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## Annual Review: Grantham Retail

<b>Property:</b>	The George Centre, High Street, Grantham, Lincolnshire, NG31 6LH
<b>Borrower:</b>	Crystal Investment Group Limited
<b>Loan Number:</b>	BORR1691
<b>Review Date:</b>	6/4/2022
<b>Next Review Date:</b>	12/7/2022



### Property Summary

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<b>Market Value</b>	£1,125,000 22/12/2020	<b>Property Income</b>	£115,125
<b>Vacant Possession Value</b>	£2,100,000 22/12/2020	<b>Market Rental Value</b>	£265,000
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Retail
<b>EPC Rating (min. E)</b>	C - E		

## Loan Summary

<b>Total Loan</b>	£663,750	<b>Loan Term</b>	24 months
<b>Interest Rate</b>	65%	<b>Maturity Date</b>	12/1/2023
<b>Interest Expense (p.a.)</b>	£65,711	<b>Interest Reserve</b>	6 Months

## Loan Update (Lease, income and asset management)

The Borrower has continued to perform throughout the loan term, however as expected given the short leases, there has been a relatively high turnover of tenants.

There have been 24 changes of tenancy since loan completion, and the Borrower has increased annualised rents from £115,125 to £172,540. At the time of drawdown, there were 18 vacant retail units (of the 40), 5 vacant offices (of the 6) and 22 vacant car park spaces (of the 41). At the time of writing, there are currently 11 vacant units, 5 vacant offices and 22 vacant car park spaces.

The Borrower has declared that all due rents have been paid, and that there no rent arrears whatsoever. All monthly interest payments have been made by standing order in a timely manner.

The Borrower also advises that Costcutter are interested in occupying one of the larger vacant units, and are conducting their due diligence at the moment (including drawing up site plans and having various surveys carried out).

In terms of maintenance, since drawdown, the Borrower's team of contractors have fully repaired the downpipe, cleared all blockages, and had the damp that had been caused in the surrounding area treated.

They have also made various improvements to a few of the vacant units by redecorating them internally, and the cracked windows in some units have also been replaced. There is a regular programme of maintenance in place at the Subject Property.

## Covenants

<b>LTV</b>	59%	<b>ICR (Day 1)</b>	1.75x
<b>LTV Covenant</b>	65%	<b>ICR Covenant</b>	1.25x
		<b>Current ICR</b>	2.63x

## Repayment Strategy

The Property is likely to be a medium term investment, and a refinance will be required prior to maturity, whether with ourselves, or an alternative Lender.

Longer term, the intention is to obtain planning consent initially to convert the vacant first and second floor space that faces the high street into approximately 25 residential units. This is still at an early stage - the Borrower has had his architect drawn up some plans, and Historic England have visited the site and are (we are advised) keen to support the proposed development.

The Borrower intends to have the full drawings and plans submitted in the next 2-3 months.

## Relationship Manager Comments

The Borrower/Sponsor, as with other loans, has continued to perform as expected, and the ICR in this instance has improved, and is a healthy 2.63x albeit on short tenancy agreements.

All monthly interest payments have been made in a timely manner, as have the provision of our Property Monitoring Report, and insurance renewal documents.

The LTV is reasonable at 59% LTV (covenant 65%) as at the time of drawdown, and a revaluation is, I believe, unnecessary.

The Borrower remains as ever, communicative and responsive, and there are no points of concern currently. The loan is recommended to continue. SB