

# Full Loan Request: Ipswich - Broker - Bridge

**Main Site:** 22-32 Museum Street, Ipswich, Suffolk, IP1 1HZ

**Date:** 24/7/2018

**Asset Description:** Approximately 12,000 sq ft of office accommodation, formerly occupied by Birketts Solicitors LLP.



## Deal Summary

<b>Loan Type</b>	Bridging Loan	<b>Borrower Profile</b>	Property investor
<b>SIPP Classification</b>	SIPP eligible	<b>Loan Purpose</b>	Purchase

## Property Summary

<b>Market Value</b>	£875,000	<b>Purchase Price</b>	£875,000
<b>Vacant Possession Value</b>	£875,000	<b>Market Rental Value</b>	£80,000
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Offices

## Loan Summary

<b>Total Loan Required</b>	£656,250	<b>Loan to Value (LTV)</b>	75%
<b>Blended Interest Rate</b>	10.00%	<b>Interest Cover</b>	0x
<b>Loan Term</b>	6 months	<b>Interest Expense (p.a.)</b>	£65,625

Tranche	Risk	LTV	Loan Amount	Interest Rate	Interest Cover
C	High	66-75%	£87,500	14.95%	0x
B	Medium	51-65%	£131,250	11.70%	0x
A	Low	0-50%	£437,500	8.50%	0x

Borrower Details	
<b>Name</b>	Museum Street Developments Ltd
<b>Registration</b>	UK Registered Limited Company
<b>Main Business Activity</b>	The proposed Borrower is a newly-formed special purpose Limited Company, registered in the UK. It has no assets other than the Subject Properties
<b>Ownership Structure</b>	<p>Quinton Hembry owns 40%, Jane Mumford 25%, Andrew Holdcroft 15%, Dale Lewis 10%, and Michael Stewart 10%.</p> <p>Quinton Hembry and Jane Mumford, the two Directors, will provide Joint and Several Guarantees for 100% of the loan sum</p>

Applicant Details	
<b>Name</b>	Quinton Hembry
<b>Age</b>	60
<b>Experience</b>	<p>Quinton has been a property developer and investor in Ipswich for over 20 years, and has good working relationships, with tradesmen and professionals alike. He has been involved in numerous projects of a similar nature, converting commercial properties into residential.</p> <p>Jane is a Chartered Quantity Surveyor, having qualified in 1991, as well as a property investor. She has extensive experience of the construction process, from cost planning through all aspects of project management to final account. Jane has worked for among others, Willmott Dixon Housing, Bellway Homes, and the Berkeley Group.</p> <p>Both have a small portfolio of residential investment properties in the Suffolk and surrounding areas.</p>
<b>Credit History</b>	Clear.
<b>Net Worth</b>	<p>QH - £1.25m</p> <p>JM - £1.25m</p>
<b>Additional Information</b>	Quinton was previously a shadow Director of a Printing Company that entered voluntary liquidation in 2000. The company was run by his brother and Quinton lost his £500k Directors loan and a further £500k from PGs securing finance on printing equipment. He had no involvement with the day to day running of the business.

## Loan Details

### Loan Purpose

We are asked to provide a 75% gross LTV loan to assist with the purchase of the target property, currently used by a firm of solicitors, who are about to relocate. The purchase price is £875k.

The borrower's intention is to obtain change of use to residential, and then they will refinance to a development loan.

The planning is expected to be looked upon favourably as the developer is well known to the planning office and has successfully obtained full planning permission for a similar scheme on the other side of the road, directly opposite the target property.

The target property comprises 12,000 sq ft of office accommodation, occupied until last week by Ipswich's largest law firm, Birketts - they have already relocated to Princes Street (500 yards away).

The council are aware that no other large commercial firm are likely to buy this property, and there are other offices vacated by Axa that have not been filled, whereas demand for residential is strong - to be confirmed by Carter Jonas.

The council, whom Quinton and Jane have good working relationships with, have privately indicated that conversion to residential will be granted, and the scheme, for 22 residential units will go in immediately it is purchased. It is believed that planning will be granted 13 weeks from then.

The Georgian building is Grade II listed, but only for the frontage, which will not be touched, as was the case with the neighbouring properties. It was originally built as residential accommodation and will be a relatively straightforward internal conversion.

The buildings on the other side of the street for which the applicants have already secured full planning permission, similarly have a Grade II listed frontage.

The borrowers are putting in c£290k cash into the purchase, of which 10%/£85,000 has already been paid some months ago on exchange, and the remainder will be provided by Jane Mumford. Evidence of this has been requested, and will be provided shortly. It is obviously a CP that this cash is produced prior to draw-down.

**Gross Loan Amount** £656,250

**LTV** 75%

**ICR** 0x

**Serviceability** The monthly repayments will be made from the interest reserve. The loan term is 6 months, and a 9-month interest reserve is to be provided.

**Interest reserve** Proplend will retain £49,218.75 (9 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% first 3 months, no fee thereafter.

## Strategy During Loan Term

The borrower, as above, will obtain change of use to residential, submitting a scheme for 22 residential units. Once planning consent is granted, the borrower expects the value to increase to c£1.25m; expected uplift based on the direct experience of having gained planning permission on other assets on the street.

## Property Details

The premises comprise a number of late Georgian buildings which were originally built as town houses but subsequently converted into offices.

Externally, the premises have a Grade II Listed façade and internally, the offices have been well maintained to provide a predominantly cellular layout of accommodation retaining many features of the original town houses including high ceilings and large Georgian windows giving good natural light.

In total the premises provide approx 12,000 sq ft of accommodation from what was originally five individual buildings.

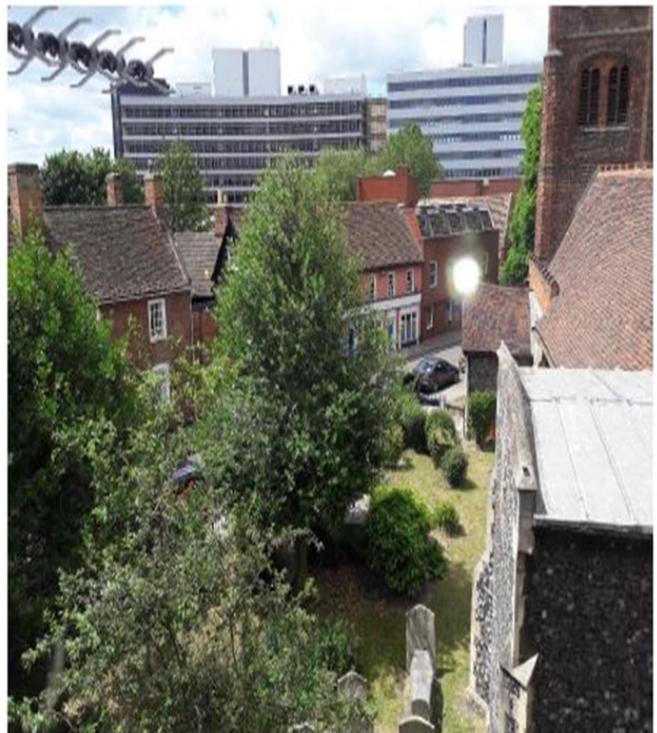
All of the buildings are Grade II listed. Informal enquiries have been made of Ipswich Borough Council's Planning Department and a flexible approach will be taken to a change of use from offices to a wide range of alternative uses: commercial, leisure, residential, medical, educational etc in order that these important historic town centre buildings are retained and enhanced.

The property has been valued by RICS Member, Carter Jonas, who confirm the vacant possession value to be £875,000-00, and that the property represents a desirable residential conversion opportunity, in a desirable central location.

The valuer is of the opinion that Museum Street is no longer a desirable office location, but is becoming a more desirable place to live, given the nature of the buildings and its close proximity to the town centre.

There is an EPC for number 32 (D), however not for 22-30, as no transactions have taken place since the regulations came into force, and the property is currently unoccupied.

The valuer anticipates that the same planning policies will be applied to the subject property, as they were with the property opposite, that had conversion to residential use successfully approved.



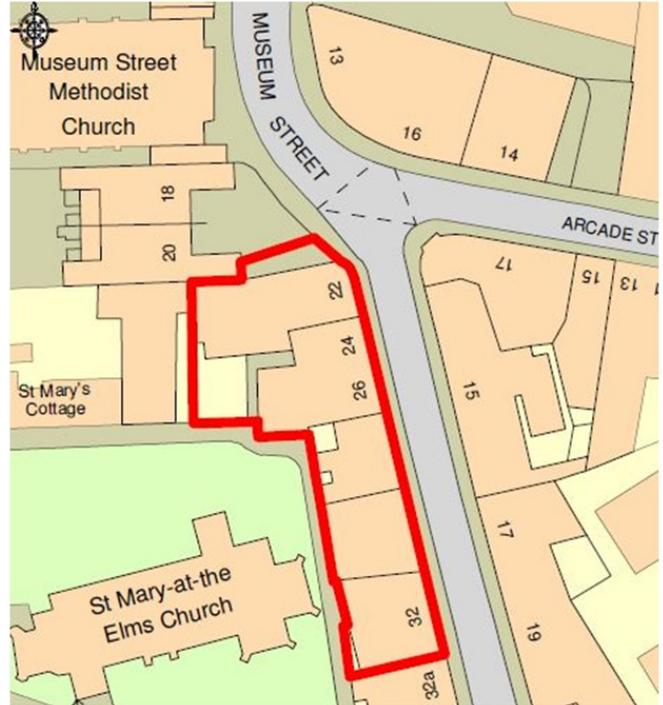
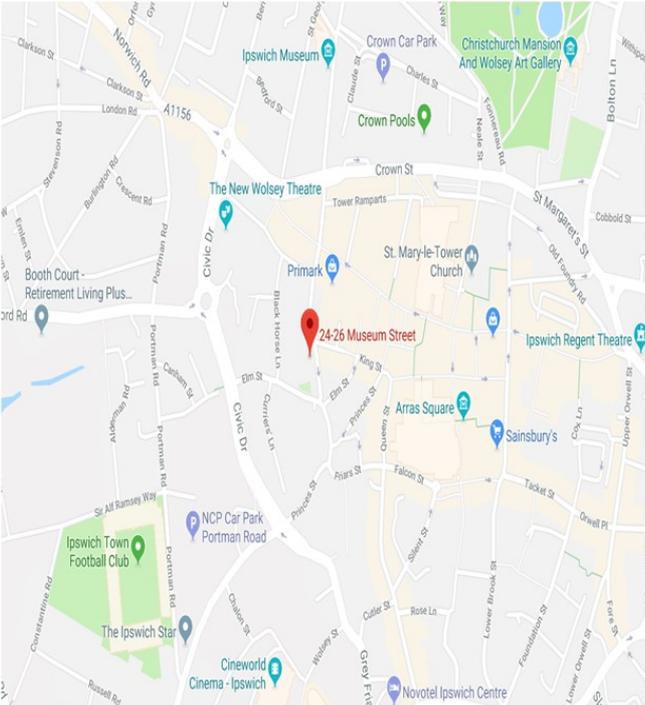
## Location Report

Ipswich is one of East Anglia's most important commercial centres with a catchment population of about 350,000. There are good road links to the M25, Midlands and London via the A12 and A14. London Liverpool Street is just over an hour away by train.

Museum Street lies at the heart of Ipswich's town centre and forms part of the town's established professional office location but is likely to undergo a major transformation over the next few years to accommodate a much broader range of occupiers from the residential, medical and leisure sectors as well as commercial.

The premises are within easy walking distance of all Ipswich's central amenities: leisure, retail, office, car parks and bus stations and are a 10 minute walk from the town's train station.

The premises occupy a prominent position on Museum Street and have, for many years, been the head office of major regional law firm, Birketts LLP.



## Security

<b>Main Site</b>	First Legal Charge	<b>Debenture</b>	Debenture Required
<b>Share Charge</b>	Share Charge Not Required		
<b>Personal Guarantee</b>	Joint and Several Guarantee of the Directors and Shareholders of Museum Street Developments Ltd for the sum of £656,250		

## Exit Strategy

Repayment will come by way of development finance, which the broker that introduced the deal to us, will be sourcing.

## Covenants

LTV Covenant 75%

## Fees

Arrangement Fee 2% Broker Fee 1%

## Valuation

A valuation of the property was carried out by Carter Jonas on 3/7/2018, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £875,000  
Vacant Possession Value: £875,000  
Open Market Rental Value: £80,000

## 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
<b>Risk that the management of the Borrower is not able to execute their business plan.</b>	There is a risk, however slight, that planning consent may not be granted. The Council's Planning Department however have indicated that a flexible approach will be taken to a change of use from offices to a wide range of alternative uses, including residential, and the applicant has successfully achieved the same for a neighbouring building.	<b>Medium</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 is for a 6-month term, and we will take a 9-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>	Assuming the worst case scenario, i.e. planning consent is not granted, the borrower may struggle to sell or refinance the property. However, they are both experienced and knowledgeable property professionals, and have undertaken numerous transactions of a similar nature previously.	<b>Medium</b>
<b>Risk that the Property falls in value due to either macroeconomic or property specific reasons</b>	We are yet to receive the valuation report, however, the £875k value is as is. If planning is not granted, the property would still have to fall by over £218k (25%), before lenders in Tranche C would be affected. If planning is granted, an uplift to c £1.25m is expected.	<b>Low</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.