

# Full Loan Request: Reigate - Mixed Retail and Residential

<b>Main Site:</b>	6 West Road, Reigate, Surrey, RH2 7JT
<b>Date:</b>	11/10/2018
<b>Asset Description:</b>	A detached property comprising a shop and basement unit (let) and three bedroom maisonette above (vacant).



Deal Summary			
<b>Loan Type</b>	Commercial Mortgage	<b>Borrower Profile</b>	Property investment SPV
<b>SIPP Eligible</b>	No	<b>Loan Purpose</b>	Auction Purchase
Property Summary			
<b>Market Value</b>	£410,000	<b>Property Income</b>	£27,500
<b>Vacant Possession Value</b>	£410,000	<b>Market Rental Value</b>	£27,500
<b>Purchase Price</b>	£410,000	<b>Purchase Type</b>	Auction
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Mixed Use (Residential)

EPC Rating (min. E)                      Resi - E / Comm - C

## Loan Summary

<b>Total Loan Required</b>	£285,000	<b>Loan to Value (LTV)</b>	69.51%
<b>Rate of Interest</b>	7.50%	<b>Interest Cover</b>	1.29x
<b>Loan Term</b>	24 months	<b>Interest Expense (p.a.)</b>	£21,375

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£18,500	13.60%	12.24%	1.29x
B	Medium	51-65%	£61,500	9.00%	8.10%	1.46x
A	Low	0-50%	£205,000	6.50%	5.85%	2.06x

## Borrower Details

<b>Name</b>	Sixwestroad Limited
<b>Registration</b>	UK Registered Limited Company
<b>Main Business Activity</b>	The proposed Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Properties.
<b>Ownership Structure</b>	The new company is owned 50:50 between husband and wife Nevzat Muslu and Deniz Muslu.

## Applicant Details

<b>Name</b>	Nevzat Muslu
<b>Age</b>	47
<b>Experience</b>	<p>Nevzat is a business management professional with a highly successful background of working within the dry cleaning industry.</p> <p>Extensive experience of building, developing and managing dry cleaning outlets to enable profitable turnover, a strong customer experience and eventual sale of complete business.</p> <p>He has a solid understanding of business management processes and the full customer service operation, and is able to operate and train others in the industry standard computer systems as well as regulatory financial controls for tax and audit purposes.</p> <p>This though is their first venture into property investment.</p>
<b>Credit History</b>	<p>Strong.</p> <p>Mr N Muslu's Creditsafe score is in band 8, and Mrs D Muslu's in band 9.</p>
<b>Net Worth</b>	£542,557 - broadly comprised of 50% cash savings, and 50% equity in their main residential property.
<b>Additional Information</b>	<p>The borrowers sold their previous business and are in the process of closing down the company.</p> <p>There was an objection to the dissolution of the company relating to an outstanding bill, which the borrowers refute.</p> <p>The borrowers solicitor is dealing with the matter and the business will be closed in due course.</p>

## Loan Details

<b>Loan Purpose</b>	Purchase
<b>Gross Loan Amount</b>	£285,000
<b>LTV</b>	69.51%
<b>ICR</b>	1.29x
<b>Serviceability</b>	Rental income to be received of £27,500 p.a. Interest payments will be £21,375 p.a.
<b>Interest reserve</b>	Proplend will retain £10,688 (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.
<b>Early Repayment</b>	2% first 6 months, 1% months 7-12

## Strategy During Loan Term

The borrower will maximise rental income, and establish sufficient track record during the term, in order to be able to refinance on to a more main stream lender.

## Property Details

The Subject Property comprises a detached three storey building, originally constructed c.1910. The ground floor and basement for a retail shop which has been extended and is occupied by Blue Cow Butchers, an established local trader.

The upper maisonette is accessed from the rear of the building and provides good accommodation over two floors and has been maintained to a good standard.



## Location Report

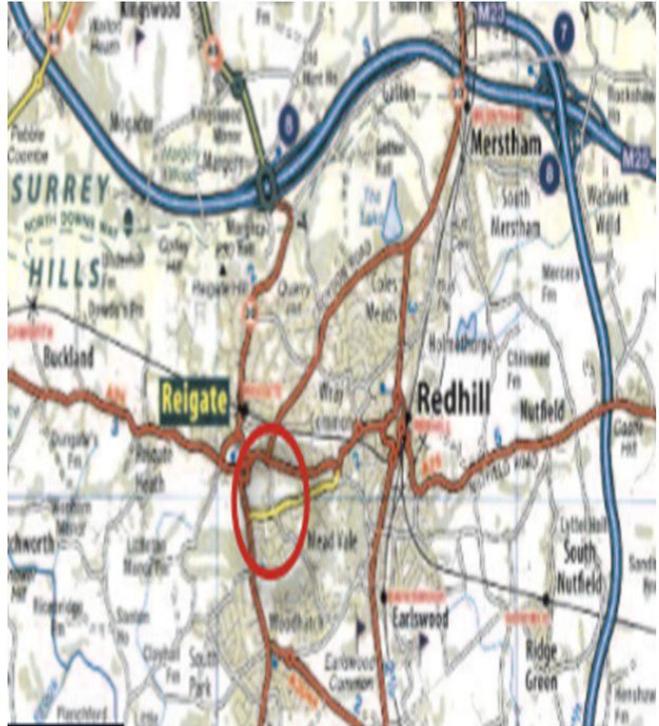
Reigate is a market town in South East Surrey situated at the foot of the North Downs.

The Subject Property is located close to the junction with Lesbourne Road, a short distance from Reigate Train Station.

Shopping facilities are available locally and to a greater extent on High Street, along with a good selection of cafés, bars and restaurants.

Recreational facilities are available at Reigate Park, Priory Park and Redhill Common, which are all conveniently close by.

Nearby road communications are via the A217



## Tenant Details

<b>Tenant</b>	The Blue Cow (Butchers) Limited	<b>Activity</b>	Butcher's
<b>Lease Type</b>	FRI	<b>Lease Start Date</b>	July 2013
<b>Months to Lease Break</b>	180 from July 2013	<b>Months to Lease End</b>	180 from July 2013
<b>Contracted Rent (£ p.a.)</b>	12,500	<b>Occupation Level (%)</b>	50
<b>Lease arrangement</b>	AST for the residential accommodation will be arranged at £15,000 p.a.		
<b>Tenant strength</b>	Good. Commercial Delphi score of 83 out of 100.		

## Security

<b>Main Site</b>	First Legal Charge	<b>Debenture</b>	Debenture Required
<b>Share Charge</b>	Not Required	<b>Property Insurance</b>	PSL Interest Requirement Outstanding
<b>Personal Guarantee</b>	Joint and Several Guarantee from the Directors and Shareholders of Sixwestroad Limited for the sum of £266,500		

## Exit Strategy

As above, to refinance onto a longer term commercial mortgage with a high street lender, or challenger bank at a lower rate.

## Covenants

<b>LTV Covenant</b>	70%	<b>ICR Covenant</b>	1.25x
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## Fees

<b>Arrangement Fee</b>	2%	<b>Broker Fee</b>	1%
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## Valuation

A valuation of the property was carried out by London's Surveyors & Valuers on 03/10/18, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £410,000  
Vacant Possession Value: £410,000  
Open Market Rental Value: £27,500

## 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 Borrower has significant experience running a multi asset business, which alongside the commercial tenant having been in situ for several years with several years remaining on the lease, provides comfort that they will be able to manage this asset successfully.

**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 residential accommodation is currently vacant and the commercial tenant is a weak, local covenant.  
That being said the commercial tenant has been in situ for several years and scored well on a recent credit check, and demand for residential accommodation in the area is strong.  
Proplend will retain £10,688 (6 months interest) from the gross loan amount which will be held on account to meet any shortfall in interest payments.

**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.**

LTV is sufficiently low and ICR sufficiently high to allow for a refinance via an alternative lender at the end of the 24 month loan term.

**Medium**

**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 30% before the principal sum is at risk of not being covered by the security

**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 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 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.