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Full Loan Request: Ramsgate - Bowra - Commercial Mixed

Main Site:	1-12 West Cliff Arcade, Ramsgate, Kent, CT11 8LH
Date:	11/7/2019
Asset Description:	A Grade II listed row of restaurant and retail units, built in 1883, overlooking the Yacht Marina.



Deal Summary

Loan Type	Commercial Mortgage	Borrower Profile	Property investment
SIPP Classification	SIPP Eligible	Loan Purpose	Refinance and Capital Raise

Property Summary

Market Value	£950,000	Property Income	£83,777
Vacant Possession Value	£900,000	Market Rental Value	£85,000
Tenure	Freehold	Asset Class	Mixed Use (Commercial)

Loan Summary

Total Loan Required	£712,500	Loan to Value (LTV)	75%
Rate of Interest	7.50%	Interest Cover	1.57x
Loan Term	48 months	Interest Expense (p.a.)	£53,438

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£95,000	10.30%	9.27%	1.57x
B	Medium	51-65%	£142,500	8.30%	7.47%	1.92x
A	Low	0-50%	£475,000	6.70%	6.03%	2.63x

Borrower Details

Name	G E Bowra Group Limited
Registration	UK Registered Limited Company
Main Business Activity	<p>The Borrower is a third generation family business, investing in commercial and residential property, originally established in the 1950s.</p> <p>The Borrower has purchased all properties under one investment company, and there are therefore other assets currently under the borrowing Company's ownership.</p> <p>Please note that the Borrower is exactly the same, as for the recently completed Margate Commercial Mixed Use loan.</p>
Ownership Structure	<p>George Bowra and Christopher Bowra are with the significant control as shareholders.</p> <p>The Company is owned;</p> <ul style="list-style-type: none"> - 50% by C E & G E A Bowra as Trustees of C E Bowra Settlement - 19% by C E Bowra - 9.36% by C E & G E A Bowra as Trustees of M D Bowra Settlement - 7.214% by George Edward Alan Bowra - 7.213% by Christopher Edward Gordon Bowra - 7.213% by William George Tyler Bowra.

Applicant Details

Name	George Bowra
Age	42
Experience	<p>The family property portfolio started back in 1950 when Chris Bowra senior was a shop fitter and started investing in commercial and residential properties in the Thanet area of Kent.</p> <p>When Chris retired in 2000, his son George took over and continued with the shop fitting business but also had a construction company building new houses with a work force of circa 200. Chris also continued to invest in residential and commercial property.</p> <p>George took over the management of the portfolio with his younger brother Christopher Jr (known as Kit), and solely focussed on growing the portfolio by acquiring new properties and developing them for long term growth in value and rental income.</p> <p>More than 25 properties have been purchased over the past 30 years, and the portfolio gross value is currently circa £7.2m, with total o/s debt of £2.8m.</p> <p>Current annual portfolio rental income being received is over £535,000, with annual interest payments of £184,000.</p>
Credit History	Strong
Net Worth	<p>£562,460 from personally owned assets + £1.47m from 33% share in G E Bowra Group = £2.03m.</p> <p>George's existing Personal Guarantee commitments are as follows;</p> <ul style="list-style-type: none"> - Aldermore Bank £260k - Skipton B/S £824K - Aldermore £20k to be released upon refinance of two flats with Shawbrook Bank - Proplend £1.2m.
Additional Information	Please note that the Borrower is exactly the same, as for the recently completed Margate Commercial Mixed Use loan.

Loan Details

Loan Purpose	Refinance and Capital Raise. We are asked to provide a 75% gross LTV loan, which will provide £677k net, £470k of which is required to refinance the current lender, and the remainder to assist with further refurbishment of the subject property.
Gross Loan Amount	£712,500
LTV	75%
ICR	1.57x
Serviceability	Rental income is being received of £83,777 p.a. with interest payments due of £53,438 p.a.
Interest reserve	Proplend will retain £13,359 (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% years 1-2, 1% year 3, no fee thereafter.

Existing Facility

Lender	Aldermore	Expiry	31/8/2019
Value	£470,000	Status	Up to Date

Strategy During Loan Term

We are asked to provide a 75% gross LTV loan, which will provide £627k net, £470k of which is required to refinance the current lender, and the remainder to assist with further refurbishment of the subject property, most notably, the Thai Restaurant.

The intention, during the term, is also to maximise rental income through rent reviews and a new tenant in the Thai restaurant.

Property Details

1-12 West Cliff Arcade is a terrace of Grade II Listed buildings completed in 1883. The shop fronts are divided by painted brick piers in line with the party walls. The piers support decorative cast iron brackets, which in turn support glazed timber awnings that run along almost the entire front of the arcade.

Some of the units have been combined with archways formed in their party walls, and as a result there are effectively only five units, which vary in size. The majority of the units are arranged over ground floor and basement, with only Unit 4-5 not having access to a basement.

The subject property is a small terrace of restaurant units located on a pedestrianised arcade that slopes downwards in a north easterly direction. The arcade can be accessed either from stone balustrade steps off Rose Hill to the south west or up the road from Leopold Street at the bottom of the slope to the north east. The approach to the units is not particularly steep but could be challenging for those with mobility issues.

We understand that the external areas to the front of each unit, which are covered by timber awnings, are included with the demised areas. The tenants use these areas for outside seating for customers. Additional outside seating areas not included within the demised areas are available subject to licence agreements from the Local Authority.

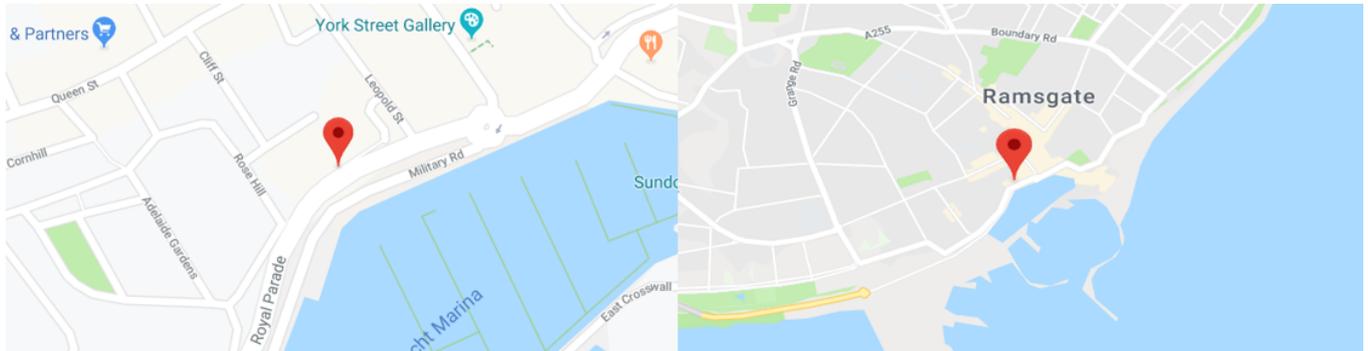
Each unit has a flat roof, so in theory there is physical scope to add additional floors. However, as the Royal Temple Yacht Club and others have a right of way to use those flat roofs as a terrace, there would be legal obstacles to any development.



Location Report

The town of Ramsgate lies within the district of Thanet in east Kent. Ramsgate was one of the great English seaside resorts between the mid 18th century and the early 20th century. However, like many seaside towns, it experienced decline with the advent of cheap foreign travel in the post-war decades. Nevertheless, the town is still rich in heritage, with over 450 Listed places and the attraction of the historic Royal Harbour. A large marina created within the inner harbour in the 1970s is also a key feature.

The subject property comprises a small parade of restaurants and cafés located within the town centre on West Cliff Arcade, to the north of the Royal Parade road at its north eastern end. The arcade is situated directly in front of the Royal Temple Yacht Club, and directly overlooks the harbour and sea to the south. The majority of the parade is pedestrianised. The subject property and the surrounding local areas are all within the Ramsgate Conservation Area.



Tenant Details

Tenant	La Magnolia	Activity	Italian Restaurant
Lease Type	FRI	Lease Start Date	2010
Contracted Rent (£ p.a.)	£83,777 in all (the above tenant is paying £32,200 p.a.)	Occupation Level (%)	100
Other tenants	1) La Magnolia Coffee Shop and Gelateria, paying £15,025 p.a. 2) Bon Appetite French Restaurant, paying £15,248 p.a. 3) The Galley Restaurant, paying £7,004 p.a. 4) Thai Orchid, Thai Restaurant, paying £14,300 p.a.		
Tenant strength	A mix of weak local covenants and well performing restaurants.		

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
Personal Guarantee	Individual Guarantee from an Individual Director of G E Bowra Group Limited for the sum of £422,500. Please note that the Guarantor also provide a PG for the aforementioned Margate Mixed Use loan, limited to the sum of £1.2m.		

Exit Strategy

The property is a long term investment. At the end of the term, the Borrower will repay this loan by refinancing at more competitive terms, with either a high street lender, or challenger bank.

Covenants

LTV Covenant 75% **ICR Covenant** 1.25x

Fees

Arrangement Fee 2% **Broker Fee** 1%

Valuation

A valuation of the property was carried out by Pinders on 8/7/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £950,000
Vacant Possession Value: £900,000
Open Market Rental Value: £85,000

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 investor and developer, and will use their acumen to determine how best to maximise value and rentals.

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.

If the Borrower were to suffer a void, or have a tenant default on them, in addition to the margin built in by our 1.25x servicing requirement, they have sufficient leverage elsewhere in the portfolio, in order to ensure our interest payments will continue to be serviced.

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.

This will depend largely on the economic circumstances at the time approaching redemption, however, as above, the Borrower is of sufficient means and experience to withstand, and adapt to any change in the property market.

Medium

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 at some point throughout the term of our loan, however, it would need to fall by 25% or more/£237.5k in value, before lenders in tranche C would be affected.

High

It is expected that the value of this property will rise upon agreement of the new lease of units 1 & 2 (the Thai Restaurant).

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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