

Full Loan Request: Ipswich - Broker - Warehouse

Main Site:	Blocks B & C, Old Victorian Mill, Ipswich, Suffolk, IP4 1FT
Date:	5/10/2018
Asset Description:	The Property comprises an empty Victorian warehouse with outline planning within a wider development known as the Mill.



Deal Summary			
Loan Type	Commercial Bridge	Borrower Profile	Land and property investment SPV
SIPP Classification	SIPP eligible	Loan Purpose	Refinance

Property Summary			
Market Value	£2,200,000	Property Income	£N/A
Vacant Possession Value	£2,200,000	Market Rental Value	£N/A
Tenure	Freehold	Asset Class	Warehouse
EPC Rating (min. E)	n/a		

Loan Summary			
Total Loan Required	£1,650,000	Loan to Value (LTV)	75.00%
Rate of Interest	12.00%	Interest Cover	N/A - full interest reserve
Loan Term	12 months	Interest Expense (p.a.)	£198,000

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£220,000	19.90%	17.91%	0x
B	Medium	51-65%	£330,000	13.40%	12.06%	0x
A	Low	0-50%	£1,100,000	10.00%	9.00%	0x

Borrower Details

Name	Cardinal Lofts (Victorian Building) Limited
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 Properties.
Ownership Structure	This SPV is owned 100% by Cardinal Lofts (Mill) Limited. Cardinal Lofts (Mill) Limited is 100% owned by Curzon De Vere Limited. Curzon De Vere Limited is 100% owned by Lawrence Isherwood.

Applicant Details

Name	Lawrence (known as Larry) Isherwood
Age	69
Experience	Larry has been a property developer for over 40 years. He specialises in buying well, having undertaken 'hundreds' of similar ventures, with substantial property assets in various parts of Ipswich, Felixstowe and London.
Credit History	Strong - Creditsafe score is in the highest band.
Net Worth	£25.6m, comprised predominantly of net equity in current land and property investments.

Loan Details

Loan Purpose	We are asked to provide a net loan of £1.35m in order to provide a straight refinance of the current borrowing away from the current lender (no capital raise), while going for full and rev a more appropriate and more lucrative development.
Gross Loan Amount	£1,650,000
LTV	75.00%
ICR	0x
Interest reserve	Proplend will retain £247,500 (15 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, no fee thereafter.

Existing Facility

Lender	Century Capital	Expiry	30/9/2018
Value	£1,350,000	Status	Up to Date
Rate	15.00%		

Strategy During Loan Term

The current outline planning agreed is for a mixed scheme comprising A3/A5 bar and restaurant units on the ground floor, with 49 units of residential accommodation in the upper floors.

There is no expiry on the current outline planning which was granted on the whole development site (not just our security), as works have already commenced. Once planning consent for the revised scheme is granted, there will be the standard three years to then commence the development.

The borrower will be submitting a larger scheme for approval, following indications from the council planners that such a scheme would be approved. The revised scheme is for a development of 12,000 sq ft retail space, with 97 residential apartments above, and a small 155-space multi-storey car park, to be provided on a separate site that the applicant owns, which the council require to assist the Waterfront.

The new scheme will now consist of one additional storey to accommodate the extra apartments, and the individual apartments will be smaller than those previously submitted, which the borrower believes is more in keeping with the requirements of the target market.

After several meetings and site visits, the council planners are offering more potential in the scheme and are keen to get this completed in order to tidy up the marina, which is a key attraction in Ipswich.

As a whole, the renovation of the Waterfront area of Ipswich is approximately 75% completed, with this property being one of the last to be finished. The borrower has been involved in other sites along the marina that have already been completed to a high standard.

The Borrower has completed a large number of similar schemes - one of the reasons for the delay in progressing this site since purchase, is due to the Borrower's other business interests, a good number of which are larger developments than this one, as well as waiting for the local residential market to turn, which it now has. The proposed development of the Property will consist of a £16.8m build cost, with a GDV of £26.3m.

The Borrower has completed several developments in the vicinity of the subject property, including;

- Block D1, Albion Wharf, IP4 - 25 apartments in the north east part of the Mill development, as mentioned in the valuation report.
- Block E3, Albion Wharf, IP4 - 4 apartments in the south east part of the Mill development, as mentioned in the valuation report.
- Block A4, Albion Wharf, IP4 - 8 apartments in the north western part of the Mill development, as mentioned in the valuation report.
- Regatta Quay, IP4 1FF - 6 duplex apartments (I have inspected the interior of these), finished to a high standard.

Property Details

The Property comprises an empty Victorian warehouse with outline planning within a wider development known as the Mill. The property is unoccupied and last used for grain storage. It is currently boarded up for security. The borrower does not need to demolish the current buildings as they are structurally sound.

The whole development site comprises 9 units, 2 of which form our security. The original purchase price for the entire site four years ago, was £4m. Our security alone is worth £2.2m based on the current outline planning, and there will clearly be an uplift once the amended planning has been agreed.



Location Report

The property is located in the Waterfront area of Ipswich, around half a mile to the south of Ipswich Town Centre.

The Waterfront is a mixed use area comprising residential flats, restaurants and other leisure facilities. The University of Suffolk is also located in the area.

The Waterfront has undergone serious and expensive build and regeneration and is now about 70% completed (the Mill being one of the last 2 or 3 buildings to be renovated and built out). The far end of the Marina is Uni Student Accommodation followed by a 4 star hotel, restaurants and Bistros, Pizza Express bars etc. The adjacent marina is now attracting high class boats and cruisers, Sunseeker etc. The River Orwell being close by and access to the sea.

Below right is a plan of the entire development site owned by Larry under different corporate ownership. Our security is referred to below as Units B, C & E1.

D1 and A1 have been completed and sold, D2 & E3 are currently under construction, and A2, A3 and A4 will be the last to be completed.



Security

Main Site	First Legal Charge	Debenture	Debenture Required
Share Charge	Share Charge Not Required		
Personal Guarantee	Individual Guarantee from the sole Director of Cardinal Lofts (Victorian Building) Limited for the sum of £330,000		

Exit Strategy

Development finance once revised planning is approved which the same NACFB broker, Charles Smith of Capital Money Solutions, will source. This is most likely to be placed with Close Bros, who have provided the applicant with development finance for his other sites locally.

The Broker has three potential lenders lined up to provide the necessary finance, who have provided development finance to the Borrower on other sites for associated SPVs.

Covenants

LTV Covenant	80%	ICR Covenant	n/a
---------------------	-----	---------------------	-----

Fees

Arrangement Fee	2%	Broker Fee	1%
------------------------	----	-------------------	----

Valuation

A valuation of the property was carried out by Montagu Evans LLP on 5/10/2018, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £2,200,000
Vacant Possession Value: £2,200,000
Open Market Rental Value: £ N/A

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 Borrower has significant experience and expertise with developments of this size and nature. In addition, there are numerous neighbouring examples of similar schemes having obtained planning permission.	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 loan is for a 12-month term, and we will be taking a 15-month interest reserve.	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 risk here is not that the Borrower will be unsuccessful with executing the plan, just executing the plan in a timely manner. The Borrower however, has been talking to the local authority, about this and other sites for over four years - they know he will deliver, and he knows their nuances and timescales well.	Medium
Risk that the Property falls in value due to either macroeconomic or property specific reasons	There was a small decrease in the value between March 2017 and May 2018, and again between May and October 2018, attributed to increasing construction prices, and declining casual dining trends. The residential values have held.	High

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 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.