

F L R: Ashbourne Light Industrial Refinance

Main Site:	Unit 6 Henmore Trading Estate, Mayfield Road, Ashbourne, DE6 1AS
Date:	17/12/2018
Asset Description:	Three light industrial workshop units providing a gross internal area of 3316 sq ft split into three units.



Deal Summary			
Loan Type	Commercial Real Estate Loan	Borrower Profile	Commercial real estate investment
SIPP Classification	SIPP eligible	Loan Purpose	Refinance

Property Summary			
Market Value	£240,000	Property Income	£26,500
Vacant Possession Value	£220,000	Market Rental Value	£14,000
Tenure	Freehold	Asset Class	Industrial & Warehouse - B2 & B8

Loan Summary			
Total Loan Required	£155,000	Loan to Value (LTV)	64.58%
Rate of Interest	9.33%	Interest Cover	1.83x
Loan Term	18 months	Interest Expense (p.a.)	£14,462

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£35,000	12.18%	10.962%	1.83x
A	Low	0-50%	£120,000	8.50%	7.65%	2.60x

Borrower Details	
Name	Henmore Property Ltd
Registration	UK Registered Limited Company
Main Business Activity	The proposed Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Property.
Ownership Structure	The Company is owned 50:50 between Thomas Travers and Nina Lees. The Directors are Wayne Travers, Thomas Travers, and Nina Lees.
Applicant Details	
Name	Wayne Travers
Age	45
Experience	The Subject Property is currently owned by Wayne Travers, aged forty-five. He has lived in the town of Ashbourne with his partner Nina Lees aged 40 and his son, Thomas Travers, aged 21, for the past ten years. He bought the Property ten years ago and for a period of five years, he traded from the Property. In 2013, he let the Property to a tenant who went substantially into arrears with its rent. Mr Travers successfully evicted the Tenant but he incurred substantial legal costs and damages in the process. Despite being substantially in arrears with their rent, the tenant successfully sued for wrongful eviction and damages were awarded against Mr Travers in the sum of £23,000 and a CCJ was registered against him. Part of the net proceeds of the loan being refinanced were provided to clear the debt, whereupon the CCJ was removed. He has let the Property to two tenants producing an aggregate rental income of £26,500 p.a.
Credit History	The credit score is currently low, but is clear. Two previously declared CCJs were registered in 2016, and both were satisfied in 2017.
Net Worth	£276,000
Loan Details	
Loan Purpose	We are asked to provide a new £155,000 loan facility, in order to repay the existing facility taken out in July 2017. The borrower is of good standing with ourselves, and has been proactive with us in seeking a new facility, foreseeing that execution of his original business plan is now not possible, given that he was hospitalised for several months. The Borrower owned a house which was recently sold. Before selling, some land was hived off, and this has planning permission for a new single dwelling, a four-bedroomed detached house. The sale of which over the next 12-18 months will realise net proceeds of approximately £350,000, which will be the primary source of repayment for this loan. The current facility is due for repayment on the 6th of January 2019. Over the past 17 months, the account has been serviced without any problems or late payments. Mr Travers plan when he started the loan was having sold a property, to build a new property on the adjoining land using the sale proceeds, then sell this new house and use those proceeds to repay Proplend. Unfortunately, he has been delayed in accomplishing this as he developed a serious illness following a minor operation which resulted in him being admitted into hospital for a couple of months followed by a lengthy period of recovery at home. He has now fully recovered and, having sold his house a couple of months ago, has started the new build next door. Meanwhile, our security continues to have £26,500 p.a. in rent coming in from the two tenants. He is investigating with the council, the possibility of getting change of use from B2 to B1, so he can earn additional rent on an area which is currently not income producing. Conditions Subsequent for the first loan have been satisfied - namely, the lack of Asbestos Register, and Fire Risk Assessment.
Gross Loan Amount	£155,000

LTV	64.58 %
ICR	1.83x
Serviceability	£26,500 rental income is being received, with interest payments of £14,462 p.a.
Interest reserve	Proplend will retain £7,231 (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% first 6 months, 1% months 7-12, no fee thereafter.

Existing Facility

Lender	Proplend	Expiry	6/1/2019
Value	£150,000	Status	Up-to-date
Rate	9.33 %		

Existing Facility Description	In good order. All monthly payments have been made in a timely manner.
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Strategy During Loan Term

The Borrower intends to apply for planning permission to extend the office accommodation on the first floor by a further 3,000 sq.ft. This will enhance both the capital and rental value of the Property.

The new loan is to bridge for 18 months in order to complete and sell a residential property that we are currently building we have most of the funds from our recent house sale and will be borrowing the remainder of the monies required from family to complete the finish.

When finished the property will be worth between £325,000 and £375,000. They are currently up to roof height on the build and expect to complete works in 2019, with a view to marketing the property in Spring-Summer. Monies from the sale will be used to repay the loan.

Property Details

The Subject Property comprises a single building divided into three light industrial/workshop units. Constructed in the 1970's, the building is constructed of standard brick and block walls under a pitched steel frame roof.

The three units are fully occupied and let to two tenants.

Unit 6 and the adjoining yard area is let to a car wash operator on a 10-year lease commencing in May 2016 and ending in April 2026. The current rental on this unit is £18,000 paid monthly in advance.

Units 6a & 6b are both let to a Silversmiths which uses the units for storing packaging and display materials. The lease is for five years from February 2015 at a rental of £8,500 p.a. paid monthly in advance.

The gross internal area provides 3,316 sq.ft. split into three units. The demise includes a forecourt plus parking space for up to 7 cars and the overall site area covers approximately 1/10th acre.

Comprising a gross internal area of 3,316 sq.ft in total, units 6a & 6b (being 2,230 sq.ft) are let for £8,500 p.a.(£3.81 p.s.f.) to a Jewellers for storing display materials.

The third unit, Unit 6, comprising a further 1,086 sq.ft, produces a rent of £18,000 which equates to £16.57 p.s.f. This unit is occupied by a car and van cleaning company.

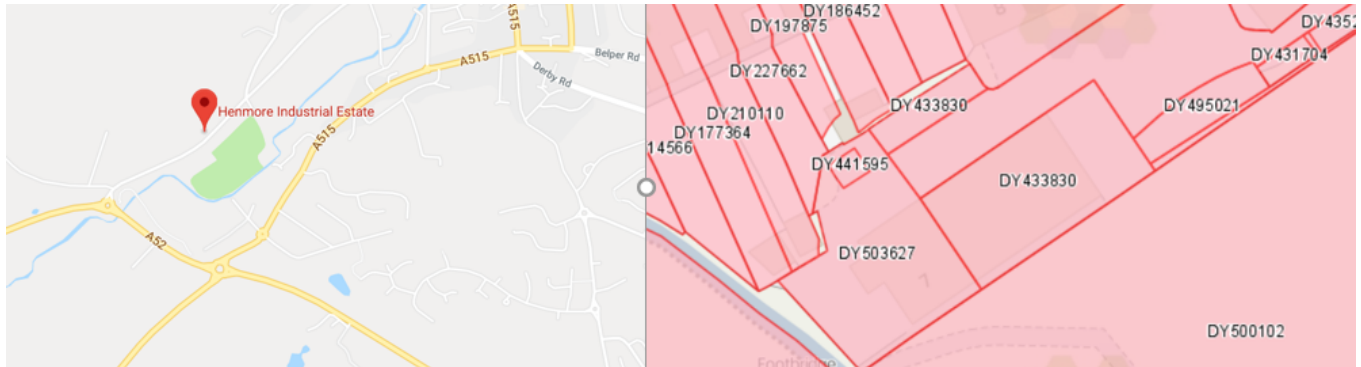
Whilst this third unit appears to be significantly over-let, the estimated rental value provided by the recent valuation is £14,000 p.a. which is still sufficient to service interest on the proposed loan. There is scope to increase the rent in Units 6a and 6b

Location Report

The Subject Property is located in the market town of Ashbourne which is equidistant from Birmingham and Sheffield. It is some 13 miles from the City of Derby and it lies on the edge of the Peak District National Park.

The Property is one of ten similar industrial units on the Henmore Industrial Estate. Other occupants include a taxi firm, a dance studio and a furniture retailer. Access is via a common service road to the Mayfield Road.

The title number of our security is DY433830.



Tenant Details

Tenant	C W Sellors (Gold and Silversmiths) Limited	Activity	Jewellers
Lease Type	FRI	Lease Start Date	1/2/2015
Months to Lease Break	60	Months to Lease End	60
Contracted Rent (£ p.a.)	26,500	Occupation Level (%)	100

Tenant description

Unit 6 is let to Messrs. Stunzenas and Cerkaustas for a term of 10 years to April 2026 from where they operate a car and commercial vehicle cleaning service.

Whereas financial information on this tenant is not available, we are informed by the Applicant that the business is a very successful one and rent is always paid promptly.

We understand that the tenant has commercial contracts with a number of local companies which ensures a regular revenue flow.

Units 6a and 6b are let to C W Sellors (Gold and Silversmith) Limited until January 2020 for a rental of £8,500 p.a. The Tenants website can be viewed on www.cwsellors.co.uk. They have a Credit Score of 100 (out of 100).

The Company sells jewellery online and it promotes itself by taking stands at numerous shows. It uses the Subject Property to store its stands/display material along with packaging for its products.

The Applicant again advises that this Tenant pays its rent promptly.

Security

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

Personal Guarantee

Joint and Several Guarantee from the Directors and Shareholders of Henmore Property Ltd for the sum of £155,000

Exit Strategy

The borrowers primary method of repayment will come from the sale of an unencumbered property - also in Ashbourne, which will realise net proceeds of between £325k to £375k.

The borrower has also had terms for a commercial mortgage on the property with a view to loan repayment but this will only be a secondary option to repay the loan.

Covenants			
LTV Covenant	65%	ICR Covenant	1.25x
Fees			
Arrangement Fee	1%	Broker Fee	0%
Valuation			
A valuation of the property was carried out by Salloway's on 7/9/2018, a copy of which can be seen in the supporting documents. The valuation concludes the following: Market Value: £240,000 Vacant Possession Value: £220,000 Open Market Rental Value: £14,000			
Report on Title			
A report on Title will be supplied by Enact 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 Borrower has two options for repayment. The primary option is the sale of an unrelated property which is not dependent on obtaining planning permission to extend the Subject Property.	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.	Proplend will hold a 6-month interest reserve giving the Borrower time to re-let the vacated accommodation, if required. If this interest reserve is exhausted and if the Property has not been re-let, the guarantors would seek to make up any rental shortfall or hasten the sale of their other property which is the primary source of overall repayment.	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.	The planned primary source of repayment is from the sale of another property within the loan period. Failing this sale, the LTV to the Subject Property at under 65% should ensure that it can be sold, even under forced sale conditions, and full repayment achieved. The valuation, assuming a sale within 3 months, was given as £220,000.	Medium	
Risk that the Property falls in value due to either macroeconomic or property specific reasons	At a gearing level of 65%, the value of the Subject Property would need to fall by 35% before the loan sum was not covered. Even in this event, the Guarantors have the option to sell another property to achieve full repayment.	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 Enact
- 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.