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Full Loan Request: Edgbaston - Sutton Carter 5 - Residential

Main Site:	88 Harborne Road, Edgbaston, Birmingham, B15 3HN
Date:	25/2/2019
Asset Description:	A three-storey 1950s-built 5-bedroomed detached residential property.

Deal Summary

Loan Type	Commercial Bridge	**Borrower Profile**	Property investors
SIPP Classification	SIPP Ineligible	**Loan Purpose**	Portfolio refinance

Property Summary

Market Value	£1,150,000	**Property Income**	£45,000
Vacant Possession Value	£1,150,000	**Market Rental Value**	£36,000
Tenure	Freehold	**Asset Class**	Residential
EPC Rating (min. E)	D		

Loan Summary

Total Loan Required	£575,000	**Loan to Value (LTV)**	50%
Rate of Interest	10.50%	**Interest Cover**	0.75x
Loan Term	18 months	**Interest Expense (p.a.)**	£60,375

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£575,000	10.50%	9.45%	0.75x

Borrower Details

Name	Sutton Carter Investments Limited. Please note that this is the same Borrower as the Handsworth Mixed Use, Hockley And Newtown Mixed Use Portfolio, Jewellery Quarter Office Portfolio, and the West Midlands Industrial Portfolio loans.
Registration	UK Registered Limited Company
Main Business Activity	A commercial property investment company with other unencumbered assets, not charged.
Ownership Structure	The Company is owned equally by Mr. Zahid Ashraf, his brother Shahid Ashraf, and Shahid's wife, Violeta Ashraf.

Applicant Details

Name	Zahid Ashraf
Age	34
Experience	The Ashraf Brothers started business together in 2001 when they opened an equipment hire shop in East London called Sam's Hire. In 2008, they moved into van hire and set up KB Van Hire with 6 vans. By 2012, this business had expanded to 200 vehicles. An unforeseen increase in their insurance costs made the business no longer viable. They therefore decided to close the hire business and concentrated on their property portfolio in Birmingham. They began by sourcing properties for other local developers and investors, and once they were able to secure funding for themselves, undertook their own property investment. With the support of Bank of Cyprus over the past 5 years, they have expanded their Portfolio to 21 properties of which 18 have debt and are offered to Proplend as security. Whereas the majority of the Company's assets are commercial, two of their most valuable properties are HMO's which are let to Housing Associations. Such is the dearth of social accommodation in the Birmingham, the sector remains extremely strong for Landlords. They have also over time built a database of tenants suitable for occupying their properties in the event of any voids. They have a very proactive relationship with all of their tenants. The current OMV for the properties we are refinancing, are £10.565m. The original purchase prices for the same properties were £6.27m in all. In addition, the Borrower owns a further three unencumbered properties worth approximately £345k.
Credit History	All three Directors' Credit Reports are clear and all three have passed Lexis Nexis checks.
Net Worth	£780k, comprised of equity of personally owned unencumbered investment property, in addition to the portfolio equity of over £5m.

Loan Details

Loan Purpose	Portfolio refinance. We are asked to provide a gross loan facility of 53% LTV overall, in order to refinance the current lender, Bank of Cyprus, recently taken over by Cynergy Bank. We will be splitting the loan into five separate loans, partly in order to accommodate the Borrower's three different exit strategies, and in order to ensure that a portion will be SIPP Eligible.
Gross Loan Amount	£575,000
LTV	50%
ICR	0.75x
Serviceability	Monthly interest payments will be made from the interest reserve.
Interest reserve	Proplend will retain £105,656 (21 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 9 months

Existing Facility

Lender	Bank of Cyprus	**Expiry**	11/3/2018
Value	£5,100,000	**Status**	Up to Date

Strategy During Loan Term

The property was bought in November 2017 for £1.15m. Unlike all of the other properties that we are refinancing, which will remain long-term investments, this property will be sold. The sale is expected to take place in around 12-15 months time.

Property Details

The subject property comprises a substantial detached family home. The property has an entrance hallway leading to a large living room, sitting room, dining room, shower room, WC, utility room, kitchen, conservatory and double garage at ground floor level.

The first floor comprises two double bedrooms, a house bathroom with bath, wash hand basin, WC and bidet and two en-suite bedrooms each with dressing area. The second floor comprises an office within the converted roof space, a fifth bedroom and a WC. The second floor has Velux windows overlooking the rear of the property.

The property has a driveway located to the front of the property with gated access shared with the adjoining property and a large block paved car park and turning circle with ample parking space. To the rear of the property there is a large lawned garden and mature landscaping together with an outbuilding providing storage.

Location Report

The subject property is located in the Edgbaston suburb of Birmingham located approximately two kilometres (1.25 miles) southwest of Birmingham city centre. Surrounding suburbs include Harborne, Moseley and Selly Oak.

The property is located on the south side of Harborne Road at the junction with Augustus Road and the B4124 Chad Road. The A456 Hagley Road, a main arterial route, is located approximately 200 metres to the north. The B4284 Harborne Road continue to the east towards Fiveways Junction. Regular bus services run along Harborne Road and Hagley Road to Birmingham city centre and there is also a proposed Metro extension running along Hagley Road.

The surrounding properties comprise a mixture of executive detached properties and educational uses. Also located nearby is the Birmingham Botanical Gardens, Birmingham City University, the University of Birmingham and the Queen Elizabeth Hospital. The property is therefore located in an affluent location amongst similar executive detached houses.

Tenant Details

Lease Type	AST	**Lease Start Date**	17/1/2019
Months to Lease Break	11	**Months to Lease End**	11
Contracted Rent (£ p.a.)	£45,000	**Occupation Level (%)**	100%

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 Sutton Carter Investments Limited for the sum of £100,000. Please note that the total Personal Guarantee liability between all five loans is £1.15m.

Exit Strategy

As above, the loan has been split in accordance with the Borrower's respective exit strategies. This property has been split from the rest as it is the only one that will be sold. The sale is expected to take place in 12-15 months time.

Covenants

LTV Covenant	50%	**ICR Covenant**	0x

Fees

Arrangement Fee	2%	**Broker Fee**	1.5%

Valuation

A valuation of the property was carried out by Aitchison Raffety on 12/2/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £1,150,000
Vacant Possession Value: £1,150,000
Open Market Rental Value: £36,000

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.	The Borrower comprises three experienced property professionals, and at 50% LTV gross, even if the asking price needs to be decreased from the starting point, there is plenty of margin for any market correction.	**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 an 18-month term, and monthly interest payments will be made from the 21-month interest reserve.	**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.	If the Borrower is unable to sell the Property at a desirable price towards maturity, they will lower the price accordingly to ensure we are repaid in a timely manner. There is insufficient rental income being generated to warrant a buy-to-let mortgage for this property in isolation.	**Medium**
Risk that the Property falls in value due to either macroeconomic or property specific reasons	The Property would have to fall in value by a greater margin than that which prices fell in the 2008/9 financial crisis, before lenders would be affected. The loan to Vacant Possession Value is also 50%.	**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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