

## 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: Walsall Commercial Mixed Use

<b>Date:</b>	7/10/2021
<b>Main Site:</b>	Bridge House, 47-55 Bridge Street, Walsall, WS1 1JQ
<b>Property Description:</b>	A five-storey partially let freehold leisure, court and office investment with development potential, providing a total Net Internal Area of 75,660 sq ft.
<b>Loan Summary:</b>	We are asked to provide a 63% LTV gross loan facility, in order to raise capital in part to partially replenish some of the funds used in the original acquisition of the Subject Property, and in part to be put towards the acquisition of further investment property.



HIGHLIGHTS			
<b>Loan Type</b>	Commercial Term Loan	<b>SIPP Eligible</b>	Yes
<b>Property Value</b>	£2,550,000	<b>Passing Income</b>	£202,143
<b>Gross Loan</b>	£1,606,500	<b>Loan to Value (LTV)</b>	63%
<b>Blended Interest Rate</b>	7.09%	<b>Loan Term</b>	24 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
<b>B</b>	Medium	51-65%	£331,500	8.59%	7.73%	1.77x
<b>A</b>	Low	0-50%	£1,275,000	6.70%	6.03%	2.37x

PROPERTY			
<b>Market Value</b>	£2,550,000	<b>Passing Income</b>	£202,143
<b>Vacant Possession Value</b>	£2,350,000	<b>Estimated Rental Value</b>	£359,784
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Mixed Use (Commercial)
<b>EPC Rating (min. E)</b>	B-E (F for units 7b, 7c & 8 - currently vacant).	<b>Planning Use</b>	E

## Property Details

The subject Property comprises a mixed-use retail and office building built in the early 1900s of traditional masonry construction with brick elevations featuring decorative stonework, surmounted by flat and pitched tiled roofs.

The building was formerly occupied by the Co-Operative until the 1980s. The accommodation is arranged over basement, ground and three upper floors. The Property provides a total Net Internal Area of 75,660 sq ft (7,028.87 sq m).

The Property is arranged on basement, ground and three upper floors to provide five ground floor units, three of which are sold off on long leases.

At ground floor level are five retail units and two communal entrance lobbies off Bridge Street, which provide access via staircases and passenger lifts to the office suites on the upper floors.

The upper parts comprise Walsall County and Family Court together with a number of office suites which are accessed via two large entrance lobbies on Bridge Street.

Each of these entrance lobbies is self-contained and leads to the communal stairway, passenger lift and corridors to serve each suite.

The office suites are positioned around communal corridors, off which are shared kitchenettes and WC facilities.

The basement is largely vacant but has previously been used for storage.

The specification generally comprises solid and suspended ceilings, a combination of fluorescent strip and recessed box panel lighting, plastered and painted walls, carpet floor covering, wall-mounted electric heaters, single glazed timber framed windows (secondary glazing in part), double glazed uPVC framed windows, two passenger lifts, one goods lift and CCTV.

Externally, there is a tarmac surfaced car park and loading area to the rear providing approximately 38 secure parking spaces and is accessed through a gated entrance. There is also a canopy covered dock level loading bay stretching the rear elevation of the building.

The property may lend itself to a variety of alternative uses and redevelopment, refurbishment or conversion to residential, subject to obtaining all necessary consents.



## Location Report

Walsall is a large market town and is the administrative centre of the wider Metropolitan Borough of Walsall in the West Midlands.

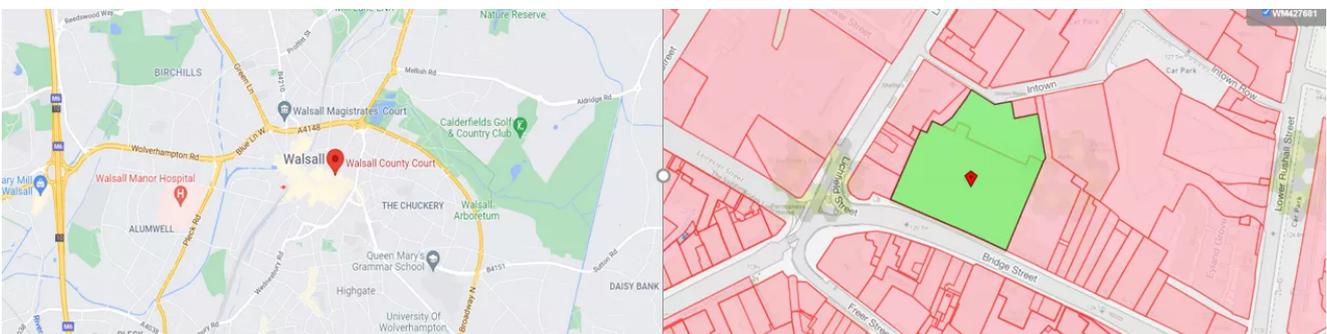
Walsall is located approximately 6 miles east of Wolverhampton, 8 miles north west of Birmingham, 10 miles north east of Lichfield and 16 miles south east of Stafford. Walsall has a population of 67,594 (2011 census).

Walsall town centre is situated directly to the east of Junctions 9 and 10 of the M6 motorway therefore offering excellent motorway connectivity to the wider Midlands region. The M5 motorway is also situated only 2 miles to the south of the town.

Walsall train station benefits from four direct rail services per hour to Birmingham New Street with a travel time of approximately 22 minutes.

The Property is well located in the town centre, close to the Saddlers Shopping Centre and the A4148 ring road. Whilst Walsall train station is only a 7-minute walk.

The surrounding area is predominantly commercial and nearby occupiers include a range of regional and local operators including The Refugee and Migrant Centre (Walsall Branch), Allsopp and Associates Dental Practice, Connells Estate Agents, JD Wetherspoon and various independent takeaways.



## Tenant Commentary

There is a total GIA of 75,658 sq ft, of which 15,245 sq ft of the ground floor is sold off on long leases. Of the remaining 60,413 sq ft, 29,336 sq ft is vacant.

Of the 31,077 sq ft of let space, 26,051 sq ft is let to the Secretary of State for the Environment (Walsall County & Family Court), as below.

The court will not be exercising their break in December 2021, as the date from which the minimum amount of notice must be served, has passed.

Demise	Tenant	Lease Terms	Rent Review (Breaks)	Rent (Per Annum)
Unit 1 (Ground)	Bond Wolfe Assets Limited	999 years from 21 May 2021 to 20 May 3020	-	Peppercorn (if demanded)
Unit 2 (Ground)	Vacant	-	-	-
Unit 3 (Ground)	MV Leisure (UK) Limited	8 years from 2 April 2015 to 1 April 2023	-	£25,000
Unit 4 & 5 (Ground)	Brookmead Properties Ltd	99 years from 29 September 2001	-	£1.00
Office Suites 1 & 2 (First)	Vacant	-	-	-
Office Suites 3, 4, 5 & 9 plus 19 car parking spaces (First & Second)	Secretary of State for Environment (Walsall County & Family Court)	3 years, 11 months, 10 days from 15 January 2020 to 24 December 2023	(24 December 2021) (24 December 2022)	£171,892
Office Suites 6, 6a & 7a, 7b, 7c & 8 (Second)	Vacant	-	-	-
Office Suites 10.1, 10.2, 10.3, 10.4, 10.6, 10.9 plus 2 car parking spaces (Second)	Citizens Advice Sandwell	1 year from 1 October 2020 to 30 September 2021	-	£5,250
Office Suites 10.5, 10.7, 10.11, 10.12, 10.13, 10.14 Remaining Suite 10, 11, 12 & 14 plus 13 Basement Store (Second, Third & Basement)	Vacant	-	-	-
<b>Total</b>				<b>£202,143 per annum</b>

## Valuation Commentary

A valuation of the property was carried out by BNP Paribas on 14/9/2021, a copy of which can be seen in the supporting documents. The valuation concludes the following:

## Valuation Numbers

<b>Market Value</b>	£2,550,000	<b>Vacant Possession Value</b>	£2,350,000
<b>Passing Rent</b>	£202,143	<b>Estimated Total Rental Value</b>	£359,784

## Report on Title

A Report on Title will be supplied by Paris Smith LLP acting on behalf of Proplend Security Ltd, and it's comments thereon can be viewed under documents.

## LOAN

<b>Gross Loan</b>	£1,606,500	<b>Loan Purpose</b>	Capital Raise
<b>Loan Term</b>	24 months		
<b>Loan to Value (LTV)</b>	63%	<b>LTV Covenant</b>	70%
<b>Interest Cover Ratio (ICR)</b>	1.77x	<b>ICR Covenant</b>	1.25x
<b>Rate of Interest</b>	7.09%	<b>Interest Expense (p.a.)</b>	£113,901

**Serviceability** Rental income of £202,143 p.a. is being received, with interest payments due of £113,901 p.a.

**Interest Reserve** Proplend will retain £56,950 (6 months interest) from the gross loan amount which will be held on account.

Fees			
<b>Arrangement Fee</b>	2%	<b>Broker Fee</b>	0%
<b>Early Repayment</b>	2% first 6 months, 1% months 7-12, no fee thereafter.	<b>Exit Fee</b>	0

## Business Plan During Loan Term

The Borrower bought the Property for £1.7m and has spent over £100k so far, of an overall budget of £300k, refurbishing the courthouse.

Part of the remaining spend will be used for units 7b, 7c & 8, in order to obtain compliant EPCs. This will comprise of new double-glazed windows and a new heating system.

Local agents will be used to let as many of the vacant units as possible, whilst the Borrower puts in for planning to convert the second and third floors to a scheme of one and two-bedroomed apartments. The exact number of units is yet to be determined - the Borrower is working on this with his architect presently.

## Exit Strategy

The Borrower will refinance away approaching maturity on to a longer term commercial mortgage with a lender at more competitive terms.

## Security

Charge	First Legal Charge	Debenture	Debenture Required
Property Insurance	PSL Interest to be Noted on Completion	Other	n/a

**Personal Guarantee** Individual Guarantee from an Individual Director of Charles Jordan (Bridge St) Ltd for the sum of £321,300.

Please note that this applicant has also provided us with the following Director's Personal Guarantees;

- Birmingham Offices Refinance, £94,000
- Edgbaston HMO, £100,000
- Handsworth HMO, £61,250
- Welshpool Offices, £550,000.

## BORROWER

<b>Name</b>	Charles Jordan (Bridge St) Ltd
<b>Registration</b>	UK Registered Limited Company
<b>Main Business Activity</b>	<p>The proposed Borrower is a special purpose Limited Company, registered in the UK.</p> <p>It has no assets other than the Subject Property.</p>
<b>Ownership Structure</b>	The borrowing entity is 100% owned by Mr Avtar Sandhu.

Sponsor	
<b>Name</b>	Avtar Sandhu
<b>Age</b>	67
<b>Relevant Experience</b>	<p>The Applicant is an experienced property investor and developer, and is a long-standing client of Proplend.</p> <p>Mr Sandhu's main business interest, as well as property development and investment, is a successful business recycling mobile phones.</p> <p>In addition to his main business interest, he has developed various residential schemes, and owns and lets various other residential investments in the Birmingham area.</p> <p>This applicant has successfully redeemed 10 loans with Proplend in full, and currently has four loan facilities outstanding, as below (please also see the Security section below, under Personal Guarantees for more information).</p>
<b>Credit History</b>	Strong - CreditSafe risk band 10.
<b>Additional Information</b>	<p>This applicant as above is a long-standing Proplend Borrower, and is party to the following four outstanding loans (all Active - Good Standing);</p> <ul style="list-style-type: none"> <li>• Birmingham Offices Refinance, £470,000</li> <li>• Edgbaston HMO, £432,250</li> <li>• Handsworth HMO, £245,000</li> <li>• Welshpool Offices, £995,000.</li> </ul> <p>...and was also behind the following loans, all fully redeemed;</p> <ul style="list-style-type: none"> <li>- Birmingham Mixed Use, £815,000</li> <li>- Birmingham HMO, £1,269,000</li> <li>- Birmingham HMO Refinance, £2,337,500</li> <li>- Birmingham HMO 2, £2,250,000</li> <li>- Birmingham Hotel, £600,000</li> <li>- Birmingham Industrial, £250,000</li> <li>- Birmingham Office Block, £725,000</li> <li>- Burton-upon-Trent Offices, £825,000</li> <li>- Burton-upon-Trent Offices Nov 17, £1,495,000</li> <li>- Sparkhill Offices, £825,000.</li> </ul>

Lender Risks	Mitigant	Risk Level
<p><b>The Borrower is not able to successfully execute their business plan.</b></p>	<p>This loan is to an existing and experienced Borrower with a good Proplend track record to date.</p> <p>He also enjoys good relationships with other lenders including challenger banks.</p> <p>The Property is in a good location and has strong potential.</p> <p>The Borrower has successfully executed his business plan elsewhere in his portfolio consistently over recent years.</p>	<p>Medium</p>
<p><b>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>	<p>The current ICR is comfortable at 1.77x and from a solid tenant as things stand, if the court continue to remain.</p> <p>There is vacant space to allow for lease up which will improve rental income and capital value over time.</p> <p>Comfort is further gained by the holding of a six month Interest Reserve.</p>	<p>Medium</p>

Lender Risks	Mitigant	Risk Level
<p><b>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.</b></p>	<p>As above, the Borrower has a good track record in achieving his Exit Strategy.</p> <p>The Borrower enjoys good relationships with other Lenders, as well as Proplend, and this should prove a relatively straightforward refinance exercise approaching maturity, provided other tenants have been found, thus improving the economics accordingly.</p>	<p>Medium</p>
<p><b>The Property falls in value due to either macroeconomic or property specific reasons</b></p>	<p>The Property may dip in value at any point throughout the loan term, however the Borrower has a good track record with this type of asset, increasing rental income over time, maintaining a reasonable LTV, and successfully refinancing away at more competitive terms.</p>	<p>High</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 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 Paris Smith LLP
- A copy of the Valuation Report

## 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 Platform 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.