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Full Loan Request: Doncaster - Broker - Industrial

Main Site:	Units at 3 Carr Hill, Balby, Doncaster, South Yorkshire, DN4 8BN
Date:	10/9/2019
Asset Description:	Five tenanted industrial units with over 18,000 sq ft GIA, extending across a site of 0.86 acres.



Deal Summary			
Loan Type	Commercial Mortgage	Borrower Profile	Property investor
SIPP Classification	SIPP Eligible	Loan Purpose	Purchase

Property Summary			
Market Value	£600,000	Property Income	£50,460
Vacant Possession Value	£600,000	Market Rental Value	£62,500
Purchase Price	£600,000	Purchase Type	Private
Tenure	Freehold	Asset Class	Light Industrial
EPC Rating (min. E)	E		

Loan Summary			
Total Loan Required	£450,000	Loan to Value (LTV)	75%
Rate of Interest	9.00%	Interest Cover	1.25x
Loan Term	18 months	Interest Expense (p.a.)	£40,500

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£60,000	12.83%	11.54%	1.25x
B	Medium	51-65%	£90,000	9.95%	8.96%	1.54x
A	Low	0-50%	£300,000	7.95%	7.16%	2.12x

Borrower Details

Name	Antony Rose
Registration	Personal Capacity

Applicant Details

Name	Antony Rose
Age	48
Experience	Antony has over 20 years experience in the motor trade, and is Sole Director and 100% shareholder of Doncaster Van Centre Ltd, a family-run, profitable business established in 2006. Antony is also a residential property investor and has a small portfolio of 11 income producing investment properties.
Credit History	Strong. Lexis Nexis checks also passed.
Net Worth	£682,000.

Loan Details

Loan Purpose	Purchase. We are asked to provide a 75% LTV gross loan facility in order to assist with the purchase of the target property, which is being purchased in the borrower's personal name. The purchase price is £600k, however the purchaser will be benefitting from a Gifted Deposit of £150k from the vendor, who is known to our Borrower.
Gross Loan Amount	£450,000
LTV	75%
ICR	1.25x
Serviceability	Monthly rental income of £4,205 will be received, with monthly interest payments due of £3,375.
Interest reserve	Proplend will retain £20,250 (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 9 months, no fee thereafter.

Strategy During Loan Term

The Property is a long-term investment, and the Borrower has no short to medium plans to dispose of the Property.

The Borrower's strategy is to convert all five existing tenancies on to institutional FRI leases with the existing tenants, once the property is under his ownership.

The Property is currently under-rented, and there is also scope therefore to increase the rents at the same time, where practically possible.

Property Details

Five tenanted industrial units with over 18,000 sq ft GIA, extending across a site of 0.86 acres.

The Property comprises a range of a range of industrial buildings with accommodation extending to approximately 16,800 sq ft of gross internal floor area, set within a site extending to a total of approximately 0.864 acres.

The buildings are thought to date from the 1950s and are constructed with a combination of brickwork walls with pitched roofs covered with asbestos fibre cement and a concrete frame building clad with a combination of brickwork and pitched fibre cement roofing.

The buildings are generally in a basic but serviceable condition however unit 3D-3G had been affected by fire damage and required structural repairs and new roof cladding, at the time of the valuation inspection.

The vendor has since carried out the above repairs to the Borrower's satisfaction, and the units also now all have compliant EPCs in place.

The Property is considered suitable for loan security purposes generally and subject to a standard planned maintenance programme, should retain a useful economic life.



Location Report

The property is situated on Carr Hill in Balby, close to the junction with the A630 Balby Road, and approximately 1.5 miles to the south west of Doncaster Town Centre. Properties within the immediate locality are a combination of commercial and residential.

The Property is well located for access to the motorway network, with junction 36 of the A1(M) less than a mile away, and junction 3 of the M18 less than 2 miles away.

The town is also well connected to the rail network with the main East Coast rail line providing excellent rail links to London and Edinburgh.



Tenant Details

Tenants	Carr Hill Tyres, ATEC Motor Mechanics, Timeless Plasterware, Vehicle Trade Centre, Window Repairs & Maintenance, General Warehouse Traders.	Lease Type	Periodic business tenancies
Contracted Rent (£ p.a.)	£50,460	Occupation Level (%)	100
Lease arrangement	The current agreements are best described as Periodic tenancies. It is a Condition Subsequent that new institutional FRI leases are put in place with all tenants within three months of drawdown.		
Tenant strength	Weak		

Security

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

Exit Strategy

The Borrower intends to refinance with a high street lender at more competitive terms. His bankers have indicated an interest, but were not comfortable with the leases in their current form, and the fact that the transaction is reliant on a fully documented Gifted Deposit from the vendor - the purchase price is to be recorded as £600,000, and therefore stamp duty paid on that amount.

Covenants

LTV Covenant	80%	ICR Covenant	1.20x
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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 Smiths Chartered Surveyors on 15/5/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £600,000
Vacant Possession Value: £600,000
Open Market Rental Value: £62,500

Please note that the valuer has provided documentary confirmation, on the 16th of October 2019, that their valuation report and the figures contained therein still hold good for a further month.

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
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Risk that the management of the Borrower is not able to execute their business plan.

The Borrower, who has a good financial standing, has a good relationship with his high street bank. They were not comfortable with the way this particular transaction was structured, but have expressed interest in refinancing in 12-18 months time.

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.

In the current economic climate, it is possible a tenant may enter financial difficulty, however the valuer advises that demand for commercial lettings in the local vicinity is good.

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.

The Borrower enjoys a good relationship with his Bank, who have financed other property investments that the Borrower has made.

Medium

It will though be contingent on the Borrower converting the tenants on to proper lease agreements.

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

There is a high risk that the Property may fall in value during the 18-month term, however the Property is a long-term investment for the Borrower, and the Borrower has no short or medium term plans to sell.

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 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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