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Full Loan Request: Chandler's Ford - Retail

Main Site:	Central Precinct, 10 Winchester Rd, Chandler's Ford, Hampshire, SO53 2GB
Date:	2/8/2019
Asset Description:	The Property comprises a ground floor retail unit within a central precinct on the outskirts of Chandlers Ford town centre.



Deal Summary

Loan Type	Commercial Mortgage	Borrower Profile	Property investment SPV
SIPP Classification	SIPP Eligible	Loan Purpose	Purchase

Property Summary

Market Value	£115,000	Property Income	£9,000
Vacant Possession Value	£115,000	Market Rental Value	£10,500

Purchase Price	£115,000	Purchase Type	Open Market
Tenure	Freehold	Asset Class	Retail
EPC Rating (min. E)	D	Planning Use	Retail

Loan Summary

Total Loan Required	£86,250	Loan to Value (LTV)	75%
Rate of Interest	8.25%	Interest Cover	1.26x
Loan Term	36 months	Interest Expense (p.a.)	£7,116

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£11,500	12.85%	11.565%	1.26x
B	Medium	51-65%	£17,250	9.35%	8.415%	1.60x
A	Low	0-50%	£57,500	7.00%	6.30%	2.24x

Borrower Details

Name	S&K Property Rental Limited
Registration	UK Registered Limited Company
Main Business Activity	The proposed Borrower is a newly formed special purpose Limited Company, registered in the UK. It has no assets other than the Subject Properties.
Ownership Structure	100% owned by sole Director, Marc Kurn.

Applicant Details

Name	Marc Kurn
Age	53
Experience	<p>Marc is a plumber by trade. He has a small property investment portfolio, and has a classic car sales business with his co-Director who has over 32 years sector experience.</p> <p>This the third loan that we have provided Marc with, the first one being Southampton Light Industrial and Chandlers Ford Retail, and the second, Shirley Light Industrial and Chandlers Ford Retail. These gross loan facilities are for £281,250 and £320,000 respectively.</p>
Credit History	Marc's credit search is clear. He has provided his full UK passport and Council Tax bill, and has passed the Lexis Nexis IDU search.
Net Worth	£918,000.

Loan Details

Loan Purpose	<p>Purchase</p> <p>We are asked to provide a 75% LTV gross loan, in order to assist with the purchase of the target property. This property is next door to The Loft Fitness Studio, which was supporting security for the first loan, Southampton Light Industrial and Chandlers Ford Retail.</p>
Gross Loan Amount	£86,250
LTV	75%
ICR	1.26x
Serviceability	Monthly rental income to be received is £750-00, with interest payments due, of £592-97 pcm.
Interest reserve	<p>Proplend will retain £1,779 (3 months interest) from the gross loan amount which will be held on account.</p> <p>The balance of the Interest Reserve will be applied to the repayment of principal at the end of the loan term.</p>
Early Repayment	2% year 1, 1% year 2

Strategy During Loan Term

The borrower, on or before completion, will have a new 5-year lease drawn up to be signed by the current occupier, Studio Twenty 3. The Property as with Marc's other rental properties, will be a long-term investment.

Property Details

The Property comprises a ground floor retail unit within a purpose-built local precinct, and is believed to have been constructed in the 1960s.

The Property is fitted out as a gym/personal training studio. The retail unit is laid out to comprise an open plan sales area, with a small staff area to the rear that includes a staff WC and kitchenette.



Location Report

The Property comprises a ground floor retail unit within a small shopping precinct on the outskirts of Chandlers Ford town centre, but represents predominantly secondary retail space.

The Property benefits from close proximity to Chandlers Ford railway station, which lies a short walking distance away, and provides services along the South Western and Great Western Railway lines, and the Property is approximately 1.2 miles to the west of the M3.



Tenant Details

Tenant	Studio Twenty 3	Activity	Gymnasium
Lease Type	FRI	Lease Start Date	August 2018
Months to Lease Break	48	Months to Lease End	48
Contracted Rent (£ p.a.)	£9,000	Occupation Level (%)	100%
Tenant strength	Weak local covenant		

Security

Main Site	First Legal Charge	Debenture	Debenture Required
Share Charge	Share Charge Not Required	Property Insurance	PSL Interest to be Noted on Completion
Personal Guarantee	Individual Guarantee from an Individual Director of S&K Property Rental Limited for the sum of £86,250. Please note that the Guarantor has provided the following Personal Guarantees to Proplend; - Southampton Light Industrial, £28,125. - Shirley Light Industrial, £320,000.		

Exit Strategy

The Borrower will be keeping this property, as with all of his properties, for long-term investment purposes, and will refinance on to a high street lender during the third year, once a demonstrable track record can be shown in this SPV.

Covenants

LTV Covenant 75% **ICR Covenant** 1.25x

Fees

Arrangement Fee 2% **Broker Fee** 0%

Valuation

A valuation of the property was carried out by Kempton Carr Croft on 25/1/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £ 115,000
Vacant Possession Value: £ 115,000
Open Market Rental Value: £ 10,500

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 management of the borrower has direct property management experience over the Chandler's Ford property for over 8 years, and is respectable and trustworthy.

Medium

The management of the borrower have generated profits in the short time since commencing trading, and have over 30 years relevant sector experience.

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 no more or less risk here at this property than any other tenant involved in this sector.

Medium

Proplend will retain a 3-month interest reserve from the gross loan amount, which will be held on account to meet any shortfall in interest payments.

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.

By the time of maturity, the LTV is expected to be sufficiently low, and the ICR sufficiently high enough, to allow for a refinance via an alternative lender at the end of the 36 month loan term.

Medium

Risk that the Property falls in value due to either macroeconomic or property specific reasons

Proplend limits the maximum loan to value against a property to 75%, meaning the borrower has to have a minimum of 25% equity in the property to borrow with us.

High

The Property would therefore have to fall in value by more than 25% for lenders in Tranche C to be affected.

Proplend Security Limited maintains a panel of experienced valuers who must have

adequate professional indemnity insurance to
provide property valuations.

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 to 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 397 8290

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