

FLR: Seven Sisters - Empyrean Gourley - Mixed Commercial

Main Site:	714-714A and 716-716A/B Seven Sisters Road, Tottenham, London, N15 5NE 718-722 Seven Sisters Road, Tottenham, London, N15 5NH 8 Gourley Place, Tottenham, London, N15 5NF
Date:	16/05/2018
Asset Description:	The Subject Properties consist of a three storey warehouse/factory unit, ground floor lock up shop and a combination of residential units arranged over ground, first and second floors.



Deal Summary

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

Property Summary

Market Value	£2,855,000	Property Income	£167,148
Vacant Possession Value	£2,710,000	Market Rental Value	£168,500
Tenure	Freehold	Asset Class	Mixed Use (Residential)
EPC Rating (min. E)	TBC		

Loan Summary

Total Loan Required	£1,715,000	Loan to Value (LTV)	60.07%
Blended Interest Rate	6.5%	Interest Cover	1.49x
Loan Term	36 months	Interest Expense (p.a.)	£111,475

Tranche	Risk	LTV	Loan Amount	Interest Rate	Interest Cover
B	Medium	51-65%	£287,500	7.74%	1.49x
A	Low	0-50%	£1,427,500	6.25%	1.86x

Borrower Details

Name	Empyrean Gourley Limited
Registration	UK Registered Limited Company
Main Business Activity	Commercial and residential property investment and development
Ownership Structure	Director - Nicholas Charalambous Shareholders - Empyrean World Limited (100%) Empyrean World Limited - Sole Director and 100% owned by Nicholas Charalambous

Applicant Details

Name	Nicholas Charalambous
Age	44
Experience	Significant commercial and residential property investment and development experience.
Credit History	Clear
Net Worth	£4.9m of equity held in UK based real estate portfolio

Loan Details

Loan Purpose	Refinance of commercial bridging following repatriation of the assets from Cypriot Holdco
Gross Loan Amount	£1,715,000
LTV	60.07%
ICR	1.49x
Interest reserve	Proplend will retain £27,869 (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% years 1, 1% year 2, none thereafter

Existing Facility

Lender	MFS	Rate	10.8%
Value	£1,650,000	Status	Up to Date
Existing Facility Description	Commercial bridge		

Strategy During Loan Term

The borrower will continue to actively manage the assets during loan term.

Ultimately, the borrower intends to complete the planning exercise they commenced with the Local Authority in 2007/8 for the comprehensive redevelopment of the wider Seven Sisters area.

Property Details

The Applicant has owned the Subject Properties since 2007. The Subject Properties were originally owned by a Cypriot company; for personal and tax reasons the Applicant made the decision to repatriate the Subject Properties in 2017.

714 Seven Sisters Road (£270k MV / £10,200 p.a. ERV) - Ground floor flat comprising lounge/kitchen, bathroom and one bedroom. Heating is provided by way of portable electric heaters. The flat has use of a small outside area.

714A Seven Sisters Road (£350k MV / £21,600 p.a. ERV) - Split level, 4 bedroom, maisonette over first and second floor accessed via the ground floor. The first floor comprises one bedroom, lounge and kitchen area, with 3 further bedrooms located on the second floor.

716 Seven Sisters Road (£165k MV / £13,200 p.a. ERV) - Commercial premises currently undergoing fit out by the tenant. The accommodation comprises the main retail area with storage to the rear. there is also a small mezzanine area comprising a WC and additional storage space.

716A Seven Sisters Road (£260k MV / £9,840 p.a. ERV) - Studio flat situated on the first floor above the commercial unit.

716B Seven Sisters Road (£250k MV / £10,080 p.a. ERV)- Studio flat comprising bedroom/lounge with a separate kitchen and shower room. Heating is provided by way of an electric portable heater.

718-722 Seven Sisters Road (£1,28m MV / £93,000 p.a. ERV) - Commercial unit comprising three floors of factory/workshop accommodation, currently leased to one tenant who sub-lets to several textile companies.

8 Gourley Place (£280k MV/ £10,200 p.a. ERV) - One bedroom, split level residential accommodation situated to the rear of 716 Seven Sisters Road. Heating is provided by way of an electric portable heater.



Location Report

The Subject Properties are located within a mixed use area in the North London area of Tottenham, where all the usual amenities are available.

The Subject Properties are situated on the south side of Seven Sisters Road at the corner of Gourley Street and Gourley Place. The area consists of both commercial and residential properties.

The Subject Properties benefit from good transport links with Seven Sisters Underground Station being a short walk away. The station provides the Victoria Line into Central London within approx. 10mins.



Tenant Details 718-722 Seven Sisters Road

Tenant Malene Oddershede Bach Ltd **Activity** Textile production/fashion

Lease Type Internally Repairing and Insuring with Right to Sub Let **Lease Start Date** 01/02/2018

Months to Lease Break None **Months to Lease End** 31/01/2021

Credit History Clear

Lease arrangement Malene Oddershede Bach Ltd, whom hold the Head Lease at a rental of £73,068 per annum, have split the property into eight separate units that are sub-let on an individual basis.

Tenant strength While the sub tenants are all weak, local covenants, there is a good spread of income with no tenant making up >20% of total income. Furthermore, Malene Oddershede Bach Ltd run four similar assets in the area and have a long waiting lists of tenants.

Tenant Details 716 Seven Sisters Road

Main Tenant Westpoint Plumbing & Heating Ltd **Activity** Trade retail

Lease Type FRI **Lease Start Date** 06/06/17

Months to Lease Break	None	Months to Lease End	05/06/2022
Credit History	Clear		

Lease arrangement	£13,200 per annum for a term of five years
Tenant Strength	Weak, local covenant. The tenant has recently finished the internal refurbishment of the Subject Property at their own expense.

Tenant Details		Residential Accommodation	
Main Tenant	6 units let on ASTs	Lease Arrangement	£80,880 per annum

Security			
Main Site	First Legal Charges	Debenture	Debenture Required
Personal Guarantee	Individual Guarantee of an Individual Director of Empryan Gourley Limited for the sum of £171,500		

Exit Strategy

The main source of refinance here will likely be development financing, sale to a developer post the reinstatement of previous planning or refinance via another challenger/alternative lender.

Covenants			
LTV Covenant	65%	ICR Covenant	1.25x

Non - Financial Covenants
Updated Fire Risk Assessments, Asbestos Risk Registers and EPCs to be obtained within 1 month, and any defects rectified within 3 months of draw down. These conditions are being contracted as non-financial covenants, non compliance with which can be deemed an event of default.

Fees			
Arrangement Fee	2%	Broker Fee	N/A

Valuation
A valuation of the property was carried out by VAS Panel on 02/05/2018, a copy of which can be seen in the supporting documents. The valuation concludes the following: Market Value: £2,855,000 Vacant Possession Value: £2,710,000 Open Market Rental Value: £168,500

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 and is working closely with the local council towards including the Subject Properties in the plan for the regeneration off the wider Seven Sisters area.	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.	There is a good spread of income between commercial and residential tenants. The loss of any one tenant should not prejudice the servicing of interest. The Applicant is also in a position to service interest from other income.	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.	If the Applicant is not able to secure planning permission, they will seek to refinance on a term loan with another alternative lender, which at <65% LTV we do not envisage to be an issue at this stage.	Low
Risk that the Property falls in value due to either macroeconomic or property specific reasons	The current value of the Property would need to fall by 40% before the principal sum is at risk of not being covered by the security.	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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