Full Loan Request: Croydon - Beta Circle - Office Refinance

Main Site:	797 London Road, Thornton Heath, Croydon, CR7 6AW
Date:	6/9/2018
Asset Description:	1960's office building with planning permission for 60 studio apartments and 11 one bed apartments

Deal Summary

Loan Type	Commercial Mortgage	**Borrower Profile**	Commercial real estate investment
SIPP Classification	SIPP eligible	**Loan Purpose**	Refinance

Property Summary

Market Value	£2,275,000	**Property Income**	£292,198 + service charge and building insurance contribution
Vacant Possession Value	£2,365,000	**Market Rental Value**	£208,630
Tenure	Freehold	**Asset Class**	Office

Loan Summary

Total Loan Required	£664,000	**Loan to Value (LTV)**	29.19%
Rate of Interest	7.5%	**Interest Cover**	5.87x
Loan Term	6 months	**Interest Expense (p.a.)**	£49,800

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£664,000	7.5%	6.75%	5.87x

Borrower Details

Name	Beta Circle Limited
Registration	UK Registered Limited Company
Main Business Activity	Commercial Real Estate Investment
Ownership Structure	The sole shareholder is Mr. Daniel Selby.

Applicant Details

Name	Daniel Selby
Age	52
Experience	Significant commercial real estate experience, excellent Proplend borrower for the last 3 years.
Credit History	Clear
Net Worth	High net worth - confirmed via asset and liability statement

Loan Details

Loan Purpose	Refinance
Gross Loan Amount	£664,000
LTV	29.19%
ICR	5.87x
Interest reserve	Proplend will retain £12,450 (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	1% first month

Existing Facility

Lender	Proplend	**Expiry**	1/10/2018
Value	£1,137,500	**Status**	Up to Date
Rate	7.5%	**Existing Facility Description**	Commercial Mortgage

Strategy During Loan Term

Continue to seek a sale or refinance via development finance.

The borrower has been offered £5m for the Subject Property but he is seeking a better price given Savills valuation of approx. £7.5m.

Property Details

The property is a 1960's office building of concrete framed construction, with concrete brick elevations and single glazed casement windows, beneath a flat roof occupying 21,909 sq. ft and 28 parking spaces.

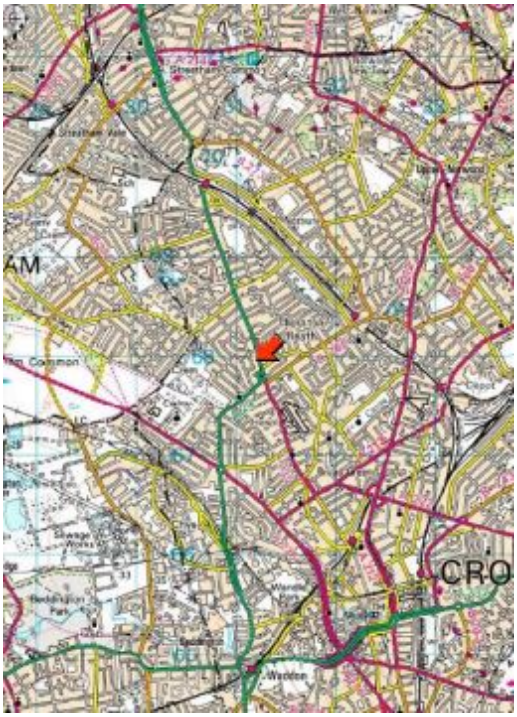
The building is set back from London Road and provides office accommodation arranged over ground and five upper floors, with structural open plan layouts.

The Property has planning permission for the conversion of the office accommodation to provide 60 studio apartments and 11 one bed apartments, arranged over the ground to fifth floors.

Location Report

The Property is located on the west side of London Road (A23), within the London Borough of Croydon. Thornton Heath is a densely populated suburb, 2 miles north of central Croydon and 8 miles south of central London.

The property is set back from London Road, with the immediate area comprised of a mix of residential and retail units, which were formally offices.



Tenant Details

Tenants	25	**Activity**	Various
Lease Type	FRI - various lease lengths	**Contracted Rent (£ p.a.)**	£292,198 + service charge and building insurance contribution

Tenant strength	Local covenants, reasonable strength with good spread.

Security

Main Site	First Legal Charge	**Debenture**	Debenture Required

Exit Strategy

The Applicant is currently looking to sell the asset so the most likely exit is through funds from sale. Should a sale not materialise the Applicant will look to refinance onto another commercial investment mortgage or development finance.

Covenants

LTV Covenant	50%	**ICR Covenant**	2x

Fees

Arrangement Fee	1%	**Broker Fee**	N/A

Valuation

A valuation of the property was carried out by Cluttons on April 2015, and they have supplied a further side letter dated 8/8/2018, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £2,275,000
Vacant Possession Value: £2,365,000
Open Market Rental Value: £208,630

Proplend have not required an updated valuation to confirm this valuation, but have received a side letter from the original valuer confirming that the value has not decreased since the 2015 valuation report.

Report on Title

A Report on Title will be supplied by Enact Conveyancing 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 is in discussions a with national property vendor with regards to arranging a sale of the property. Offers have been received well in excess of the market value provided by Cluttons in 2015. The refinance is to allow time for the Applicant to achieve the best possible value for the asset.	**Low**
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 across 25 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.	**Low**
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 Borrower is not able to secure a sale, the Applicant will seek to refinance on a term loan with another Lender. At the current LTV and ICR levels a refinance with a range of lenders should not be an issue.	**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 70% 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
- Side letter addressed to Proplend Security Limited by the previously instructed RICS valuer confirming market value of the property has not decreased since the April 2015 valuation.
- 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 Conveyancing
- 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 379 8290

PROPLEND DISCLAIMER - PLEASE NOTE:

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