

Full Loan Request: Golders Green - REIT - Resi

Main Site:	Heathside, 562 Finchley Road, Golders Green, London, NW11 7SB
Date:	24/4/2018
Asset Description:	Freehold retirement apartment block, comprising seven freehold apartments and the reversion of the remaining 30 apartments.



Deal Summary

Loan Type	Commercial Real Estate Loan	Borrower Profile	UK Real Estate Investment Trust
SIPP Classification	Not SIPP eligible	Loan Purpose	Refinance

Property Summary

Market Value	£4,250,000	Property Income	£126,000
Vacant Possession Value	£4,250,000	Market Rental Value	£119,400
Purchase Price	£2,800,000	Purchase Type	Option
Tenure	Freehold	Asset Class	Residential Block
EPC Rating (min. E)	C		

Loan Summary

Total Loan Required	£1,995,000	Loan to Value (LTV)	46.94%
Blended Interest Rate	5.50%	Interest Cover	1.15x
Loan Term	36 months	Interest Expense (p.a.)	£109,725

Tranche	Risk	LTV	Loan Amount	Interest Rate	Interest Cover
A	Low	0-50%	£1,995,000	5.50%	1.15x

Borrower Details

Name	K&C (Osprey) Limited
Registration	UK Registered Limited Company
Main Business Activity	A residential property company
Ownership Structure	100% owned by KCR Residential REIT Plc (formerly known as K&C REIT Plc).

Applicant Details

Name	Dominic White/James Cane
Experience	Dominic White, Chief Executive Dominic is a member of the Institute of Chartered Financial Analysts and is a Chartered Surveyor who has more than 24 years' experience in the investment sector, working in real estate private equity, real estate investment management. He has held a number of Board level investment positions at international institutions such as Security Capital European Realty, Henderson Global Investors and Cordea Savills Investment Management. Dominic has acquired and managed more than £3bn of property assets in the UK and Europe across multiple real estate sectors including residential, in funds, joint ventures, corporates and numerous regulated entities. He has operated in both public and private capital markets. Dominic has held Board executive and non-executive roles at public companies, including Limitless Earth plc and, Energiser Investments plc. James Cane, Finance Director James has been a chief executive and finance director in both listed and private equity-backed businesses, including at Ashley House plc, a quoted developer of doctors' surgeries and health centres. James is the finance director of Anglo African Oil & Gas plc. He was a non-executive director of the Lambeth Building Society until its sale to the Nationwide in 2006, and the chief financial officer of 8 Miles LLP, a private equity firm managing a fund to invest in buyouts across Africa. He was group chief accountant at Westminster Health Care plc, an operator of over 140 care homes and psychiatric hospitals, during the 1990s and managing director of its diagnostic imaging division. James has operated a financial and management consultancy business for nearly forty years. He has advised several national and international private-equity firms on strategy, fundraising, marketing and business development. James is a director of The Queen's Club, a leading UK racquet sports club, and chairs its finance committee. He also sits on the finance committee of the Royal Academy of Dance. James was a trustee of the UK's longest-established drama school, LAMDA (the London Academy of Music and Dramatic Art) for nine years until 2017 and chaired its finance committee. He was also an affiliate governor of the Conservatoire for Dance and Drama, an umbrella organisation for eight leading UK dance, circus and drama schools, and sat on its finance committee. James is a fellow of the Institute of Chartered Accountants in England and Wales. .
Additional Information	Personal financial information on the individual applicants is less relevant as Directors Personal Guarantees are not available.

Loan Details

Loan Purpose	We are asked to provide a loan facility of £1.995m gross, £1.9m net, in order to refinance the existing debt with a private equity fund, which is due to be repaid in Q2 2018.
Gross Loan Amount	£1,995,000

LTV	46.94%
ICR	1.15x
Serviceability	£126,000 rental income will be received for the 7 flats, with interest payments of £109,725 p.a. Lambert Smith Hampton are expected to confirm that there is good demand locally for residential accommodation of this type, but in the event of rental voids, our interest payments will be covered by the Group's financial resources.
Interest reserve	Proplend will retain £54,863 (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	A private equity fund	Expiry	May 2018
Value	£1,900,000	Status	Up to Date

Strategy During Loan Term

Our borrower has already acquired the freehold title to seven of the 37 apartments. As and when tenants leave the remaining 30, they similarly propose to take surrenders of the leases, as they have with these first seven. Surrenders are likely to be in the region of three to eight per year, which we will have the opportunity to finance, if mutually agreeable.

Property Details

A 37-apartment block, providing retirement housing, with a daily house manager.

Tenants must be a minimum of 60 years of age, and cannot reside in the block if they are in need of care.

The seven flats in question are currently unlet, and on the market. They are being refurbished.

The £4.25m value is comprised of the seven freehold flats, plus the freehold of the whole block.

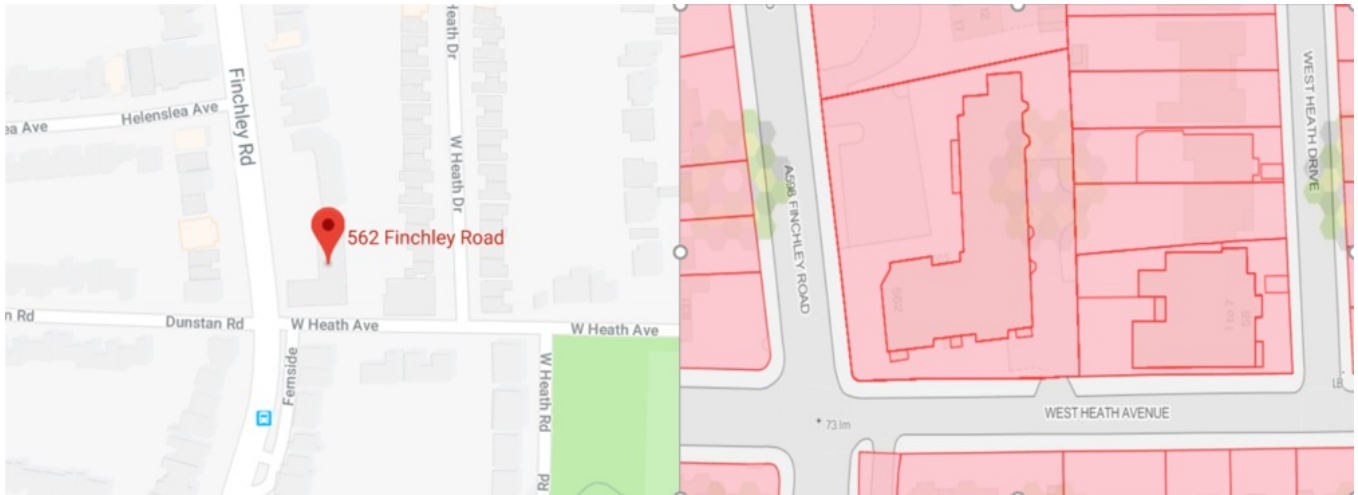


Location Report

The property is located 0.4 miles to the South West of Golders Green underground station (Northern Line) and provides a direct route to the Kings Cross St Pancras with a journey time of approximately 18 minutes. The property is located just on the fringe of Golders Green. London's West End is also easily accessible by car via Finchley Road with a journey time to Oxford Street of approximately 20 minutes.

Heathside is located on the corner of Finchley Road and West Heath Avenue and is 0.3 miles (0.5 km) to the south of Golders Green (Northern Line) underground station which provides 15 minute access to Central London. In addition there is a National Express bus terminal with links across the UK and Europe.

The property is also a short walk away from Goldershill Park and Hampstead Heath. It has landscaped communal gardens, and provides 18 car parking spaces.



Tenant Details

Tenant	Individual	Activity	AST Agreements
Months to Lease Break	12	Months to Lease End	12

Security

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

Exit Strategy

The borrower will either refinance our debt with a high street lender at a lower rate, or sell sufficient apartments to repay the debt in full, or a combination of the two.

Covenants

LTV Covenant 50%

Fees

Arrangement Fee 2% **Broker Fee** 0%

Valuation

A valuation of the property was carried out by Lambert Smith Hampton on 16/3/2018, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £4,250,000
Vacant Possession Value: £4,250,000
Open Market Rental Value: 119,400

Report on Title

A report on Title will be supplied by Paris Smith LLP acting on behalf of Proplend Security Ltd, and its 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 borrower is owned by a REIT listed on AIM, and the individuals at the helm are vastly experienced.	Low
Risk that the Borrower stops making monthly interest payments to Lenders due to loss of lease income, resulting from, for example, leases having come to an end or been terminated or tenants become bankrupt.	The ICR is tight and reliant on the rentals being achieved. LSH view the market rent at fractionally lower than the passing rent, however they are owned by a well capitalised parent.	Medium
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 block, and/or the individual apartments.	Lambert Smith Hampton confirm that demand is strong due to the locally aging population.	Low
Risk that the Property falls in value due to either macroeconomic or property specific reasons	The LTV is confirmed at 46.94%, meaning that the property would have to fall in price by over £2.2m, before lenders would be affected.	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

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