

Full Loan Request: Shirley - Miah - Mixed Retail and Resi

Main Site:	16 Shirley High Street, Shirley, Southampton, Hampshire, SO15 3NH
Date:	9/10/2018
Asset Description:	A mid-terrace two-storey mixed use property, comprising A3 retail space on the ground floor, and a 2-bed apartment on the first floor.



Deal Summary

Loan Type	Commercial Mortgage	Borrower Profile	Property investment SPV
SIPP Classification	Not Eligible	Loan Purpose	Purchase

Property Summary

Market Value	£225,000	Property Income	£20,000
Vacant Possession Value	£225,000	Market Rental Value	£18,000
Purchase Price	£224,000	Purchase Type	Auction
Tenure	Freehold	Asset Class	Mixed Use (Residential)
EPC Rating (min. E)	C		

Loan Summary

Total Loan Required	£145,600	Loan to Value (LTV)	64.71%
Rate of Interest	8.00%	Interest Cover	1.72x
Loan Term	24 months	Interest Expense (p.a.)	£11,648

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£33,600	10.50%	9.45%	1.72x
A	Low	0-50%	£112,000	7.25%	6.525%	2.46x

Borrower Details

Name	Prime Property Investors 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	The sole Director is Abul Kalam Shofraz-UI Musa Miah, known as Shaz, and he and Abul Khowser Shoyez-UI Issa Miah, Abul Kashem Moniul Reza Miah, and Shoyeb Hussain each have a 25% share.

Applicant Details

Name	Shofraz (known as Shaz) Miah
Age	35
Experience	<p>Shaz has run Crystal & Co Estate and Lettings Agents Limited from 2002, being a founding partner. They are a local agency based in Isleworth and Slough and manage over 300 UK properties, predominantly in the West London area and Home Counties.</p> <p>Their core business now has a turnover in excess of £1 million and the latest accounts to year end 31/8/17 show a t/o of £809.4k, GP of £71.1k, and NP after tax of £57.3k</p> <p>Shaz co-owns the company on a 50:50 basis with Shoyeb Hussain and is long standing partner.</p> <p>The other two shareholders are Shaz's two brothers. They run Vantage Housing Group, which is a social housing provider with a turnover in the region of £600k and has been established since 2012.</p> <p>They collectively have a business and property portfolio in excess of £15million pounds, and reportedly have never defaulted on any loan, been late with a mortgage payment or any secured or unsecured credit.</p> <p>They normally borrow on the high street and always have had loans approved, however say that they want to build a relationship with a specialist lender that they can work with, to double their property portfolio over the next few years as they believe that it's a good time to buy.</p> <p>The website address for Crystal & Co is www.crystalestates.co.uk</p>
Credit History	Strong - Creditsafe score of 597 which is Band 10 (the highest band).
Net Worth	<p>Abul Kalam Shofraz-UI Musa Miah - £1,861,317</p> <p>Abul Khowser Shoyez-UI Issa Miah - £669,250</p> <p>Abul Kashem Moniul Reza Miah - £1,774,417</p> <p>Shoyeb Hussain - £1,730,417.</p>

Loan Details

Loan Purpose	Purchase
Gross Loan Amount	£145,600
LTV	64.71%
ICR	1.72x
Serviceability	Rental income to be received of £20,000-00 p.a. with interest payments of £11,648-00 p.a.
Interest reserve	Proplend will retain £5,824 (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.

Early Repayment 2% first 12 months, no fee thereafter.

Strategy During Loan Term

The property is being sold with vacant possession, however, the borrower has a tenant lined up, who will occupy the entire property. He will pay rent from day 1 of £20k p.a. Our offer is conditional on the tenant being in situ and sight of the lease on or before completion.

The borrower advises that the proposed tenant will be refurbishing the unit himself to his requirements. The retail unit is ready to be occupied, with kitchen equipment being supplied already - an extraction system and also cookers, fryers etc. The tenant has all other catering equipment retained from his last business.

Due to the works required in the residential accommodation, the rent is being discounted in year 1 to £20k, and will increase from year 2 to £22k p.a.

Property Details

A freehold mid-terrace mixed retail and residential property which has historically operated as a Chinese Take Away/Restaurant and is now being offered to the market with vacant possession and requiring modernisation.

The auction particulars state that the property offers various potentials, including the extension and full separation of the residential element or the option of dual or single commercial usage (subject to relevant consents).

The location will appeal to various national and independents retailers, with the front forecourt offering the further potential for external seating.

The Property comprises a mid-terrace, 2 storey building, constructed of conventional construction specification, comprising brick cavity elevations, under a cut timber truss and rafter roof with concrete tile covering and flat roof areas.

Fenestrations are by way of single glazed softwood casements, in poor order, and the retail unit benefits from an aluminium powder coated shopfront window.

Floors are of a mix of solid and suspended timber at ground floor and suspended timber at upper parts.

The property is in need of refurbishment and the valuer observes there is no Gas and Electrical safety certificates, and also Asbestos Register, all of which will be provided by or shortly after completion.



Location Report

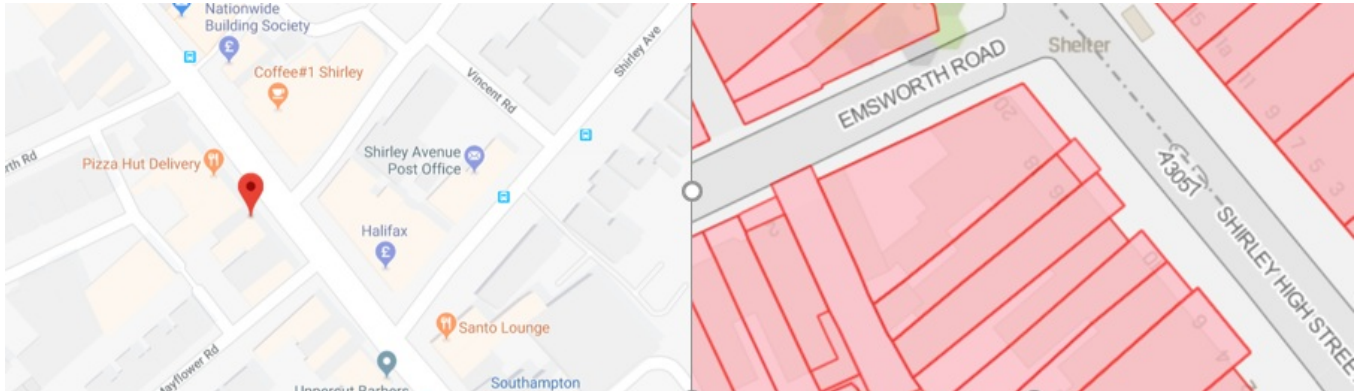
The Property is located on Shirley High Street, Southampton. Shirley is a District on the western side of Southampton and is the most suburban Shopping Area outside of the City, which offer a broad range of retail occupiers, restaurants and public houses.

Southampton is the largest City in the Ceremonial County of Hampshire. The City is a Unitary Authority with an estimated population of in excess of 55,000.

Significant employers within the City include Southampton City Council, University of Southampton, Southampton Airport at Eastleigh, Ordnance Survey, BBC South and Carnival UK.

The property is situated within a secondary trading location, and can be found adjoining Specsavers and Moneybox, which are centrally located within the commercial shopping parade that services Shirley High Street.

The valuer notes that there are vacant retail units in this locality, however, the Borrower already owns three neighbouring mixed use properties, that are all fully let, and has a tenant lined up to occupy the Subject Property.



Tenant Details

Tenant	New SPV	Activity	Fast food outlet
Lease Type	FRI	Lease Start Date	On completion
Months to Lease Break	36	Months to Lease End	36
Contracted Rent (£ p.a.)	£20,000	Occupation Level (%)	100
Lease arrangement	To be a newly formed Limited Company.		
Tenant strength	Weak		

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 the Director and Shareholder of Prime Property Investors Limited for the sum of £145,600		

Exit Strategy

The borrower will refinance after the two year term has passed with an alternative lender, many of which the borrower states he has an excellent on-going relationship with.

He will be able to demonstrate to them rent roll and also negotiate a longer lease by the end of the 24 month term.

Covenants

LTV Covenant	65%	ICR Covenant	1.25x
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Fees

Arrangement Fee	2%	Broker Fee	0%
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Valuation

A valuation of the property was carried out by Gully Howard on 27th September 2018, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £225,000
Vacant Possession Value: £225,000
Open Market Rental Value: £ 18,000

Report on Title

A Report on Title will be supplied by Paris Smith LLP 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.

This will depend to an extent, on the success of the tenant's business. However, the Borrower is a very experienced property investor, and runs a successful lettings agents, and is confident any void would be short term.

Medium

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 borrower has sufficient experience and means to ensure that are payments will continue to be made. He has a strong credit rating and takes pride in the fact that he has never defaulted on a loan.

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 Borrower has good relationships with several high street lenders and challenger banks, and will be able to refinance to one, once he can demonstrate rent roll, and secure a longer lease, as has been the case with his neighbouring properties.

Low

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

External factors such as Brexit, may lead to a market correction, however the Loan To Value is 65%, and the property will generally increase in value if the recommended refurbishments are undertaken.

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 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 LLP
- 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.