

Full Loan Request: Malvern - Raise Property - Marlbank Inn

Main Site:	The Marlbank Inn, Marlbank Road, Welland, Malvern, WR13 6NA 46 Mary Street, Porthcawl CF36 3YA
Date:	13/06/2018
Asset Description:	Pub/restaurant with 4 en suite rooms & 12 bedroom guesthouse



Deal Summary

Loan Type	Commercial Real Estate Loan	Borrower Profile	Commercial Property Investment
SIPP Classification	SIPP eligible	Loan Purpose	Capital Raise and Purchase

Property Summary

Market Value	£665,000	Property Income	£70,000
Vacant Possession Value	£620,000	Market Rental Value	£62,500
Purchase Price	£440,000	Purchase Type	Open Market
Tenure	Freehold	Asset Class	Pub and Guest House
EPC Rating (min. E)	Marlbank Inn - B Ocean View - C		

Loan Summary			
Total Loan Required	£470,000	Loan to Value (LTV)	70.68%
Blended Interest Rate	8.75%	Interest Cover	1.70x
Loan Term	36 months	Interest Expense (p.a.)	£41,125

Tranche	Risk	LTV	Loan Amount	Interest Rate	Interest Cover
C	High	66-75%	£37,750	15.14%	1.70x
B	Medium	51-65%	£99,750	10.5%	1.98x
A	Low	0-50%	£332,500	7.5%	2.81x

Borrower Details	
Name	Raise Property 1 Limited
Registration	UK Registered Limited Company
Main Business Activity	SPV set up to purchase the Marlbank Inn
Ownership Structure	100% owned by the Applicant Santokh Bains who is also the sole Director.

Applicant Details	
Name	Santokh Bains
Age	68
Experience	Significant property investment experience gained building a £4m (£1.5m liabilities) property portfolio before handing it down to his children for IHT reasons.
Credit History	Clear - Creditsafe 576 - Band 7 of 10
Additional Information	The Marlbank Inn is being purchased for the applicants son, Mr Ajmail Bains, to run/manage. Mr Ajmail Bains currently runs a 22 bed hotel/restaurant, Mount Pleasant Hotel, and has a small portfolio of buy to lets. Mount Pleasant Hotel, 4.5/5 on TripAdvisor, is less than 5 miles away from the Subject Property being purchased. Ajmail - Clear credit history - 567 - Band 6 of 10

Loan Details

Loan Purpose	The Applicants son is pledging the unencumbered Ocean View, Porthcawl to raise the necessary capital to purchase The Marlbank Inn. The facility also allows a small provision of funds (£10k) for light refurb.
Gross Loan Amount	£470,000
LTV	70.68 %
ICR	1.70x
Serviceability	While the passing rent is greater than the ERV indicating an element of over-renting, ERV/ICR is 1.52x providing firm evidence that the market rental value of the Subject Properties is sufficient to cover the interest charge.
Interest reserve	Proplend will retain £20,563 (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% in year 1, 1% in year 2, no fee thereafter.

Strategy During Loan Term

The current owners of The Marlbank Inn (in their 70s) are selling due to retirement having run the business for approx 4 years. The business generates income through the bar/restaurant and 4 en-suite rooms. The turnover is approx £350k with the accounts are showing a loss of £40,000 (very limited accounts). There was planning obtained for 4 further rooms which has since lapsed.

The business plan:

- 1) Restructure the current business to allow for greater operational efficiency
- 2) Increase the food trade - Ajmail works with a credible chef at his current establishment who will assist with a new menu
- 3) Get the PP reinstated for further rooms to be added

Property Details

The Marlbank Inn - asset being purchased by the Applicant

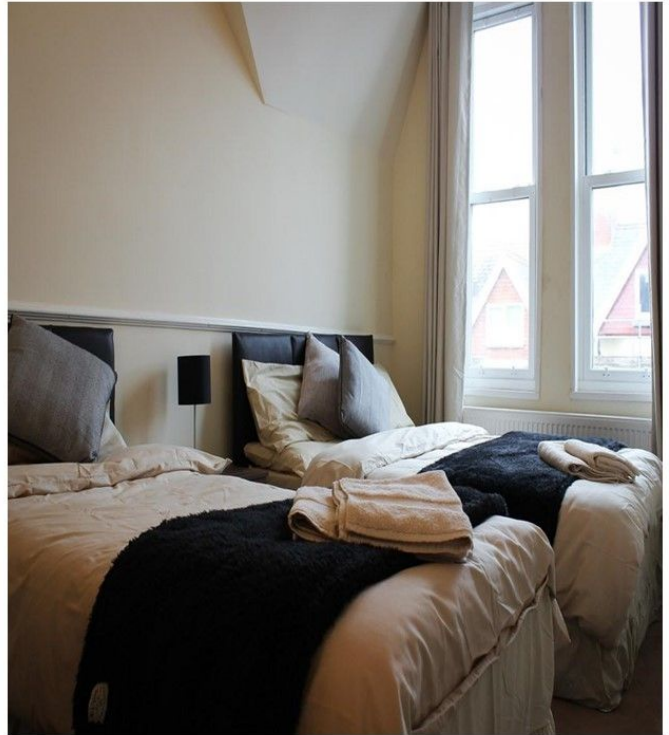
A public house at ground floor level with four letting rooms and owners accommodation to the first floor. There is land to the side and rear of the property to accommodate a small caravan park and area for tents to pitch up for the night.

OMV - £440,000 / VPV - £395,000 / ERV - £37,500 / Passing Rent - £40,000 / EPC - D / Reviews - 4.5/5 on TripAdvisor

Ocean View - owned by the Applicants son since c.2012 and offered as collateral security

3 storey terraced property originally built as residential accommodation. The Subject Property has been reconfigured, refurbished and extended and now trades as a 12 person guesthouse.

OMV - £225,000 / VPV - £225,000 / ERV - £25,000 / Passing Rent - £30,000 / EPC - C / Reviews - 8.4/10 on Booking.com



Location Report

The Marlbank Inn

The Subject Property is located 5 miles south of Great Malvern, an area in the Spa Town of Malvern running at the front of the Malvern Hills, a designated area of Outstanding Natural Beauty. Worcester is located 13 miles northeast, Cheltenham 22 miles southeast and Hereford 20 miles west.

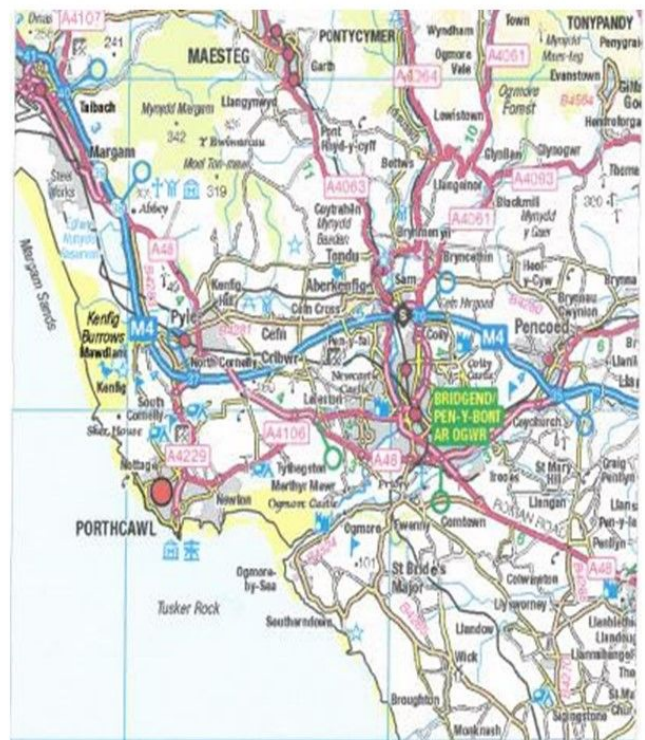
The Subject Property fronts Marlbank Road (A4104) leading westbound towards the A449. The property is located in close proximity of the Three Counties Show Ground located less than 3 miles to the north. Worcestershire Golf Club is also to the north whilst the property is surrounded by the Malvern Hills.

Ocean View - 46 Mary Street

The Subject Property is close to the seafront in Porthcawl, an established tourist town in South Wales.

Porthcawl is a town/holiday resort on the south coast of Wales in the county borough of Bridgend, 25 miles west of the capital city, Cardiff and 19 miles southeast of Swansea.

Tourist attractions in the area include sandy beaches, a grand pavilion, a funfair named Coney Beach (modelled on Coney Island in New York), a museum and three golf courses.



Tenant Details The Marlbank Inn			
Tenant	Pandeli Foods Limited	Activity	Restaurant and Pub Management
Rental Amount	£40,000 p.a.	Tenant Strength	Local covenant - Clear credit history
Lease Type	FRI	Lease Start Date	Upon completion of the loan
Months to Lease Break	60	Months to Lease End	60

Tenant Details Ocean View			
Main Tenant	Mr Pavin Krissnan	Activity	B&B Operator
Rental Amount	£30,000 p.a.	Tenant Strength	Local covenant - Clear credit history
Lease Type	FRI	Lease Start Date	06/06/2018
Months to Lease Break	60	Months to Lease End	60

Security			
Marlbank Inn	First Legal Charge	Debenture	Debenture Required
Ocean View	3rd Party First Legal Charge	Debenure	Debenture Required
Personal Guarantee	Individual Guarantee of an Individual Director of Raise Property 1 Limited for the sum of £47,000		

Exit Strategy			
Refinance via a high street lender or challenger bank once the Raise 1 Property Limited has been trading for >2 years.			

Covenants			
LTV Covenant	75%	ICR Covenant	1.25x

Fees			
Arrangement Fee	2%	Broker Fee	N/A

Valuation

A valuation of the property was carried out by VAS Panel on 21/06/2018, a copy of which can be seen in the supporting documents. The valuation concludes the following:

The Marlbank Inn

Market Value: £440,000
Vacant Possession Value: £395,000
Open Market Rental Value: £37,500

Ocean View - 46 Mary Street

Market Value: £225,000
Vacant Possession Value: £225,000
Open Market Rental Value: £25,000

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 Applicant has significant property investment and development experience while his son has experience in the catering/hospitality sector. While the purchase is of an existing pub/restaurant, this is a new venture for the management team, so certainly not without risk. However, on paper the team have the credentials necessary to make the investment successful.	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.	Both tenants are committed to the current leases for longer the facility being extended. In addition, a 6 month interest reserve provides cover for any interest payments that need to be met should either tenant fail to make the required payments under their lease arrangements.	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 property.	Holding a first legal charge secured over the Site, registered with the Land Registry and Companies House, enables Proplend Security Limited to appoint solicitors and/or a receiver to repossess the Site, sell it and execute any other security held from the borrower. Default interest is charged during the period of default.	Medium
Risk that the Property falls in value due to either macroeconomic or property specific reasons	The value of the Subject properties would have to fall by 30% before the total value would fall below the outstanding loan sum. Proplend Security Limited maintains a panel of experienced valuers who must have adequate professional indemnity insurance to provide property valuations.	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 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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