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## Full Loan Request: Shirley Retail

<b>Date:</b>	25/2/2022
<b>Main Site:</b>	9-11 Shirley High Street, Southampton, SO15 3NJ
<b>Property Description:</b>	The Subject Property is entirely let to Boots UK Limited on a new 5-year lease expiring October 2026.
<b>Loan Summary:</b>	We are asked to provide a 70% LTV gross loan facility in order to assist with the auction purchase of the Subject Property.



## HIGHLIGHTS

<b>Loan Type</b>	Commercial Term Loan	<b>SIPP Eligible</b>	Yes
<b>Property Value</b>	£625,000	<b>Passing Income</b>	£42,360
<b>Gross Loan</b>	£437,500	<b>Loan to Value (LTV)</b>	70%
<b>Blended Interest Rate</b>	6.50%	<b>Loan Term</b>	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
<b>C</b>	High	66-75%	£31,250	10.01%	9.01%	1.4x
<b>B</b>	Medium	51-65%	£93,750	8.33%	7.50%	1.67x
<b>A</b>	Low	0-50%	£312,500	5.60%	5.04%	2.42x

## PROPERTY

<b>Market Value</b>	£625,000	<b>Passing Income</b>	£42,360
<b>Vacant Possession Value</b>	£530,000	<b>Estimated Rental Value</b>	£42,360
<b>Purchase Price</b>	£640,000	<b>Purchase Type</b>	Auction
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Retail
<b>EPC Rating (min. E)</b>	D	<b>Planning Use</b>	E

## Property Details

The Subject Property comprises a two storey mid-terraced freehold that is arranged to provide a large, double-fronted ground floor retail unit, currently arranged to suit its existing use as Boots.

The first floor is comprised of ancillary commercial accommodation by way of part staff break out area, kitchenette and WC facilities along with large store room and basic office space.

To the rear, the property has the benefit of a small courtyard as well as loading access and parking.

To the front, the unit is finished with a roller shutter and an aluminium frame plate glass frontage onto the main High Street.

The Property comprises a GIA of 5,234 sq ft over ground and one upper floor.



## Location Report

Shirley is a suburb of Southampton located some 2 miles north west of Southampton City Centre.

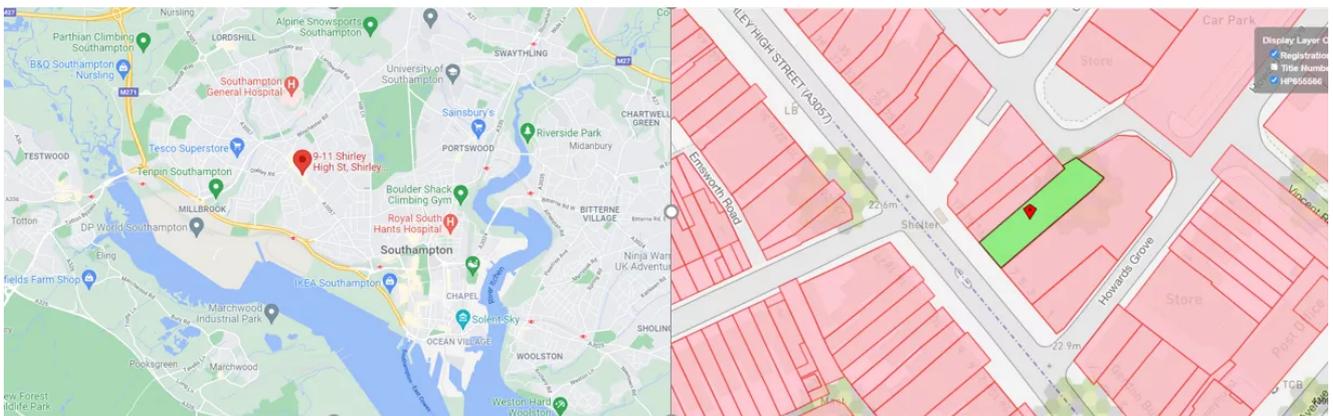
The Subject Property is situated along a mixed-use parade forming a part of Shirley town centre. The parade fronts the main High Street and is predominantly arranged to comprise ground floor retail units with either ancillary commercial space, or in many instances, self-contained residential accommodation above.

Shirley High Street provides a wide range of both independent traders as well as national retailers.

Occupiers close by include: Poundland (adjacent), Nationwide, Specsavers, Halifax, Savers, Greggs and a number local traders.

For rail connections Millbrook railway station lies approximately 1 mile distant to the south of the subject property and provides links along the Southwestern railway line. In addition, Southampton Central railway station is a popular hub connecting services operating on a number of lines including fast links into central London.

For road connections, the A3057 leads towards nearby Southampton City centre as well as providing links onto the A33 and furthermore, the M27 is approximately 3 miles distant and provides onward links out onto the wider UK road network, including connections onto the M3 in the north.



## Tenant Commentary

The sole tenant is Boots UK Limited, who are paying £42,360 p.a. for the entire Property, on a 5-year FRI lease from October 2021 to October 2026, without tenant breaks.

Parent Walgreens Boots Alliance announced last month that the 200 loss-making Boots pharmacy outlets in the UK had been closed, and Boots have been in occupation at this premises since 1935.

The latest filed accounts for Boots UK Limited to year end 31 August 2020, show T/O down 10.8% to £5.948m, with an operating loss of £258m for the year, which in their strategic review was attributed to the adverse impact of Covid-19 in its sales performance for the latter months of that financial year.

This is said to be a strong-performing branch with monthly prescriptions now over 8,000 pcm.

## Tenant Details

<b>Tenant</b>	Boots UK Limited	<b>Business Activity</b>	Pharmacy/Retail
<b>Lease Type</b>	FRI	<b>Lease Start</b>	18 October 2021
<b>Months to Lease Break</b>	56	<b>Lease Expiry</b>	18 October 2026
<b>Passing Rent</b>	£42,360 p.a.	<b>Occupancy Level</b>	100%

## Valuation Commentary

A valuation of the property was carried out by Kempton Carr Croft on 23rd February 2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

## Valuation Numbers

<b>Market Value</b>	£625,000	<b>Vacant Possession Value</b>	£530,000
<b>Passing Rent</b>	£42,360	<b>Estimated Rental Value</b>	£42,360
<b>Rent psf</b>	£8.09 per sq ft	<b>Re Instatement Value</b>	£800,000

## 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

<b>Gross Loan</b>	£437,500	<b>Loan Purpose</b>	Purchase
<b>Loan Term</b>	36 months		
<b>Loan to Value (LTV)</b>	70%	<b>LTV Covenant</b>	75%
<b>Interest Cover Ratio (ICR)</b>	1.49x	<b>ICR Covenant</b>	1.25x
<b>Rate of Interest</b>	6.50%	<b>Interest Expense (p.a.)</b>	£28,437

<b>Serviceability</b>	Rental income of £42,360 p.a. will be received, with interest payments due of £28,437 p.a.
<b>Interest Reserve</b>	Proplend will retain £14,219 (6 months interest) from the gross loan amount which will be held on account.

<b>Fees</b>			
<b>Arrangement Fee</b>	2%	<b>Broker Fee</b>	0%
<b>Early Repayment</b>	2% year 1, 1% year 2, no fee thereafter.	<b>Exit Fee</b>	1% - only incurred if the loan is not fully redeemed within the agreed 36-month loan term.

<b>Business Plan During Loan Term</b>
<p>The Subject Property is a long-term investment for the Borrower, and there are no short to medium term plans to sell, or make any alterations to the Property.</p> <p>As a longer-term alternative should Boots ever vacate, there is potential for the redevelopment of the upper floors. The Borrower believes a scheme of 4 or 6 flats would be viable.</p>

<b>Exit Strategy</b>
<p>The Borrower will endeavour to refinance at more competitive terms in order to redeem this loan.</p> <p>We may wish to offer a second loan at the time, and as a longer-term alternative, the Borrower believes that they could obtain planning consent, as above, to convert the upper floors to 4 or 6 apartments.</p>

Security			
Charge	First Legal Charge	Debenture	Debenture Required
<b>Property Insurance</b>	PSL Interest to be Noted on Completion		

<b>Personal Guarantee</b>	<p>Joint and Several Guarantee from the Directors and Shareholders of Prime Property Investors Limited for the sum of £109,375.</p> <p>Please note that these Applicants have also provided Personal Guarantees for the following outstanding Proplend loans;</p> <ul style="list-style-type: none"> <li>• Grantham Retail, £164,125</li> <li>• Hinckley Offices, £60,000</li> <li>• Shirley Mixed Use*, £58,625.</li> </ul> <p>* in Pending, and drawing simultaneously with this loan.</p>
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BORROWER	
<b>Name</b>	Prime Property Investors Limited
<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 for this and the proposed Shirley Mixed Use loan.</p>
<b>Ownership Structure</b>	The sole Director is Abul Kalam Shofraz-UI Musa Miah, and he and Abul Khowser Shoyez-UI Issa Miah, Abul Kashem Moniul Reza Miah, and Shoyeb Hussain each have a 25% share.

<b>Sponsor</b>	
<b>Name</b>	Abul Kalam Shofraz-UI Musa Miah, Abul Khowser Shoyez-UI Issa Miah, Abul Kashem Moniul Reza Miah and Shoyeb Hussain.
<b>Age</b>	39, 32, 46, & 42 respectively.
<b>Relevant Experience</b>	<p>The Directors own and run Crystal &amp; Co (Crystal Investment Group Limited), and have been selling, letting and managing property since 2002.</p> <p>They are a local agency based in Isleworth and Slough and manage over 300 UK properties, predominantly in the West London area and Home Counties.</p> <p>The Directors and Shareholders are brothers. They also run Vantage Housing Group, which is a social housing provider, established in 2012.</p> <p>They collectively have a business and property portfolio in excess of £22 million pounds, and are proud to have never defaulted on any loan, or been late with a mortgage payment or any secured or unsecured credit.</p>
<b>Credit History</b>	Strong.
<b>Additional Information</b>	<p>Please note that these Applicants are also behind the following outstanding Proplend loans;</p> <ul style="list-style-type: none"> <li>• Grantham Retail, £663,750</li> <li>• Hinckley Offices, £294,000</li> <li>• Shirley Mixed Use*, £227,500.</li> </ul> <p>... and were also behind the following loans, both fully redeemed within term;</p> <ul style="list-style-type: none"> <li>• Shirley Mixed Retail and Residential, £145,600</li> <li>• Gloucestershire Residential Block, £462,000.</li> </ul> <p>* expected to draw simultaneously with this loan.</p>

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 property professional, with a good Proplend track record to date.</p> <p>The Property is in a good location and with potential for residential development.</p> <p>The Borrower has successfully executed their business plan elsewhere in their portfolio consistently over recent years.</p>	<p>Medium/Low</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 blue chip tenant is tied in until October 2026.</p> <p>Comfort may be further gained by the holding of a six month Interest Reserve.</p>	<p>Medium/Low</p>
<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, including with the now repaid Shirley and Gloucestershire Proplend loans, both of which were fully redeemed within term.</p> <p>The Borrower enjoys good relationships with other Lenders, as well as ourselves, and this should prove a relatively straightforward refinance exercise approaching maturity, on a straight refinance as is.</p>	<p>Medium/Low</p>

Lender Risks	Mitigant	Risk Level
<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 of successfully refinancing away at more competitive terms.</p> <p>The gross loan advance is 82.5% of the current vacant possession value, and there is also potential for redevelopment of the upper floors, which the Borrower will be exploring - believing a scheme of 4 or 6 flats to be viable.</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 70% 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.