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Full Loan Request: Greater Manchester - Broker - Offices

Main Site:	1) Unit C, Aldow Enterprise Park, Blackett Street, Manchester, M12 6AE 2) The Mews, 189B Ashley Road, Hale, Altrincham, WA15 9SQ
Date:	10/10/2019
Asset Description:	1) The subject property comprises a detached steel portal framed warehouse building, converted internally to create serviced office suites. 2) The Property comprises a detached two storey office building, occupied by the Borrower's associated business.



Deal Summary

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

Property Summary

Market Value	£766,000	Property Income	£59,886
Vacant Possession Value	£620,000	Market Rental Value	£115,000
Tenure	1) Long-leasehold 2) Freehold	Asset Class	Offices
EPC Rating (min. E)	D & E respectively	Planning Use	Office

Loan Summary

Total Loan Required	£536,200	Loan to Value (LTV)	70%
Rate of Interest	7.85%	Interest Cover	1.42x
Loan Term	48 months	Interest Expense (p.a.)	£42,092

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£38,300	11.75%	10.58%	1.42x
B	Medium	51-65%	£114,900	9.05%	8.15%	1.59x
A	Low	0-50%	£383,000	7.10%	6.39%	2.20x

Borrower Details

Name	Rammon Group (Properties) Limited
Registration	UK Registered Limited Company
Main Business Activity	The Borrower, a family business, is a long established investor in secondary commercial property based in Manchester. 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. The properties are let to a wide spread of tenants on flexible leases with a total rent passing of £755k. In preparation for succession planning, one of the Director's sons, in his twenties, has recently joined the business. The Company has a Clear Credit Rating.
Ownership Structure	The Company is owned 50:50 between Directors, Philip Weisberg and David Weisberg.

Applicant Details

Name	David Weisberg
Age	67
Experience	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. 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. 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.
Credit History	Strong - Creditsafe risk band 10 (out of 10).
Net Worth	£2,624,250.

Loan Details

Loan Purpose	Refinance
Gross Loan Amount	£536,200
LTV	70%
ICR	1.42x
Serviceability	Net rents are being received of £59,886 p.a. with interest payments due, of £42,092 p.a.
Interest reserve	Proplend will retain £21,046 (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% years 1-2, 1% year 3, no fee thereafter.

Existing Facility

Lender	Cambridge & Counties	Expiry	31/10/2019
Value	£500,000	Status	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) Aldow - the Property comprises a detached steel portal framed warehouse building with part brick and part profile steel clad elevations beneath a pitched profile steel clad roof.

Internally the Property has been substantially converted from its former industrial use to create serviced office suites. To the ground floor there are five office suites of various sizes and shared toilet and kitchen facilities. A first floor full cover mezzanine can be accessed from either of two staircases and provides a further nine office suites of various sizes and a management office / server area.

Heating to the property is by way of wall mounted electric heaters and fenestration is by way of UPVC framed double glazed windows.

2) Hale - the Property comprises a detached two storey office building with brick elevations beneath a part mono-pitched roof with a slate tile covering and a part flat roof with a felt covering.

Internally there is an entrance foyer, two office rooms and a toilet to the ground floor with a kitchenette and two further office rooms to the first floor.

Heating is by way of electric under-floor heating as well as wall mounted air conditioning units and fenestration is by way of double-glazed sash windows.



Location Report

1) The Property is located within the Aldow Enterprise Park in Ardwick just within the 'Inner Manchester Ring Road' to the east of the city centre. The estate is accessed from Blackett Street next to its junction with the A635.

Road communication links are good with the A635 providing direct access to the start of the M602 motorway around three miles to the west, providing access to the greater motorway network.

2) The Property is located behind buildings fronting onto Ashley Road (B5163) and is accessed from a passageway from Ashley Road between two retail units. This section of Ashley Road comprises the centre of Hale Village with a variety of retail units, restaurants and bars in the immediate vicinity.

Road communication links are good with Junction 7 of the M56 motorway located less than two and a half miles from the property providing access to the greater motorway network. Hale Railway Station is located within quarter of a mile from the property.



Tenant Details

Contracted Rent (£ p.a.)	£115,700 gross/£59,886 net	Occupation Level (%)	90%
Lease arrangement	Please see the Tenancy Schedule below. Some tenants are on a rolling Licence to Occupy, hence the difference between the gross and net rents - i.e. some costs such as repairs and certain utilities are borne by the Borrower.		

[illegible]

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 Rammon Group (Properties) Limited for the sum of £268,100.		

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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	1.25x
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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 Matthews & Goodman on 19/8/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £766,000
Vacant Possession Value: £620,000
Open Market Rental Value: £115,000

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 £17,794 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.

Medium

This is expected to continue, making the refinance a realistic proposition.

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 4-year term, however, in an enforcement scenario, the Properties as things currently stand, would have to fall in value by 30%/£229k 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

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