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Full Loan Request: Leamington Spa Mixed Use

Date:	24/11/2021
Main Site:	Quarry Farm, Old Milverton Lane, Leamington Spa, CV32 6RW
Property Description:	Two neighbouring Properties comprising approximately 18 acres of land, warehouse and storage yard, operating as a portacabin and container storage business.
Loan Summary:	We are asked to provide a gross loan of £430,000 over 36 months, equating to a gross LTV of 36.29%, in order to refinance the current lender and to raise capital to expand the business.



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	Not Eligible
Property Value	£1,185,000	Passing Income	£48,240
Gross Loan	£430,000	Loan to Value (LTV)	36.29%
Blended Interest Rate	7.00%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£430,000	7.00%	6.30%	1.60x

PROPERTY			
Market Value	£1,185,000	Passing Income	£48,240
Vacant Possession Value	£1,065,000	Estimated Rental Value	£60,000
Tenure	Freehold	Asset Class	Light Industrial
EPC Rating (min. E)	n/a	Planning Use	B2, B8

Property Details

The titles to be taken in security together amount to approximately 15.26 acres both of which are accessed directly from Old Milverton Lane.

WK352993 is accessed via private tarmacked access road passed an area of pony paddock up to the storage and distribution area.

Beyond the concrete pad hardstanding area lies a further section which is undeveloped and unused with the exception of a number of static caravans with apparent residential use.

Title number WK353010 is accessed via a private road passed the 6.19 acres of pony paddock leading to the stable block and feed area on which is a static caravan for use of site manager.

Beyond this is an unmade private road leading to the storage and distribution land containing a number of shipping containers.

The area given over to the storage and distribution amounting to 0.94 acres.

Beyond the storage and distribution land is a low lying parcel of amenity and leisure land fronting the River Avon amounting to 5.22 acres.

There is a timber building constructed overlooking the River Avon with a pseudo residential appearance. This latter building has not been inspected internally.

The Property comprises three principle elements:

1. The first is an area of pony paddock amounting to 1.07 acres fronting Old Milverton Lane. The paddock is fenced but contains no shelters and does not currently have a water supply.
2. A storage and distribution plot amounting to 0.56 acres with concrete hard standing, tarmacked access road and containing a former agricultural building now used for light industrial purposes and a storage container with electrical supply and drainage connection leading to a septic tank.
3. The rear of the plot is a section of amenity land totalling 1.28 acres approximately. Mostly undeveloped and unused but containing a number of static caravans at the rear of the site with an apparent residential occupation.



Location Report

The Subject Properties are located on the outskirts of Leamington Spa, with easy access to the A46 and in turn the M40 and wider national motorway network.

They are in close proximity to the Warwickshire hamlet of Old Milverton, sitting to the north west of Leamington Spa approximately a mile to the A46 trunk road via the A452.

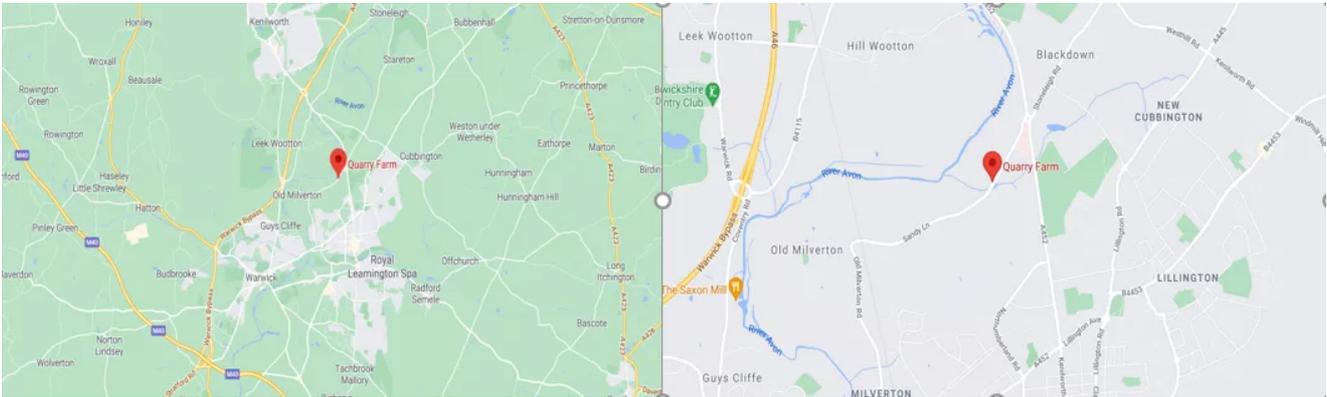
The county town of Warwick is approximately 2 miles in a south westerly direction.

Quarry Farm sits in close proximity to the hamlet of Old Milverton east of Warwick and north west of Leamington Spa in Warwickshire. Access to the A46 Warwick bypass on the road network is via the A452 approximately 1 mile distant.

The title to be taken in security amounts to approximately 2.91 acres and accessed directly from Old Milverton Lane.

A tarmacked private access road leads past the pony paddock area along the northern boundary of the site up to the storage and distribution area.

Beyond the area of concrete hard standing forming the storage area lies a further section which is undeveloped and unused with the exception of a number of static caravans with an apparent residential use.



Tenant Commentary

A variety of 20 tenants, mostly private individuals and Sole Traders. Individually weak local covenants, and on rolling licences, but the strength is in the spread and the payment track record to date, as evidenced by bank statements held on file. The rental income as above, is 160% of the interest payments due.

Tenant Details

Tenant	Various individuals	Business Activity	Storage Containers
Passing Rent	£48,240 p.a.	Occupancy Level	100% (of current lettable space)

Valuation Commentary

A valuation of the property was carried out by Sheldon Bosley Knight Ltd on 4th June 2021 **, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Valuation Numbers			
Market Value	£1,185,000	Vacant Possession Value	£1,065,000
Passing Rent	£48,240	Estimated Rental Value	£60,000
Reinstatement Value	£623,000	** Valuation Commentary	A side letter dated has been provided confirming value upheld.

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.

LOAN			
Gross Loan	£430,000	Loan Purpose	Refinance & Capital Raise
Loan Term	36 months		
Loan to Value (LTV)	36.29%	LTV Covenant	50%
Interest Cover Ratio (ICR)	1.60x	ICR Covenant	1.25x
Rate of Interest	7.00%	Interest Expense (p.a.)	£30,100

Serviceability	Rental income of £48,240 p.a. is being received, with interest payments due of £30,100 p.a.
Interest Reserve	Proplend will retain £15,050 (6 months interest) from the gross loan amount which will be held on account.

Fees			
Arrangement Fee	2%	Broker Fee	1%
Early Repayment	2% year 1, 1% year 2, no fee thereafter.	Exit Fee	n/a

Existing Facility			
Lender	AIB	Expiry	31/12/2021
Amount Outstanding	£145,000	Status	Up-to-date

Business Plan During Loan Term

To use the above expenditure to expand the business and increase rental income accordingly.

Of the net loan proceeds, £145k is required to redeem the outstanding loan with AIB, and the remaining £255,000 is required to expand the business, as follows;

- 5 Purpose built storage boxes at Quarry Park, £125,000
- 20 shipping containers at Quarry Farm, £40,000
- Infrastructure at Quarry Park, £90,000 (electrics, drainage and water).

Their local agent believe that they will be able to market the shipping containers at a rental of £9,000- £10,000 per annum, with the tenant not having to pay any rates, as agreed by Warwick District Council.

The projected income will be £108k p.a. broken down as;

- Containers, £88,200
- Stables, £4,800
- Caravans, £12,600
- Parking, £2,400

They already comfortably earn sufficient rental income to service our interest payments - the additional rental income being produced will only enhance interest cover.

Exit Strategy

The broker will scour the commercial lending market approaching maturity in order to source a refinance at more competitive terms. This has come to us from AIB, who have stopped lending in this space.

The broker will source a refinance at more competitive terms prior to maturity. It has come to us from AIB, however, I am advised that they have stopped lending.

Security

Charge	First Legal Charge	Debenture	Debenture Not Required
Property Insurance	PSL Interest to be Noted on Completion		

BORROWER

Name E J Carroll & J J Long

Registration Personal Capacity

Main Business Activity The Partners John & Eddie both derive their main income from Edenplace Limited, which owns a mental health care home in Lillington near Leamington Spa.

Each derives sufficient income from Edenplace not to have any reliance or even requirement to draw money from either Quarry Farm or Park to live on.

Edenplace Limited as at 31/8/2019 had a NW of £1.486m, and £1.693m as at 31/8/2020.

Sponsor

Name John Long & Eddie Carroll

Age 64 & 74 respectively

Sponsor

Relevant Experience

As well as the above care home, the Borrowers have owned Quarry Park, and the neighbouring Quarry Farm, on a separate title, for eight years.

Over recent years substantial sums have been spent on Quarry Park and Quarry Farm, as a barrister has been involved in planning permission on their behalf (planning ref W/03/0090), and has been successful in obtaining planning permission for 25 containers, concentrating on the definition of "container".

Using this definition, the containers on this site are new purpose-built storage boxes. They are approximately three times the size of a normal storage container.

They can be used for normal storage, or it is possible to operate a small business from them. The advantage they have is that due to the size there are no business rates.

For each container there will be remedial works required for electronic doors, toilets, screens etc at a cost of £4,500 per container.

The borrower has also recently been carrying out landscaping, painting the existing containers, and put in new gates and a new office costing approximately £32k.

They have also spent funds stripping the yard out, installing drains, electrics and plumbing at a cost of £85,000 (another £35k is required to this end, as above).

Credit History

Strong - both applicants are CreditSafe risk band 10, and Lexis Nexis checks passed.

Personal and business bank account statements have been provided showing consistent good account conduct throughout.

Additional Information

JL - £1.055m

EC - £650k.

Lender Risks

Mitigant

Risk Level

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>The Borrowers have demonstrated their commitment to the site, and the rental income received is retained in the business.</p> <p>The loan to value is low at 36%, and the Borrower has plans to increase rents which will in turn increase capital value, which other things being equal, will enable a smooth exit, as planned.</p>	<p>Medium</p>
<p>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.</p>	<p>We have been provided with recent bank statements evidencing the rental income passing, as stated above.</p> <p>Although the tenancy agreements are light, the interest cover is more than sufficient at 1.60x, with a good tenant spread.</p> <p>Comfort is further gained by the holding of a six month interest reserve.</p>	<p>Medium</p>
<p>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.</p>	<p>As above, at a loan to value of less than 40%, the Borrower's exit strategy is not unrealistic on the proviso that the modest LTV is maintained, and rents continue at the current, or higher levels.</p>	<p>Medium</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>There is a risk that the Property may fall in value during the 36-month term, but at less than 37% LTV, not sufficient to affect Lenders, all invested in Tranche A.</p>	<p>Low</p>

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 the interest of Proplend Security Limited noted
- Proplend Ltd diligence to be satisfied that interest payments can be serviced
- Loan to value not to exceed 50% on draw down

Documents

The following documents are available to download via the Loan Request screen:

- A Draft Standard Loan Contract
- A copy of the Valuation Report

The Report On Title and Lettings Report produced by Paris Smith will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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