

Full Loan Request: Shirley - Kurn - Industrial

Main Site:	Henty Works, Henty Road, Shirley, Hampshire, SO16 4GF
Date:	20/3/2018
Asset Description:	Target property - two units totalling 4076 sq ft, plus a secure yard adjacent to both sides of the premises in Shirley, Southampton. Additional security - a single storey mid-terrace retail outlet, comprising 637 sq ft in a secondary location in Chandler's Ford.



Deal Summary

Loan Type	Commercial Real Estate Loan	Borrower Profile	Property investment SPV
SIPP Classification	SIPP eligible	Loan Purpose	Purchase

Property Summary

Market Value	£430,000	Property Income	£34,800
Vacant Possession Value	£430,000	Market Rental Value	£31,050
Purchase Price	£300,000	Purchase Type	Open market
Tenure	Freehold	Asset Class	Light Industrial

Loan Summary

Total Loan Required	£320,000	Loan to Value (LTV)	74.42%
Blended Interest Rate	8.50%	Interest Cover	1.28x
Loan Term	36 months	Interest Expense (p.a.)	£27,200

Tranche	Risk	LTV	Loan Amount	Interest Rate	Interest Cover
C	High	66-75%	£40,500	11.25%	1.28x
B	Medium	51-65%	£64,500	9.44%	1.54x
A	Low	0-50%	£215,000	7.70%	2.10x

Borrower Details

Name	M&S Property Rental Limited
Registration	Limited Company
Main Business Activity	The proposed Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Properties.
Ownership Structure	The two Directors are husband and wife, Marc and Sandra Kurn. Each has a 50% share.

Applicant Details

Name	Marc Kurn
Age	51
Experience	Marc is a plumber by trade. He has a small property investment portfolio, and has a classic car sales business with his co-Director who has over 32 years sector experience.
Credit History	Marc's credit search is clear. He has provided his full UK passport and Council Tax bill, and has passed the Lexis Nexis IDU search.
Net Worth	£918,000
Additional Information	Approximately £400k of NW relates to property, and the remainder long-term investments/pensions.

Loan Details

Loan Purpose	We are asked to provide a loan to assist with the purchase of Henty Road, Shirley - purchase price £300k. The loan is identical to a previous loan for this applicant (Southampton Industrial), in that the borrower is putting in no cash, but instead offering additional income-producing commercial freehold property as collateral security. The additional security is a retail unit in Chandlers Ford which the applicant already owns. Part of our loan proceeds (£24k) will also be used to clear the outstanding loan at Barclays on the Chandlers Ford unit, to enable a first charge in our favour to be taken.
Gross Loan Amount	£320,000
LTV	74.42%
ICR	1.28x
Serviceability	£34,800 rental income will be received, with interest payments due of £27,200 p.a.
Interest reserve	Proplend will retain £13,600 (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% year 1, 1% year 2, no fee thereafter.

Existing Facility

Lender	Barclays	Expiry	2019
Value	£24,000	Status	Up to Date

Existing Facility Description	Small £24k facility outstanding against the Chandlers Ford unit, to be repaid, to enable us to take a first legal charge.
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Strategy During Loan Term

The main tenant will be associated company Andmarc Cars (Marc is one of two Directors). They will pay £24k rent p.a. on a formal lease, however they will only occupy roughly 50% of the property.

They will advertise for a further commercial tenant and expect to receive an additional £1000 pcm. Our loan has sufficient ICR without an additional tenant.

In the Chandlers Ford unit, Digital Printworks Limited trading as The Print Room are settled in the premises and committed to the current lease, paying £10.8k rent p.a. to October 2020 and are expected to extend.

Property Details

Shirley - The subject property is 2/3 light industrial units, comprising 4052 sq ft gross internal area, on a site of 0.196 acres. Some of the internal walls have been removed to create one larger unit. The industrial units benefit from roller-shutter doors, 3-phase electricity, ancillary office accommodation, W/Cs and a kitchenette. The property is gated, leading on to a small loading bay and car-parking area. There is also a timber-framed building which provides a break-out area for the staff that used to work at the industrial property.

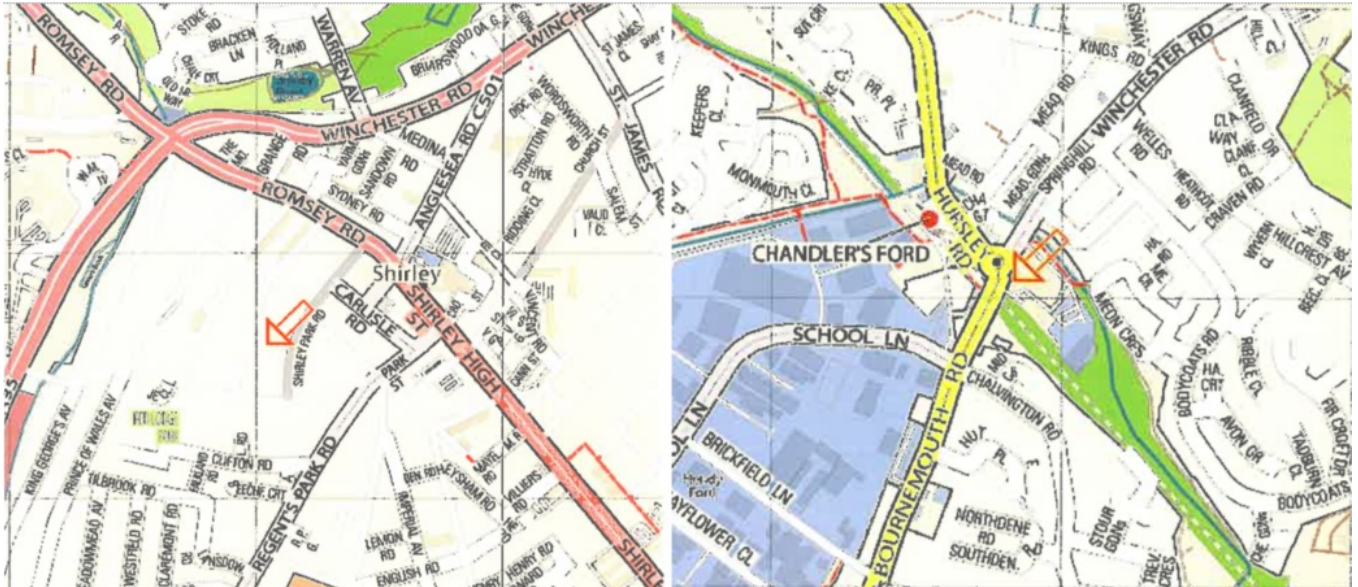
Chandlers Ford - The subject property is a ground floor retail unit currently trading as a print works, with 637 sq ft accommodation. The property provides a main retailing area, a W/C and some ancillary storage. To the rear of the property, there is a rear access alleyway which is shared with a neighbouring occupier. Above the subject property, there is residential accommodation, however, this has not been inspected and is not part of the security.



Location Report

Shirley - The subject property is located on Henty Road - a predominantly residential location in Shirley, Southampton. The surrounding properties are mainly terraced houses. There are a number of local and national retailers approximately 0.3 miles away from the subject property including Sainsburys, Iceland and Natwest. The city centre of Southampton provides a wide range of retail, banking and leisure amenities. This is approximately 2.5 miles away, with Southampton Central station approximately 2.3 miles away from the subject property.

Chandlers Ford - The subject property is within a large local retailing parade approximately 5.5 miles north of Southampton city centre, in the area of Chandlers Ford. Junction 13 of the M3 is approximately 1 mile away.



Tenant Details

Tenant	Andmarc Cars	Activity	Car sales
Lease Type	FRI	Lease Start Date	April 2018
Months to Lease Break	36	Months to Lease End	36

Tenant strength Marc Kurn is one of two Directors of Andmarc Cars - irrespective of their occupation of the Southampton premises, Marc will be keeping this property, as with all of his properties, for long-term investment purposes.

Security

Main Site	First Legal Charge	Debenture	Debenture Required
Share Charge	Share Charge Not Required		
Personal Guarantee	Joint and Several Guarantee of the Directors and Shareholders of M&S Property Rental Limited for the sum of £320,000.		

Exit Strategy

The property is ripe for converting to residential - Marc is in two minds currently whether to obtain planning and be involved in the subsequent development, or sell to a developer once full planning permission is in place.

Covenants

LTV Covenant 75%

Fees

Arrangement Fee 2% Broker Fee 0%

Valuation

A valuation of the property was carried out by VAS Panel/Kempton Carr Croft on 9/2/2018, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Shirley -

Vacant possession value: £300,000

Open market rental value: £20,250

Chandlers Ford -

Vacant possession value: £130,000

Open market rental value: £10,800

Combined -

Vacant Possession Value: £430,000

Open Market Rental Value: £31,050

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 management of the borrower has direct property management experience over the Chandler's Ford property for over 8 years, and is respectable and trustworthy.

Low

The management of the borrower have generated profits in the short time since commencing trading, and have over 30 years relevant sector experience.

In the unlikely event that planning is not granted, the borrower will keep the property for longer term investment.

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.

In the event that the car business fails, the borrower expects to be able to immediately let the unit out to another tenant, and advises that he has been approached by one potential tenant already.

Low

The Print Room can vacate giving one month's notice, under the terms of the Licence to Occupy.

Marc is of sufficient personal wealth and integrity to ensure that our interest will

continue to be serviced.

Proplend holds 6 months interest in reserve.

Current income is 1.28x the interest due, allowing for up to 22% fall in income.

If income cover falls below 1.25x the loan is in technical default.

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.

Holding a first legal charge secured over the property which is registered with the Land Registry and Companies House, enables Proplend Security Limited to appoint solicitors and/or a receiver to repossess the property and sell it and execute any other security held from the borrower.

Default interest is charged during the period of default.

Low

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

The property is well located in a stable UK city.

Proplend limits the maximum loan to value against a property to 75%. This means the borrower has to have a minimum of 25% equity in the property to borrow on Proplend.

So a property would have to fall in value by more than 25% for lenders in Tranche C to be affected, fall 35% for lenders in Tranche B to be affected or fall by more than 50% for lenders in Tranche A to be affected.

Proplend Security Limited maintains a panel of experienced valuers who must have adequate professional indemnity insurance to provide property valuations.

Medium

Credit Sign Off	Comments
	x
	x

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:

The information provided in this Loan Request is provided solely by the applicant and not Proplend Ltd ("Proplend") or Proplend Security Limited ("PSL"). Neither Proplend nor PSL has verified or audited the information in the Loan Request or the Loan Request itself; and the publication of the Loan Request by the applicant on the Service Website does not constitute any approval, endorsement or representation by Proplend or PSL in relation to the Loan Request. Neither Proplend nor PSL provides any warranty, representation or undertaking as to the accuracy, timeliness or reliability of the information in the Loan Request or that the Loan Request or any Due Diligence Material accurately reflects the risks associated with the Loan Request; nor does Proplend or PSL make any recommendation or give any advice of any kind in relation to the Loan Request. Expected bad debt estimates are estimates for general guidance only and neither Proplend nor PSL warrant their accuracy or reliability. Lenders should seek their own independent legal, financial, tax or other advice before lending. Capital at risk.