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Full Loan Request: West Midlands - Sutton Carter 1 - Industrial Portfolio

Main Site:	Units 1-4 & 7, Imex Business Park, Union Road, Oldbury, B69 3EX
Date:	25/2/2019
Asset Description:	Seven industrial units situated in three different trading sites in Oldbury, Nechells and Hockley. Images below; Top left - Units 1 & 2 Imex Business Park Top right - Unit 7 Imex Business Park Bottom left - Unit 3 Imex Business Park Bottom right - 189 Tat Bank Road



Deal Summary

Loan Type	Commercial Mortgage	Borrower Profile	Property investors
SIPP Classification	SIPP Eligible	Loan Purpose	Portfolio refinance

Property Summary			
Market Value	£ 1,705,000	Property Income	£ 155,490
Vacant Possession Value	£ 1,735,000	Market Rental Value	£ 157,140
Tenure	Freehold	Asset Class	Light Industrial
EPC Rating (min. E)	D & E		

Loan Summary			
Total Loan Required	£852,500	Loan to Value (LTV)	50%
Rate of Interest	7.10%	Interest Cover	2.57x
Loan Term	24 months	Interest Expense (p.a.)	£60,528

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£852,500	7.10%	6.39%	2.57x

Borrower Details	
Name	Sutton Carter Investments Limited. Please note that this is the same Borrower as the Edgbaston Residential, Handsworth Mixed Use, Hockley And Newtown Mixed Use Portfolio, and Jewellery Quarter Office 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 have split the loan into five separate loans, partly in order to accommodate the Borrower's three different exit strategies, and also in order to ensure that a portion will be SIPP Eligible.
Gross Loan Amount	£852,500
LTV	50 %
ICR	2.57x
Serviceability	Monthly rental income being received is £12,970, and monthly interest payments will be £5,044.
Interest reserve	Proplend will retain £30,264 (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

Existing Facility

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

Strategy During Loan Term

Units 1, 2, 4 & 7 Imex Business Park were bought in 2014 for £500k.

Unit 3 Imex Business Park was bought in September 2018 for £240k.

Unit B, Salford Trading Estate was bought in February 2017 for £200k.

189 Tat Bank Road was bought in 2009 for £150k.

All of these properties are to remain long-term investments for the applicants, who are in their thirties, and income increased periodically through further rent reviews, and in accordance with the current lease terms.

Property Details

Imex Business Park - the subject property comprises five self-contained industrial units, four of which front onto Union Road, with one set back from the road, comprising over 25,000 sq ft of accommodation.

Unit B, Salford Trading Estate - the property comprises five industrial units arranged in an 'L' shape around a service road which leads from Salford Road. Although the location plane appears to indicate that the units have been carved out from a larger unit, this is not the case and the property is 'standalone' within a high density estate. However, it does have party walls with a neighbouring property.

189 Tat Bank Road - the property comprises a block of three self-contained industrial premises, providing a Gross Internal Floor Area of over 3000 sq ft. The properties open directly off a communal Estate Road and footpath and occupy 100% of the site.

Images below;

Left - Unit 4, Imex Business Park

Right - Unit B, Salford Trading Estate



Location Report

Imex Business Park - Union Road is accessed from Roway Lane, which connects to Dudley Road East approximately 200 m to the south west. This, in turn, provides access to Junction 1 and Junction 2 of the M5 motorway, both within a 2 km (1.25 miles) radius of the subject property. The nearest train station is Sandwell and Dudley which is located approximately 1 km (0.6 miles) to the south east.

Specifically the property is located towards the end of Union Road, which is a cul-de-sac comprising industrial units of various ages and types. Units 1, 2 and 4 all front Union Road. There is an unmade driveway immediately to the left hand side of Unit 1 and provides access to a yard which serves Unit 1,2,3 and 7.

Unit B, Salford Trading Estate - The property is located in the Birmingham suburb of Nechells, approximately three miles northwest of the city centre. Surrounding suburbs include Erdington and Castle Bromwich. Nechells is a mixed commercial and residential area with a high proportion of former local authority housing. The property is just off Long Acre, which is close to the Lichfield Road (A5127) and which connects to the M6 Motorway at junction 6 / A38M ('Spaghetti Junction') approximately 500m to the northeast and continues to Sutton Coldfield to the north.

189 Tat Bank Road - the property is located in Oldbury, which is situated within the Sandwell Local Authority in the West Midlands and forms part of the Black Country. Tat Bank Road is a busy commercial thoroughfare, which provides access via the A457 to the A4034 and Junction 2 of the M5 motorway, approximately 0.25 miles to the west.



Tenant Details

Contracted Rent (£ p.a.)	£155,490	Occupation Level (%)	100%
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Lease Breakdown

Unit 1 Imex, VGC Ltd, 1/1/2017 - 31/12/2021, £21,600 p.a.
Unit 2 Imex, Pawandeep Singh Thind, 1/6/2016 - 1/6/2020, £18,720 p.a.
Unit 3 Imex, Daniel Chojnowska, 1/2/2019 - 31/12/2022, £21,000 p.a.
Unit 4 Imex, Second Hand Creme, 1/11/2018 - 31/10/2023, £18,720 p.a.
Unit 7 Imex, VGC Ltd, 9/1/2017 - 9/1/2022, £18,000 p.a.
Unit B1 Salford Trading Estate, SPH Auto Adaption Specialists, 1/9/2018 - 31/8/2021, £7,800 p.a.
Unit B2 Salford Trading Estate, Sandeep Singh, 1/1/2019 - 31/12/2022, £7,800 p.a.
Unit B3 Salford Trading Estate, Barry Ford, 1/7/2016 - 30/6/2019, £6,000 p.a.

Unit B4 Salford Trading Estate, Marek Vagner, 4/8/2018 - 31/7/2023, £7,800 p.a.

Unit B5 Salford Trading Estate, Emma Louise Porter, 1/7/2016 - 30/6/2021, £7,200 p.a.

189a Tat Bank Road, Ahmed Taher Omar, 1/1/2019 - 1/1/2025, £7,200 p.a.

189b Tat Bank Road, Mandeep Singh Sandhu, 1/1/2019 - 1/1/2026, £7,200 p.a.

189c Tat Bank Road, Hafid Ouakrim, 2/2/2018 - 1/2/2023, £6,450 p.a.

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 £200,000.

Please note that the total Personal Guarantee liability between all five loans is £1.15m.

Exit Strategy

The split aligns with discussions with the respective Banks - this loan is expected to be refinanced by a High Street lender.

Covenants

LTV Covenant	65%	ICR Covenant	2x
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Fees

Arrangement Fee	2%	Broker Fee	1.5%
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Valuation

A valuation of the property was carried out by Aitchison Raffety and John Truslove on 5/2/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £1,705,000
Vacant Possession Value: £1,735,000
Open Market Rental Value: £157,140

This is broken down as follows;

Units 1, 2, 4, & 7 Imex -
Market Value: £875,000
Vacant Possession Value: £875,000
Open Market Rental Value: £77,040

Unit 3 Imex -
Market Value: £240,000
Vacant Possession Value: £270,000
Open Market Rental Value: £21,000

Unit B, Salford Trading Estate -
Market Value: £350,000
Vacant Possession Value: £350,000
Open Market Rental Value: £37,500

189 Tat Bank Road -
Market Value: £240,000
Vacant Possession Value: £240,000
Open Market Rental Value: £21,600

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.	At 50% LTV gross, the Borrower should be able to refinance to a high street lender.	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 other assets with a diverse overall spread of asset class and type of tenant. Any void or financial difficulty with any tenant here can be covered by other income enjoyed by the Borrower, who has a portfolio ICR in excess of 1.76x.	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.	As above, at 62% gross LTV, and with the rents above that are due to increase further during the course of this loan, the ICR will improve further from the current 1.95x to 2.02.x, which should further enhance the prospect of a straightforward refinance.	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 just over 49%.	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
- 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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