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Full Loan Request: Park Royal - Industrial

| | |
|---------------------------|--|
| Main Site: | Unit D, The Sunbeam Centre, 23-25 Sunbeam Road, Park Royal, London, NW10 6JP |
| Date: | 07/04/2021 |
| Asset Description: | Light industrial with storage and office space |



Deal Summary

| | | | |
|----------------------------|----------------------|-------------------------|--|
| Loan Type | Commercial Term Loan | Borrower Profile | Letting and Operating of own or leased real estate |
| SIPP Classification | Eligible | Loan Purpose | Purchase |

Property Summary

| | | | |
|--------------------------------|------------|----------------------------|------------------|
| Market Value | £2,100,000 | Property Income | £120,000 |
| Vacant Possession Value | £2,100,000 | Market Rental Value | £157,300 |
| Purchase Price | £2,100,000 | Purchase Type | Open Market |
| Tenure | Freehold | Asset Class | Light Industrial |
| EPC Rating (min. E) | D | Planning Use | B1/2 |

Loan Summary

| | | | |
|----------------------------|------------|--------------------------------|---------|
| Total Loan Required | £1,280,000 | Loan to Value (LTV) | 60.95% |
| Rate of Interest | 6.70% | Interest Cover | 1.40x |
| Loan Term | 36 months | Interest Expense (p.a.) | £85,760 |

| Tranche | Risk | LTV | Loan Amount | Gross Interest | Net Interest | Interest Cover |
|---------|--------|--------|-------------|----------------|--------------|----------------|
| B | Medium | 51-65% | £230,000 | 8.07% | 7.26% | 1.40x |
| A | Low | 0-50% | £1,050,000 | 6.40% | 5.76% | 1.79x |

Borrower Details

| | |
|-------------------------------|--|
| Name | Jad Enterprises Ltd |
| Registration | UK Registered Limited Company |
| Main Business Activity | Letting and operating of own or leased real estate |
| Ownership Structure | George is the sole director and shareholder |

Applicant Details

| | |
|-----------------------|--|
| Name | George Madi |
| Age | 55 |
| Experience | <p>The borrower is an experienced businessman who has been trading two companies Cullen Way Repairs Ltd and AAA Mechanical Repairs Limited. Cullen Way Repairs has been trading since 2012 and AAA has been trading since 2017. Prior to this the borrower was a sole trader and has been working in the motor repair industry for approximately 30 years.</p> <p>In addition, the borrower has a small portfolio of properties two of which are being sold to fund the deposit for this purchase.</p> |
| Credit History | CreditSafe Band 10, LexisNexis Clear |
| Net Worth | £2.36m |

Loan Details

| | |
|--------------------------|--|
| Loan Purpose | Purchase |
| Gross Loan Amount | £1,280,000 |
| LTV | 60.95% |
| ICR | 1.40x |
| Serviceability | <p>Financial accounts received and reviewed for the borrowers trading company Cullen Way Repairs Ltd, who will be the tenant.</p> <p>Accounts for year ending 31st December 2019 show an EBITDA, including add backs of £137,657. This is sufficient to meet the rental income of £120,000 as proposed for the new lease. This also confirms the income used when calculating our ICR.</p> <p>December 2019 are the latest set of financial accounts. The December 2020 accounts have not been prepared as they are not yet due to be filed.</p> |
| Interest reserve | Proplend will retain £42,880 (6 months interest) from the gross loan amount which will be held on account. |
| Early Repayment | 2% year 1, 1% year 2 |

Strategy During Loan Term

The structure of the purchase and tenancy is Opco/Propco. As part of the purchase, the borrower will be moving the trading premises into the subject property. A new lease will be signed between the Opco and Propco for £120,000 per-annum on a 5-year term.

A copy of the draft lease has been provided to confirm the above. The lease will be signed and in place on or before completion.

As the borrower is moving premises and is signing up to a new lease, he is going to build a trading history in the new premises under the newly formed lease. This will potentially allow the borrower more lender options to refinance away at the end of the term.

The borrowers existing premises, which are being sold, are approximately 200ft away from the subject property, so there will be minimal impact to the business.

The client is looking to sell and move premises as the subject property is a larger. This will allow the borrower to increase capacity following and increase in business levels. The trading company has seen an increase in business throughout 2020, this in turn has triggered the borrower to purchase larger premises.

Property Details

The subject property comprises an end of terrace modern purpose-built industrial building which has a single loading bay and eaves height of 6.3 metres (to the haunch), off street parking and first floor offices.

The ground floor comprises the warehouse, loading, storage, and reception, first floor offices and mezzanine for storage.

The valuation report suggests the property is in average condition throughout.

Gross Internal Floor Area: ♦ 8,988 sq. ft. / 835 sq. m (excluding mezzanine) and 11,528 sq. ft. / 1,071 sq. m (including mezzanine area).

All mains' services are connected to this property. Heating and a hot water supply are both provided by a gas fired boiler, as well as three phase electricity. Vehicular loading is provided by a single loading area with a full height electric roller shutter door.



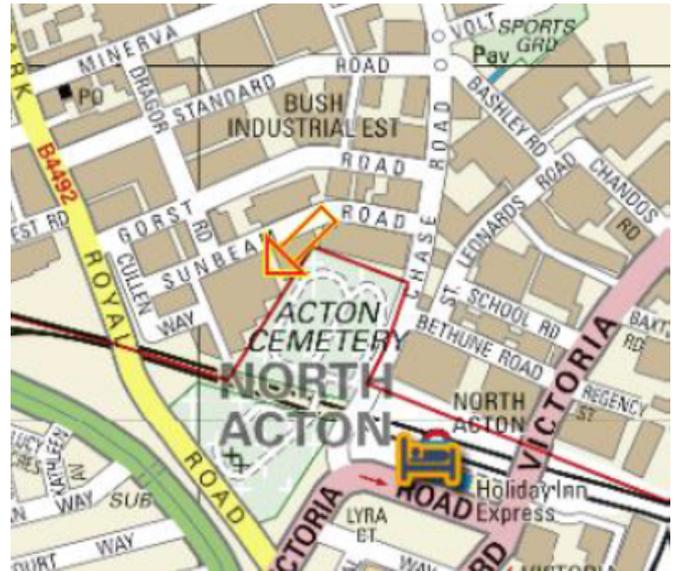
Location Report

This property is located on Sunbeam Road close to its junction with Dragor Road, in the heart of Park Royal. Properties within the immediate vicinity comprise similar commercial/industrial buildings which we judge offer an equal mix of owner occupied and rented units.

This property is situated in a well-established commercial area to the north west of Central London known as Park Royal. It is approximately 7 miles to the north west of Central London. The A406 and A40 are a short drive away giving good vehicular access to the south east road network and the Capital.

All the usual amenities are readily available. The nearest rail services can be found in Stonebridge Park which is just to the west of the subject property. Further wide-ranging facilities can be found further to the north west in the commercial centre of Wembley. This area has built up over the past 60 years or so as one of the main commercial/industrial areas close to Central London.

Various small, medium, and large companies carry out a variety of industrial storage and distribution businesses.



Tenant Details

| | | | |
|---------------------------------|---|-----------------------------|--|
| Tenant | Cullen Way Repairs Limited | Activity | Maintenance and repair of motor vehicles |
| Lease Type | IRI | Lease Start Date | April 2021 |
| Months to Lease Break | None | Lease Expiry | April 2026 |
| Contracted Rent (£ p.a.) | £120,000 | Occupation Level (%) | 100% on completion |
| Lease arrangement | A new lease will be signed on or before completion by the borrower's trading company. | | |
| Tenant strength | Accounts provided and confirm an income of £137,657. | | |

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 | Guarantee from an Individual Director of Jad Enterprises Ltd for the sum of £256,000 | | |

Exit Strategy

The borrower will look to refinance the loan onto a commercial mortgage with a high street lender on or before loan maturity.

Covenants

| | | | |
|---------------------|-----|---------------------|--------|
| LTV Covenant | 70% | ICR Covenant | 1.25xx |
|---------------------|-----|---------------------|--------|

Fees

| | | | |
|------------------------|----|-------------------|----|
| Arrangement Fee | 2% | Broker Fee | 1% |
|------------------------|----|-------------------|----|

Valuation

A valuation of the property was carried out by Capital Value Surveyors on March 2, 2021, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £2,100,000
Vacant Possession Value: £2,100,000
Open Market Rental Value: £157,300

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 sold 2 commercial properties which he is currently trading from to fund the deposit towards acquisition of the subject property.

Medium

The subject property is larger in size allowing the borrower to maintain but also increase business capacity with the increase in size of works space.

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.

It is in the borrowers' interest to maintain current income levels to meet the interest payments as this is an Opco/Propco.

Medium

Latest Financial accounts confirm the borrower has been meeting his current rental obligations and has sufficient income to meet ours.

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 broker had approached other lenders prior to approaching Proplend. Feedback had been that the borrower would need have some trading history under the new premises and new lease. Our loan will allow sufficient time to do this.

Medium

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

Uncertainty remains in the economy due to the global Covid-19 pandemic.

High

The property would though have to fall in value by 39% before the loan principal would be affected.

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 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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