

# Full Loan Request: Cardiff Land

<b>Main Site:</b>	Land between the Darling Buds Nursery and the former immigration building (55-56) Bute Street, Cardiff, CF10 5AH.
<b>Date:</b>	23/5/2018
<b>Asset Description:</b>	14,000 sq ft of land with planning permission, currently used as a car park.



## Deal Summary

<b>Loan Type</b>	Land with planning Bridge	<b>Borrower Profile</b>	Property Investment SPV
<b>SIPP Classification</b>	SIPP eligible	<b>Loan Purpose</b>	Refinance and Capital Raise

## Property Summary

<b>Market Value</b>	£2,200,000	<b>Property Income</b>	£0
<b>Vacant Possession Value</b>	£2,200,000	<b>Market Rental Value</b>	£0
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Land with Planning
<b>EPC Rating (min. E)</b>	n/a		

## Loan Summary

<b>Total Loan Required</b>	£1,642,500	<b>Loan to Value (LTV)</b>	75%
<b>Blended Interest Rate</b>	14.00%	<b>Interest Cover</b>	0x
<b>Loan Term</b>	12 months	<b>Interest Expense (p.a.)</b>	£229,950

Tranche	Risk	LTV	Loan Amount	Interest Rate	Interest Cover
C	High	66-75%	£219,000	23.50%	0x
B	Medium	51-65%	£328,500	16.00%	0x
A	Low	0-50%	£1,095,000	11.50%	0x

## Borrower Details

<b>Name</b>	Merchant Estates Limited (Jersey)
<b>Registration</b>	Company number 107959
<b>Main Business Activity</b>	The proposed borrower is a special purpose Limited Company, registered in Jersey. It has no assets other than the Subject Property.
<b>Ownership Structure</b>	The ultimate beneficial owners of Merchant Estates Ltd are the three Asprou brothers and their respective immediate families. We have been provided with full certified KYC documentation on all relevant beneficiaries.

## Applicant Details

<b>Name</b>	Dimitri Asprou
<b>Age</b>	54
<b>Experience</b>	<p>Whilst the applicants have Greek Cypriot /family and given names, however they were born and bred in Wales.</p> <p>They are former Directors of Inter European Airlines, a regional airline flying mainly to European destinations. They are the sons of Michael Asprou, who founded Welsh holiday operator, Aspro Travel.</p> <p>All three have been educated to degree level in the UK; - George Asprou, Metallurgy - Chris Asprou, Chemist - Dimitri, Law.</p> <p>The brothers ran Aspro Travel and sold it to Airtours in 1993 for £20m.</p> <p>In terms of property experience, the Asprou brothers were closely involved with construction, development and the opening and operating of hotels, villas and apart-hotels in numerous European locations, particularly: Cyprus (11,000 beds), Greece, Spain, Malta, Portugal and Turkey.</p> <p>Individual projects over the past 25 years have also included the refurbishment and construction of properties including Grade 2 listed residential and office buildings up to a combined GDV of approximately £7m.</p> <p>We are aware of previous issues that are in the public domain, and we are comfortable with them.</p>
<b>Net Worth</b>	The three brothers are guarantors and have a combined personal net worth in excess of £14m.

## Loan Details

<b>Loan Purpose</b>	<p>We are asked to provide a net loan of £1.3m, of which £660k is required to refinance Devon and Cornwall Securities, and £640k for professional fees and planning costs for this site (which they refer to as the North Site), and also enabling works for the neighbouring 'South Site' - comprising of three separate (but adjoining) Grade II listed buildings and an area of cleared land behind them.</p> <p>Of the £640k new money, £325k will be used for Architects fees, Civil and Structural Engineer fees, planning consultants fees, project manager fees, building control, fire engineer, acoustics, as well as for party wall surveys, flood and environmental surveys, traffic studies, highways/access travel plan, ecology survey and daylight and sunlight surveys.</p> <p>On the south site, they have projected costs of £4.5m plus a £1.6m land loan with Wellesley to be refinanced. They have a funding line from the Development Bank of Wales, and also a grant from Cardiff City Council, providing them with a combined £6m in total.</p> <p>The £100k shortfall will come from the remaining £315k from our loan proceeds, with the balance being used to secure planning for phase 2 of the south site.</p>
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<b>Gross Loan Amount</b>	£1,642,500
<b>LTV</b>	75%
<b>ICR</b>	0x
<b>Serviceability</b>	We are taking a full interest reserve (plus three months), from which interest will be serviced.
<b>Interest reserve</b>	Proplend will retain £287,438 (15 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.
<b>Early Repayment</b>	2% first 9 months, no fee thereafter.

## Existing Facility

<b>Lender</b>	Devon and Cornwall Securities Limited	<b>Expiry</b>	2018-06-01
<b>Value</b>	£660,000	<b>Status</b>	Up to Date

## Strategy During Loan Term

1) In chronological order, the first option to have been explored is to sell to a developer as is for them to build the hotel. They have been in discussion with a hotelier, however due to an excess of demand for residential for the south site, they are more minded to resubmit a residential scheme, as below.

2) As above, they are most likely in a couple of months time, to apply for a change of use to residential for up to 100 apartments planning consent has previously been granted for 82 apartments on the same site, prior to the hotel consent (GDV for the 82-apartment scheme was £16m).

We have been provided with some commentary from Savills who the client is in conversation with regarding the South Site. On the North Site, Savills comment that the approximate land value assuming planning consent for the previously approved scheme is £2m, and for the scheme that they are most likely to submit, £3m.

## Property Details

Hotel Development Site - Land between the Darling Buds Nursery and the former immigration building (55-56) Bute Street, Cardiff, CF10 5AH. Land with planning permission, currently used as a car park.

They have owned the sites for many years (the South Site since 1990, and the North Site since 1999. On the North Site, our security, the client has conducted full ground investigations in readiness for works to commence.

The current planning, although originally granted in 2011, is still extant due to delayed S106 - 30 months from December 2016, therefore expiring in June 2019.

As above, it is most likely that during the term of this loan, the planning will have reverted to residential.

Their associated company with the same ownership, Sky View Estates Limited, owns the South Site and has development finance agreed with the Development Bank of Wales. The first tranche is due to be drawn down from them before the end of May.

The key for the graphic below; H - Hotel, CH - Customs House, CB - Corys' Buildings, SH - Skyview House, MH - Merchant House.



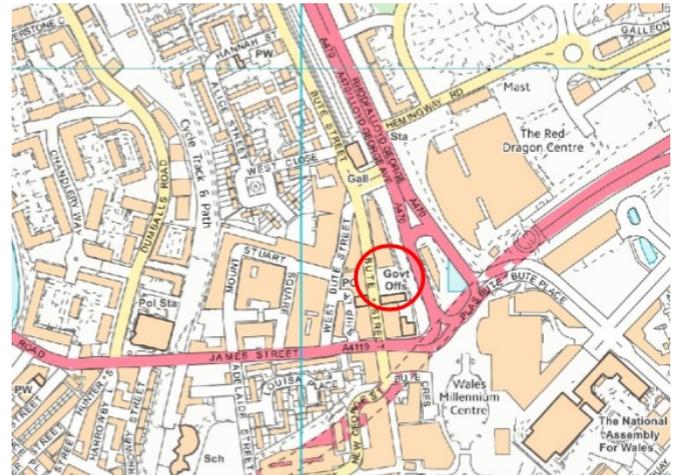
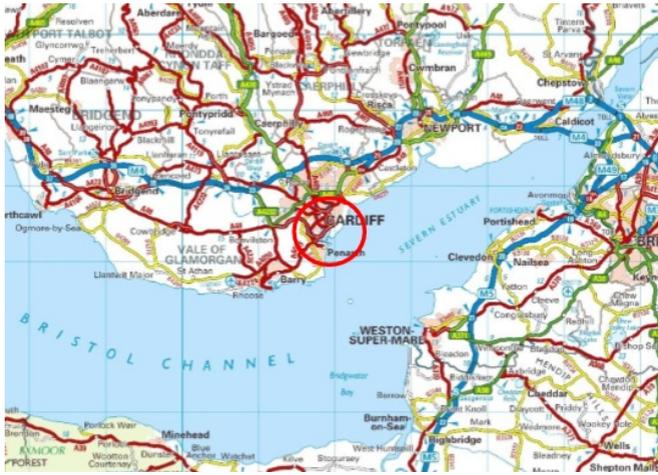
## Location Report

The Property is located in Cardiff Bay which is one mile south of the city centre. The Property site is secondary relative to city centre hotels but within the Cardiff Bay area, the site is prime.

The valuer notes, 'Cardiff Bay is now a thriving waterside development comprising the seat of the Welsh Assembly Government and the Millennium Centre opera house. The Millennium Stadium and Cardiff International Arena are the two major city centre leisure venues and these compliment the most recent retail led generation St David's 2. In terms of GVA per Capita, Cardiff and the Vale of Glamorgan is Wales' top performing region, which is not unexpected due to its capital, commercial and political status.

Within walking distance are the majority of demand generators of the Cardiff Bay development area. Leisure demand is derived from attractions and facilities such as the Wales Millennium Centre, Mermaid Quay (restaurants and bars), Techniquest, Cardiff International White Water centre, Ice Arena Wales, a BBC Doctor Who experience, the barrage across the bay and the bay itself. The Property is close to the Red Dragon Centre which comprises a Travelodge, Chiquito Restaurant, Odeon Cinema and Hollywood Bowl. Other demand generators in Cardiff Bay include the Welsh Assembly, Cardiff Council as well as businesses such as KPMG and the BBC.

The Property is close to Cardiff Bay railway station which serves Cardiff Queen Street station where there are connecting services to Cardiff Central (10 minute journey time). A taxi to the city centre is £5 and the walking time is approximately 15 minutes. The Property will have up to twelve car parking spaces but within 200m there are a further 2,118 spaces.'



## Security

<b>Main Site</b>	First Legal Charge	<b>Debenture</b>	Debenture Not Required
<b>Share Charge</b>	Share Charge Not Required		
<b>Personal Guarantee</b>	Joint and Several Guarantee of the Shareholders of Merchant Estates Limited (Jersey) for the sum of £164,250		

## Exit Strategy

In order of likelihood;

- 1) Repayment by way of residential development finance, post-planning approval.
- 2) Sale of site to a residential property developer, post-planning approval.
- 3) Sale of site to a hotel developer, in line with the current planning consent.
- 4) Build out themselves as a hotel in line with the current approved scheme.

## Covenants

**LTV Covenant** 80% %

## Fees

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

## Valuation

A valuation of the property was carried out by Christie & Co on 21/5/2018, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £2,200,000  
Vacant Possession Value: £2,200,000  
Open Market Rental Value: 0

## 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
<b>Risk that the management of the Borrower is not able to execute their business plan.</b>	The loan is for a 12-month term as there is 12 months remaining on the current planning consent. Although the borrower has already completed the ground investigations for the North Site, there is a danger that the twelve months will lapse before the residential scheme is approved.	<b>High</b>
<b>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.</b>	The loan term is 12 months, and we are taking a 15-month interest reserve.	<b>Low</b>
<b>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.</b>	Repayment will come by way of development finance from another lender, or sale proceeds. They have secured development finance on the neighbouring site, and there is no reason to believe that they will not achieve the same on our security. They have good long-term working relationships with local planning officials.	<b>Medium</b>
<b>Risk that the Property falls in value due to either macroeconomic or property specific reasons</b>	The property would have to fall in value by over £500,000 before entering a position of negative equity.	<b>Medium</b>



## 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.