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Full Loan Request: Leeds - Broker - Light Industrial

Main Site:	55 Barkly Road, Beeston, Leeds, LS11 7EN
Date:	12/2/2019
Asset Description:	A single storey commercial premises, providing over 20,000 sq ft of industrial and storage space.



Deal Summary

Loan Type	Commercial Mortgage	Borrower Profile	Property investment SPV
SIPP Classification	SIPP Eligible	Loan Purpose	Refinance

Property Summary

Market Value	£620,000	Property Income	£68,250
Vacant Possession Value	£575,000	Market Rental Value	£68,250
Tenure	Freehold	Asset Class	Light Industrial
EPC Rating (min. E)	E		

Loan Summary			
Total Loan Required	£415,400	Loan to Value (LTV)	67%
Rate of Interest	8.50%	Interest Cover	1.93x
Loan Term	36 months	Interest Expense (p.a.)	£35,309

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£12,400	11.00%	9.9%	1.93x
B	Medium	51-65%	£93,000	10.00%	9.00%	2.01x
A	Low	0-50%	£310,000	7.95%	7.155%	2.77x

Borrower Details

Name	Blackstone Estates (Yorkshire) Ltd
Registration	UK Registered Limited Company
Main Business Activity	A commercial property investor.
Ownership Structure	The Company is 100% owned by sole Director, Mohammad Waqas Afzal Qureshi.

Applicant Details

Name	Mohammad Waqas Afzal Qureshi
Age	38
Experience	The Qureshis are a family based in Beeston, Leeds, and have a significant property portfolio in Leeds, almost all of which are residential lets to students, young professionals, and a few DHSS. The family properties are mainly owned in Waqas Qureshi's name. He is the eldest son who is active in the business. M W Qureshi t/as Black Stone Estates is a trading name that they use to rent units (mainly their own). The business has a shop unit at 239 Dewsbury Road. They have also undertaken several development/redevelopment schemes, most of which have been retained within their portfolio (listed below are just some examples of previous projects). - Blenheim Square/Leicester Grove, Leeds. Four properties in a block, purchased for £455k in need of complete refurbishment. They spent £225k over a 7 month period and created 4 flats, 1x7 bed, 1x6 bed, and 2x 5 bed. Income now stands at £91,354, and value c£1.12m - Cross Flatts Grove, Leeds. Built a new property in the garden of an existing plot. The new build effectively became an end terrace, 4 bed, producing rental of £12,480 pa. It cost £70k to build (they already had the land) and they estimate it is worth £160k. - Refurbishment of a property in Woodhouse, Leeds LS6 3ED in Spring 2012. A detached property relatively close to the university, in the past let to students, but badly in need of major refurbishment. £150K spend made to split it into 4 self contained flats using their own sub contractors. Funds borrowed from Eastern Credit, and fully repaid by refinance from Shawbrook bank. The last trading accounts for the company show modest performance, though those in the borrower's personal name show £100,000 retained in the business from profits of £400,000.
Credit History	Clear - in both the borrower's personal name, and company name.
Net Worth	£5,000,000. All net equity in investment property.

Loan Details

Loan Purpose	Refinance. We are asked to provide a 67% LTV gross loan facility, equating to £394k net, of which £354k is required to repay the current lender. The remaining £40k capital raise is required as a contribution to acquire as yet undetermined further property acquisition.
Gross Loan Amount	£415,400
LTV	67%
ICR	1.93x
Serviceability	Monthly rental income is being received of £5,687 with interest payments due of £2,942 pcm.

Interest reserve	Proplend will retain £8,827 (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	2% year 1, 1% year 2, no fee thereafter.

Existing Facility

Lender	Co-Op	Expiry	1/11/2021
Value	£354,000	Status	Up to Date

Our rate is higher than the current lender (albeit our loan will be interest only, whereas Co-Op's was fully amortising), however this bank is now looking to divest itself of commercial assets.

Strategy During Loan Term

The property sits within a residential area and lends itself to residential development, and the Borrower wishes to continue to borrow to allow time for a residential development scheme to be worked up on the site, whilst the current lease runs down.

Property Details

The property comprises an irregular shaped dated former engineering works. It appears to date back to the 1950's and it essentially forms two adjoining workshop bays divided by a central blockwork wall with interlinking section.

The two sections were clearly developed at different times and have very different external appearances. One section is surmounted by a timber framed traditional north light roof structure with slate cladding – whilst the other is surmounted by a pitched, steel frame asbestos clad roof.

Please note that on this occasion, a representative of Proplend has not visited the subject property.



Location Report

The premises are positioned to the eastern side of Barkly Road within a predominantly residential area within the Beeston district of South Leeds.

To the immediate north is a similar dated engineering facility formerly operated by Vickers Bespoke Joinery (although which is now vacant and available for sale) which then adjoins George Boulter & Co Engineers. Also fronting Barkly Road is the Eden Academy and St Anthony's Catholic School.

Barkly Road connects with Dewsbury Road (A653) a short distance south which provides a busy arterial route – forming one of the primary roads into Leeds city centre from the South.

It leads directly to Leeds city centre and the M621 motorway (Junction 5). The core of Leeds city centre is circa 1km north.



Tenant Details

Tenant	Myer Adams (UK) Ltd	Activity	Manufacturing
Lease Type	FRI	Lease Start Date	1/8/2016
Months to Lease Break	84	Months to Lease End	84
Contracted Rent (£ p.a.)	£68,250	Occupation Level (%)	100

Tenant strength Bed/mattress manufacturer - <https://www.myeradams.co.uk/>
Weak local covenant - abbreviated balance sheet filed to year end 30-4-17 shows a net worth of £55,422.

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 the Directors and Shareholders of Blackstone Estates (Yorkshire) Ltd for the sum of £100,000		

Exit Strategy

Once planning is granted for such the site value is likely to significantly increase to upwards of £700,000. The Borrower will then seek to refinance to enable him to fund the new scheme.

Covenants

LTV Covenant	75%	ICR Covenant	2x
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Fees

Arrangement Fee	2%	Broker Fee	1%
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Valuation

A valuation of the property was carried out by Cushman & Wakefield on 8/2/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £620,000
Vacant Possession Value: £575,000
Open Market Rental Value: £68,250

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 is an experienced property developer and investor, and bought this property for £400k in 2014, spent £60k on refurbishment and let it to the current tenant in 2016 on a 7 year lease. The value has now risen to £620k.

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 current ICR is 1.93x which provides comfort based on the current tenancy.

Should the tenant's business fall into difficulty, the Borrower is of sufficient means to ensure our interest payments are met, whilst planning is secured.

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.

If the Borrower is unsuccessful in securing planning, he will either have to continue to rent the property to the same or alternative commercial tenant and/or revise the residential scheme to one that would be received more sympathetically by the local planning authority.

Medium

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

The LTV is 67% based on the current lease, and 72% LTVPV, meaning the property would need to decrease in value by over £200k before lenders in tranche C would be affected.

As above, once planning is granted, the value is expected to rise above the current market value.

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 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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