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# Full Loan Request: Ipswich Bistro

<b>Main Site:</b>	15 Regatta Quay, Key Street, Ipswich, IP4 1FH - SK357691
<b>Date:</b>	21/09/2021
<b>Asset Description:</b>	Ground floor and mezzanine/first floor, retail unit, forming a Bistro/Bar



## Deal Summary

<b>Loan Type</b>	Commercial Term Loan	<b>Borrower Profile</b>	Commercial Property Investor
<b>SIPP Classification</b>	Eligible	<b>Loan Purpose</b>	Refinance & Cap Raise

## Property Summary

<b>Market Value</b>	£470,000	<b>Property Income</b>	£42,000
<b>Vacant Possession Value</b>	£470,000	<b>Market Rental Value</b>	£46,000
<b>Tenure</b>	Leasehold (118 years unexpired)	<b>Asset Class</b>	Restaurant
<b>EPC Rating (min. E)</b>	B	<b>Planning Use</b>	E

Loan Summary			
Total Loan Required	£305,500	Loan to Value (LTV)	65%
Rate of Interest	7.23%	Interest Cover	1.90x
Loan Term	36 months	Interest Expense (p.a.)	£22,088

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£70,500	9.03%	8.13%	1.90x
A	Low	0-50%	£235,000	6.69%	6.02%	2.67x

Borrower Details	
Name	LM Investments Ipswich Limited
Registration	UK Registered Limited Company
Main Business Activity	The borrower is the property SPV under an OpCo/PropCo structure
Ownership Structure	Gregory Daniel Morgan and Lorraine Anne Morgan are the directors and shareholders for LM Investments Ipswich Limited. They hold 50% shares each.

Applicant Details	
Name	Gregory Daniel Morgan & Lorraine Ann Morgan
Age	58 & 57
Experience	<p>The clients have been working in the hospitality sector for 15 years. In addition to owning the long lease on the property, they have also been running the Bistro via a separate trading company with a formal lease in place.</p> <p>Due to the mandated closing of restaurants during the past 18 months, on advise they put the trading company into voluntary liquidation. They have set up a new trading company GLD Catering Ltd and have a new lease in place between the Borrowing entity and the Tenant.</p> <p>The Borrowers assets include the Bistro and their main residence.</p>
Credit History	Strong - CreditSafe risk band 10 and Lexis Nexis checks passed for both applicants
Net Worth	£446,700
Additional Information	For Gregory Morgan, Lexis Nexis has passed but has flagged the borrower as a PEP due to name match, however I can confirm this is not related to our borrower as the PEP relates to a US citizen residing in US. Broker has further confirmed the borrower is not a PEP.

Loan Details	
Loan Purpose	The Borrower would like to capital raise against the property to refinance their existing first charge lender Barclays as well as partially repay Barclays their bounce back loan which was taken out during lockdown.
Gross Loan Amount	£305,500
LTV	65%
ICR	1.90x

<b>Serviceability</b>	Rental income of £42,000 p/a is being received with interest payments due of £22,088 p/a.
<b>Interest reserve</b>	Proplend will retain £11,044 (6 months interest) from the gross loan amount which will be held on account.
<b>Early Repayment</b>	2% year 1, 1% year 2, no fee thereafter

## Existing Facility

<b>Lender</b>	Barclays	<b>Expiry</b>	To be repaid ASAP
<b>Amount Outstanding</b>	£272,279 as of June 2021	<b>Status</b>	Up to Date

<b>Existing Facility Description</b>	All loan payments are up to date with Barclays, however due to the unfortunate circumstances with the related company going into insolvency, Barclays does not want to continue the loan therefore calling the loan in.
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## Strategy During Loan Term

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.

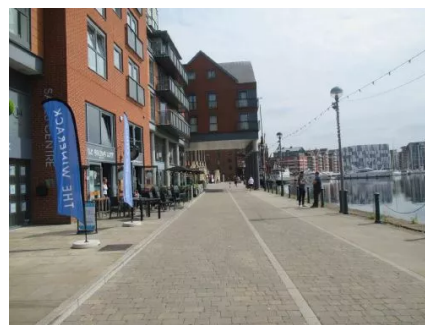
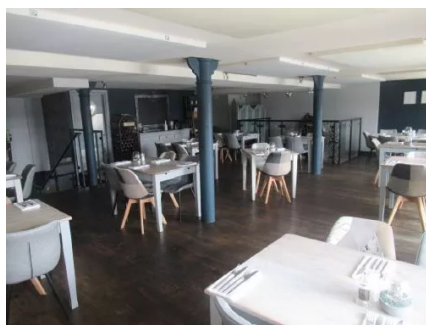
The Bistro already has an upper hand against its surrounding competitors as the Bistro provides Weddings and Private hire as well as live music on Sunday's, which in return has potential to maximise revenue.

## Property Details

The subject property comprises the leasehold interest in a ground floor and mezzanine/first floor, retail unit, forming a 2,524 sq ft Bistro/Bar, forming part of a six storey, mid terraced property which we understand was originally a warehouse, judges to have been constructed circa 1900s, although likely with later additions, as the rear section appears to have been redeveloped circa 2005/2006.

The property is of solid brickwork construction, with steel column beams, beneath a pitched covered roof. The rear element appears to be cavity brickwork construction, beneath the same pitched and covered roof.

Floors throughout the building are a mixture of solid concrete and suspended timber construction. Natural lighting and ventilation is provided by double glazed PVC framed windows.



## Location Report

The subject property is located in a secondary trading location along Regatta Quay, a pedestrianised road fronting the Neptune Marina, off its junction with Key Street, within Ipswich (Ipswich Borough Council). The parade comprises mainly local retail covenants and serve café/eateries at the ground floor level with upper parts largely in residential use.

Ipswich is a tourist attraction with "Ipswich Historic Waterfront" nearby. The shop will serve the immediate adjacent residential population together with tourists with a certain amount of passing trade.

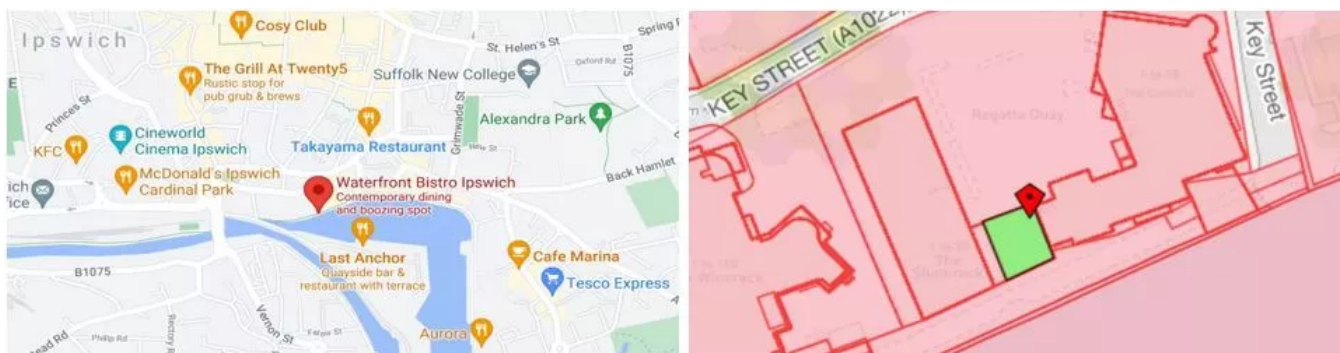
Some notable nearby national multiples include Pizza Express (neighbouring subject), Premier Inn & Travelodge, with the renowned five star hotel Salhouse Harbour also situated nearby.

Ipswich is a typically densely populated port town and borough, forming part of Suffolk, located approximately 10 miles away from the mouth of the River Orwell and the North Sea and is surrounded by two areas of outstanding natural beauty, being Suffolk Coast & Heaths, together with Dedham Vale.

Ipswich is situated approximately 40 miles south of Norwich, 45 miles South-East of Cambridge and 67 miles North-East of London.

Away from the retailing pitch Ipswich represents a "medium value" Suffolk residential suburb, comprising properties of varying eras, targeted at predominately the middle income groups.

Ipswich mainline station is situated nearby, offering a frequent commuter service, with numerous bus routes also serving the surrounding area.



## Tenant Details

<b>Tenant</b>	GLD Catering Ltd	<b>Activity</b>	Licensed restaurant serving food and beverage
<b>Lease Type</b>	FRI	<b>Lease Start Date</b>	17/05/2021
<b>Months to Lease Break</b>	N/A	<b>Lease Expiry</b>	17/05/2026
<b>Contracted Rent (£ p.a.)</b>	£42,000	<b>Occupation Level (%)</b>	100%

<b>Tenant Description</b>	<p>The tenant is a new entity, also owned by the Borrower with a new 5 year inter-company lease</p> <p>Gregory and Lorraine are the shareholders, and their daughter is a director. The bistro re-opened for business when lockdown lifted and has been popular with tables overlooking the docks.</p> <p>The Borrowers have hired a new head chef to develop their menu by adding colour, texture and flavour to ensure a delicious experience while continually using fresh and quality ingredients which is what makes their customers come back.</p> <p>The Bistro was also featured for an article on Christchurch Creative, an online website with qualified journalists who delivers compelling content to keep the business ahead of other competitors. This has since made the Bistro a popular place to dine.</p>
<b>Tenant strength</b>	Individual recent tenant performance at our security is unknown as the new lease started 17th May 2021 and tenants are paying rental on a quarterly basis with the first instalment due August. However bookings for the month of July has been provided showing strong operating profits.

## Security

<b>Main Site</b>	First Legal Charge	<b>Debenture</b>	Debenture Required
<b>Share Charge</b>	Share Charge Not Required	<b>Property Insurance</b>	PSL Interest to be Noted on Completion



<b>Personal Guarantee</b>	Joint and Several Guarantee from the Directors and Shareholders of LM Investments Ipswich Limited for the sum of £76,375
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## Exit Strategy

The Borrower intends to refinance in two years before their maturity date to a long term lender, as they feel by then they will have two years worth of strong accounts for the new trading company GLD Catering Ltd.

## Covenants

<b>LTV Covenant</b>	70%	<b>ICR Covenant</b>	1.25x
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## Fees

<b>Arrangement Fee</b>	2%	<b>Broker Fee</b>	1%
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## Valuation

A valuation of the property was carried out by Belleveue Mortlakes on 28th July 2021, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Market Value: £470,000  
 Vacant Possession Value: £470,000  
 Open Market Rental Value: £46,000

In the valuation report the valuer calculate lease of 9% yield but puts market value with and without inter-company lease at £470k.

## 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
<b>Risk that the management of the Borrower is not able to execute their business plan.</b>	<p>The Borrower is the property SPV under an OpCo/PropCo structure. The tenant is their daughter, however the Borrowers will be running the business as they did with the previous tenants and therefore are familiar with the location and how the business operates.</p> <p>The exit strategy stated should be feasible for this type of property given the LTV and decent ICR.</p>	<b>Medium</b>
<b>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.</b>	<p>The new tenant started trading as of 17th May 2021 when lockdown eased, as per the new lease the new tenants will be paying quarterly and therefore their first payment will be due 17th August 2021. They are expected to thrive once we are fully out of lockdown, with June takings already being higher than usual.</p> <p>With lockdown easing and the Bistro receiving continuous bookings as witnessed on the booking schedule, Proplend should remain unaffected in this regard with sufficient income being received to cover monthly payments.</p>	<b>Medium</b>

A 6 months interest reserve provides further comfort in an instance of a worse case scenario.

**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.**

With the LTV at 65%, refinance should be achievable with hopefully positive changes in the commercial property market, bringing the appetite back to mainstream lenders whether this be a refinance or sale of the property.

**Medium**

In any circumstance where the borrower is unable to achieve the above, a bridge finance would be an alternative route/option, however this should not be the case.

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

During the loan term there is a risk the wider commercial property market may suffer a drop in values. However due to the nature of the business and the location of where the Bistro is, it is most unlikely the value will depreciate let alone depreciate immensely.

**Medium**

## 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 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:

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