

Full Loan Request: Swansea - Swansea Hostel - Mixed Use

Main Site:	22 & 23 High Street, Swansea, SA1 1LG
Date:	28th September 2018
Asset Description:	Three storey, high street property with planning permission for hostel use in first floor



Deal Summary

Loan Type	Commercial Mortgage	Borrower Profile	A New SPV Ltd Co
SIPP Classification	SIPP eligible	Loan Purpose	Ownership Transfer / Refinance

Property Summary

Market Value	£300,000	Property Income	£22,500
Vacant Possession Value	£235,000	Market Rental Value	£22,500
Tenure	Freehold	Asset Class	Mixed Use (Commercial)
EPC Rating (min. E)	D		

Loan Summary

Total Loan Required	£200,000	Loan to Value (LTV)	66.67%
Rate of Interest	9%	Interest Cover	1.25x
Loan Term	24 months	Interest Expense (p.a.)	£18,000

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£5,000	10.89%	9.8%	1.25x
B	Medium	51-65%	£45,000	10.79%	9.71%	1.29x
A	Low	0-50%	£150,000	8.4%	7.56%	1.79x

Borrower Details	
Name	The Swansea Hostel Company Ltd
Registration	UK Registered Limited Company
Main Business Activity	The Directors and Beneficiaries of the Borrower also own the Abertawe Grand Hotel which is a 53 bedroom boutique hotel which is located some two hundred metres from the Subject Property.
Ownership Structure	<p>The ultimate beneficial owner of the Borrower is currently Michael Thompson, the legal representative of the Moloney family.</p> <p>Ownership is to be transferred to Isola Bella Group Ltd (a holding company registered in the UK) alongside the The Abertawe Grand Ltd.</p> <p>Isola Bella Group is, in turn, owned by Connaught Capital Ltd, a Trust Company, registered in Belize, the Beneficiaries of which are the Moloney Family</p>
Applicant Details	
Name	Cornelius Moloney
Age	60 years
Experience	Mr Moloney and his son, Colin, have run the Abertawe Grand Hotel for the past nine years and has built up turnover to circa £39,000 per week.
Credit History	Clear
Net Worth	<p>Mr Moloney indirectly owns and controls (through a Family Trust) six properties in the Swansea area, with an aggregate value of £6.2m.</p> <p>The total borrowings against these properties are £2.6m and the net equity attributable to Mr Moloney is circa £3.5m.</p>
Additional Information	<p>The Subject Property is currently owned by Mr Moloney.</p> <p>The Subject Property is being gifted to The Swansea Hostel Company Ltd in order to bring it under the 'umbrella' of the Isola Bella Goup Ltd. An indemnity policy has been put in place in respect of this transfer.</p> <p>Proplend has also facilitated three other loans to companies controlled by Mr Moloney. The aggregate borrowing being £2.45m secured against Property valued at £4.3m i.e. 57% LTV. Mr Moloney has provided personal guarantees to the value of £1.045m in respect of these loans. All loan accounts are in good order and have been conducted without any late payments.or other acts of default.</p>
Loan Details	
Loan Purpose	Ownership Transfer / Refinance
Gross Loan Amount	£200,000
LTV	66.67%
	Small Tranche C - £5k - marginal difference between Tranche B and Tranche C rates as a result
ICR	1.25x
Serviceability	<p>The proposed facility will be conditional upon a new FR&I lease (for as minimum term of 5 years) on the whole premises being taken by Celtic Hospitality Ltd which is the operating company that runs the Abertawe Grand Hotel.</p> <p>In the year ended 28th February 2018 this Company achieved a turnover of £1,659,673, a gross profit of £1,223,984 and a net, pre-tax profit of £252,385. The Hotel is currently achieving a turnover of £39,000 per week which equates to an annual revenue of £2,028,000.</p>
Interest reserve	<p>Proplend will retain £9,000 (6 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% first 6 months, 1% months 7-12

Existing Facility

Lender	Mr Greg Barry	Expiry	Repayment has been requested
Value	£ 160,000	Status	The lender has requested repayment within the next two months
Existing Facility Description	£ 160,000 bridging facility owed to a private lender based in Ireland .The balance of the proposed loan is to cover interest provision and fees.		

Strategy During Loan Term

The Subject Property has planning consent for conversion of the two upper floors to provide hostel facilities for up to 60 persons. The Applicant believes that there is significant demand for this type of accommodation due to the increasing student population in the City (created by the two universities) and the large number of backpackers, particularly surfers, heading through Swansea on their way to and from the beaches of the Gower Peninsula and West Wales.

The Abertawe Grand Hotel (owned and run by the Applicant) receives a lot of enquiries for this type of accommodation but is unable to cater for it within the Hotel premises. The Subject Property is located only 200 metres from the Hotel and will therefore represent an ideal annex to the current facility but sufficiently removed not to detract from the Hotel.

The Operator of the Hotel, Celtic Hospitality Ltd, will take a lease on the Property paying a rental of £22,500 p.e. This equates to the Market Rental value.

The ground floor of the Subject Property is already let under licence to an indoor golf business, E G W Leisure Limited, for £7,800 pa. E G W Leisure Limited will become a sub-tenant to Celtic Hospitality

Property Details

The Subject Property is a mid-terrace, three story building of approximately 5,002 sq.ft.

The Subject Property is in a reasonable state of repair, however, it is proposed that it is to be renovated to provide a 60 bed hostel and ground floor bar/café.

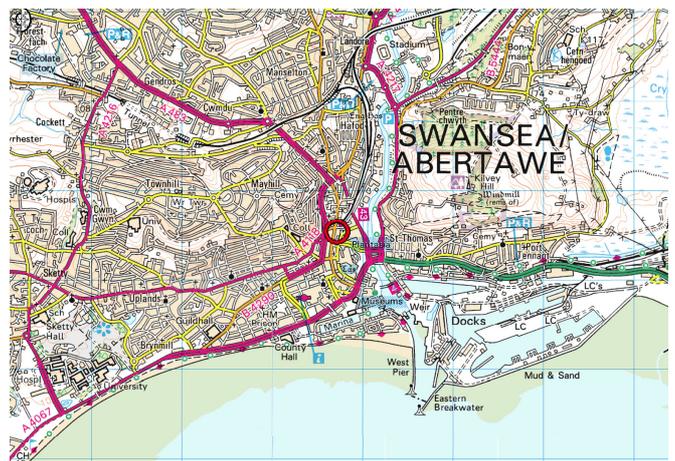
The Building is of a traditional concrete frame construction, being brick and block clad and rendered on the external elevations. The rear of the property is under a flat roof but has the potential, subject to obtaining the necessary planning consent to be extended to provide a further two floors to the rear to match the original footprint. There is access to the rear and parking for up to six vehicles.

Location Report

The Subject Property is in Swansea city Centre on the south Wales coast, in a prominent position fronting directly onto High Street of the main streets leading directly into the retail district of the city.

The Subject Property is located some 200 metres from the Abertawe Grand Hotel which the Applicant also owns and operates. The Hotel is situated immediately opposite Swansea's main train station and therefore attracts backpackers arriving at the City seeking budget accommodation.

The Subject Property is ideally located to supplement the Hotel's facility.





ALEXANDRA ROAD

ORCHARD STREET

KING STREET

KINGS LANE

HIGH STREET (STRYO FAWR)

E. S. T. R. A. N. D.

IVEY PLACE

Grand Hotel

Burial Ground

Elysium

PH

P.O.

Bush Hotel

PC
BM 1925m

BM 1598m

16m

70m

7.7m



Tenant Details

Tenant	Celtic Hospitality	Activity	Hotel Operator
Lease Type	FR&I lease for a minimum of five years	Lease Start Date	Before or at completion
Months to Lease Break	60	Months to Lease End	60
Contracted Rent (£ p.a.)	£22,500	Occupation Level (%)	100%

Lease arrangement A new fully repairing and insuring lease will be entered into with the operator of the Abertawe Grand Hotel " Celtic Hospitality Limited for minimum term of five years.

Tenant strength In the year ended 28th February 2018 this Company achieved a turnover of £1,659,673, a gross profit of £1,223,984 and a net, pre-tax profit of £252,385. The Hotel is currently achieving a turnover of £39,000 per week which equates to an annual revenue of £2,028,000.

A search of Celtic Hospitality Ltd with reference agency, Creditsafe, rate it as a 'moderate risk' bit as a relatively new Company, formed in 2017 following a restructuring of the Group, the first year's accounts (detailed above) do not yet appear and reflect in Creditsafe's rating.

Security

Main Site	First Legal Charge	Debenture	Debenture Required
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Personal Guarantee The personal Guarantee from the Directors and Shareholders of The Swansea Hostel Company Ltd for the sum of £200,000

Mr Moloney has provided personal guarantees to Proplend to the total value of £1,045,000 in respect of other loans.made to companies controlled by him.

Exit Strategy

The Subject Property will be refinanced following a period of trading, along with the Abertawe Grand Hotel.

Covenants

LTV Covenant	70%	ICR Covenant	1.25x
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Fees

Arrangement Fee	2%	Broker Fee	1%
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Valuation

A valuation of the property was carried out by Rees Richards and Partners on 20th August 2018 , a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £300,000
Vacant Possession Value: £235,000
Open Market Rental Value: £22,500

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
Risk that the management of the Borrower is not able to execute their business plan.	The Management of the Borrower already have a proven tract record in running a hospitality business and are well placed to assess the demand for the proposed accommodation.	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.	The proposed Lessee is already achieving a revenue of £39,000 per week and will be able to service rent on the Subject Property without reliance on any income generated from the premises	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.	The gearing on the Abertawe Grand is relatively low (a loan of £1.45 Million on an anticipated value of £3.5 Million i.e. 42%) and the Applicant is confident of being able to 'absorb' the proposed loan into the overall borrowings on the Hotel irrespective of the success of the proposed hostel and his ability to refinance it within the 24 month loan term.	MEDIUM
Risk that the Property falls in value due to either macroeconomic or property specific reasons	Despite a general nervousness in the commercial property market, Swansea is witnessing an increasing demand for residential accommodation largely due to the creation of a second university. The availability of property in the City centre suitable for conversion is therefore strong. The value of the Subject Property would need to fall by 33% before the proposed loan is not covered.	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 70% 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 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:

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.