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Full Loan Request: Manchester Mixed Use

Date:	07/01/2022
Main Site:	10 ,10a ,12 & 12a Eastway, Sale, Manchester, M33 4DX
Property Description:	Large corner double fronted retail unit with x2 flats above.
Loan Summary:	Borrower would like to cap raise against the subject property. Prior to our loan the Borrower had a 1st legal charge with Bridging lender KSEYE, this was repaid in October 2021 using funds given by various family members. The Borrower is raising capital against the unencumbered property to repay his family members as well as repay his personal loan/credit card with circa 30k debt.



HIGHLIGHTS

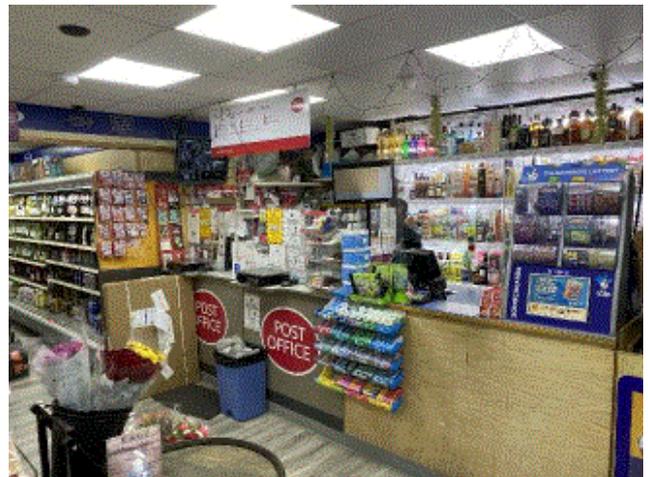
Loan Type	Commercial Term Loan	SIPP Eligible	No
Property Value	£495,000	Passing Income	£41,400
Gross Loan	£262,350	Loan to Value (LTV)	53%
Blended Interest Rate	6.60%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£14,850	8.60%	7.74%	2.39x
A	Low	0-50%	£247,500	6.48%	5.83%	2.58x

PROPERTY			
Market Value	£495,000	Passing Income	£41,400
Vacant Possession Value	£405,000	Estimated Rental Value	£41,800
Tenure	Freehold	Asset Class	Mixed Use (Residential)
EPC Rating (min. E)	Shop (10 & 12) - B Flat 10a - D Flat 12a - D	Planning Use	E

Property Details

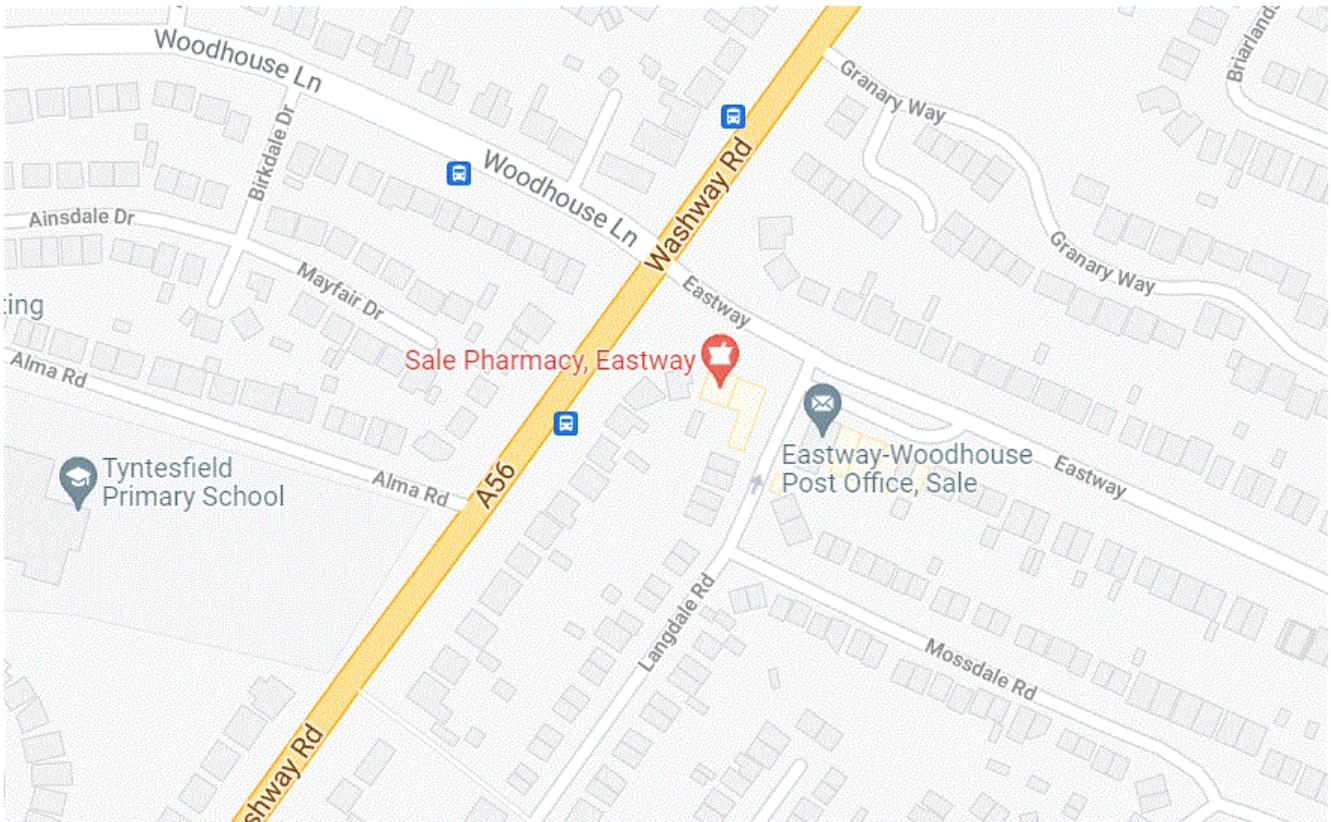
Substantial corner convenience store with two first floor flats, constructed in 1920's. Brick elevations, likely cavity, with most timber but some upvc windows. Pitched and tiled roof with floors being a mix of solid and suspender timber.





Location Report

Sale is a large town in Trafford, Greater Manchester within the historic boundaries of Cheshire, now acting mostly as a commuter town with population of 135,000. Areas such as Manchester 6.5 miles away.



Tenant Details

Tenant	Mace Convenience Store and Individual	Business Activity	Off Licence/Renting
Lease Type	FRI & AST	Lease Start	Various

Tenant Details

Months to Lease Break	N/A	Lease Expiry	Various - see below
Passing Rent (£ p.a.)	£27,486 prior 14/10/21 - now £41,400	Occupancy Level (%)	100%

Address	Tenant Name	Passing rent pcm/pa	Lease Expiry	Notes
12a	Private Individual	£850 / £10,200	Expires March 2024	Standard AST
12	Private Individual	£6,886 and £10,400 – total £17,286	Expires October 2021 across 2 leases.	Commercial lease effective FRI

Tenant Description

Shop 10 & 12 and flat 10a mix of AST and commercial lease with total passing rent £27,485 p/a prior 14/10/2021. New lease for commercial (Shop 10 & 12) as of 14/10/2021 at £30,000 passing rent p/a. Flat 10a is currently vacant due to refurbishment which the Borrower completed using his own funds. Borrower has tenants ready to move in between 12th-15th January with passing rent at circa £8,200 p/a.

Separate duplex Flat 12a, lease due to expire March 2024 with passing rent at £10,200 p/a. Passing rent increased by £100 as of November 2021 therefore new passing rent £11,400 p/a.

Prior 14/10/21, shop 10 & 12 and flat 10a above let on two leases at total passing rent £17,286 p/a as per above table from Valuation. The lease expired October 2021 and a new lease has been provided with £30,000 passing rent p/a. Due to the previous lease being in place for 15 years with no change there has been a rent increase of £12,714.

The £30,000 new passing rent is from 14.10.21 to 14.10.24, with a rent review on 14.10.24 and then annually until the end of the term (13.10.27) The rent will be reviewed on an upward only open market basis with increase by approximately 4%.

There is a post office in the shop which is run by the tenant, this rental is in the current lease and there is no split.

Therefore new total passing rent as of 14.10.2021 is £41,400 p/a for shop 10 & 12 and Flat 12a.

Tenant strength 4 months bank statements provided showing sufficient rental income being received as stated above.

Valuation Commentary

A valuation of the property was carried out by Bradley Hall on 15.10.21, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- Asbestos report recommended - this has been provided and no Asbestos was identified.
- Coal mining search to be obtained - requested by our solicitors.
- Works recommended on the flat - Borrower completed this in November using his own funds

Valuation Numbers

Market Value	£495,000	Vacant Possession Value	£405,000
Passing Rent	£41,400	Estimated Rental Value	£41,800
Rent psf	£150psf	Re Instatement Value	£600,000

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.

LOAN

Gross Loan	£262,350	Loan Purpose	Capital Raise
Loan Term	36 months		
Loan to Value (LTV)	53%	LTV Covenant	58%
Interest Cover Ratio (ICR)	2.39x	ICR Covenant	1.25x

LOAN

Rate of Interest	6.60%	Interest Expense (p.a.)	£17,315
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Serviceability Rental income of £41,400 p/a is being received with interest payments due of £17,315 p/a

Interest Reserve Proplend will retain £8,658 (6 months interest) from the gross loan amount which will be held on account.

Fees

Arrangement Fee	2% - of which 1% commitment fee has been paid by the Borrower, therefore only 1% arrangement fee deducted on completion	Broker Fee	1%
Early Repayment	1% year 2, no fee thereafter.	Exit Fee	1% applicable if loan passes maturity date.

Business Plan During Loan Term

The Borrower will continue to run the business as a convenience store with flats above during the term of our loan. The property is a long term investment, and the Borrower will continue to maximise rents and make improvements to the subject property as and when necessary.

Exit Strategy

This is a long term investment for the Borrower, the Borrower will look to refinance at the end of the term with a long term lender. Proplend may offer a new loan depending on how the Borrower manage their account throughout the term of our loan.

Security

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

BORROWER

Name	Umeshkumar Parekh
Registration	Personal Capacity
Main Business Activity	Property Investor
Ownership Structure	The proposed Borrower is a commercial property investor borrowing in their personal capacity.

Sponsor

Name	Umeshkumar Parekh
Age	49

Sponsor	
Relevant Experience	<p>Umeshkumar is an experienced property investor and has owned and managed several businesses and properties across Blackpool and Manchester. He has 28 years experience in retail and 7 years in hospitality.</p> <p>The properties he has owned and managed varies from hotels, to shops and residential investment properties and therefore holds knowledge within different property asset classes.</p> <p>Umeshkumar net worth is £945,500 of which he solely owns the subject security and holds 50% ownership on four other properties with his brother.</p>
Credit History	<p>CreditSafe Band Score - 6 Lexis Nexis - Pass</p>

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	<p>The Borrower is an experienced property investor and prior to our loan has operated this type of business. He intends to continue running the business as an off-licence with flats above and maximise profits where achievable to enable a smooth exit as planned.</p>	Medium

Lender Risks	Mitigant	Risk Level
<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>New lease put in place for commercial valid until 2027 at £30,000 passing rent p/a with upward rent review.</p> <p>Though Flat 10a is currently vacant, and the lease for flat 12a will expire prior our term, even if the total passing rent dropped to £30,000 p/a, with our annual interest at £17,315 p/a this is more than sufficient to cover Proplend monthly interest payments with ICR being sufficient at 1.73x. However flat 10a is looking to be occupied by January.</p> <p>4 months bank statements has been provided showing sufficient rental income being received. Six months reserve has been taken for further comfort.</p> <p>Furthermore the interest cover is more than sufficient at 2.32x.</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>With low LTV at 53%, the Borrowers exit strategy is not unrealistic. As long as the LTV is maintained and rents continue as currently or at a higher level refinance will be feasible.</p>	<p>Medium</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>Uncertainty remains in the economy due to the global pandemic and there is a risk that the property may fall in value, however at 53% LTV, the property would have to fall in value by 47% for our loan to be affected.</p>	<p>Medium</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 75% 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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