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Full Loan Request: Northampton Commercial Mixed Use

Main Site:	Barratt House, Kingsthorpe Road, Northampton, Northamptonshire NN2 6HT
Date:	29/09/2021
Asset Description:	Two main buildings, first building is a four storey Grade II listed serviced office and second building is a former factory which has been converted into a sports bar, snooker club and a dance studio.



Deal Summary

Loan Type	Commercial Term Loan	Borrower Profile	Letting and operating of own or leased real estate
SIPP Classification	SIPP Eligible	Loan Purpose	Capital Raise

Property Summary

Market Value	£2,870,000	Property Income	£304,391
Vacant Possession Value	£2,735,000	Market Rental Value	£252,000
Tenure	Freehold	Asset Class	Mixed Use (Commercial) - Office/Sports Bar/club and Dance Studio
EPC Rating (min. E)	Office - C Sports Bar/Club - TBC Dance Studio - Expired	Planning Use	E/E/Sui Generis

Loan Summary

Total Loan Required	£1,200,000	Loan to Value (LTV)	41.81%
Rate of Interest	6.50%	Interest Cover	3.90x
Loan Term	36 months	Interest Expense (p.a.)	£78,000

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£1,200,000	6.50%	5.85%	3.90x

Borrower Details

Name	Barratts Leisure Limited
Registration	UK Registered Limited Company
Main Business Activity	Letting and operating of own or leased real estate
Ownership Structure	<p>Barratts Leisure Limited is 100% subsidiary of McManus Group Ltd. This is a dormant company holding this investment.</p> <p>McManus Group is owned by:</p> <p>Gary McManus - 51.8% shares Vivienne McManus - 17.3%, shares and McManus Family pension Trust 30.9% - SSAS pension fund.</p>

Applicant Details

Name	Gary Michael McManus
Age	60
Experience	<p>Gary has 20 years commercial property investment experience and 40 years pub operating and development experience.</p> <p>Barratts Leisure Limited operates as a commercial property investment business managing the Barratts Complex. Primary shareholder/director is Gary McManus</p> <p>As well as operating Barratts Leisure Limited, Gary McManus has a majority shareholding in McManus Pub Group Limited, the owner and operator of 17 freehold and leasehold pubs.</p> <p>McManus Pub Group Limited has traded for 50 years, family owned by Gary and his younger brother Paul McManus.</p> <p>Sales £11.3M , Operating profit £1.1M, Fixed Assets £14.3M and HSBC bank debt £7.3M</p>
Credit History	CreditSafe Band 9 and LexisNexis pass
Net Worth	£10.65m
Additional Information	LexisNexis has flagged up the Borrower as PEP, this is due to the borrowers middle and surname matching with an individual based in USA.

Loan Details

Loan Purpose	Capital raise to invest in potential pub/leisure leasehold opportunities
Gross Loan Amount	£1,200,000
LTV	41.81%
ICR	3.90x
Serviceability	Rental income of £304,391 p/a is being received with interest payments due of £78,000p/a.
Interest reserve	Proplend will retain £39,000 (6 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

The Borrowers will maintain the current tenancy levels and invest in to further pub/leisure opportunities.

Property Details

The property comprises two main buildings that have been sub-divided internally for letting purposes. The accommodation is arranged to provide numerous suites of varying sizes and they are put to a range of different uses.

Barratt House is located towards the front of the site and benefits from a large, surfaced car parking area to the rear. The sports and snooker club is set back from the road in the northern section of the site. This building also includes an office block and a dance studio, which is known as Footshape House.

Barratt House

This is a Grade II Listed former boot and shoe factory that was constructed in 1913. It is understood to be of steel frame construction, with full height brick elevations beneath a pitched main roof that is overlaid in slate tiles. There are single storey and two-storey additions to the rear that are of brickwork construction beneath flat roofs overlaid with mineral felt (or similar) coverings.

The front elevation is a mixture of red brick and stone. The main entrance is via a central doorway which is framed by a projecting porch with stone supporting columns. The ground floor has large arched wooden framed single glazed windows at the front, with traditional shaped windows to the remainder of the building.

There are archways at either end of the building that provide access through to the rear car park and the southern arch leads to a passenger lift that provides access between ground, first and second floor levels.

Sports and Snooker Bar and Offices.

These areas of accommodation are contained within a former factory, an adjacent 3-storey office block and two forecourts / parking areas.

The factory is single storey and was originally constructed in the 1950's and is of brick construction with a traditional north lit roof (believed to be supported on a steel frame) recovered with felt and bitumen. The factory retains original steel-framed windows to the northern elevation. These are blocked by the internal fit out. To the western (front) elevation there is a parapet wall with signage for the Bar. This elevation has traditional timber framed windows and two entrances (both with double doors). A canopy built on to this elevation provides a covered external seating area.

The office building is three storey and may date from an earlier period. It is of brick construction under a flat felted roof. The northern side elevation features embellishments in stone-work. The southern elevation has been clad in steel (to prevent dampness). The western (front) elevation is cement-rendered. This building has replacement upvc framed windows. To the rear, there is a fire exit leading out to a small yard (where there is a brick built store) and a fire escape pathway leading out to a public highway. The ground floor is used as ancillary accommodation by the Sports & Snooker bar, the first floor is partly occupied as the offices of the tenant and partly sublet. The tenant occupies the second floor.

The site is on split levels. The former factory, forecourt and the ground floor of the office block are at a lower level. The rest of the site is at a higher level. The forecourt to the office block is at this level so that access from this forecourt is gained directly into the first floor of the office block through two doors – one used by the tenant and the other by the sublet. Both forecourts are tarmac surfaced. The lower is currently set out as al fresco seating for use with the bar. In addition to the area beneath the canopy covered seating is provided in an open sided marquee. The higher forecourt is laid out for car parking.

Dance Studio (Footshape House)

The Dance Studio is contained within a single storey extension to the factory which may have been added at a later date. It is of brick construction - cement rendered to the southern elevation and has a double pitched felted roof. There are aluminium-framed windows and two sets of doors.

Access is gained over a roadway to the side of the factory (at the higher level) and a pedestrian ramp leads down to the entrance doors. The land to the south of this roadway (the shared car park) is at a higher level again, the difference in levels being accommodated by a brick retaining wall.



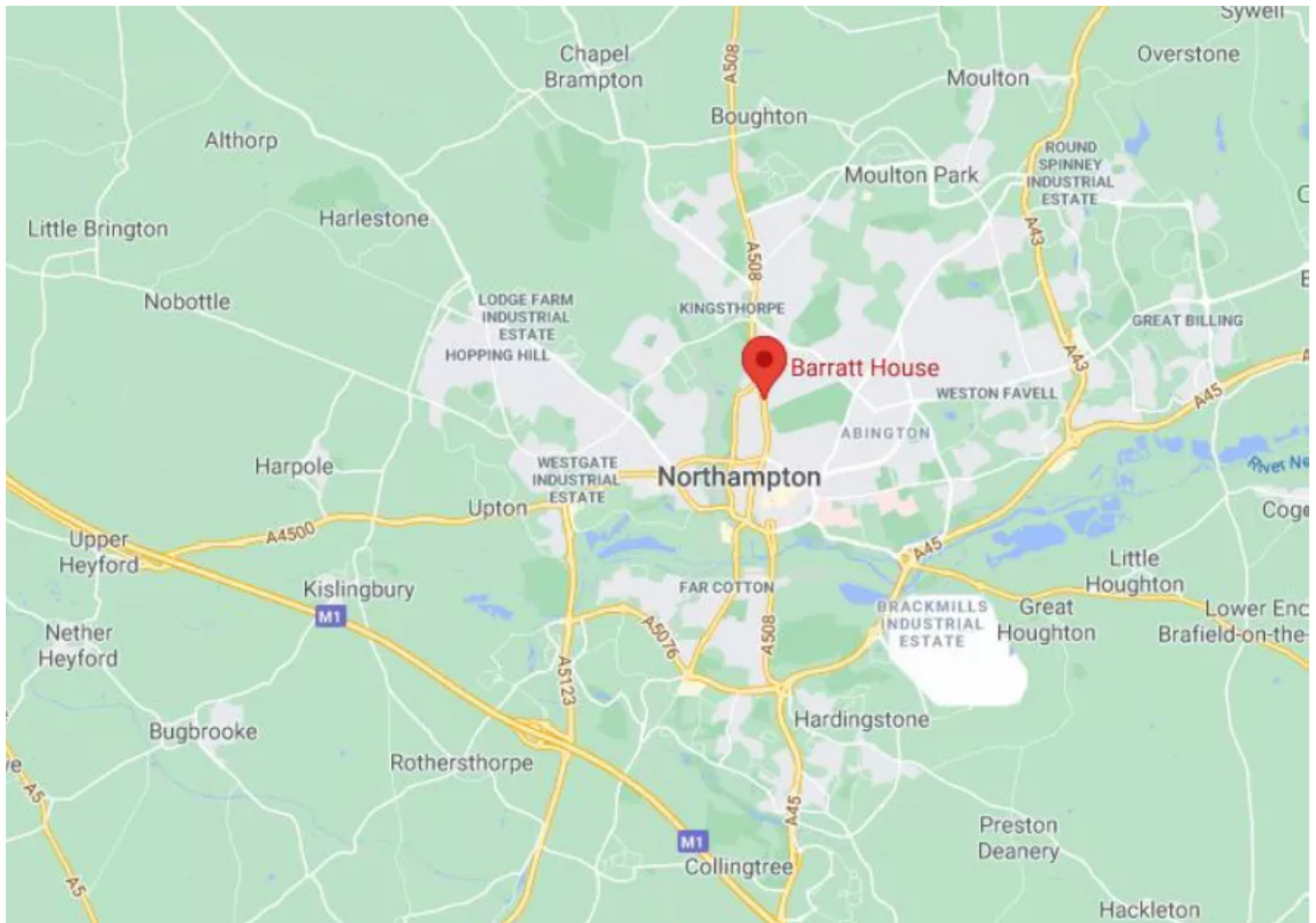


Location Report

The property is situated on the eastern side of the arterial A508 Kingsthorpe Road, approximately 1 mile to the north of Northampton town centre. This is a mixed area with industrial premises to the east, residential properties to the west and the Racecourse park and University campus a short distance to the south-east.

The property does not occupy a position in the town centre or in one of the district centres but is conveniently located approximately half way between the town centre and the suburb of Kingsthorpe with frontage to the main road connecting the two. The residential hinterland surrounding the property is densely populated and the property is accessible from other parts of the town either by private or public transport. The nearest competition of any substance is provided by pubs and bars in and around the town centre and by several public houses with the district centre of Kingsthorpe.

Northampton is the county town of Northamptonshire, situated approximately 60 miles north-west of London, and is well located in a national geographic context, being within a 4 hour drive time of the large majority of the UK population, meaning that over 50 million people may be reached in a return journey, based upon an 8 hour working day. With the growth of national road networks in recent decades, this has enhanced Northampton's prominence as a national distribution location.



Tenant Details

Tenant	Barratt House	Activity	Mixed
Lease Type	Licence	Lease Term	Various, see below
Contracted Rent (£ p.a.)	£111,091	Occupation Level (%)	95%

Tenant	Nature of Tenant	£Rent	Term
Paul Hodgson	Hairdresser	13,860	6 year
Rapier Employment Ltd	Recruitment Agency	3,600	1 year
Office Genie	Call Centre	11,315	1 year
CAPP	Residential Care	4,000	1 year
AURA Commercial Cleaning	Clerical	3,605	1 year
AURA Commercial Cleaning	Clerical	3,605	1 year
J Immaculate Care	Recruitment Agency	4,440	1 year
All About Children Ltd	Clerical	9,373	1 year
Martin Chown	Postal address	332	1 year
Magnificent Makes	Online Gifts	5,148	1 year
Francis H.M.O	Clerical	3,165	1 year
Breman Healthcare Solutions Ltd	Nursing agency	4,800	1 year
	Clerical		
	Clerical		1 year
	Clerical		
Undabo Ltd	Clerical	3,609	1 year
RS Financial Services	Clerical	7,800	1 year
United African Association	Charity	5,460	1 year
FDR Services UK	Security/Care Service	4,392	1 year
Magnificent Makes	Online Gifts	0	
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Carlis Addison	Clerical	3,787	1 year
Trace Debt Recovery	Clerical	5,800	1 year
Trace Debt Recovery	Clerical	13,000	1 year

Tenant Details

Tenant	Dance Studio and Bar/Club	Activity	Mixed
Lease Type	Licence	Lease Term	Various, see below
Contracted Rent (£ p.a.)	£185,500	Occupation Level (%)	95%

Tenant	Nature of Tenant	£Rent	Term
Oncore Dance Studio	Dance Studio	32,000	7 Year
Witty Northampton Ltd	Clerical	13,500	1 Year
McManus Pub Company Ltd	Members Club	125,000	25 years
McManus Pub Company Ltd	Clerical	15,000	25 years

Tenant Details

Tenant	Containers	Activity	Mixed
Lease Type	Licence	Lease Term	Various, see below
Contracted Rent (£ p.a.)	£4,800	Occupation Level (%)	95%

Tenant	Nature of Tenant	£Rent	Term
McManus Pub Company Ltd	Storage	3,200	1 Year
All About Children	Storage	1,600	1 Year

Tenant Description	A detailed tenancy schedule is available within the appendices of the valuation report. The rental p/a for the dance studio has increased to £35k p/a as noted by the Valuer in the report.
Tenant strength	The subject property is 95% occupied with only one tenant (hairdresser) in a rent free period due to lockdown. The oldest has been in situ since 2001 with most recent in occupation since January 2021.

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	Joint and Several Guarantee from the Directors and Shareholders of Barratts Leisure Limited for the sum of £240,000		

Exit Strategy

Over the next three years the Borrower intends to refinance on to a longer term lender.

Covenants

LTV Covenant	47%	ICR Covenant	2.00x
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Fees

Arrangement Fee	2%	Broker Fee	0%
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Valuation

A valuation of the property was carried out by Underwoods LLP on 15/06/2021, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £2,870,000
Vacant Possession Value: £2,735,000
Open Market Rental Value: £252,000

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
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Risk that the management of the Borrower is not able to execute their business plan.	The borrower is a highly experienced and professional landlord. He has successfully owned and managed the subject property for over 20 years.	Medium
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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.	There is a diverse number of businesses who let office space in the subject property. The borrower has confirmed that all tenants bar one which is a hairdressers have continued to make their rental payments during COVID.	Medium
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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 borrower has looked at options with their bank and has suggested once they have built up a rental history, they will be able to refinance to a longer term lender.	Medium
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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. However the property would have to fall in value by just under 58% before the loan principal would be affected.	Low
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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
- 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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