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Full Loan Request: Ipswich Offices Partial Refinance

Main Site:	22-26, Museum Street, Ipswich, Suffolk, IP1 1HZ
Date:	23/4/2019
Asset Description:	A terrace of three Grade II Listed late Georgian town houses converted into office use.



Deal Summary

Loan Type	Land with Planning Bridge	Borrower Profile	Professional Property Developer
SIPP Classification	SIPP Eligible	Loan Purpose	Partial Refinance

Property Summary

Market Value	£550,000	Property Income	£0
Vacant Possession Value	£550,000	Market Rental Value	£0
Tenure	Freehold	Asset Class	Office

Loan Summary

Total Loan Required	£385,000	Loan to Value (LTV)	70%
Rate of Interest	12.00%	Interest Cover	0x
Loan Term	9 months	Interest Expense (p.a.)	£46,200

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£27,500	17.10%	15.39%	0x
B	Medium	51-65%	£82,500	15.30%	13.77%	0x
A	Low	0-50%	£275,000	10.50%	9.45%	0x

Borrower Details

Name	Museum Street Developments Ltd
Registration	UK Registered Limited Company
Main Business Activity	The proposed Borrower is a newly-formed special purpose Limited Company, registered in the UK. It has no assets other than the Subject Properties.
Ownership Structure	Quinton Hembry owns 40%, Jane Mumford 25%, Andrew Holdcroft 15%, Dale Lewis 10%, and Michael Stewart 10%. The Guarantors are the two Directors, Quinton Hembry and Jane Mumford.

Applicant Details

Name	Quinton Hembry
Age	61
Experience	<p>Quinton has been a property developer and investor in Ipswich for over 20 years, and has good working relationships, with tradesmen and professionals alike. He has been involved in numerous projects of a similar nature, converting commercial properties into residential.</p> <p>Jane is a Chartered Quantity Surveyor, having qualified in 1991, as well as a property investor. She has extensive experience of the construction process, from cost planning through all aspects of project management to final account. Jane has worked for among others, Willmott Dixon Housing, Bellway Homes, and the Berkeley Group.</p> <p>Both have a small portfolio of residential investment properties in the Suffolk and surrounding areas.</p>
Credit History	Clear.

Loan Details

Loan Purpose	Partial Refinance
Gross Loan Amount	£385,000
LTV	70%
ICR	0x
Interest reserve	<p>Proplend will retain £46,200 (12 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 3 months, no fee thereafter.

Existing Facility

Lender	Proplend	Expiry	27/1/2019
Value	£656,250	Status	Up to Date
Rate	10.00%		

Strategy During Loan Term

We are asked to partially refinance the existing Ipswich Offices loan (net loan advance to be £333k), which was originally a gross facility of £656,250 against a valuation of £875k. The original security, 22-32 Museum Street, comprised three separate titles.

Following lengthy discussions with the council's planning committee, the Borrower has now secured full planning permission for 28-32 Museum Street, and accordingly, the development finance proceeds for that property will partially redeem our existing loan.

We are refinancing the remainder whilst the Borrower submits full planning for 22-26 Museum Street, which will be submitted within a month.

Property Details

The Property presents as a single block, immediately to the rear of the pavement line. No. 22 has side access onto a small frontage private area to the front of No. 20 which is set back.

The Property forms part of 22-32 Museum Street which was most recently used as solicitors' offices all parts being open at various levels to one another.

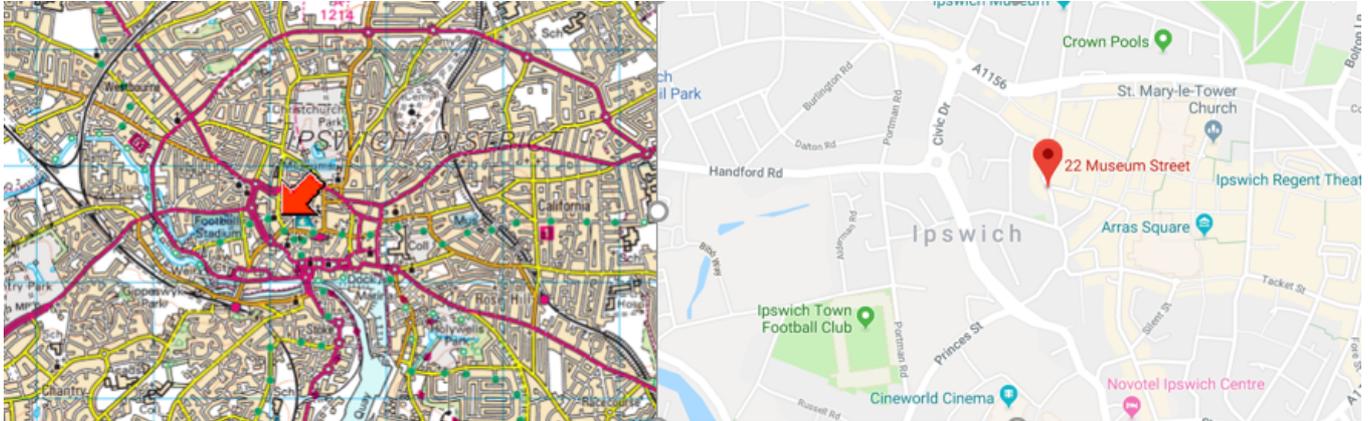
In brief it comprises what were previously three terraced buildings. Ceilings throughout the ground and first floors are high and the majority of windows are single glazed in timber frames.



Location Report

The Property is located centrally in the town, on the western outskirts of the main high street retail offer and just half a mile north of the Cardinal Leisure Park.

The Property is on the western side of Museum Street in the block north of Elm Street and backs onto a footpath beyond which is the Parish Church and Gardens of St Mary at the Elms.



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	Joint and Several Guarantee from selected Directors and Shareholders of Museum Street Developments Ltd for the sum of £100,000		

Exit Strategy

As above, once change of use to residential has been granted for numbers 22-26, the Borrower will obtain development finance accordingly, which our introducer will source for the borrower.

Covenants

LTV Covenant 75% **ICR Covenant** 0x

Fees

Arrangement Fee 1% **Broker Fee** 0.5%

Valuation

A valuation of the property was carried out by Carter Jonas on 24/1/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £550,000
Vacant Possession Value: £550,000
Open Market Rental Value: £0

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.

There is a risk that planning consent may not be granted for the remaining security, however the Council's Planning Department have indicated that a flexible approach will be taken to a change of use from offices to a wide range of alternative uses, including residential, and the applicant has successfully achieved the same for a building, across the road to the subject property.

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 loan is for a 9-month term, and Proplend will hold a 12-month interest reserve on account.

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.

Assuming the worst case scenario, i.e. planning consent is not granted, the borrower may struggle to sell or refinance the property.

Medium

However, they are both experienced and knowledgeable property professionals, and have undertaken numerous transactions of a similar nature previously.

Further, the valuer notes that the property no longer best lends itself to office use, and residential is the most appropriate, given the location.

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

The LTV has reduced from 75% to 70% gross. In the unlikely event that planning is not granted, the property would still have to fall by 30%, before lenders in Tranche C would be affected.

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 397 8290

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