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# Full Loan Request: Greater Manchester Commercial Mixed Use

<b>Main Site:</b>	1) Velos House, Froxmer Street, Gorton, Manchester, Greater Manchester M19 2HS 2) Unit 1, Froxmer Street, Gorton, Greater Manchester, M18 8EF
<b>Date:</b>	11/10/2019
<b>Asset Description:</b>	Two properties comprising five fully-let neighbouring industrial and warehouse units, with ancillary office accommodation.



## Deal Summary

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

## Property Summary

<b>Market Value</b>	£2,017,000	<b>Property Income (net)</b>	£221,642
<b>Vacant Possession Value</b>	£1,613,600	<b>Market Rental Value (gross)</b>	£263,000
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Light Industrial
<b>EPC Rating (min. E)</b>	C, D & E	<b>Planning Use</b>	Light Industrial

## Loan Summary

<b>Total Loan Required</b>	£1,411,900	<b>Loan to Value (LTV)</b>	70%
<b>Rate of Interest</b>	7.80%	<b>Interest Cover</b>	2.01x
<b>Loan Term</b>	36 months	<b>Interest Expense (p.a.)</b>	£110,128

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£100,850	11.70%	10.53%	2.01x
B	Medium	51-65%	£302,550	9.00%	8.10%	2.25x
A	Low	0-50%	£1,008,500	7.05%	6.34%	3.12x

## Borrower Details

<b>Name</b>	Rammon Group (Properties) Limited
<b>Registration</b>	UK Registered Limited Company
<b>Main Business Activity</b>	<p>The Borrower, a family business, is a long established investor in secondary commercial property based in Manchester.</p> <p>They currently have a mixed portfolio comprising of industrial, offices and residential properties, with an investment value of £7.4m and a VP value of £5.9m.</p> <p>The properties are let to a wide spread of tenants on flexible leases with a total rent passing of £755k.</p> <p>The Company has a Clear Credit Rating.</p>
<b>Ownership Structure</b>	The Company is owned 50:50 between Directors, Philip Weisberg and David Weisberg.

## Applicant Details

<b>Name</b>	David & Philip Weisberg
<b>Age</b>	63 & 68 respectively
<b>Experience</b>	<p>The business started in 1996, acquiring investment property and have continued to do so since. They have also sold property during this period to pursue other investment opportunities.</p> <p>The individuals running the business are very experienced, taking a hands on approach, visiting and speaking to tenants on a regular basis. This allows them to deal with any on site issues as soon as is practically possible.</p> <p>One of the director's (David) sons, Ryan, will be joining shortly to provide assistance and help the business grow through sensible asset management and value added investments.</p>
<b>Credit History</b>	Strong - Creditsafe risk band 10 (out of 10).

## Loan Details

<b>Loan Purpose</b>	Refinance
<b>Gross Loan Amount</b>	£1,411,900
<b>LTV</b>	70%
<b>ICR</b>	2.01x
<b>Serviceability</b>	Net rents are being received of £221,642 p.a. with interest payments due, of £110,128 p.a.
<b>Interest reserve</b>	<p>Proplend will retain £27,532 (3 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>	Cambridge & Counties	<b>Expiry</b>	31/10/2019
<b>Amount Outstanding</b>	£1,340,000	<b>Status</b>	Up-to-date

## Strategy During Loan Term

We are asked to provide a 70% Gross LTV loan facility, in order to refinance the current lender.

The properties are long-term investments for this family business. The Borrower's strategy during the term of the loan is to continue to asset manage the portfolio to maximise occupation and income streams.

## Property Details

1) Velos House - the Property comprises two warehouse buildings that have been divided to create four separate units that are fully let. Three of the units (namely Velos House (Unit 7), Unit 3a and Unit 3b) are each accessed from the same yard area at the centre of the site which provides around 20 car parking spaces. Unit 4 is separately accessed from another yard that is shared with other properties.

Velos House (Unit 7) is located to the north of the central yard area and comprises a two-bay warehouse with brick elevations beneath a pitched part profile steel and part corrugated asbestos covered roof incorporating approximately 10% translucent light panels. This unit has an eaves height of approximately 6.3m and benefits from a loading door onto Froxmer Street.

A two storey office block is located towards the front of this building incorporating office areas, toilets and a kitchen area. Part of this two storey office block has been separated from the rest of the accommodation in this building and forms part of the accommodation within Unit 3a. A front lean-to and additional side extension also form part of the accommodation within Unit 7. An additional storage mezzanine is located to the rear of the building but provides very basic accommodation added by the tenant and we have therefore not included any additional value for this rear mezzanine.

The second warehouse building also comprises a two bay warehouse with predominantly clad brick and block elevations beneath a pitched part profile steel and part corrugated asbestos covered truss roof incorporating approximately 20% translucent light panels. The building has been divided to create three self-contained units. It has an eaves height of approximately 4.5m and each unit has a roller shutter loading door (two in the case of Unit 4).

Unit 3a is accessed from the central yard area and is the central of the three units. It comprises predominantly open plan warehouse accommodation with a small office and toilet block. As mentioned above, part of the two storey office block within Unit 7 forms part of the accommodation of this unit.

Unit 3b is located to the north of Unit 3a and is also accessed from the central yard area. It comprises predominantly open plan warehouse accommodation with a small kitchen and toilet block and a separate office block.

Unit 4 is located to the south of Unit 3a and accessed from a separate yard area shared with other properties. It comprises predominantly open plan warehouse accommodation although with an office / storage block within one of the bays and with a mezzanine storage area above this. Two loading doors provide access to the yard area shared with other properties.

2) Unit 1 Froxmer - Unit 1 is a single storey warehouse/industrial building of steel portal frame construction with brick and blockwork elevations and cladding to the upper parts. The roof is of pitched construction with an asbestos cement decked roof.

Internally the Property is predominantly open plan and divided into two separate bays which are interlinked. The floor is of solid concrete and lighting is provided by suspended sodium light fittings.

There are Powermatic type hot air blowers internally and the Property has roller steel shutter access from two doors to the frontage of the building leading on to a concrete loading yard area.

Internally, office accommodation has been created top part of the building. This has suspended ceilings, plastered walls and Category II lighting and various floor finishes.

A staircase leads to a first floor mezzanine area which comprises WCs, stores and further office accommodation.

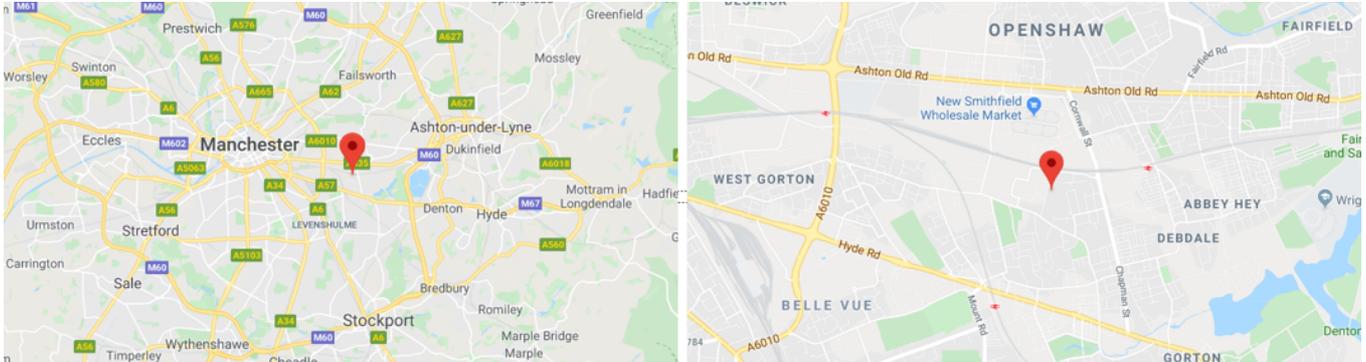


## Location Report

The Properties, in close proximity with one another, are accessed from Froxmer Street in a predominantly industrial location around three miles to the east of Manchester city centre.

Road communication links are good with Ashton Old Road (A635) and Hyde Road (A57) both located around half a mile to the north and south respectively of the Properties.

Both roads provide direct access into Manchester city centre and Hyde Road also leads directly to Junction 24 of the M60 motorway, approximately four miles to the east. Gorton Railway Station is located around half a mile from the Properties.



## Tenant Details

**Contracted Rent (£ p.a.)** £234,530 gross/£221,642 net p.a.      **Occupation Level (%)** 100%

**Lease arrangement** Various - please see the Tenancy Schedule below.

RAMMON GROUP (PROPERTIES)LTD						Rent	Irrecoverable Costs	Net rent
Schedule of Licenses and Leases								
<b>Velos House, Gorton</b>	<b>Industrial Investment and Offices</b>							
G.M Recovery Ltd	3a	Sep-18	Licence	6 Years	£42,280			
Worldwide Confectionery Ltd	3b	Sep-19	Licence	3 Years	£31,634			
Grand Gallant Sports	4	Jul-15	Licence	5 Years	£45,000			
Wenrit Global	7	Jul-17	Licence	5 Years	£45,326			
					<b>£164,240</b>	<b>£12,888</b>	<b>£151,352</b>	
<b>Unit 1 Froxmer St, Gorton</b>	<b>Industrial Investment</b>							
Debona Wall Coverings Ltd		Jul-18	Lease	5 years	£47,250			
Yard 1 Motor Movement Ltd		Aug-19	Licence	3 Year	£12,900			
Yard2 currently being marketed		Jul-18	Licence	1 Year	£10,140			
					<b>£70,290</b>	<b>£0</b>	<b>£70,290</b>	
<b>189B Ashley Road, Hale</b>	<b>Offices</b>							
<b>Total</b>					<b>£234,530</b>	<b>£12,888</b>	<b>£221,642</b>	

## Security

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

**Personal Guarantee** Joint and Several Guarantee from the Directors and Shareholders of Rammon Group (Properties) Limited for the sum of £705,950

## Exit Strategy

The properties will continue to be long-term investments, and the borrower's exit strategy will be to refinance with an alternative lender at more competitive terms.

## Covenants

**LTV Covenant** 75% **ICR Covenant** 1.5x

## Fees

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

## Valuation

A valuation of the property was carried out by Matthews & Goodman on 19/8/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £2,017,000  
Vacant Possession Value: £1,613,600  
Open Market Rental Value: £263,000

## 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 a professional property investor, with over 20 years sector experience.

**Medium**

They have a proactive approach with their tenants, maintaining regular dialogue, and always ensure all property assets are well maintained.

**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 currently receives a surplus of £111,514 p.a. net rental income over and above the annualised interest due on this loan.

**Medium**

In addition, the Company reported a Net Worth of over £2.2m as at 30/6/2018, indicating an ability to withstand a rental void.

**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. The refinance exit will depend to an extent on the economic circumstances at the time of maturity, however, the Borrower enjoys a good relationship with their bank and lenders, and have a Good Credit Rating. This is expected to continue, making the refinance a realistic proposition.

**Medium**

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

The Properties may fall in value at any point during the 3-year term, however, in an enforcement scenario, the Properties as things currently stand, would have to fall in value by 30%/£605k before lenders in Tranche C would be affected.

**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**

## PROPLEND DISCLAIMER - PLEASE NOTE:

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