

Private and Confidential.

The information contained in this document is solely for the reader and is not to be disclosed to any third parties or in any way republished on any third party forums. Any Lender doing so will be in breach of clause 19.2 of the Proplend Members Agreement.

Full Loan Request: Brighton Offices Refinance

Main Site:	1 Clifton Mews, Clifton Hill, Brighton, BN1 3HR
Date:	19/7/2021
Asset Description:	A purpose-built 3-storey office building within a gated Mews-style development, providing 2,606 sq ft office space.



Deal Summary

Loan Type	Commercial Term Loan	Borrower Profile	Commercial property investor
SIPP Classification	SIPP Eligible	Loan Purpose	Refinance & Capital Raise

Property Summary

Market Value	£960,000	Property Income	£123,388
Vacant Possession Value	£960,000	Market Rental Value	£69,000
Tenure	Freehold	Asset Class	Office

EPC Rating (min. E)

D

Planning Use

E

Loan Summary

Total Loan Required

£550,000

Loan to Value (LTV)

57.29%

Rate of Interest

6.65%

Interest Cover

3.37x

Loan Term

24 months

Interest Expense (p.a.)

£36,575

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£70,000	8.02%	7.22%	3.37x
A	Low	0-50%	£480,000	6.45%	5.80%	3.99x

Borrower Details

Name	Two GB Limited
Registration	UK Registered Limited Company
Main Business Activity	The Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Property.
Ownership Structure	The Company is owned 50:50 between David Pounds and his wife Debra.

Applicant Details

Name	David Pounds
Age	60
Experience	David Pounds was a film engineer in the TV industry but he now works as a video/film consultant. He purchased the Property in 2007 and he has managed the property and tenants since then.
Credit History	Strong - CreditSafe risk band 10.
Net Worth	£2.105m.

Loan Details

Loan Purpose	We are asked to provide a 57% LTV gross loan facility in order to refinance the existing Brighton Offices loan. There is also an additional £30k capital being raised which will be used to make improvements to the Subject Property. The Borrower has conducted his account with us in an exemplary manner, to date.
Gross Loan Amount	£550,000
LTV	57.29%
ICR	3.37x
Serviceability	Net rental income of £123,388 p.a. is being received, with interest payments due of £36,575 p.a.
Interest reserve	Proplend will retain £18,288 (6 months interest) from the gross loan amount which will be held on account.
Early Repayment	2% first 6 months, 1% months 7-12, no fee thereafter.

Existing Facility

Lender	Proplend	Expiry	24/7/2021
Amount Outstanding	£485,000	Status	Active - Good Standing
Rate	6.75%		
Existing Facility Description	A 3-year commercial term loan.		

Strategy During Loan Term

The Borrower intends to continue to maximise rents throughout the loan term, in order to be able to refinance at more preferential terms.

The £30k capital being raised will be used to make improvements to the Subject Property - a new boiler is required, a new alarm, rewiring, improvements to the woodwork, and a contingency for future improvements throughout the next two years.

Please note that at the time of the valuation inspection, a skylight was being replaced, hence there was scaffolding up at the time. This work has now been completed.

Property Details

The Subject Property is a purpose-built 3 storey office building within a gated Mews style development with a mix of other similar office buildings and some residential accommodation. It is believed to have been constructed in the 1980s.

The Property forms part of a terrace of 5 similar buildings all similarly sold on a Freehold basis and occupied as office accommodation.

To the first floor both front and rear there is access onto balcony areas via timber and glazed doors with asphalt covering to the rear and timber decking to the front.

The development is a Mews style one with a gated access and, as well as the office buildings on site, there is also a residential element. The development is situated to the rear of residential properties fronting onto Clifton Hill. To the front of the development there is communal vehicular parking.

The property is occupied on a Licence arrangement with 7 No. occupiers with a degree of shared facilities. There is a degree of inter-connection and non-exclusive use/occupation and on the ground floor the rear occupiers are allowed to pass through the front office unit for access, although on the upper two floors the front and rear occupiers use the side access doorway.





Location Report

The Subject Property is Situated in a mainly residential location just to the north of Brighton retail city centre less than half a mile and a similar distance west of Brighton railway station.

The property is in a reasonably modern Mews development with a gated access off the north side of Clifton Hill and is situated to the rear of residential properties in Clifton Hill.

The main retail areas of Western Road and Churchill Square covered shopping centre is within walking distance to the south as is Queens Road which leads in turn to Brighton mainline railway station.

There is good public transport links both from the station and with bus services from Western Road and Queens Road.

There is on-street parking within the surrounding roadways mainly controlled by resident parking permits and/or pay and display.

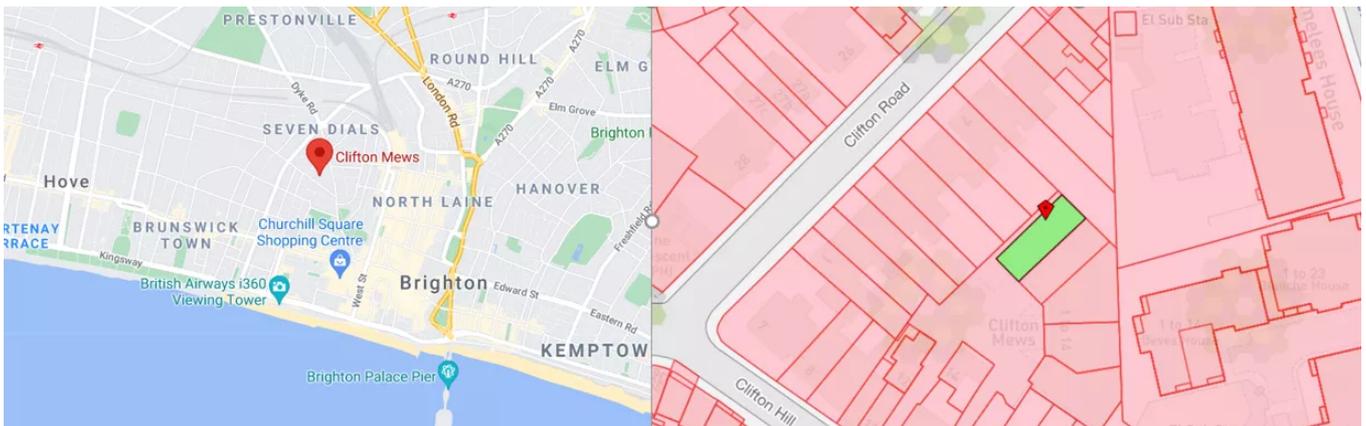
Road transport is the A259 east/west coast road and the A23 out of the city to the north which leads onto the M23 to London and Gatwick and then the M25 Orbital Motorway Network.

Train services from Brighton are to London/Victoria in approximately 1 hour and Gatwick Airport in 44 minutes and with services east and west along the coastway route.

The Brighton and Hove conurbation lies on the South Coast approximately 50 miles directly south from central London. The City of Brighton has a residential population of approximately 250,000 and has a catchment population of some 500,000 within 10 miles and boasts two universities, The Lanes, the Royal Pavilion, the i360 and the Brighton Palace Pier, which is the UK's second most popular free tourist attraction.

The conurbation benefits from improved road communications with the A23, being dual carriageway to the M23 (18 miles to the north) and the motorway network beyond. Regular rail services run to London, Gatwick International Airport (approximately 28 miles to the north) and to London Victoria Railway Station in just under 1 hour.

Brighton and Hove is the South Coast's most popular leisure destination attracting in excess of 5 million people annually including tourists, conference delegates, day-trippers and foreign students.



Tenant Details

Lease Type Licences To Occupy **Lease Start Date** As below

Contracted Rent £128,340 p.a. gross **Occupation Level (%)** 100%

Monthly Rent (£)	Lease Start	Lease End	Break Date	Break Option (T/L/M)	Next Review Date
1560	Dec-19	Dec-21	6 months notice		Dec-21
375	Aug-20	Aug-21	3 months notice		Jul-21
550	Sep-20	Aug-21	3 months notice		Aug-21
3000	Apr-21	Apr-22	12 months notice		Apr-22
500	Dec-19	Dec-22	6 months notice		Dec-21
2500	Dec-19	Dec-21	6 months notice		Dec-21
1000	Feb-19	Aug-22	12 months notice		Aug-22
1210	Feb-20	Feb-22	12 months notice		Aug-22

Lease arrangement Gross monthly rent of £10,695 is being received, £128,340 p.a.

The Company does, however, need to service the following annual costs:

Car Park rates	£300
Pepperfox	£800
Electricity	£1,800
Gas	£1,800
Water	<u>£252</u>
Total	£4,952

The net rents received per annum therefore is £123,388 p.a.

Tenant strength	TENANT/RENT	CREDIT PROFILE/CREDITSAFE
	Second Impact Games Ltd, paying £18,720 p.a.	77/100 - A - Very Low Risk
	Artsy Clothing Ltd (Ruta), paying £4,500 p.a.	47/100 - C - Moderate Risk (NewCo)
	Edify Content Studio Ltd, paying £6,600 p.a.	71/100 - A - Very Low Risk
	Mayday Assistance Limited, paying £36,000 p.a.	66/100 - B - Low Risk
	Hakuna Ltd, paying £6,000 p.a.	84/100 - A - Very Low Risk
	Star Content Ltd, paying £30,000 p.a.	84/100 - A - Very Low Risk
	Rev Rooms (Sound) Ltd, paying £26,520 p.a.	60/100 - B - Low Risk

Bank statements held on file confirm all rents are up-to-date, and were even throughout the lockdown periods.

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 Individual Guarantee from an Individual Director of Two GB Limited for the sum of £110,000

Exit Strategy

The Borrower will look to refinance with a high street, or challenger bank.

Covenants

LTV Covenant 65% **ICR Covenant** 2x

Fees

Arrangement Fee 2% **Broker Fee** 1%

Valuation

A valuation of the property was carried out by G J Surveying & Management on 23 June 2021, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £960,000
Vacant Possession Value: £960,000
Open Market Rental Value: £69,000

Report on Title

A Report on Title will be supplied by Dutton Gregory LLP 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 Subject Property is in a desirable location, and the Borrower is committed to it.

The Property remains an attractive proposition to a lender such as ourselves, but less so to a high street lender, due to the nature of the tenancy agreements.

However, there is plenty of ICR cover as above, and a sensible LTV.

Medium

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 Borrower has always serviced his monthly interest payments in good time, as well as respond to housekeeping issues, such as the quarterly monitoring report, and the provision of insurance renewal documents, also in a timely manner.

Clearly the Property is over-rented, however, even at the market rent of £69k p.a. the ICR would still be a healthy 1.89x.

Further comfort may be taken in the holding of a 6-month Interest Reserve.

Low

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 is an experienced property professional, and has a good track with Proplend, to date.

As above it is not unrealistic to expect this to be an attractive lending proposition to an alternative lender in two years time, dependant on their credit policy as that time.

Medium

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

Continued wider economic uncertainty lurks, but the Property would need to fall in value by more than the 40% that commercial property prices fell by following the 2008/9 crash,

Medium

before lenders in Tranche B 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 58% 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 LLP
- 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:

The information provided in this Loan Request is provided solely by the applicant and not Proplend Ltd ("Proplend") or Proplend Security Limited ("PSL"). Neither Proplend nor PSL has verified or audited the information in the Loan Request or the Loan Request itself; and the publication of the Loan Request by the applicant on the Service Website does not constitute any approval, endorsement or representation by Proplend or PSL in relation to the Loan Request. Neither Proplend nor PSL provides any warranty, representation or undertaking as to the accuracy, timeliness or reliability of the information in the Loan Request or that the Loan Request or any Due Diligence Material accurately reflects the risks associated with the Loan Request; nor does Proplend or PSL make any recommendation or give any advice of any kind in relation to the Loan Request. Expected bad debt estimates are estimates for general guidance only and neither Proplend nor PSL warrant their accuracy or reliability. Lenders should seek their own independent legal, financial, tax or other advice before lending. Capital at risk.