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# Full Loan Request: St Leonards-on-sea - Broker - HMO

<b>Main Site:</b>	5-6 The Green, St Leonards-On-Sea, TN38 0SY
<b>Date:</b>	1/7/2019
<b>Asset Description:</b>	A former care home recently converted to an 11-bed HMO.



## Deal Summary

<b>Loan Type</b>	Commercial Mortgage	<b>Borrower Profile</b>	Property investment SPV
<b>SIPP Classification</b>	SIPP Ineligible	<b>Loan Purpose</b>	Refinance

## Property Summary

<b>Market Value</b>	£1,250,000	<b>Property Income</b>	£144,000
<b>Vacant Possession Value</b>	£800,000	<b>Market Rental Value</b>	£55,000
<b>Tenure</b>	Freehold	<b>Asset Class</b>	HMO
<b>EPC Rating (min. E)</b>	E		

## Loan Summary

<b>Total Loan Required</b>	£937,500	<b>Loan to Value (LTV)</b>	75%
<b>Rate of Interest</b>	8.75%	<b>Interest Cover</b>	1.76x
<b>Loan Term</b>	36 months	<b>Interest Expense (p.a.)</b>	£82,031

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£125,000	12.95%	11.655%	1.76x
B	Medium	51-65%	£187,500	9.95%	8.955%	2.19x
A	Low	0-50%	£625,000	7.55%	6.795%	3.05x

## Borrower Details

<b>Name</b>	Clavis Group Limited
<b>Registration</b>	UK Registered Limited Company
<b>Main Business Activity</b>	The proposed Borrower is a special purpose Limited Company, registered in the UK. It currently has no assets other than the Subject Properties.
<b>Ownership Structure</b>	The Company is 100% owned by sole Director, Felicity Tyas.

## Applicant Details

<b>Name</b>	Felicity Tyas
<b>Age</b>	30
<b>Experience</b>	<p>The Borrower is a second generation family business, originally established as a local sales and lettings business. They currently have 30 properties under their management, and have latterly diversified into social housing.</p> <p>Associated trading business, KSL offer landlords guaranteed market rent for a term of 3-5 years, whilst sub-letting at a profit.</p> <p>The team at KSL are experienced property professionals. They rent properties from landlords, effectively making them the tenant by way of a management agreement.</p> <p>They have a Maintenance Team, and a team of cleaners, that can provide a one-off deep clean, a regular cleaning contract or an after-works clean up. They cater for both commercial and residential cleaning.</p>
<b>Credit History</b>	Strong.
<b>Net Worth</b>	£1.54m.

## Loan Details

<b>Loan Purpose</b>	Refinance
<b>Gross Loan Amount</b>	£937,500
<b>LTV</b>	75%
<b>ICR</b>	1.76x
<b>Serviceability</b>	Rental income to be received is £144,000 p.a. with interest payments due of £82,031 p.a.
<b>Interest reserve</b>	<p>Proplend will retain £41,016 (6 months interest) from the gross loan amount which will be held on account.</p> <p>The balance of the Interest Reserve will be applied to the repayment of principal at the end of the loan term.</p>
<b>Early Repayment</b>	2% year 1, 1% year 2, no fee thereafter.

## Existing Facility

<b>Lender</b>	C & M Wealth International/Elysium	<b>Expiry</b>	31/8/2019
<b>Value</b>	£750,000	<b>Status</b>	Up to Date

## Strategy During Loan Term

We are asked to provide a 75% gross loan in order to refinance the current lender who provided the original bridging loan to purchase the property in August 2018. The net loan proceeds will also provide c£100k which will be used to replace cash used to refurbish the property, and to replenish cash in the bank.

However, as the valuer notes on page 20 of the valuation report, there are two conditions yet to be complied with, to satisfy the recent change of use from care home, to Sui Generis (HMO). Both relate to the designated parking area being formally laid out. The valuation provided is based on the specific assumption that planning exists for the Sui Generis use.

As recommended by the valuer, Proplend will, in addition to the six-month interest reserve, retain the sum of £20,000-00 for the specific purpose of achieving the approved parking layout and the remainder of the associated facilities.

## Property Details

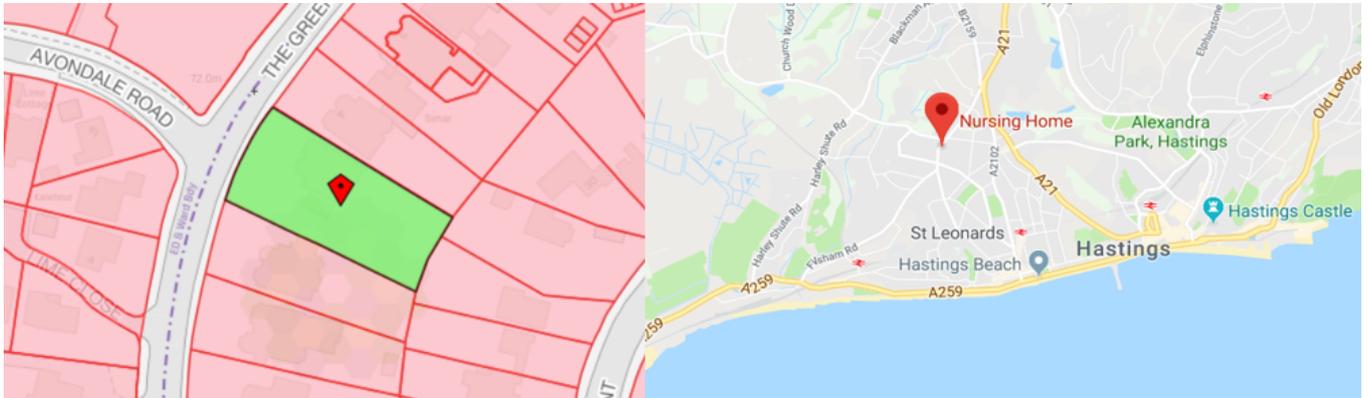
The Subject Property is a late-Victorian, three-storey, detached property, with later additions. It is a former care home, recently converted to an 11-bed HMO.

The HMO is currently registered for 13 residents within the 11 bedrooms, sharing communal living/dining, kitchen, bath/wet rooms & toilet facilities. The licence will be extended to 15 residents to accord with the planning consent, on installation of a wash hand basin to the first-floor separate toilet and creation of another such facility.



## Location Report

The subject property was previously operated as Edendale Residential Care Home, situated to the north west of the town centre, in a mainly residential area above the town centre. The Green is a busy local road that connects with the A21 and Tower road west with the property located to its eastern side adjacent to the junction with Avondale Road.



## Tenant Details

<b>Tenant</b>	KSL Guaranteed Rent Limited	<b>Activity</b>	Property Management Company
<b>Lease Type</b>	FRI	<b>Lease Start Date</b>	June 2019
<b>Months to Lease Break</b>	120	<b>Months to Lease End</b>	120
<b>Contracted Rent (£ p.a.)</b>	£144,000	<b>Occupation Level (%)</b>	100%

**Lease arrangement** The tenant is to be associated property management company, who in turn will be receiving the rents from the local authorities/individual tenants.

## Security

<b>Main Site</b>	First Legal Charge	<b>Debenture</b>	Debenture Required
<b>Share Charge</b>	Share Charge Not Required	<b>Property Insurance</b>	PSL Interest to be Noted on Completion
<b>Personal Guarantee</b>	Joint and Several Guarantee from the Directors and Shareholders of Clavis Group Limited for the sum of £210,000		

## Exit Strategy

The property will be retained a long term investment, and our loan will be refinanced as above with a lender at more competitive terms.

## 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 27/6/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £1,250,000  
Vacant Possession Value: £800,000  
Open Market Rental Value: £55,000

## 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.**

Whilst the Borrower is a SPV with a sole Director and Shareholder, she does also have the support of her family, who are also involved in the running of the business.

**Medium**

There is significant demand from the local authority, and we are advised that demand far exceeds supply of this type of housing locally.

**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 and the tenant are associated, and therefore have a vested interest in ensuring our interest payments are met.

**Medium**

As above, there is no shortage of demand from the local authority, and neighbouring borough councils, who are also looking to house tenants in the Subject Property.

**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.**

There are no plans to sell, this will boil down to the appetite of the respective high street lenders and challenger banks in 2-3 years time, to provide the necessary refinance.

**Medium**

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

With lingering uncertainty in the current economic environment, there is every chance that the property may fall in value at any given point in the short term.

**High**

However, longer-term, with only an upward trajectory expected in terms of rental income, the value should generally increase accordingly.

## 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**

## PROPLEND DISCLAIMER - PLEASE NOTE:

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