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Full Loan Request: Croydon - Beta Circle - 2019 Office Refinance

Main Site:	797 London Road, Thornton Heath, Croydon, CR7 6AW
Date:	24/1/2019
Asset Description:	A detached 1960s office building of concrete framed construction, providing office accommodation arranged over ground and five upper floors with planning permission for conversion to 71 residential units.



Deal Summary

Loan Type	Commercial Mortgage	Borrower Profile	Commercial real estate investment
SIPP Classification	SIPP Eligible	Loan Purpose	Internal refinance

Property Summary

Market Value	£2,275,000	Property Income	£292,198
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	7.50%	Interest Cover	5.87x
Loan Term	13 months	Interest Expense (p.a.)	£49,800

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£664,000	7.50%	6.75%	5.87x

Borrower Details

Name	Beta Circle Ltd
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 shareholder is Mr Daniel Selby.

Applicant Details

Name	Daniel Selby
Age	52
Experience	The Borrower has significant commercial real estate experience, and has been an excellent Proplend borrower for the last 3 years.
Credit History	Strong.
Net Worth	High net worth, as confirmed by way of a personal assets and liabilities statement held by Proplend.

Loan Details

Loan Purpose	Internal 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 6 months, no fee thereafter.

Existing Facility

Lender	Proplend	Expiry	12/3/2019
Value	£645,000	Status	Up to Date
Rate	7.50%		
Existing Facility Description	Commercial Mortgage		

Strategy During Loan Term

The Borrower has accepted an offer to sell the subject property for £6.53m. This offer that has been made, is conditional on vacant possession.

Contracts have not yet been exchanged, however, Proplend has been supplied with a copy of the Heads of Terms for the Sale and Purchase Agreement.

The Borrower is therefore running down the current tenancies and completion is expected to take place in Q4 2019 - the final tenant that will leave has agreed to vacate by 30/11/2019.

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.

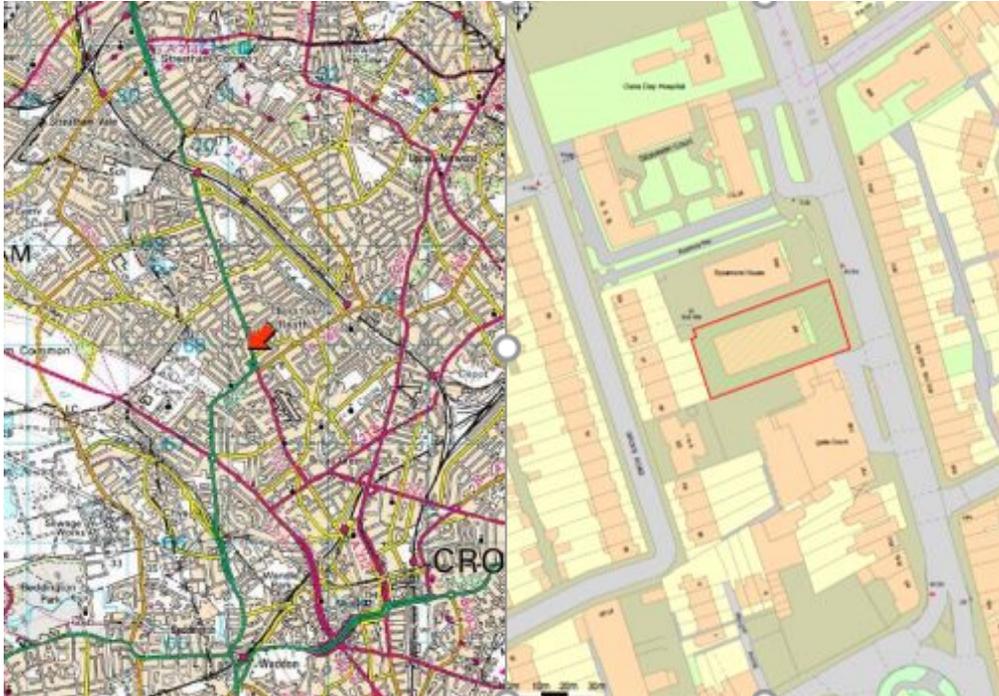
The Property has planning permission for the conversion of the office accommodation to provide 60 studio apartments and 11 one bed apartments, arranged over the ground to fifth floors.



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 formerly offices.



Tenant Details

Tenants	25	Activity	Various
Lease Type	FRI - various lease lengths	Contracted Rent	£292,198 p.a.

Tenant strength Local covenants, reasonable strength with good spread.

Security

Main Site	First Legal Charge	Debenture	Debenture Required
Share Charge	Share Charge Not Required	Property Insurance	PSL Interest to be Noted on Completion

Exit Strategy

As above, the Applicant is selling the asset so the exit is repayment from the net sale proceeds. Should the sale fall through for any reason, the Applicant will look to re-market the property for sale, or refinance onto another commercial investment mortgage.

Covenants

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

Fees

Arrangement Fee 1% **Broker Fee** 0%

Valuation

A valuation of the property was carried out by Cluttons on 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

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.	<p>The Applicant has agreed the sale of the property to a local property developer. The offers that have been received are well in excess of the market value provided by Cluttons in 2015.</p> <p>This refinance is to allow time for the Applicant to achieve the best possible value for the asset.</p>	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.	<p>There is a good spread of income across 25 tenants.</p> <p>The loss of any one tenant will not prejudice the servicing of interest.</p> <p>The Applicant is also in a position to service interest from other income.</p>	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.	<p>If the sale agreed falls through, the Applicant will seek to refinance on a term loan with another Lender.</p> <p>At the current LTV and ICR levels a refinance with a range of lenders will be easily achievable.</p>	Low
Risk that the Property falls in value due to either macroeconomic or property specific reasons	<p>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.</p>	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
- 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 397 8290

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