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Full Loan Request: Ipswich - Broker - Retail

Main Site:	26-32 Carr Street, Ipswich, Suffolk, IP4 1EJ
Date:	30/10/2019
Asset Description:	The subject property comprises a substantial retail block split into two self-contained units built over basement, ground and two upper floors.



Deal Summary

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

Property Summary

Market Value	£2,850,000	Property Income	£300,000
Vacant Possession Value	£2,450,000	Market Rental Value	£245,000
Tenure	Freehold	Asset Class	Retail
EPC Rating (min. E)	C & D	Planning Use	Retail

Loan Summary

Total Loan Required	£1,700,000	Loan to Value (LTV)	59.65%
Rate of Interest	7.45%	Interest Cover	2.37x
Loan Term	36 months	Interest Expense (p.a.)	£126,650

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£275,000	9.01%	8.11%	2.37x
A	Low	0-50%	£1,425,000	7.15%	6.43%	2.94x

Borrower Details

Name	Carr Street Estates Limited
Registration	UK Registered Limited Company
Main Business Activity	<p>The proposed Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Properties.</p> <p>Please note that this is a new Borrower and therefore has no connection whatsoever with the Borrowing entities for the other Ipswich loans on the platform.</p>
Ownership Structure	<p>The Borrowing entity is 100% owned by Glenpath Ltd.</p> <p>Glenpath Ltd is owned 50:50 between mother and son, Judith Feldmand, and Shmuel Feldman.</p>

Applicant Details

Name	Judith and Shmuel Feldman
Age	68 & 32 respectively.
Experience	<p>The Borrowers are experienced property developers and investors with a portfolio of seven properties in London and the South East.</p> <p>The gross value of the portfolio is currently £21.38m, with outstanding liabilities of £12.21m. Monthly rental income of £85.5k is being received and monthly commitments are £57.3k.</p> <p>Their strategy has been to buy commercial or mixed use property via a SPV, typically obtaining planning for a residential scheme for the upper floors, and retaining the ground floor commercial premises as a freehold investment, as is the case with this property in Ipswich.</p> <p>Other examples include;</p> <ul style="list-style-type: none"> - a mixed use property in London NW10 - bought in 2015 for £600k in June, planning consent was obtained for an additional nine units which have been built out and have increased the value by approximately £1m. - a mixed use property in East Sussex - the freehold was purchased for £970,000 in 2017 and the uppers were sold for £848,500 in March this year and the commercial element was valued at £600k (bank val), which has been retained as an investment. - a large commercial property in Colchester which was purchased in March last year for £2.125m. They have filled eight commercial units within the property that were vacant at the time of purchase and have converted part of the uppers into four residential units. The property was valued in July this year for £3.3m. - a mixed use property in Worthing - bought for £3m, producing £270k p.a. rental income. A planning application has been submitted to convert the uppers into ten high specification, 2-bedroomed flats. Once planning is obtained, the Borrower believes the entire property will be worth in excess of £4.4m, at which point they will make a decision as to whether to sell, or develop the property themselves. - a residential block in Croydon - the freehold was purchased for £2.9m and the Borrower has sold the two upper floors for £1.4m, and have also converted the ground and first floors into eleven flats at a cost of just over £400k and have subsequently refinanced with a challenger bank. The remainder was then valued at £2.93m. - a substantial commercial building in Hampshire bought in March 2017 for £2.35m. Planning was obtained to convert into 36 units, which has also been built out, and has increased the value to £7.1m.
Credit History	Clear, and Lexis Nexis checks have been passed.

Loan Details

Loan Purpose	Refinance
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Gross Loan Amount	£1,700,000
LTV	59.65%
ICR	2.37x
Serviceability	Rental income of £300,000 p.a. is currently being received. This will reduce, if Age UK exercise their tenant break in June 2021, to £250k p.a. Interest payments due are £126,650 p.a.
Interest reserve	Proplend will retain £31,663 (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% year 1, 1% year 2, no fee thereafter.

Existing Facility

Lender	Shawbrook	Expiry	31/10/2019
Value	£1,615,000	Status	Up to Date

Strategy During Loan Term

We are asked to provide a 59.65% gross LTV loan facility (this equates to 69.3% of the VPV), in order to refinance the current lender, who funded the original purchase in March 2019. The purchase price was £2.7m.

The vacant residential upper floors will be stripped out into a new SPV, which will be a subsidiary of our Borrower, on a long-leasehold. They will be sold on the open market once full planning is approved. A pre-app has already gone in for a 51-unit scheme.

The retail units on ground and lower ground floors, will remain under the Borrower's ownership, as a long-term investment. Proplend will have a first charge over the freehold as well as a first charge over the long leasehold above.

The Borrower will seek to renew the Age UK lease, by offering slightly lower rent, but with the break clause removed.

Property Details

A prominent and substantial town centre building with aggregate GIA of 9,531.03 sq m / 102,592 sq ft. The whole building was formerly owned and occupied by Woolworths, who vacated circa ten years ago.

Ground floor and basement let to Poundland and Age UK Suffolk at an aggregate passing rent of £300,000 per annum (£250k Poundland, £50k Age UK).

The ground floor provides a well fitted out sales area accessed via an entrance fronting onto Carr Street.

The basement unit has recently benefited from approximately £300k of capital expenditure, and is currently being fitted out as a separate retail unit with access directly off Carr Street.

The two upper floors are vacant. The building requires repair in places, although retail tenants not currently adversely affected.

Accommodation;

- a 26,044 sq ft ground floor retail unit let to Poundland.
- a 24,865 sq ft basement let to Age UK Suffolk.
- first floor is vacant and requires refurbishment – 27,122 sq ft
- second floor is in shell condition – 24,561 sq ft.



Location Report

Ipswich is the largest town in the affluent county of Suffolk and one of the main commercial and retail destinations in East Anglia. Ipswich benefits from excellent road communications with the A12 linking the town to junction 28 of the M25 and the wider national motorway network. Ipswich also benefits from excellent railway connections with Ipswich Station providing regular direct services to London Liverpool Street with a fastest journey time of approximately 1 hour 10 minutes. London Stanstead Airport is located approximately 40 miles south west of Ipswich.

The prime retail pitches of Ipswich town centre are the pedestrianised roads of Westgate Street, Tavern Street and Carr Street, with Tavern Street perhaps having the edge. In addition, Sailmakers Shopping Centre on Tavern Street and Buttermarket Shopping Centre on Buttermarket are in close proximity.

Local neighbouring retail occupiers include: Sports Direct, Argos, B&M, Card Factory, Superdrug, Game and Santander.



Tenant Details

Main Tenant	Poundland	Activity	Retail Discount Store
Lease Type	FRI	Lease Start Date	13/12/2013
Months to Lease Break	n/a	Lease End Date	13/12/2023
Contracted Rent (£ p.a.)	£300,000 in all, of which, £250k p.a. is received from Poundland	Occupation Level (%)	100%

Tenant strength

Please note that the Rental Figures and Interest Cover figures quoted above, assume that the Age UK income, as well as the Poundland income, is received.

However, if Age UK opt to exercise their next tenant break, the overall rental income will decrease from £300k to £250k p.a. in June 2021.

This in turn, would reduce the Interest Cover from 2.37x to 1.97x .

Poundland is one the UK's most established retailers. The company trades from approximately 800 stores in high street locations across the UK and employs 10,000 staff. The company have recently announced further expansion plans for their value focused fashion brand Pep&Co to include occupying 20 of the former Poundworlds larger stores.

We have undertaken a Creditsafe company search on Poundland Limited, company no. 02495645 and note that the Creditsafe score is 61, indicating a Low Risk rating.

The principal activity of the company is retail. The most recent key financial information for the year ending 30 September 2018 shows an improved performance on the previous accounting period (which was a 79-week period to 1/10/2017), as follows:

Turnover £1,522,633,000,
Gross Profit £550,767,000
Net Profit (after tax) £14,351,000.

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 Carr Street Estates Limited for the sum of £340,000

Exit Strategy

The Borrower has developed a number of properties and has managed to gear up the value of their assets by renegotiating leases and letting vacant commercial shops.

As above, the Borrower will be looking to split the uppers which are currently vacant and sell them on in a subsidiary company in order to be able to sell on the open market once planning is approved.

The Borrower's intention is to gain planning, sell the upper floors for c£1.5m, and refinance the remaining freehold, with a long-term lender at more competitive terms.

Covenants

LTV Covenant	70%	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 Eddisons Taylor on 22/10/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £2,850,000
Vacant Possession Value: £2,450,000
Open Market Rental Value: £245,000

Report on Title

A Report on Title will be supplied by Paris Smith 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 is a knowledgeable property professional, and has a good track record of having successfully executed their business plan with other properties of a similar size and nature.

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.

Rental income is guaranteed, assuming the continued commercial success of the main tenant, until December 2023. Our loan is due to mature in 2022.

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.

The Borrower is an experienced property professional, and enjoys a good relationship with their High Street bank, as well as one or two challenger banks. The Borrower has opted for Proplend on this occasion for the purposes of speed.

Medium

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

There is a risk that the property will fall in value during the term of our loan, 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 Paris Smith
- 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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