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Full Loan Request: Peterborough Retail 2

Date:	16/5/2022
Main Site:	4-8 Staniland Way, Peterborough, Cambs, PE4 6NA and Land to the east side of Tesco Stores (previously occupied by Staniland Court), Werrington, Peterborough, PE4 6NA.
Property Description:	<p>The Subject Property is a single storey building, comprising of five lock-up retail units. The properties are adjoined to a Tesco Store which is the anchor of the Werrington Centre.</p> <p>The Land to the rear of Staniland Way was formerly occupied by Staniland Court. It comprises a cleared site of irregular shape, of approximately 1.02 acres.</p>
Loan Summary:	We are asked to provide a 68% LTV gross loan facility in order to assist with the purchase of the Subject Property from Tesco Stores.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£1,170,000	Passing Income	£71,750
Gross Loan	£795,600	Loan to Value (LTV)	68%
Blended Interest Rate	7.10%	Loan Term	18 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£35,100	9.60%	8.64%	1.27x
B	Medium	51-65%	£175,500	8.00%	7.20%	1.35x
A	Low	0-50%	£585,000	6.68%	6.01%	1.84x

PROPERTY

Market Value	£1,170,000	Passing Income	£71,750
Vacant Possession Value	£1,114,000	Estimated Rental Value	£76,500
Purchase Price	£900,000	Purchase Type	Option
Tenure	Freehold	Asset Class	Retail
EPC Rating (min. E)	C & D	Planning Use	E

Property Details

The Subject Property is a single storey building, comprising of five lock-up retail units. The properties are adjoined to a Tesco Store which is the anchor of the Werrington Centre. At the rear, is a secure yard area providing loading and unloading facilities for this and the adjoining blocks.

The Property is understood to date from the 1980s, having been originally constructed as part of a large local centre serving the adjoining residential estates on the northern outskirts of Werrington.

The Land to the rear of Staniland Way was formerly occupied by Stanliand Court. It comprises a cleared site of irregular shape, of approximately 1.02 acres.



Location Report

The Subject Property forms part of a local centre, originally constructed to serve the adjacent residential estates in the 1980s.

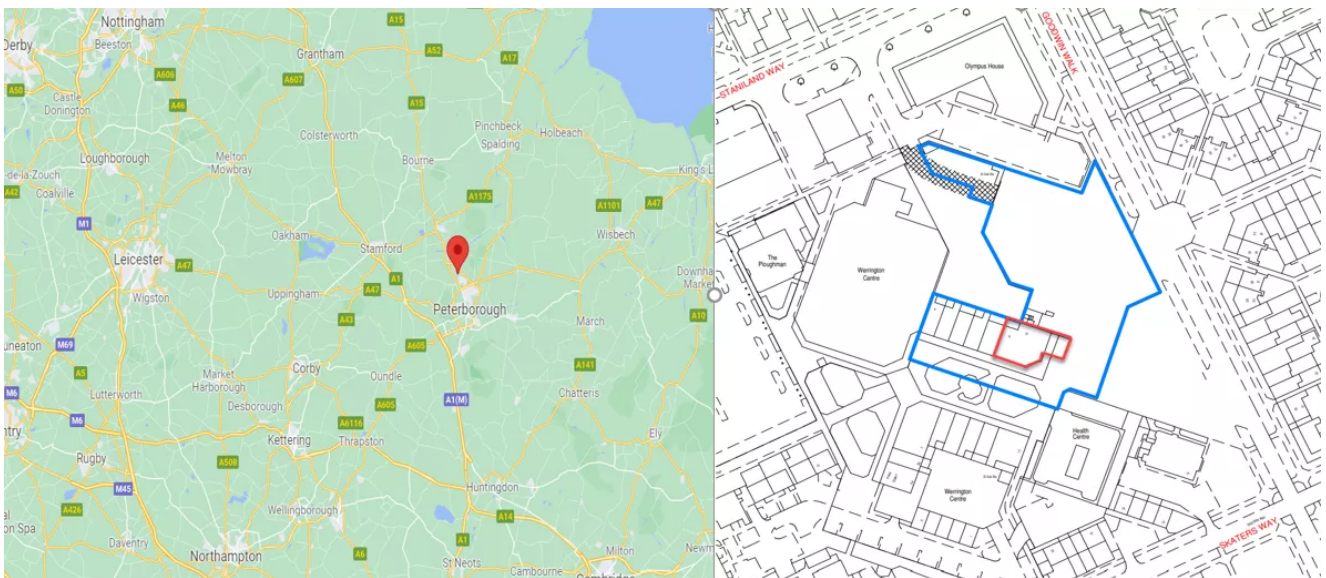
Situated on the northern outskirts of Werrington, a good range of local amenities are available close by, with comprehensive amenities being available in Peterborough City Centre, which is approximately four miles to the south.

The Property is well located for access to other local areas, being within close proximity to the A15, which in turn provides good access to the A47 and the A1M, as well as other major road networks.

Main line railway services are available from Peterborough Railway Station via the East Coast Main Line.

Please note further to the graphic below to the right, that there is a tenant in unit 5, as per the Tenant Commentary section below.

Please also note that the area outlined in blue is our security for this loan, less the area outlined in red (unit 9-10 is being immediately sold on, upon completion).



Tenant Commentary

Please see the summary below. The tenants are a mixture of weak, local covenants to £50m+ covenants (in the case of Barnardos and Connells).

The hairdresser in unit 5 has stepped increases as denoted in the table below, and also a tenant break in year 4 - 12/10/2025.

Unit 7 is being purchased with vacant possession, but the Borrower has a tenant lined up to immediately occupy the premises, trading as a takeaway. They will be paying a rental of £14,000 p.a. increasing the overall rents to £71,750 p.a.

Address	Trading Name	Tenant	Lease Term	Rent Per Annum	Floor Area Sq. Ft	£ Per Sq. Ft
4 Staniland Way	Coffee Lounge	Christie Marie Moore	From 20.08.2014 to 19.08.2024	£16,500	978	£16.87
5 Staniland Way	Marco Izzo Hairdressing Limited	Marco Lizzo	12 year lease from 29.10.2021 to 28.10.2033	Stepped rents - Year 1 - £11,000, Year 2 - £12,000, Year 3 - £13,000, Year 4 - £14,000	824	£15.17
6 Staniland Way	Connells	Connells Residential	From 01.12.2014 to 30.11.2024	£15,000	867	£17.30
7 Staniland Way	Jakub Michonski	Jakub Michonski	Lease Term is March 2022 to March 2027	£14,000	760	£18.42
8 Staniland Way	Barnardo's	Barnardo's	From 21.11.2014 to 20.11.2024	£15,250	883	£17.27

Valuation Commentary

A valuation of the property was carried out by Harwoods Chartered Surveyors on 1 March 2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Valuation Numbers

Market Value	£1,170,000	Vacant Possession Value	£1,114,000
Passing Rent	£71,750	Estimated Rental Value	£76,500
Rent psf	£16.63	Re Instatement Value	£1,130,000

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	£795,600	Loan Purpose	Purchase
Loan Term	18 months		
Loan to Value (LTV)	68%	LTV Covenant	70%
Interest Cover Ratio (ICR)	1.27x	ICR Covenant	1.25x
Rate of Interest	7.10%	Interest Expense (p.a.)	£56,487

Serviceability	Rental income of £71,750 p.a. will be received, with interest payments due of £56,487 p.a.
Interest Reserve	Proplend will retain £28,244 (6 months interest) from the gross loan amount which will be held on account.

Fees			
Arrangement Fee	2%	Broker Fee	0%
Early Repayment	2% first 6 months, no fee thereafter	Exit Fee	1% - only incurred if the loan is not fully redeemed within the agreed 18-month loan term.

Business Plan During Loan Term

This transaction represents 'Phase 2' of a contract between the Borrower and Tesco Stores - 'Phase 1' being the Properties that our Peterborough Retail 1, and Peterborough Land Refinance loans are secured against.

In the short term, the rents will be collected for the retail units, and then those units, 4-8 Staniland Way, will be sold under Option to a local pharmacy, as below.

The land to the rear of Staniland Way forms part of a residential development scheme.

The Borrower submitted a planning application in July 2020 for 100% affordable homes, two retail units and associated parking.

The planning process would normally take 14 weeks from start to finish however due predominantly to Covid, it took 20 months, only to be refused last month, despite having had Planning Officer and Highways Officer approval, on the grounds of mass, and lack of amenity space.

The site and adjoining triangular area of land are allocated in Peterborough County Council's Local Plan for Residential Development.

The Borrower will shortly be submitting a new planning application for either Private Housing, with 30% Affordable or Retirement Accommodation, both of which we are told have the support of the relevant planning officers and the local community, and which is more financially viable.

<https://www.peterborough.gov.uk/council/planning-and-development/planning-and-building/search-applications> - reference no. 20/01113.

Irrespective of the decision of the ongoing planning application, this loan will be fully redeemed upon the sale of units 4-8 Staniland Way.

Exit Strategy

MI Pharmacy, who currently occupy 12b Skaters Way (not our security), have a 12-month option agreement to buy 4-8 Staniland Way at a price of £860k. We have a copy of the HoTs on file.

MI Pharmacy is an independent community pharmacy. It is a small family run business, with three branches in Peterborough, and two in Leicester. <https://mipharmacy.co.uk/about-us/>

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

Personal Guarantee	Individual Guarantee from an Individual Director of JWL Private Limited for the sum of £203,000		
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BORROWER	
Name	JWL Private Limited
Registration	UK Registered Limited Company
Main Business Activity	<p>The proposed Borrower is a special purpose Limited Company, registered in the UK, with other assets on this overall site.</p> <p>Please note that this Borrower is the same entity as for the Peterborough Land Refinance loan.</p>
Ownership Structure	The Company is 100% owned by Mr John Livock.

Sponsor	
Name	John Livock
Age	72
Relevant Experience	<p>John is a former Quantity Surveyor by trade and began practising in 1970.</p> <p>He has particular expertise in site assembly in the former 21 New Towns, and has completed 27 Joint Ventures with various funding partners ranging from £5m to £65m Gross Development Values, mainly involving the acquisition of multi-let industrial estates.</p> <p>John currently owns 22 units on the Werrington site, and all 22 units are fully let.</p>
Credit History	Clear
Additional Information	Please note that this Applicant and Borrower is the same entity as for the Peterborough Land Refinance loan.

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>The Borrower is a vastly experienced property professional, and has agreed an Option to sell the Property as above, at which point, this loan will be redeemed in full.</p>	<p>Medium</p>
<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>For the Peterborough Retail 1 loan, this Borrower has conducted his account in an exemplary manner, and made all monthly interest payments in a timely manner.</p> <p>Comfort may be taken in our holding of a 6-month Interest Reserve for this 18-month loan.</p>	<p>Medium/Low</p>
<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>If the property is not sold as expected, depending on the reason behind this, we may offer to refinance this loan, or the Borrower may have to refinance away to an alternative lender.</p> <p>Planning consent for the land is ultimately expected, albeit that timescales are unknown at this stage.</p> <p>The Borrower may also consider selling without planning permission, but this would be a last resort.</p>	<p>Medium</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>The Property may fall in value due to general economic conditions, however, once planning consent is obtained, the value should increase substantially.</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 68% 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:

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.