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Full Loan Request: Carshalton Mixed Use

Date:	26/11/2021
Main Site:	Northdown House 2 Stanley Road Carshalton Surrey SM5 4LF
Property Description:	A semi-detached, part single and part two storey building, arranged as a ground floor dance studio with non self contained residential accommodation to the first floor.
Loan Summary:	Borrowers require funds to purchase a mixed use commercial property, currently trading as a dance studio with a 3 bed residential above.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	No
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HIGHLIGHTS			
Property Value	£570,000	Passing Income	£Nil
Gross Loan	£370,500	Loan to Value (LTV)	65%
Blended Interest Rate	7.12%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£85,500	8.52%	7.67%	1.44x
A	Low	0-50%	£285,000	6.70%	6.03%	1.99x

PROPERTY			
Market Value	£570,000	Passing Income	£Nil
Vacant Possession Value	£570,000	Estimated Rental Value	£36,000
Purchase Price	£570,000	Purchase Type	Open Market
Tenure	Freehold	Asset Class	Mixed Use (Residential)
EPC Rating (min. E)	D	Planning Use	Sui generis

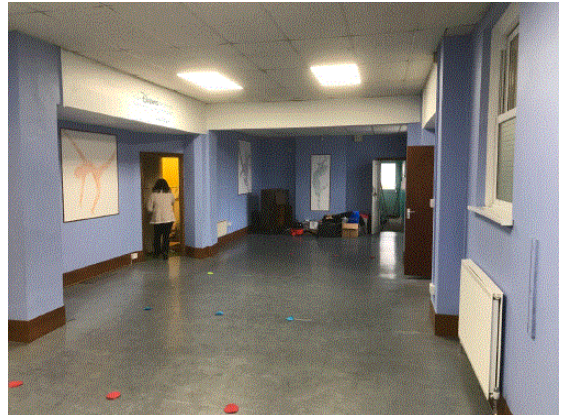
Property Details

The subject property comprises the freehold interest in a semi detached, part single and part two storey building, arranged as a ground floor dance studio with non self contained residential accommodation to the first floor. There is a small basement with hatch access. The building was constructed circa 1850, with extensions circa 1960 and 2012.

As at the date of inspection the property was used as a dance studio, although the business has closed pending the sale of the property.

The main walls of the subject property are of part rendered solid brickwork construction beneath a pitched slate covered roof. The rear single storey extension appears to be of blockwork construction with profile steel cladding beneath a dual pitched roof with a covering of corrugated asbestos cement. A single story side extension is of cavity wall construction, rendered externally, beneath a lean to roof with a covering of artificial slate. Floors throughout the building are a mixture of solid concrete and suspended timber construction. Natural lighting and ventilation is provided by part uPVC double glazed and part timber framed single glazed windows.

Internally the property is in moderate order throughout. Externally, items of disrepair were noted; however these defects are consistent for a property of this age and type and should prove capable of remedy by routine maintenance.





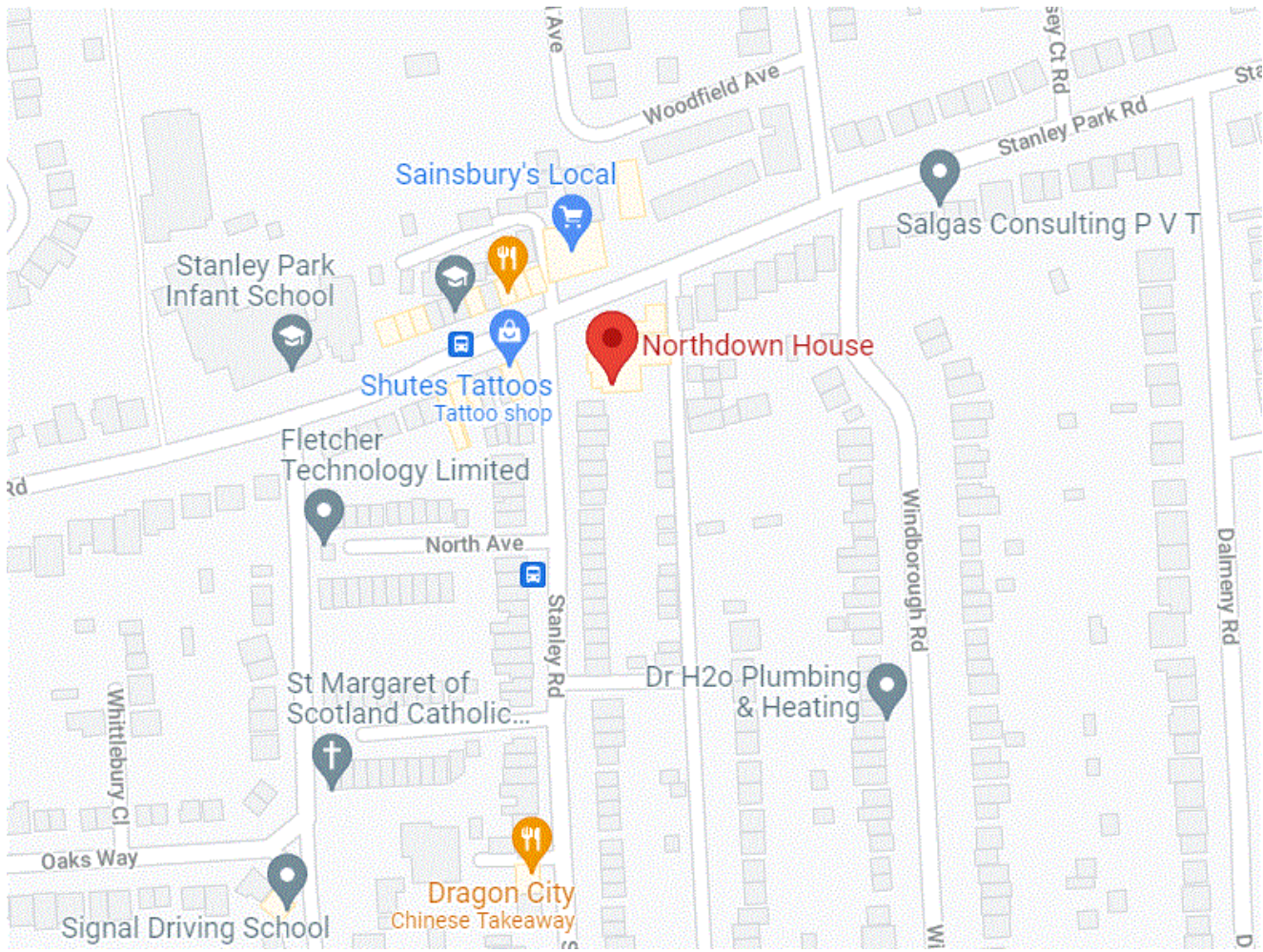
Location Report

The subject property is located on the East side of Stanley Road, close to its junction with Stanley Park Road within a mixed retail and residential area of Carshalton (London Borough of Sutton). This section of Stanley Park Road contains parades of mainly local retail and non retail covenants at ground floor level with upper parts largely in residential. The property has its north boundary to a former petrol filling station now used for car sales/garage purposes. Stanley Road to the South is solely residential.

Carshalton is typically densely populated South London District, situated approximately 10 miles South of Central London and within 3 miles of Croydon, which benefits from reasonable demand from both the rental and vacant possession sectors.

Away from the retailing pitch Carshalton represents a "medium value" greater London residential suburb, comprising properties of varying eras and style.

Both Carshalton Beeches and Wallington (Southern) rail stations are situated nearby, offering a frequent commuter service into Central London. Numerous bus routes serve the surrounding area. Parking is available on the street within Stanley Road.



Tenant Details			
Tenant	TBC	Business Activity	Renting
Lease Type	AST	Lease Start	3-6 months post completion
Passing Rent (£ p.a.)	£18,000 post completion	Occupancy Level (%)	0%

Tenant Details			
Tenant	Kanapathippillai lynharran	Business Activity	Storage space
Lease Type	IRI	Lease Start	Upon completion
Months to Lease Break	N/A	Lease Expiry	5 years from the date of the lease

Tenant Details

Passing Rent (£ p.a.)	£20,000 post completion	Occupancy Level (%)	100%
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Tenant Description

As noted by the Valuer it is unlikely the tenant will agree to sign a FRI Lease if properly advised. Upon completion the large hall will be let out to a new tenant who currently owns 4 takeaway shops located in South London. The lease will be on a 5 years IRI lease at £20,000 p/a, with interest payments paid quarterly. The tenant will use the large hall for storage purposes, this includes items such as soft drinks, cups, flour for breadding, lids etc.

The smaller hall will be let on a licence.

For the above flat, the Borrower is looking to complete light refurbishment such as painting, flooring, wear and tear before letting it out. AST will be placed within 3-6 months post completion with passing rent at £18,000 p/a.

Tenant strength

Individual recent tenant performance at our security is unknown as the lease will be in place upon completion. However the tenant is the owner of 4 well known chicken shops in South London called Morley's Fried Chicken which has been trading well for some time now hence the expansion of takeaway shops. Morley's Chicken is a franchise chain with circa 60 other shops as of 2020.

The Last 2 years SA302's and Tax overviews of the tenant has been provided showing satisfactory income in 2020.

Valuation Commentary

A valuation of the property was carried out by Belleveue Mortlakes on 04/11/2021, a copy of which can be seen in the supporting documents. The valuation concludes the following:

The Vendor has advised that an Asbestos Survey has been completed for the property, which will be reviewed by our Legals.

Valuation Numbers

Market Value	£570,000	Vacant Possession Value	£570,000
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Valuation Numbers

Passing Rent	£Nil	Estimated Rental Value	£36,000
		Re Instatement Value	£1,050,000

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.

LOAN

Gross Loan	£370,500	Loan Purpose	Purchase
Loan Term	36 months		
Loan to Value (LTV)	65%	LTV Covenant	70%
Interest Cover Ratio (ICR)	1.44x	ICR Covenant	1.25x - Interest will be paid from day 1, however to allow for the residential to be let, the first ICR test will be applied 10 working days ahead of the 4th IPD.
Rate of Interest	7.12%	Interest Expense (p.a.)	£26,380

Serviceability	Rental income of £38,000 to be received with interest payments due of £26,380.
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Interest Reserve	Proplend will retain £26,380 (12 months interest) from the gross loan amount which will be held on account.
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Fees

Fees			
Arrangement Fee	2%	Broker Fee	1%
Early Repayment	2% year 1, 1% year 2, no fee thereafter	Exit Fee	N/A

Business Plan During Loan Term

During the term of our loan the Borrower will apply for planning consent for potential redevelopment of site in the future.

Exit Strategy

If planning is approved, the Borrower will refinance on to a long term lender. If planning is not achieved the Borrower will sell the property.

Security

Charge	First Legal Charge	Debenture	Debenture Required
Property Insurance	PSL Interest to be Noted on Completion		

Personal Guarantee	Joint and Several Guarantee from the Directors and Shareholders of Vasin Estate Ltd for the sum of £92,625
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BORROWER

Name	Vasin Estate Ltd
Registration	UK Registered Limited Company
Main Business Activity	Buying and selling of own real estate and Management of real estate on a fee or contract basis.
Ownership Structure	Veeravagu Vaaheesan & Aiyadurai Navaratna-Rajah are both the Directors and Shareholders of Vasin Estate Ltd. They hold 50% shares each.

Sponsor

Name	Veeravagu Vaaheesan & Aiyadurai Navaratna-Rajah
Age	38 & 53

Sponsor	
Relevant Experience	Veeravagu Vaaheesan has been a property solicitor for over 10 years and runs his own solicitors firm since 2013 called Vas Solicitors. he has bought, developed, and sold properties over the last 10 years. He has a healthy property portfolio including residential and commercial with his wife. His net worth is £3.7m. Aiyadurai Navaratna-Rajah owns several commercial and residential properties under personal name, Ltd companies, and partnerships. He owns an IT company and runs a bespoke private nuclear medicine imaging and scanning centre with doctors which provide private facilities for patients from NHS and private sector. His net worth is £3m.
Credit History	Veeravagu - CreditSafe Band Score 10 and Lexis Nexis Pass Aiyadurai - CreditSafe Band Score 10 and Lexis Nexis Pass

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	Borrowers are experienced property investors and prior to our loan have accomplished similar projects. They invest in properties where they see potential for planning to be gained. Furthermore, Valuer has commented the building will offer scope for planning given its location. Therefore the Borrower should not have issues in gaining planning for redevelopment.	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.	The ICR is good at 1.44x and will be on a good tenancy agreement post completion. Tenant for commercial will be signing a new 5 years IRI lease simultaneously on completion. Tenant background is strong. Tenant currently has 4 takeaway shops trading successfully. Our asset will be used for storage of	Medium

Lender Risks	Mitigant	Risk Level
	items for these shops, therefore rental will be continuous. Last 2 years SA302's and Tax overviews show sufficient income. Valuer states non self contained flat, however the refurbishment works will include a partition so that there will be a separate entrance to the flat. This doesn't require planning. The partition works does not take much time and will be completed 1 month post completion. Residential element will be lettable within 2-4 months as per Valuer comments. Borrower intends to let residential within 3-6 months. The tenant on the lease has offered to rent for staff accommodation however there is high demand for rental in the area, therefore Borrower would like to see what rental he can achieve before committing to the lease tenant. 12 months reserve taken, of which 6 months will be utilised towards interest payments until the above flat gets occupied.	
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.	Once planning has been obtained this will be more attractive to future investors as well as long term lenders, therefore sale/refi being achievable.	Medium

Lender Risks	Mitigant	Risk Level
The Property falls in value due to either macroeconomic or property specific reasons	Given the location and asset class it is likely planning will be gained therefore property value going up. At 65% LTV, the Property would have to fall in value by 35% for our loan to be affected.	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
- A copy of the Valuation Report

The Report On Title and Lettings Report produced by Dutton Gregory will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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