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Full Loan Request: Hinckley Offices

Main Site:	Second Floor Offices, 1-9 Castle Street, Hinckley, LE10 1DA
Date:	22/9/2021
Asset Description:	7,800 sq ft of second floor office space, let to four separate tenants.



Deal Summary

Loan Type	Commercial Term Loan	Borrower Profile	Property investor
SIPP Classification	SIPP Eligible	Loan Purpose	Capital Raise

Property Summary

Market Value	£490,000	Property Income	£27,000
Vacant Possession Value	£500,000	Market Rental Value	£48,500
Tenure	Long-leasehold (a 999-year lease from 2005)	Asset Class	Office
EPC Rating (min. E)	E	Planning Use	E

Loan Summary

Total Loan Required	£294,000	Loan to Value (LTV)	60%
Rate of Interest	6.50%	Interest Cover	1.41x
Loan Term	36 months	Interest Expense (p.a.)	£19,110

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£49,000	8.00%	7.20%	1.41x
A	Low	0-50%	£245,000	6.20%	5.58%	1.78x

Borrower Details

Name	KSSJ Properties Limited
Registration	UK Registered Limited Company
Main Business Activity	The proposed Borrower is a professional commercial property investor.
Ownership Structure	The Borrowing entity is 25% owned by each of the four Directors; <ul style="list-style-type: none"> - Abul Kalam Shofraz-UI Musa Miah - Abul Khowser Shoyez-UI Issa Miah - Abul Kashem Moniul Reza Miah - Shoyeb Hussain Miah.

Applicant Details

Name	Abul Kalam Shofraz-UI Musa Miah, Abul Khowser Shoyez-UI Issa Miah, Abul Kashem Moniul Reza Miah & Shoyeb Hussain Miah
Age	38, 32, 45 & 41 respectively.
Experience	<p>The Directors own and run Crystal & Co (Crystal Investment Group Limited), and have been selling, letting and managing property since 2002.</p> <p>They operate a local agency based in Isleworth and Slough, and manage over 300 UK properties, predominantly in the West London and Home Counties area. They are also a member of the Property Ombudsman scheme.</p> <p>The Directors and Shareholders are brothers. They also run Vantage Housing Group, which is a social housing provider with a turnover in the region of £600k and has been established since 2012. They collectively have a business and property portfolio in excess of £15 million pounds, and are proud to have never defaulted on any loan, or been late with a mortgage payment or any secured or unsecured credit.</p>
Credit History	Strong - CreditSafe risk bands 9-10.
Net Worth	<p>Abul Kalam Shofraz-UI Musa Miah - £2,289,167</p> <p>Abul Khowser Shoyez-UI Issa Miah - £1,415,500</p> <p>Abul Kashem Moniul Reza Miah - £2,298,167</p> <p>Shoyeb Hussain Miah - £2,149,667.</p>
Additional Information	<p>This Borrower has been known to Proplend since 2017, and is party to the following outstanding loan, which is Active - Good Standing;</p> <ul style="list-style-type: none"> - Grantham Retail, £663,750 <p>...and was also behind the following loans, both fully redeemed;</p> <ul style="list-style-type: none"> - Shirley Mixed Retail and Residential, £145,600 - Gloucestershire Residential Block, £462,000.

Loan Details

Loan Purpose	We are asked to provide a 60% LTV gross loan facility on this unencumbered property in order to raise capital required for further property acquisition elsewhere within the group.
Gross Loan Amount	£294,000
LTV	60%
ICR	1.41x
Serviceability	Rental income of £27,000 p.a. is being received, with interest payments due of £19,110 p.a.

Interest reserve Proplend will retain £9,555 (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 Subject Property was acquired in 2015 (within a portfolio including Coral below, and one other property purchased for £800k). They have since spent c£150k on a comprehensive refurbishment of the entire floor, and have since sold off the other assets acquired within that portfolio, and paid off the debt.

The refurbishment comprised of new suspended ceilings throughout, new carpets, all walls newly plastered, 15 new glass-partitioned offices, new kitchenettes, bathrooms, and new wiring and plumbing throughout.

The Borrower will continue to maximise rents during the term of our loan, whilst exploring the residential conversion as below, under permitted development.

Property Details

The building comprises a 1970s, 3-storey mixed use property with retail shops to the ground floor, offices to the first and second floors, and residential flats to the third storey of the section fronting Market Place. The retail and residential accommodation do not form part of our security.

The offices suites comprise the second floor of the whole building, and are split into four separate office suites, accessed via Castle Street or via the car park to the rear, with ground floor access. The car park has ten designated spaces for the second floor office occupants.

The site is an irregular shaped plot with the building itself occupying an L-shaped section of the total site fronting Castle Street and Market Place.

The boundaries are easily definable being the neighbouring properties, or the rear car park boundary wall.

Access to the car park is via Church Walk, with vehicles signed in by a secure camera.

The overall GIA is 7,632 sq ft on a plot size of approximately 0.37 acres.

The premises are held on a 999 year lease from 2005 at peppercorn ground rent.



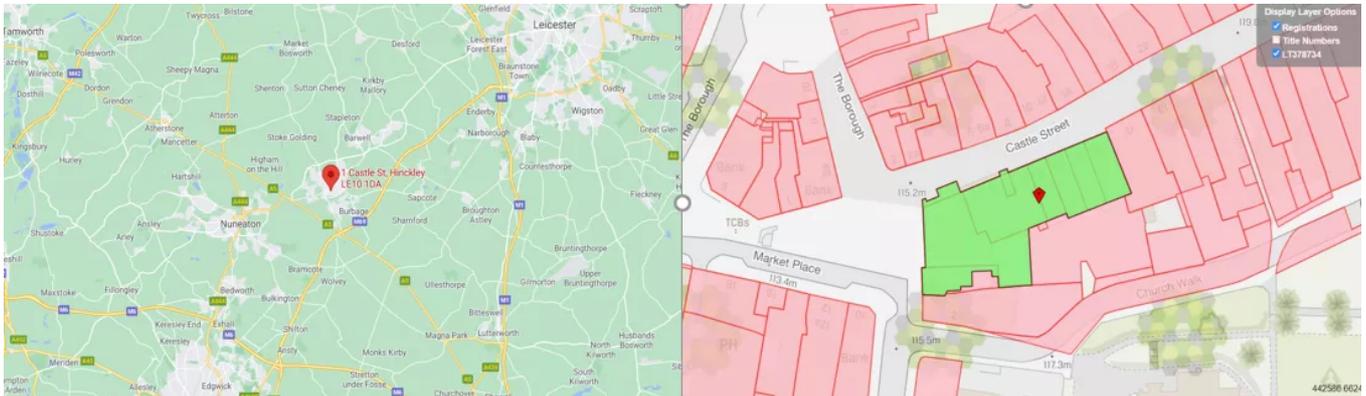
Location Report

The Subject Property is situated fronting Castle Street, which is the main pedestrianised shopping street in Hinckley, with the area being predominantly retail, and some office use.

The Property also fronts Market Place and has a private car park to the rear, accessed via Church Walk.

Hinckley itself has good communication links northwards via the A5 to Tamworth and the M42, southwards via the A5 to Rugby, Daventry and Northampton, eastwards via the M69 to Leicester, and westwards to Coventry and the M6.

Main line railway services are available from Hinckley railway station, which is approximately 0.5 miles to the south of the Property.



Tenant Details

Tenant	Acorn Training Ltd	Activity	Business Training
Lease Type	FRI	Lease Start Date	10/10/2019
Months to Lease Break	40	Lease Expiry	9/10/2024
Contracted Rent	£10,000 p.a.		
Tenant Description	A national training provider delivering apprenticeships, online courses, employability programmes, justice services, skills & career development.		
Tenant Strength	Reasonable - accounts to 31/3/2020 show positive NW of £539.2k.		

Tenant Details

Tenant	Kennacott Management Limited	Activity	Business consultancy
Lease Type	FRI	Lease Start Date	1/12/2020
Months to Lease Break	53	Lease Expiry	30/11/2025
Contracted Rent	£6,000 p.a.		
Tenant Description	Aside from Acorn Training above, the remaining tenants are all part of the same construction group, and under the same ultimate beneficial ownership.		
Tenant Strength	Weak - accounts to 31/3/2020 show positive NW of £5.8k.		

Tenant Details

Tenant	Chawston Developments Limited	Activity	Construction
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Lease Type	FRI	Lease Start Date	1/12/2020
Months to Lease Break	53	Lease Expiry	30/11/2025
Contracted Rent	£5,000 p.a.		

Tenant Description	Local housebuilder.		
Tenant Strength	Weak local covenant - newly formed, no accounts yet filed.		

Tenant Details

Tenant	Hard Drive Construction Limited	Activity	Construction
Lease Type	FRI	Lease Start Date	28/12/2020
Months to Lease Break	54	Lease Expiry	27/12/2025
Contracted Rent	£6,000 p.a.		

Tenant Description	Local housebuilder		
Tenant Strength	Weak - accounts to 31/3/2020 show a positive NW of £1.4k.		

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 KSSJ Properties Limited for the sum of £60,000.

Please note that the Directors and Shareholders have also provided the following Guarantee;
- Grantham Retail, £164,125.

Exit Strategy

Option 1 is to redevelop into flats, as historically the property had Permitted Development for conversion into residential units. It is most likely that they will redevelop the property to residential flats and seek a development finance facility approaching maturity, with one of the other lenders they also enjoy a good relationship with.

Option 2 would be to refinance with their high street bank onto a cheaper term loan (they were the previous lender before the previous mortgage was paid off).

Option 3 is to sell the property.

Covenants

LTV Covenant	65%	ICR Covenant	1.25x
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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 Harwoods Chartered Surveyors on 10 June 2021, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £490,000
Vacant Possession Value: £500,000
Open Market Rental Value: £48,500

Report on Title

A Report on Title will be supplied by Dutton Gregory 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.

This loan is to an existing and experienced property professional, with a good Proplend track record to date.

Medium

The Property is in a good location and has strong potential.

The Borrower has successfully executed their business plan elsewhere in their portfolio consistently over recent years.

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 rent is spread across four tenants which somewhat de-risks albeit by way of local covenants.

Medium

Comfort is further gained by the holding of a six month Interest Reserve.

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 has a good track record in achieving his Exit Strategy, including with the now repaid Shirley and Gloucestershire Proplend loans, both of which were fully redeemed within term.

Medium

The Borrower enjoys good relationships with other Lenders, as well as ourselves, and this should prove a relatively straightforward refinance exercise approaching maturity, whether onto development finance if PD is reinstated, or on a straight refinance as is, if it is not.

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

The Property may dip in value at any point throughout the loan term, however the Borrower has a good track record of increasing rental income over time, maintaining a sensible LTV, and either obtaining planning or successfully refinancing away at more competitive terms.

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 65% 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 Dutton Gregory
- 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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