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Full Loan Request: Derbyshire Business Centre 2022 Refinance

Date:	21/1/2022
Main Site:	Furness Vale Industrial Estate, Station Road, Furness Vale, High Peak, SK23 7SW
Property Description:	A business centre in Derbyshire, close to the edge of the Peak District, comprising 23 units.
Loan Summary:	We are asked to provide a 75% LTV gross loan facility in order to assist with the refinance of the existing Derbyshire Business Centre loan with ourselves.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	Not Eligible
Property Value	£2,875,000	Passing Income	£383,540
Gross Loan	£2,156,250	Loan to Value (LTV)	75%
Blended Interest Rate	8.48%	Loan Term	12 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£287,500	12.60%	11.34%	2.1x
B	Medium	51-65%	£431,250	10%	9.00%	2.62x
A	Low	0-50%	£1,437,500	7.20%	6.48%	3.71x

PROPERTY

Market Value	£2,875,000	Passing Income	£383,540
Vacant Possession Value	£2,000,000	Estimated Rental Value	£345,000
Tenure	Freehold	Asset Class	Business Park
EPC Rating (min. E)	D	Planning Use	E, B2, B8

Property Details

On the site of a former cotton mill, there are 14 buildings let as office and warehouse space.

The borrower's associated company, Pearwalk Engineering, occupies approximately a third of the floor space and pays approximately a quarter of the rent roll.

The property comprises a former calico dyeing works with buildings in excess of 100 years old, which was acquired by the Pickup family in 1985.

Since then, the property has been operated as a multi-tenanted estate with a number of the buildings having been converted for office use and a continual programme of maintenance and improvement carried out, as and when units fall vacant.

The whole site extends to approximately 84,947 sq ft (7891 sq m) of lettable space on a site of 7.98 acres (3.23 hectares).

The buildings occupy a split level site and are generally two storeys in height, although part is arranged over three and four storeys.



Location Report

Whaley Bridge lies approximately 1 mile to the south, with Manchester City Centre approximately 16 miles to the north-west, and with Buxton lying approximately 9 miles to the south. The Peak District National Park boundary is a short distance from the property, but the complex is outside of the National Park.

The business centre itself occupies a site to the southern side of the River Goyt and is approached by a private cobbled roadway, Calico Lane, leading from Station Road. The site is at three distinct levels with a general sloping down towards the river.

The site is of an irregular triangle shape sandwiched between the River Goyt to the north and the Peak Forest Canal to the south. It is accessed from Station Road which in turn links with Buxton Road (A6 trunk road), however between the A6 and the private roadway is a level crossing with Furness Vale Railway Station adjacent, providing rail links to Manchester.

The buildings are concentrated towards the eastern side of the site (frontage) adjoining the river and the area immediately to the west (rear) offering substantial car parking and circulation areas. In addition there is a wooded embanked area adjoining the canal.



Tenant Commentary

The units are occupied by way of either short-term licences, or renewable annual leases drawn up on internal repairing terms and are subject to a service charge covering insurance, external repairs, and common areas. There are currently 33 individual tenants within the complex paying a total gross rental of £383,540 p.a. as per the table below

Tenant Name	Square Footage	Square Metrage	Price per sq.ft	Basic Rent	Service Charge	Building Insurance	Water Usage	Annual Rent [£]	Lease Start	Next Review Date	Comments
Avanti Conveyors Ltd	4340	403	£4.00	£1,360.00	£1,736.00	£2,170.00	£0.00	£21,266.00	01/10/2020	01/10/2022	1 year rolling lease with 4 months notice
Avanti Conveyors Ltd	1800	167	£3.50	£6,300.00	£630.00	£900.00	£0.00	£7,830.00	01/10/2020	01/10/2022	1 year rolling lease with 4 months notice
Avanti Conveyors Ltd	3250	302	£2.78	£9,049.92	£904.99	£1,131.00	£150.00	£11,235.91	01/02/2011	01/02/2022	1 year rolling lease with 3 months notice
Peak Beam	750	70	£3.50	£2,625.00	£262.50	£375.00	£0.00	£3,262.50	01/04/2015	01/04/2022	1 year rolling lease with 3 months notice
Avanti Conveyors Ltd	574	53	£6.00	£3,444.00	£344.40	£287.00	£0.00	£4,075.40	01/10/2020	01/10/2022	1 year rolling lease with 4 months notice
Avanti Conveyors Ltd	3338	310	£4.50	£13,021.00	£1,302.10	£1,669.00	£0.00	£16,992.10	01/10/2020	01/10/2022	1 year rolling lease with 4 months notice
Avanti Conveyors Ltd	360	33	£4.50	£1,620.00	£162.00	£180.00	£0.00	£1,962.00	01/10/2020	01/10/2022	1 year rolling lease with 4 months notice
Raymond Reynolds Ltd	1345	127	£2.82	£3,845.00	£384.50	£462.50	£100.00	£5,012.00	01/01/2014	01/01/2022	3 year rolling lease with 3 months notice
Beopold Packaging/McCall/Au	973	91	£3.01	£4,880.40	£488.04	£487.50	£0.00	£5,855.94	04/05/2021	01/05/2022	1 year rolling lease with 3 months notice
High Peak Industries	762	71	£4.00	£3,048.00	£304.80	£361.00	£0.00	£3,713.80	01/05/2020	01/05/2022	1 year rolling lease with 3 months notice
Chapel Body Repairs & Co	2140	199	£3.50	£7,490.00	£749.00	£1,070.00	£0.00	£9,309.00	01/02/2018	01/02/2022	3 year rolling lease with 3 months notice
Pyro Gen Ltd	3212	298	£4.33	£13,918.18	£1,391.81	£1,906.00	£0.00	£16,916.00	01/10/2018	01/10/2024	3 year rolling lease with 3 months notice
Peawalk Engineering Ltd	26318	2445	£2.69	£70,680.91	£7,068.09	£13,158.00	£100.00	£91,006.00	01/10/2018	01/10/2028	10 year lease
Wakefield Fabrication Northwest Ltd	2260	210	£4.00	£9,040.00	£904.00	£1,130.00	£0.00	£11,074.00	01/10/2015	01/10/2022	1 year rolling lease with 3 months notice
Goero Machining Services Ltd	2636	245	£4.50	£11,961.00	£1,196.20	£1,318.00	£0.00	£14,366.20	05/04/2019	05/04/2022	3 year rolling lease with 3 months notice
Avanti Conveyors Ltd	1452	135	£9.00	£13,068.00	£1,306.80	£726.00	£700.00	£15,900.80	01/10/2020	01/10/2022	1 year rolling lease with 3 months notice
Avanti Conveyors Ltd	1307	121	£9.00	£11,763.00	£1,176.30	£633.52	£600.00	£14,174.82	01/10/2020	01/10/2022	1 year rolling lease with 4 months notice
Avanti Conveyors Ltd	118	11	£10.00	£1,180.00	£118.00	£59.00	£100.00	£1,457.00	01/10/2020	01/10/2022	1 year rolling lease with 4 months notice
Centro Consulting Ltd	349	32	£7.50	£2,583.75	£258.38	£172.35	£100.00	£3,114.38	01/08/2014	01/08/2022	1 year rolling lease with 1 months notice
Centro Consulting Ltd	159	15	£7.50	£1,188.75	£118.88	£79.35	£60.00	£1,446.88	01/08/2015	01/08/2022	1 year rolling lease with 1 months notice
Centro Consulting Ltd	397	37	£7.50	£2,977.50	£297.75	£198.50	£100.00	£3,573.75	01/08/2015	01/08/2022	1 year rolling lease with 1 months notice
Jason Wakefield	725	67	£4.00	£2,900.00	£290.00	£262.50	£50.00	£3,602.50	01/09/2020	01/09/2022	1 year rolling lease with 1 months notice
Sam Olinski	2250	209	£0.68	£1,524.00	£152.40	£1,125.00	£0.00	£2,801.40	01/03/2017	01/03/2022	6 month rolling lease
Hippolytary - Catherine Morris	2260	210	£0.27	£610.20	£61.02	£1,130.00	£0.00	£1,801.22	04/08/2017	01/02/2022	3 month rolling lease 1 months notice
The Buxton Pudding Company Ltd	2809	261	£4.00	£11,236.00	£1,123.60	£1,404.50	£0.00	£13,764.10	21/09/2020	31/03/2027	7 year rolling lease with 6 months notice
Terry Eaton - Garden Design & Care	345	33	£4.00	£980.00	£98.00	£122.50	£100.00	£1,300.50	01/11/2021	01/11/2022	1 year rolling lease with 3 months notice
Rebound retail Ltd	268	25	£3.25	£871.00	£87.10	£134.00	£100.00	£1,192.10	01/01/2021	01/01/2022	1 year rolling lease with 3 months notice
Terry Eaton - Garden Design & Care	521	48	£4.00	£2,084.00	£208.40	£260.50	£150.00	£2,702.88	01/11/2021	01/11/2022	1 year rolling lease with 3 months notice
Perma Retail Ltd	172	16	£4.00	£668.00	£66.80	£86.00	£100.00	£940.80	01/07/2020	01/07/2022	1 year rolling lease with 3 months notice
Spicotech Uk Ltd	232	22	£4.00	£928.00	£92.80	£118.00	£100.00	£1,236.80	01/10/2020	01/10/2022	1 year rolling lease with 3 months notice
Signs Made Here	214	20	£4.75	£1,016.50	£101.65	£107.00	£100.00	£1,325.15	01/11/2015	01/11/2022	1 year rolling lease with 3 months notice
Spicotech Uk Ltd	445	41	£4.00	£1,780.00	£178.00	£222.50	£300.00	£2,380.50	01/10/2020	01/10/2022	1 year rolling lease with 3 months notice
Signs Made Here	590	55	£4.75	£2,802.50	£280.25	£295.00	£300.00	£3,677.75	01/11/2015	01/11/2022	1 year rolling lease with 3 months notice
Spicotech Uk Ltd	165	15	£10.00	£1,650.00	£165.00	£82.50	£100.00	£1,997.50	01/10/2020	01/10/2022	1 year rolling lease with 3 months notice
PODIVISION Ltd	252	23	£9.39	£2,366.28	£236.63	£126.00	£100.00	£2,828.88	01/04/2021	01/04/2022	1 year rolling lease with 3 months notice
PODIVISION Ltd	252	23	£9.39	£2,366.28	£236.63	£126.00	£100.00	£2,828.88	01/04/2021	01/04/2022	1 year rolling lease with 3 months notice
Chris Taylor	254	24	£10.00	£2,540.00	£254.00	£127.00	£100.00	£3,021.00	01/02/2020	01/02/2022	1 year rolling lease with 3 months notice
Orange Wave	288	27	£7.82	£2,250.91	£225.09	£144.00	£0.00	£2,620.00	01/05/2020	01/05/2022	1 year rolling lease with 3 months notice
Content Capture Services Ltd	804	75	£7.50	£6,030.00	£603.00	£402.00	£300.00	£7,335.00	01/11/2021	01/11/2022	1 year rolling lease with 3 months notice
Ramen Design Solutions	840	78	£10.00	£8,400.00	£840.00	£420.00	£300.00	£9,960.00	01/02/2020	01/02/2022	1 year rolling lease with 3 months notice
Solid Solutions	5360	488	£3.50	£18,560.00	£1,856.00	£2,950.00	£0.00	£23,366.00	01/03/2013	01/03/2022	3 year rolling lease with 6 months notice

Valuation Commentary

A valuation of the property was carried out by VAS Panel/Sanderson Weatherall LLP on 14th January 2021, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Valuation Numbers

Market Value	£2,875,000	Vacant Possession Value	£2,000,000
Passing Rent	£383,540	Estimated Rental Value	£345,000
Rent psf	£4.58	Re Instatement Value	£10,900,000

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

Gross Loan	£2,156,250	Loan Purpose	Refinance
Loan Term	12 months		
Loan to Value (LTV)	75%	LTV Covenant	80%
Interest Cover Ratio (ICR)	2.1x	ICR Covenant	1.75x
Rate of Interest	8.48%	Interest Expense (p.a.)	£182,850

Serviceability Rental income of £383,540 p.a. is being received, with interest payments due to £167,613 p.a.

Interest Reserve Proplend will retain £167,613 (11 months interest) from the gross loan amount which will be held on account.

Fees

Arrangement Fee	2%	Broker Fee	0%
Early Repayment	N/A	Exit Fee	1% - if not fully redeemed within the loan term.

Existing Facility			
Lender	Proplend	Expiry	17/12/2021
Amount Outstanding	£1,950,000	Status	Up to Date
Rate	7.95%	Existing Facility Description	15m term loan

Business Plan During Loan Term
<p>The directors of Pearwalk Properties Ltd have decided to sell the Subject Property.</p> <p>The Business Centre has potential for residential development following local authority allocation. It has been identified as a strategic development site under policy DS12 of the Local Plan – DS12 specifically relates to Furness Vale Business Centre.</p> <p>The Borrower has identified four possible agents and held meetings with them to discuss the best options for the development of the site.</p> <p>The Borrower is currently waiting for the above agents reports, and will then decide how best to proceed, and market the site accordingly.</p> <p>The Borrower is confident from discussions held that there is plenty of interest in the site - it just needs to be handled with care to maximise the development possibilities.</p>

Exit Strategy
<p>The loan will be fully redeemed upon receipt of the net sale proceeds.</p>

Security			
Charge	First Legal Charge	Debenture	Debenture Required
Property Insurance	PSL Interest Noted and Current Doc Held		

Personal Guarantee	Individual Guarantee from the Directors and Shareholders of Pearwalk Properties Limited for the sum of £593,062
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BORROWER	
Name	Pearwalk Properties Limited
Registration	UK Registered Limited Company
Main Business Activity	<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>
Ownership Structure	The company is owned equally by siblings Simon Pickup, Joanne Reynolds, and Mark Pickup. The sole Guarantor as before is Simon Pickup.

Sponsor	
Name	Simon Pickup
Age	56
Relevant Experience	<p>Simon is an engineer by trade, and is predominantly active in the 50-year old family business, Pearwalk Engineering, which specialises in design and manufacture of expansion joint technology - http://www.pearwalkengineering.com/ and boast some blue chip clients, including Shell and Hitachi.</p>
Credit History	Clear, with Lexis Nexis checks Passed.
Additional Information	<p>The company was formed in 1994 by Eric Pickup.</p> <p>Upon his retirement, the ownership was transferred to his three children, who each own an equal share - Simon Pickup, Joanne Reynolds, and Mark Pickup.</p> <p>We have full KYC on all three but only Simon is to be provide a Guarantee, as was the case with HSBC and ourselves previously.</p>

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	<p>There is good potential for residential development following local authority allocation, but local developer interest at this stage is uncertain.</p> <p>If the Property is not sold in the required timescales, an external refinance may be required and it is noted that there is good demand regionally for commercial accommodation of this type.</p>	High

Lender Risks	Mitigant	Risk Level
<p>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>	<p>Although the current loan is now past maturity, the Borrower has otherwise performed well throughout the last 18 months - not just with regards servicing interest, but also with regular communication (providing insurance documentation, quarterly monitoring report, etc).</p> <p>Occupancy remains high, and has been at a similar level for many years. The tenants have continued to pay their rents, even throughout the lockdown periods.</p> <p>Rental income has increased modestly by c.£4k per annum since the current loan was drawn down, in September 2020.</p> <p>Even if one of the main three tenants were to enter financial difficulty, the serviceability would still remain comfortably over 1.25x</p> <p>.</p> <p>Further comfort may be taken in the holding of an 11-month Interest Reserve.</p>	<p>Medium/Low</p>

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>It is believed that interest will be strong, but the sales process may become protracted.</p> <p>At worst, the Borrower hopes to have attracted at least a reasonable deposit by the time of maturity, to be able to pay a portion of the loan down.</p>	<p>High</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>The valuer has confirmed the current value to be £2.875m.</p> <p>The property would have to fall in value by a quarter/£718k before lenders in Tranche C would be affected.</p> <p>We also believe this particular valuation to have been conservative.</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 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 LLP will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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