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Full Loan Request: Waltham Cross - Prideview - Retail

Main Site:	Poundland Ltd, 118 High St, Waltham Cross, EN8 7BX
Date:	20/6/2019
Asset Description:	Over 15,000 sq ft of retail commercial space on a site area of 0.29 acres.



Deal Summary

Loan Type	Commercial Bridge	Borrower Profile	Property investment SPV
SIPP Classification	SIPP Eligible	Loan Purpose	Capital Raise

Property Summary

Market Value	£1,380,000	Property Income	£80,000
Vacant Possession Value	£1,450,000	Market Rental Value	£88,000
Purchase Price	£1,500,000	Purchase Type	Open Market
Tenure	Freehold	Asset Class	Retail
EPC Rating (min. E)	C		

Loan Summary

Total Loan Required	£1,087,500	Loan to Value (LTV)	75% (of VPV)
Rate of Interest	7.40%	Interest Cover	0.99x
Loan Term	18 months	Interest Expense (p.a.)	£80,475

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£145,000	10.00%	9.00%	0.99x
B	Medium	51-65%	£217,500	8.00%	7.20%	1.21x
A	Low	0-50%	£725,000	6.70%	6.03%	1.65x

Borrower Details

Name	Northport Waltham Cross Limited
Registration	UK Registered Limited Company
Main Business Activity	The proposed Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Properties.
Ownership Structure	<p>Northport Waltham Cross Limited is 100% owned by Eastway Estates Limited.</p> <p>Eastway Estates Limited is owned 25% each by;</p> <ul style="list-style-type: none"> - Jesal Patel - Nilesh Patel - Priyen Patel - Vishal Patel.

Applicant Details

Name	Jesal Patel, Nilesh Patel, Priyen Patel and Vishal Patel
Age	37, 34, 34 & 36 respectively.
Experience	<p>The Prideview Group is a third generation family property company, and has been actively involved in the acquisition, management and sale of both commercial and residential properties throughout the UK, since it was founded in 1985 - website https://www.prideviewgroup.com . They have completed circa 200 property transactions within the last two years.</p> <p>During the last 30+ years, they have built up a great deal of expertise, a broad, unique network of contacts, and a very strong reputation in the world of commercial property auctions and private treaties, well-summarised by the Estate Gazette (UK commercial property's leading magazine) in articles profiling The Prideview Group in 2008 and in 2014.</p> <p>The future growth of the group has been assured by an injection of youth into the business and the establishment of dedicated agency, disposals, lettings, management, finance and insurance divisions, meaning they can now provide all of the services required to acquire, maintain and eventually dispose of commercial property, and additional services for Non-Resident Landlords.</p> <p>Acting on behalf of over 100 investment companies, UK-based and Overseas, as well as numerous private investors, traders, medical professionals, entrepreneurs, hoteliers and retailers, among many other professions, The Prideview Group has leveraged its scale to carve out its own niche within the worlds of property auctions and private treaties, as well as negotiate competitive finance, insurance and management deals.</p>
Credit History	<p>All four individuals have a strong personal credit rating, and have each passed Lexis Nexis checks.</p> <p>We have also been provided with personal assets and liabilities statements, and each of the four Guarantors has a significant net worth.</p>

Loan Details

Loan Purpose	Capital Raise
Gross Loan Amount	£1,087,500
LTV	75%
ICR	0.99x
Serviceability	Rental income is being received of £80,000 + VAT, with interest payments due of £80,475 p.a.

Interest reserve Proplend will retain £20,119 (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% first 6 months, no fee thereafter.

Strategy During Loan Term

We are asked to provide a 75% gross LTV loan facility, in order to assist retrospectively with the purchase of the subject property. The Borrower completed the purchase of the property earlier this month.

The current lease as below is due to expire in five months time. If this is not renewed, the Borrower will continue to service ongoing interest payments via it's parent, Eastway Estates Limited.

Financial accounts to year end 31-12-2017, show NPBT of £1,019,938, and NW of £1,852,430.

Longer term, the property is within an area earmarked for regeneration, as per Broxbourne Borough Council's website;

Waltham Cross Regeneration

Broxbourne have been working on a regeneration plan for Waltham Cross, which is starting to take shape. In the recently submitted local plan, an area known as Northern High St has been allocated for mixed use redevelopment. The allocation will include c. 300 new homes and commercial uses. Broxbourne have also adopted a town centre strategy document, which earmarks the Royal Mail Depot, located behind Poundland and the rear section of the subject site as an opportunity zone for redevelopment.

Property Details

The subject property comprises the freehold interest in an end-of-terrace, three-storey building, arranged as a large ground floor retail unit with ancillary upper parts, constructed circa 1930s.

The Net Internal Area is 15,368 sq ft, and overall site area, 0.29 acres.

The property is currently let to Poundland on a 10 year lease expiring 10th November 2019 paying a rent of £80,000 + VAT per annum.



Location Report

The subject property is located in a primary trading location along the pedestrianised section of Waltham Cross High Street.

The parade comprises a mixture of local and national retail covenants at ground floor level with upper parts in use as a mixture of commercial and residential. The shop serves the nearby residential population, as well as a certain amount of passing trade.

Waltham Cross is a typically densely populated souther Hertfordshire town, situated approximately thirteen miles north of Central London, and benefits from reasonable demand from both the rental and vacant possession sectors.

Aside from retail, Waltham Cross represents a 'medium value' residential suburb, comprising properties of varying eras. Waltham Cross Mainline Station is situated nearby, offering a frequent commuter service into Central London. Numerous bus routes serve the surrounding area.



Tenant Details

Tenant	Poundland Limited	Activity	Retail
Months to Lease Break	5	Months to Lease End	5
Contracted Rent (£ p.a.)	£80,000 + VAT	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 Northport Waltham Cross Limited for the sum of £225,000		

Exit Strategy

Sale of the property, most likely in 12-18 months time.

Covenants

LTV Covenant 75% **ICR Covenant** 0x

Fees

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

Valuation

A valuation of the property was carried out by Bellevue Mortgages on 20/6/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £1,380,000
Vacant Possession Value: £1,450,000
Open Market Rental Value: £88,000

Report on Title

A Report on Title will be supplied by Enact acting on behalf of Proplend Security Ltd, and its 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 a team of professional property experts, with over 100 years collectively of commercial and residential property investment and development experience.

Low

The sale within 12-18 months time can either be to another investor, if Poundland will have renewed the lease for another term, or to a developer if Poundland do not renew, and change of use is attained.

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 will be receiving sufficient rental income for at least the first few months, but if there is no tenant going forwards, will have to service the monthly interest payments out of the parent's cashflow.

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 as above, is a vastly experienced professional property investor, with a good eye for buying well, and an interest in property that has multiple exit routes, as is the case here.

Low

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

There is a high risk that the property will fall in value during the term of our loan, particularly if the current tenant vacates, but equally, there is a high probability that by maturity, the value will have increased beyond the current level, either due to planning consent or a longer term lease, having been obtained.

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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