is not providing any funds towards the purchase of the Subject Property.

The Applicant is purchasing the Subject Property from a Receiver appointed by the current mortgagee for the sum of £410,000. There are, however, special circumstances which allow the Applicant to purchase at this figure:

1. The Applicant already occupies significant parts of the Property through his trading company.
2. It would be difficult for the Receiver to sell the Property on the open market as the Receiver can neither offer vacant possession nor as an investment achieving its full rental value.
3. Any prospective purchaser hoping to run a similar business from the premises would first need to secure a licence to offer accommodation to vulnerable persons from the local council.

Cognisant of the possibility of a challenge to the sale at undervalue, Proplend has undertaken the following due diligence:

1. It has consulted Proplend's solicitors which advise that any recourse would be directed to the Receiver selling the Property rather than Proplend Security Limited.
2. Notwithstanding this advice, Proplend has sought confirmation from the Borrower's solicitor that both the current mortgagee and the Trustee in Bankruptcy for the previous owner has consented to the sale at the agreed figure.
3. The nationwide firm instructed to value the Property on behalf of Proplend Security Ltd was advised of the purchase price and the circumstances behind the purchase. Notwithstanding this knowledge, the valuer provided an open market value of £840,000 and a value with vacant possession of £825,000.
4. As a condition of the proposed loan, all existing licences or leases are being surrendered and a new five year lease on the whole demise is being entered into with the tenant upon completion.

Proplend is therefore satisfied that sufficient precautions have been taken in this regard.

The above mentioned factors are reflected in the interest rate being charged (12% p.a.).

Exit Strategy

The Borrower proposes to refinance both the Subject Property and the other asset also funded via Proplend within the next 12 months.

With an aggregate gearing level of 57% and an interest cover ratio of 1.85x the refinance should be readily achievable on more attractive terms.

Covenants

LTV Covenant 65% **ICR Covenant** 1.5x

Fees

Arrangement Fee 2% **Broker Fee** 1%

Valuation

A valuation of the property was carried out by PLP Property Consultants on 29th December 2017, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £840,000
Vacant Possession Value: £825,000
Open Market Rental Value: £102,000

Report on Title

A report on Title will be supplied by Paris Smith 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.	The Director of the proposed Borrower has run the business from the Subject Property for the past 9 years. Upon completion of the next financial year by the Tenant, the Applicant is confident that he will secure refinance on the Property. Given the low gearing level and the good income cover ratio this refinance is a realistic plan.	Low
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.	As the Applicant also owns and runs the Tenant company which has successfully operated from the Subject Property for the past 9 years, this scenario is considered unlikely.	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.	With a gearing level of 56% and a proven tract record, refinance is considered achievable. Potential for a delay in refinance may occur due to the necessity for a special licence to run the premises as a going concern.	Medium
Risk that the Property falls in value due to either macroeconomic or property specific reasons	The Subject Property would need to fall in value by 44% before the proposed loan is not covered.	Medium

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 65% on draw down

Documents

The following documents will be 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

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