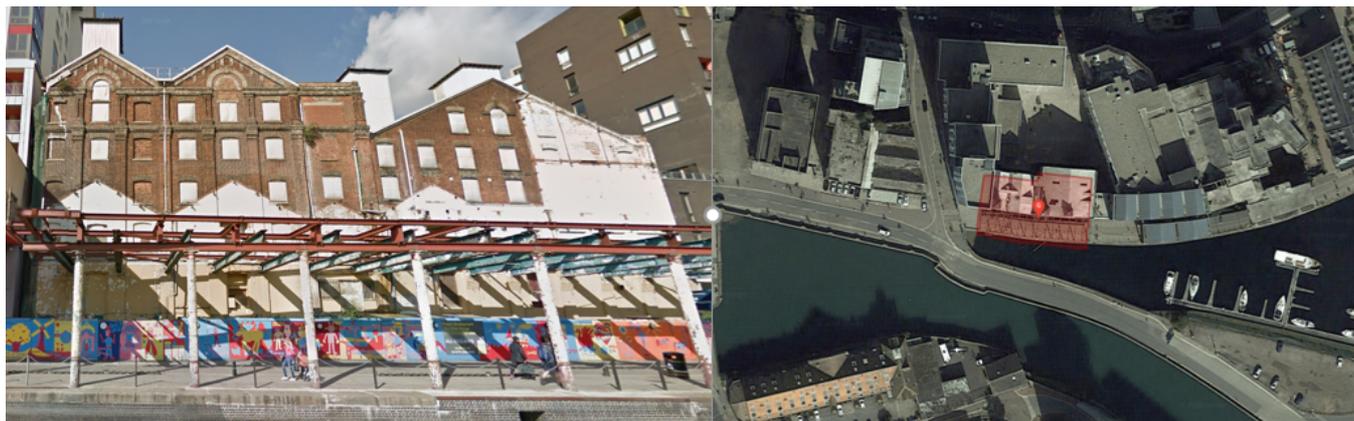


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Full Loan Request: Ipswich Warehouse Refinance

Main Site:	Blocks B & C, Old Victorian Mill, Ipswich, Suffolk, IP4 1FT
Date:	7/10/2019
Asset Description:	A derelict warehouse with planning for a mixed bar/restaurant/residential block scheme



Deal Summary

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

Property Summary

Market Value	£2,700,000	Property Income	£0
Vacant Possession Value	£2,700,000	Market Rental Value	£0
Tenure	Freehold	Asset Class	Warehouse

Loan Summary

Total Loan Required	£1,836,000	Loan to Value (LTV)	68%
Rate of Interest	12.70%	Interest Cover	0x
Loan Term	6 months	Interest Expense (p.a.)	£233,172

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£81,000	19.95%	17.96%	0x
B	Medium	51-65%	£405,000	16.75%	15.08%	0x
A	Low	0-50%	£1,350,000	11.05%	9.95%	0x

Borrower Details

Name	Cardinal Lofts (Victorian Building) 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	This SPV is owned 100% by Cardinal Lofts (Mill) Limited. Cardinal Lofts (Mill) Limited is 100% owned by Curzon De Vere Limited. Curzon De Vere Limited is 100% owned by Lawrence Isherwood.

Applicant Details

Name	Lawrence Isherwood
Age	70
Experience	Larry has been a property developer for over 40 years. He specialises in buying well, having undertaken countless similar, and larger ventures, with substantial property assets in various parts of Suffolk and London. Please note that he is also a co-Director of the Borrower, and is the Guarantor, for the West Ewell Residential loan.
Credit History	Strong - Creditsafe score is in the highest band.
Net Worth	£25.6m, comprised predominantly of net equity in current land and property investments.

Loan Details

Loan Purpose	Refinance
Gross Loan Amount	£1,836,000
LTV	68%
ICR	0x
Serviceability	Monthly interest payments will be made from the interest reserve.
Interest reserve	Proplend will retain £174,879 (9 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	1% first 2 months, no fee thereafter.

Existing Facility

Lender	Proplend	Expiry	26/10/2019
Value	£1,650,000	Status	Up to Date
Rate	12.00%		

Strategy During Loan Term

We are asked to provide a 68% LTV gross loan facility in order to provide a straight refinance of the current Ipswich Warehouse Proplend loan.

The Borrower did not execute his original business plan, as of October 2018, for this Property, due to a combination of illness (from which the Borrower has now recovered), as well as having focussed on a more lucrative project in nearby Great Blakenham, the finance of which is at an advanced stage, and from which part of the additional capital being raised, will be used to redeem this loan (please see Exit Strategy section below).

The current outline planning agreed for our security, is for a mixed scheme comprising A3/A5 bar and restaurant units on the ground floor, with 45 units of residential accommodation in the upper floors. There is no expiry on the current outline planning which was granted on the whole development site (not just our security), as works have already commenced.

The new scheme will consist of one additional storey to accommodate the extra apartments, and the individual apartments will be smaller than those previously submitted, which the borrower believes is more in keeping with the demand of the local target market.

The Borrower and the local planning officials know each other very well, having been involved with several neighbouring waterfront sites with new and additional Planning over the past 5 years - all of which have been granted successfully.

The Borrower has completed several developments in the vicinity of the subject property, including;

- Block D1, Albion Wharf, IP4 - 25 apartments in the north east part of the Mill development
- Block E3, Albion Wharf, IP4 - 4 apartments in the south east part of the Mill development
- Block A4, Albion Wharf, IP4 - 8 apartments in the north western part of the Mill development
- Regatta Quay, IP4 1FF - 6 duplex apartments (Proplend have inspected the interior of these), finished to a high standard.

The planners also view the Victorian Mill as being a landmark site due to it's position at the head of the waterfront and is where the council have their focus, currently. The Marina is a key attraction in Ipswich. Planning will be submitted in the next few weeks. Once planning consent for the revised scheme is granted, there will be the standard three years to then commence the development.

The revised scheme is for a development of 12,000 sq ft retail space, with 97 residential apartments above, and a small 155-space multi-storey car park, to be provided on a separate site that the applicant owns.

As a whole, the renovation of the Waterfront area of Ipswich is approximately 75% completed, with this property being one of the last to be finished. The borrower has been involved in other sites along the marina that have already been completed to a high standard. The Borrower has completed a large number of similar schemes - one of the reasons for the delay in progressing this site since purchase, is due to the Borrower's other business interests, a number of which are larger developments than this one, as well as waiting for the local residential market to turn, which it now has. The proposed development of the Property will consist of a £16.8m build cost, with a GDV of £26.3m.

Property Details

The property comprises a derelict Victorian warehouse within a wider development known as the Mill. The property is unoccupied and dilapidated, especially on the ground floor, and appears to have been last used for grain storage. It is currently boarded up for security. Despite its current state, the borrower does not need to demolish the current buildings, as they are structurally sound.

The whole development site comprises 9 units, 2 of which form our security. The original purchase price for the entire site four years ago, was £4m. Our security alone is worth £2.7m based on the current outline planning, and there will clearly be an uplift once the amended planning has been agreed.



Location Report

The property is located in the Waterfront area of Ipswich, around half a mile to the south of Ipswich Town Centre.

The Waterfront is a mixed use area comprising residential flats, restaurants and other leisure facilities. The University of Suffolk is also located in the area.

The Waterfront has undergone serious and expensive build and regeneration and is now about 70% completed (the Mill being one of the last 2 or 3 buildings to be renovated and built out). The far end of the Marina is Uni Student Accommodation followed by a 4 star hotel, restaurants and Bistros, Pizza Express bars etc. The adjacent marina is now attracting high class boats and cruisers, Sunseeker etc. The River Orwell being close by and access to the sea.

Below right is a plan of the entire development site owned by Larry under different corporate ownership. Our security is referred to below as Units B, C & E1. D1 and A1 have been completed and sold, D2 & E3 are currently under construction, and A2, A3 and A4 will be the last to be completed.



Security

Main Site	First Legal Charge	Debenture	Debenture Required
Share Charge	Share Charge Not Required	Property Insurance	PSL Interest Requirement Outstanding
Personal Guarantee	Individual Guarantee from an Individual Director of Cardinal Lofts (Victorian Building) Limited for the sum of £370,000. Please also note that the Guarantor has also provided a Director's Personal Guarantee for the West Ewell Residential loan, limited to the sum of £100,000.		

Exit Strategy

The original planned exit was delayed due to the Borrower's poor health. He has now fully recovered, and intends to repay this new loan by way of a capital raise exercise already underway on another large development scheme the Borrower owns, under a separate SPV.

That site consists of 35 acres of land with outline planning, and is also already pre-let to a Chinese owned multiple at £800,000 per annum rent.

The latest value for the land is an eight-figure sum, and the site is being refinanced with senior debt, based upon the current values at 65% of value, giving £4.5 million clear of all debt. These proceeds will be used to clear this new loan.

The lender is aware, and has agreed, that part of the capital they are providing will be used to pay off an associated debt.

In addition to the above there is a further 22 acres also available with planning going in within 2 months to raise a further net £9m within the 6 months loan period.

Covenants

LTV Covenant	75%	ICR Covenant	0x
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Fees

Arrangement Fee	2%	Broker Fee	1%
Exit Fee	1%		

Valuation

A valuation of the property was carried out by Robert Sterling Surveyors on 22/8/2019, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £2,700,000
Vacant Possession Value: £2,700,000
Open Market Rental Value: £0

Whilst the LTV has reduced from 75% gross in the first loan, to 68% gross here, the new Market Value figure is £500k more than that provided by Montagu Evans in Autumn 2018. The Credit team have had a lengthy discussion with this valuer, who are on our panel (whereas Montagu Evans are not), and are comfortable with the rationale given for this figure.

Report on Title

A Report on Title will be supplied by Paris Smith 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 has significant experience and expertise with developments of this size and nature.

Medium

In addition, there are numerous neighbouring examples of similar schemes having obtained planning permission.

We have also been provided with commentary, showing that the council is supportive of a reduced scheme (97 from 120).

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 loan is for a 6-month term, and we will be taking a 9-month interest reserve.

Low

Risk that the Borrower is unable to repay

The risk here is not that the Borrower will be

the loan principal at the end of the loan term because they have not been able to sell or re-finance the property.

unsuccessful with executing the plan, just executing the plan in a timely manner.

Medium

The Borrower, however, has requested that no Early Redemption Fees will be incurred after just two months, rather than three, as initially quoted, indicating confidence in the receipt of redemption monies.

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

The Property may temporarily fall in value during the term of this loan, however it will increase in value as soon as full planning consent is obtained for the enhanced scheme.

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

PROPLEND DISCLAIMER - PLEASE NOTE:

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