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Full Loan Request: Middleton Mixed Use

Date:	08.02.22
Main Site:	294-300 Grimshaw Lane, Middleton, M24 2XL
Property Description:	Comprising x2 double fronted retail units with x4 2 bedroom duplex 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 the funds he borrowed.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	No
Property Value	£520,000	Passing Income	£55,600
Gross Loan	£275,600	Loan to Value (LTV)	53%
Blended Interest Rate	6.60%	Loan Term	24 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£15,600	8.60%	7.74%	2.90x
A	Low	0-50%	£260,000	6.48%	5.83%	3.13x

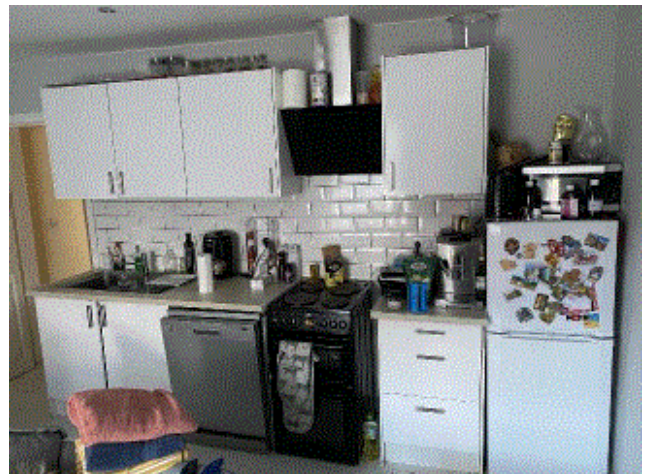
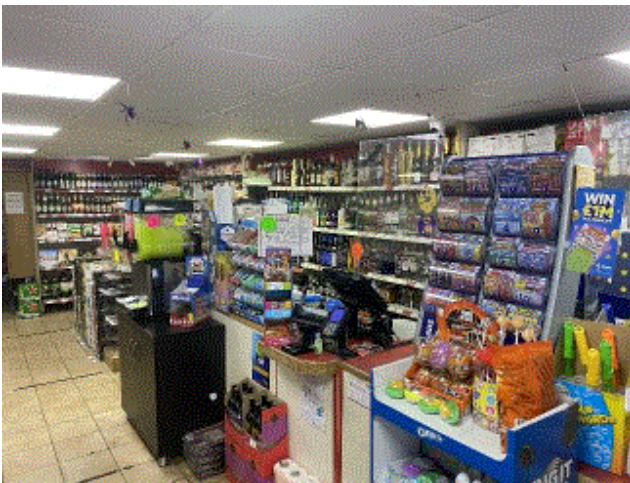
PROPERTY

Market Value	£520,000	Passing Income	£55,600
Vacant Possession Value	£425,000	Estimated Rental Value	£44,480
Tenure	Leasehold	Asset Class	Mixed Use (Residential)
EPC Rating (min. E)	C	Planning Use	E

Property Details

The subject property comprising substantial mixed investment, consisting x2 double fronted retail units, trading as a convenience store and restaurant, with x4 2 bedroom duplex apartments above. Brick construction with recently replaced tiled roof dated from circa early 1900's.

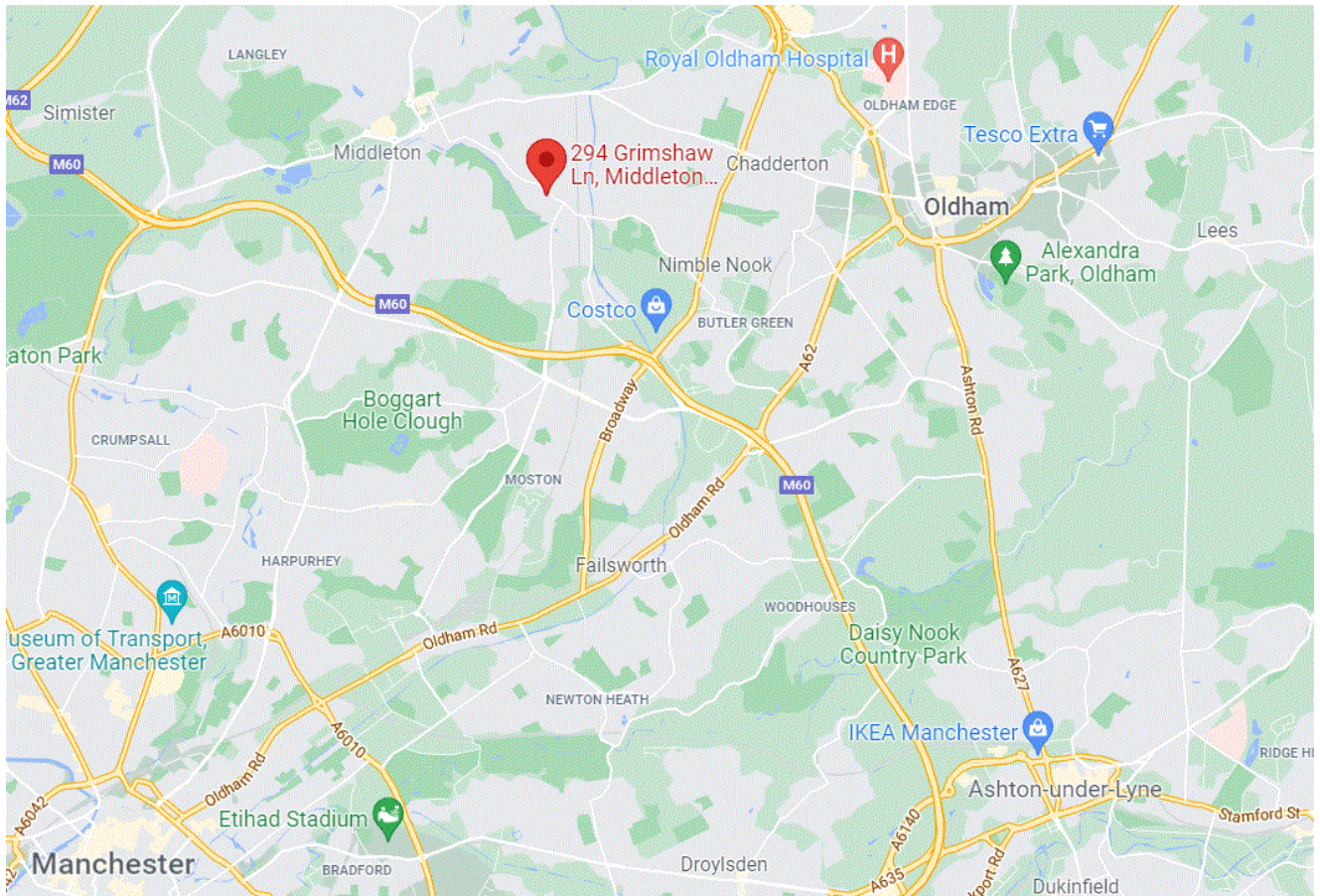
Brick elevations, likely cavity, with upvc double glazed windows, Pitched and tiled roof with mix of suspended timber and solid floors.





Location Report

Middleton is a town in the Metropolitan Borough of Rochdale, Greater Manchester with current population at 45,000. It is situated just outside of the outer Manchester ring road being the M60, with Manchester 6.5 miles away and Oldham 5.5 miles away.



Tenant Details			
Tenant	Various - see below	Business Activity	Mixed
Lease Type	FRI & AST	Lease Start	Various
Months to Lease Break	N/A	Lease Expiry	Various - see below
Passing Rent (£ p.a.)	£55,600	Occupancy Level (%)	100%

Address	Tenant Name	Passing rent pcm/pa	Lease Expiry	Notes
Grimshaw				
294a	Private Individual	£380 / £4,560	Expires 10 th Jan 2022	Standard AST
296a	Private Individual	£380 / £4,560	Expires 18 th March 2022	Standard AST
298	Private Individual	£350 / £4,200	Expires 2 nd June 2022	Standard AST
300	Private Individual	£400 / £4,800	Expires 11 th Jan 2022	Standard AST
298-300	Private Individual	£25,000	Expires 1 st April 2025	Commercial lease effective FRI
294-296	Private Individual	£9,600 (assumed as not agreement provided)	No agreement provided	Assumed lease and effective FRI

Tenant Description The above tenancy schedule is available within the appendices of the valuation report. The subject property consist of a mix of AST and commercial leases. At the time of inspection the property was fully let at £52,720 passing rent p.a. as per the table above. Tenants include convenience store, restaurant and flats.

Since the Valuation, there has been a rental increase and lease term update on the below properties.

294a - Now £450 pcm/£5,400 p.a. current lease continued as of Jan 2022

296a - Now £450 pcm/£5,400 p.a. current lease expires in March 2022 and will roll on.

298 - Now £450 pcm/£5,400 p.a. current lease will continue

300 - Remain at £400 pcm/£4,800 p.a. current lease continued as of Jan 2022

298-300 - Remain at £25,000 p.a. (Restaurant) lease remain the same and is due to expire in 2025

294-296 - Remain at £9,600 p.a. (Convenience store) lease provided and due to expire in 2036.

Therefore the current passing rent is £55,600 p.a.

294-296 - The tenant running the convenience store is Ganna 9 Ltd which is owned 50% by the Borrower and 50% by his brother, therefore this unit is run as an OpCo/PropCo structure.

298-300 - Is an Indian restaurant open 7 days a week from 4pm to 11pm and also provides delivery service. The Financial statements for Year ended 30th November 2020 on companies for the restaurant show no concerns to be raised.

Tenant strength Individual tenant performance at our security is strong. Four months bank statements provided showing the stated rental being received.

Valuation Commentary

Valuation Commentary

A valuation of the property was carried out by Bradley Hall on 15/10/2021, a copy of which can be seen in the supporting documents. The valuation concludes the following:

1. Asbestos report recommended - This has been provided and show no adverse impact on the Valuation.
2. Coal mining search to be obtained - This has been received and provided to our solicitors.

Valuation Numbers

Market Value	£520,000	Vacant Possession Value	£425,000
Passing Rent	£55,600	Estimated Rental Value	£44,480
		Re Instatement Value	£850,000

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	£275,600	Loan Purpose	Capital Raise
Loan Term	24 months		
Loan to Value (LTV)	53%	LTV Covenant	58%
Interest Cover Ratio (ICR)	3.06x	ICR Covenant	1.90x
Rate of Interest	6.60%	Interest Expense (p.a.)	£18,190

Serviceability	Rental income of £55,600 p.a. is being received with interest payments due of £18,190 p.a.
Interest Reserve	Proplend will retain £9,095 (6 months interest) from the gross loan amount which will be held on account.

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

Business Plan During Loan Term

The Borrower recently refurbished the commercial unit and residential unit using his own funds to uplift the property and make it appealing for buyers, as he is looking to sell. The Borrower will continue to run the business as a convenience store with flats above during the term of our loan whilst looking for potential buyers.

Exit Strategy

The Borrower is looking to sell the property and currently has a purchaser who is interested. If sale falls through the Borrowers alternative option will be refinance onto 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	Hamantkumar Parekh
Registration	Personal Capacity
Main Business Activity	Property Investor
Ownership Structure	Individual

Sponsor

Name	Hamantkumar Parekh
Age	53

Sponsor	
Relevant Experience	<p>Hamantkumar is an experienced property investor and has owned and managed several businesses and properties across Blackpool and Manchester.</p> <p>The properties he has owned and managed varies from hotels, to retail shops and residential investment properties and therefore holds vast knowledge within different property asset classes.</p> <p>Hamantkumar net worth is £691,754 of which he solely owns the subject security Grimshaw Lane and holds 50% ownership on two other properties with his brother.</p>
Credit History	<p>CreditSafe Band Score - 6</p> <p>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 is familiar with operating this type of business. He intends to continue running the business in its current class maximising profits where achievable to enable a smooth sale.</p>	Medium
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>The property is fully occupied with six tenants who have continued to pay their rents, throughout lockdown. Rental income has slightly increased by £2,880 which is a positive. The rental will be reviewed yearly.</p> <p>Current ICR at 3.06x, even if the only rental being received was from the commercial units the serviceability would still remain comfortable with ICR at 1.90x</p>	Medium

Lender Risks	Mitigant	Risk Level
<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 level the Borrowers exit strategy is achievable. Sale is plausible so long as LTV is maintained and rental continue to follow as currently or at a higher level.</p>	<p>Medium</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>Our current LTV is at 53%, therefore 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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