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Full Loan Request: Nottingham Retail

Main Site:	Ford Building, 191-195 Victoria Centre, 16B Lower Parliament Street, Nottingham, NG1 3DA
Date:	23/11/2020
Asset Description:	The property comprises two deep retail units arranged over basement, ground and first floors.



Deal Summary

Loan Type	Commercial Term Loan	Borrower Profile	Professional Property Investor
SIPP Classification	SIPP Eligible	Loan Purpose	Purchase

Property Summary

Market Value	£3,700,000	Property Income	£445,000
Vacant Possession Value	£2,350,000	Market Rental Value	£227,000
Purchase Price	£3,700,000	Purchase Type	Open Market
Tenure	Long-leasehold - 125 years from 10/07/2007 to 09/07/2132 at a peppercorn rent	Asset Class	Retail
EPC Rating (min. E)	D (Poundland), C (Peacocks)	Planning Use	E

Loan Summary

Total Loan Required	£2,257,000	Loan to Value (LTV)	61%
Rate of Interest	7.07%	Interest Cover	2.79x
Loan Term	36 months	Interest Expense (p.a.)	£159,570

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£407,000	8.52%	7.67%	2.79x
A	Low	0-50%	£1,850,000	6.75%	6.08%	3.56x

Borrower Details

Name	Maven Property (Nottingham) LP
Registration	Scotland
Main Business Activity	The borrower is a Scottish Limited Partnership, set up by Maven Capital Partners - www.mavencp.com. Maven Capital Partners is an independent alternative asset manager, with over £660 million of assets under management and available to invest. Maven was formed in 2009 after a buyout of the Private Equity division of Aberdeen Asset Management PLC, and operates from a nationwide network of regional offices. Maven Capital Partners UK LLP, founded in 2009, operates as a private equity and asset management company specialising in Private Equity Investments, Venture Capital Trusts and Property Investments. Maven has assembled a highly experienced property team, who have access to a range of interesting commercial and residential projects across the UK, many of which are introduced off-market, for investors who are looking for exposure to well-researched UK property transactions, offering the potential for attractive returns. Transactions are structured so that there is significant potential for capital gains to be made from development or through acquiring properties where value can be added through active asset management – capitalising on possible changes of use, refurbishment and redevelopment. Maven's investment approval process ensures that all prospective investments are subject to thorough due diligence to ensure that downside risk is minimised and healthy risk-adjusted returns are achievable. Maven are Authorised and Regulated by the Financial Conduct Authority. Maven has a strong track record of Purpose Built Student Accommodation (PBSA) development and management, with extensive experience in regional markets. Maven recently obtained planning consent for a 120 bed PBSA development in Edinburgh within a 15 month period.
Ownership Structure	The borrower is a Limited Partnership, formed and registered in Scotland, which will consist of circa 20 prospective investors (Limited partners) with Maven Partners (Nottingham) GP LLP acting as General Partner. The partnership will receive the rental income from the property and progress the planning application. The day to day business of the partnership will be undertaken by the general partner and Maven Property Investments Limited (as alternative investment fund manager)

Loan Details

Loan Purpose	We are asked to provide a 61% LTV gross loan facility, in order to assist with purchase of the target Property.
Gross Loan Amount	£2,257,000
LTV	61%
ICR	2.79x
Serviceability	Rental income currently being received is £445,000 p.a., with interest payments due of £159,570 p.a.
Interest reserve	Proplend will retain £119,677 (9 months interest) from the gross loan amount which will be held on account.
Early Repayment	2% year 1, 1% year 2, no fee thereafter.

Strategy During Loan Term

Post-acquisition, the client will retain the existing tenants and benefit from the income. In parallel, they will be looking to add value through securing planning consent for a purpose built 100 unit studio student accommodation scheme, on the empty first floor and an additional three floors.

Nottingham is a large student city, with two universities with 59,400 full time students and an under supply of student accommodation, the property is well located for both.

Pre-application discussions with planning have been positive regarding the use, scale and massing of the proposed scheme. Given the buildings prominent location, the council have indicated a strong desire to see the building visually enhanced.

Once planning has been achieved, which is expected to take two years, they will look to sell the property with the benefit of the consent.

As well as the day one equity, the borrower will also fund all related acquisition costs, and c.£200,000 in planning costs.



Artist impression of re-cladding of ground and first floor and potential new lightweight structure above (student accommodation).

Property Details

The 27,811 sq ft property comprises two deep retail units arranged over basement, ground and first floors. The ground floor is used as sales space with the first floor used for storage. The basement is currently not demised and is vacant. There is a goods lift providing access between the ground and first floors of the Poundland unit. Both units can be serviced from the rear. The deep floor plates are attractive to retailers enabling more affordable ground floor space.

The property was built as part of the Victoria Shopping Centre, the bulk of which lies on the north side of Lower Parliament Street and is connected at first floor by a bridge link (not included in demise).

The Victoria Centre was constructed in the early 1970s and the subject property was purpose built originally as a single retail unit.

The Property is let to Poundland Limited and Peacocks Stores Limited with an WAULT of 7.5 years.



Location Report

The historic City of Nottingham lies at the heart of the UK and forms the commercial and administrative hub for the East Midlands.

It is situated approximately 130 miles north of Central London and 50 miles north east of Birmingham. Nottingham benefits from excellent communications with the M1 (J25) located approximately 7 miles to the west, providing access to both the M69 and the M18.

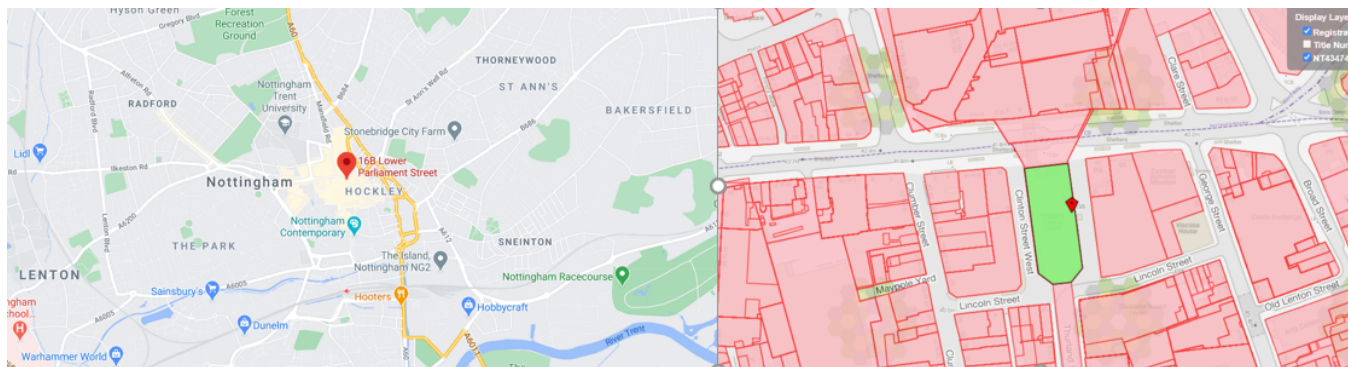
Nottingham Train Station links to key Nottingham amenities and locations including University of Nottingham and Nottingham Trent University campuses and the Market Square.

The property is situated on the prominent island site to the south side of Lower Parliament Street and is bounded by Clinton Street East and Clinton Street West on the flanks and Lincoln Street to the south.

Lincoln Street affords access to a recessed loading bay at the rear of the building. Both Clinton Street East and Clinton Street West are pedestrianised.

The property is across from the main entrance to the Intu Victoria Shopping Centre, approximately 5 minutes' walk to the main Nottingham Trent University Campus and within easy reach of the transport nodes of the city centre.

The new Skills Hub is within 5 minutes' walking distance. Nearby occupiers include Lloyds Bank, Urban Outfitters, Nationwide, Santander, HSBC, JD Sports, Sports Direct, McDonalds and Halifax.



Tenant Details

Tenant	Poundland Ltd	Activity	Retail Discount Store
Lease Type	IRI	Lease Start Date	27/01/2014
Months to Lease Break	98	Lease Expiry	26/01/2029
Contracted Rent (£ p.a.)	£350,000 p.a.	Occupation Level (%)	100%

Tenant Description	Poundland is a British variety store chain that has established itself as one of the UK's leading High Street names. The chain was founded in 1990 and has grown to operate from close to 875 stores employing over 10,000 members of staff. The company have recently announced further expansion plans for their value focused fashion brand Pep&Co. They have also broadened their product range to provide frozen foods through their acquisition of Fulton Foods. Whilst Poundland did hibernate some of their stores over lock down, this store remained fully open and trading with the tenant paying rent monthly as expected.		
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Tenant information	Poundland Ltd reported the following figures: <table> <thead> <tr> <th></th><th>30/09/2019</th><th>30/09/2018</th><th>01/10/2017</th><th>27/03/2016</th></tr> </thead> <tbody> <tr> <td>Sales Turnover</td><td>£1,543,234,000</td><td>£1,522,633,000</td><td>£2,245,804,000</td><td>£1,214,818,000</td></tr> <tr> <td>Profit Before tax</td><td>£18,645,000</td><td>£15,290,000</td><td>(£127,838,000)</td><td>£34,653,000</td></tr> <tr> <td>Tangible Net Worth</td><td>£34,442,000</td><td>£17,807,000</td><td>(£115,990,000)</td><td>£20,520,000</td></tr> </tbody> </table>					30/09/2019	30/09/2018	01/10/2017	27/03/2016	Sales Turnover	£1,543,234,000	£1,522,633,000	£2,245,804,000	£1,214,818,000	Profit Before tax	£18,645,000	£15,290,000	(£127,838,000)	£34,653,000	Tangible Net Worth	£34,442,000	£17,807,000	(£115,990,000)	£20,520,000
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Tenant Details

Tenant	Peacocks Stores Ltd	Activity	Retail Fashion Chain
Lease Type	IRI	Lease Start Date	06/03/2020
Months to Lease Break	53	Lease Expiry	05/03/2025
Contracted Rent (£ p.a.)	£95,000 p.a. (rising to £115,000 in March 2022).	Occupation Level (%)	100%

Tenant Description	This property trades as Bonmarché, a brand owned by Peacocks, which in 2012 became part of the Edinburgh Woollen Mill group.		
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Tenant Information	The tenant renewed their tenancy by entering into a new five year lease in March this year. As part of the sale of the property the vendor has agreed that a sum of c£435,000 (equivalent to the rental income due between now and the end of the lease term) will be held in an escrow account, with the ability of the Landlord (our Borrower) to draw down quarterly in the event of a non payment of rent (see below).		
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IMPORTANT:

We note that the property with the benefit of the current leases is considered to be over rented. There are no tenant break clauses within either lease but Poundland has a rent review in 2024. We have stressed the rent numbers on the assumption that the rent received falls to 50% of current levels where the ICR would hold at 1.42x.

The valuer has accounted for the over rented nature of the leases, in what he terms "froth income", when calculating his final valuation on the property and we concur with his assumptions. The valuation was written with the assumption that Peacocks would most likely enter administration and no hope value has been attached to the potential planning uplift.

As of Thursday 19th November 2020, the parent company Edinburgh Woollen Mill Group (who own Peacocks and therefore Bonmarche), confirmed that Peacocks had been placed into administration.

As part of the sale agreement, the vendor will place into an escrow account (solicitor controlled) an amount equating to the balance of Peacocks contractual rent obligation till lease expiry in 2025.

The preliminary terms / mechanics are that subject to full quarterly rental payments being collected by the borrower, an equal amount will be released to the vendor. In addition, subject to four consecutive quarterly rent payments being made, that the residual balance of the escrow will be returned to the vendor. If new lease terms have been agreed with Peacocks or any other tenant at a lower annual rent than currently being paid, the shortfall till the end of the lease term would be withheld before the monies were returned. This agreement will be transferable to successors in title and Proplend Security Limited will hold a charge over this account.

Please note that Bonmarche was already in administration but still trading. The shop was closed during lock down one, reopened, then closed again in lock down 2. It is expected to reopen on 3rd December, subject to local government guidelines.

Security

Main Site	First Legal Charge	Debenture	Debenture Required
Share Charge	Share Charge Not Required	Property Insurance	PSL Interest to be Noted on Completion
Peacock Rent Escrow	Charge		

Exit Strategy

The borrower will look to sell the property either as a whole or separate units once planning has been achieved.

Covenants

LTV Covenant	70%	ICR Covenant	1.35x
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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 on 18/11/2020, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £3,700,000
Vacant Possession Value: £2,350,000
Open Market Rental Value: £227,000.

Report on Title

A Report on Title will be supplied by Paris Smith LLP 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 collective vast experience in projects of a similar size and nature, and only proceed where risk is minimal and healthy returns achievable. Further, the Borrower has received good feedback from the council regarding their pre-application - it is on the strength of this that they are proceeding with the purchase.	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.	The vendor has agreed to a rent escrow account for the Peacocks rental income as noted above. Poundland have continued to trade through the lock down period and should continue to trade as expected given their target market and products. Although the property is over-rented, should the rent reduce to the market rent of £227k per annum, the ICR would still be over our minimum requirement, at 1.42x. In addition, Proplend is retaining a 9 month interest reserve.	Medium
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.	As above, the Borrower comprises a highly experienced Property team, and has received a favourable reaction from their pre-app. In the event that planning is rejected, or protracted, Poundland's rent alone should enable a relatively straightforward refinance with a commercial term loan provider.	Medium
Risk that the Property falls in value due to either macroeconomic or property specific reasons	Uncertainty remains in the economy due to both the global Covid-19 pandemic and Brexit. This could have an effect on the student sector, retail sector and the wider commercial property market in general. The property would have to fall in value by over 35% before the loan principal 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 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 61% 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 LLP
- 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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