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Full Loan Request: Wembley Warehouse Refinance

Date:	27/4/2022
Main Site:	265 Water Road, Wembley, HA0 1HX
Property Description:	The Subject Property comprises an owner-occupied industrial warehouse which is principally in open plan arrangement, with the rear section having been sub-divided and fitted out as a commercial kitchen in connection with the Borrower's catering business.
Loan Summary:	We are asked to provide a 75% LTV gross loan facility in order to refinance the existing Wembley Warehouse loan, and to raise capital to be put towards the renovation of the Property.



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£3,550,000	Passing Income	n/a
Gross Loan	£2,662,500	Loan to Value (LTV)	75%
Blended Interest Rate	6.85%	Loan Term	24 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£355,000	10.11%	9.10%	n/a (1.20x)
B	Medium	51-65%	£532,500	7.51%	6.76%	n/a (1.49x)
A	Low	0-50%	£1,775,000	6.00%	5.40%	n/a (2.05x)

The Interest Cover figures in brackets above are for illustrative purposes only, based on the stated Market Rental figure. The Property is owner-occupied, and as such, no rental income is received.

PROPERTY			
Market Value	£3,550,000	Estimated Value on Completion of Current Works	£4,000,000
Vacant Possession Value	£3,550,000	Estimated Rental Value	£218,000
Tenure	Freehold	Asset Class	Warehouse
EPC Rating (min. E)	C	Planning Use	B2 & B8

Property Details

The Subject Property comprises a substantial industrial warehouse building in a popular and long-established industrial area of north-west London.

The Property was originally built in the 1950s, and occupies a high site coverage that provides functional accommodation, with relatively modern offices to the front and open plan warehousing with loading to Water Road and reasonable eaves height throughout.

The Property has lawful use for B2 Industrial and B8 Storage and Distribution uses and also valid Planning Permission for three-storey redevelopment of the front section, which the Borrower is currently undertaking.

The new section and retained warehouse will be split into two self-contained units, each of approximately 7,030 sq ft in size, increasing the total floor space to 14,057 sq ft in all. The new large units will benefit from enlarged loading areas.

The front section of the Property will be replaced with a new three-storey section, providing meeting rooms, office space, and hospitality facilities required in order to host menu-tasting events.

The main warehouse space will be refurbished and split into two self-contained units accessed via separate personnel and steel doors to the front. Both units will essentially be a mirror image of one another, and will be fully self-contained. An internal division will be installed to split the warehouse and interlinked commercial kitchen area.

The renovation, proceeding under a fixed price contract, is progressing well, and works are due to be completed by the end of July 2022.

Reflecting the current shortage of supply and good location, the valuation report highlights that on completion to the specification advised, the completed units will have an applicable capital sales rate of £285 per sq ft and Market Value increase to £4,000,000.

Location Report

The property is situated in the Alperton district of Wembley in north west London. Wembley forms part of the London Borough of Brent which is a relatively densely populated northwest London suburb approximately 10 miles from central London.

The Alperton district of Wembley which lies within the London Borough of Brent and benefitting from strong transport links to the A406 North Circular Road and A40 trunk road which provides a direct link out to the M25 and M40 to the west and into Central London to the east. The A406 North Circular Road also provides easy access to the M1 within 6 miles, to the north.

Stonebridge Park London Underground (Bakerloo Line) and mainline station is within one mile to the north east whilst Alperton London Underground (Piccadilly Line) station is a similar distance to the north west. Hangar Lane and Park Royal stations are also within a mile of the Property.

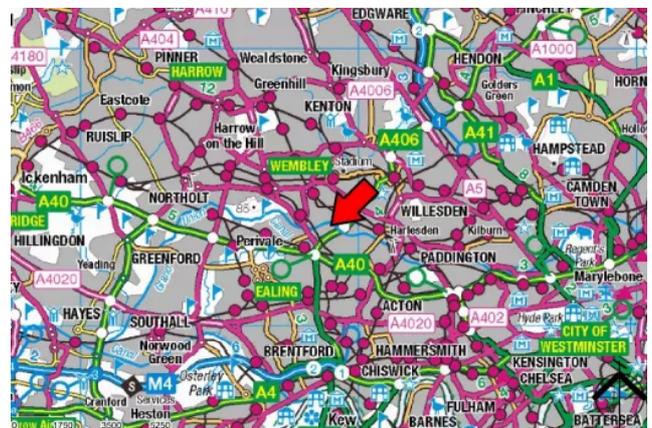
As a consequence, this is believed to be a popular industrial warehouse location where there has been a scarcity of supply in recent years particularly in respect of buildings where vacant possession is available. The valuer notes that the supply shortage and increasing demand for this type of property, has resulted in significant rent and price rises in recent years.

The Subject Property is situated on the eastern side of Water Road in an established industrial area near to Park Royal which was developed in the 1930s and has some of the country's highest industrial values according to the professional Valuation Report.

The area around Water Road principally comprises older style warehousing but also some more modern units and infill development.

Water Road is a cul-de-sac with the Grand Union Canal passing immediately to the north whilst the North Circular Road (A406) may be accessed within a few hundred meters to the south.

The A40 trunk road can be accessed via the North Circular Road at Hangar Lane, just over one mile to the south.



Occupant Commentary

The Property is occupied by the Borrowers operational business and there are no leases or licenses in place.

Sapna Caterers Ltd, a UK Registered Company, is a catering business providing a variety of Asian cuisines for weddings, balls, silver service gala dinners, private parties and corporate events. Please see <https://www.sapna.co.uk/index.html>

The business commenced trading in 1991, and they have established an excellent reputation over the years supported by the longstanding success of the business and the specialist Asian market that they operate in.

Trading financial serviceability analysis has therefore been carried out for the purpose of this proposed borrowing application, based on EBITDA calculations (please see the table below).

EBITDA Debt Ratio on the proposed new Loan is 2.75.

EBITDA (31/8/2021) confirms that the proposed new loan interest can be comfortably serviced. Both 2020 and 2021 figures reflect the adverse impact that Covid had on the business, which is not a true reflection of trading - the Borrower had over 200 bookings for large weddings throughout this period, and lost approximately £2m of turnover as a result.

The business has recently expanded by opening a high end Indian Restaurant on 25th March at Stockley Park Golf Club which is now generating revenue (Projections indicate £560k for 11 month period).

Also within the business plan is the proposal to fully supply and install 12 'dark kitchens' at a cost of £250,000. New leases will be established in due course with an anticipated rental of £210,000 per annum altogether.

We have been provided with the Borrower's bank statements for the last six months, which demonstrate good account conduct, with reasonable credit balances held.

YEAR END	TURNOVER (£)	Shareholders' Funds (£)	EBITDA (£)	NOTES
31/8/2019	2,703,257	2,939,051	405,948	
31/8/2020	1,171,953	2,421,999	(185,950)	COVID Impact
31/8/2021	885,999	2,119,447	138,352	COVID Impact

31/8/2022	2,897,786	1,688,096	996,764	Actuals to 28.2.22 – Projections to 31.8.22
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Valuation Commentary

A valuation of the property was carried out by Aitchison Raffety on 7/4/2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

Principally open plan warehousing which is popular with tenants and purchasers at present. Proposed works will uplift potential MV to £4,000,000.

Proposed Aggregate Market Rent has been determined at £218,000 per annum on the assumption of a new 5 year FRI Lease, based on £15.50 per sq ft. However, comparable evidence on lettings indicate that rents are being achieved between £14 per sq ft and £18.50 per sq ft, with over £20 per sq ft for newer quality accommodation.

The Valuation confirms Increasing Letting Prices, Letting Demand, Letting Supply and Sales for this type of Unit. Sales Demand remain stable and Sales Supply is Decreasing.

The size of the new units is popular with both tenants and purchasers at the present time and there is a shortage of supply in the Wembley area, which is considered to be a Good London location.

Investors continue to retain let industrial warehouses in the area at present so yield evidence is limited but Knight Frank report prime south-east estate yields 3.25-3.5% and secondary estates at 4.75-5.25% as at March 2022.

Valuation Numbers			
Market Value	£3,550,000	Vacant Possession Value	£3,550,000
Estimated Value on Completion of Current Works	£4,000,000	Estimated Rental Value	£218,000
Market Rent psf	£15.50	Re Instatement Value	£1,800,000

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			
Gross Loan	£2,662,500	Loan Purpose	Refinance and Capital Raise
Loan Term	24 months		
Loan to Value (LTV)	75%	LTV Covenant	80% (please note that the LTV Covenant will reduce to 70% w.e.f. 31 August 2022)
Interest Cover Ratio (ICR)	n/a	ICR Covenant	n/a
Rate of Interest	6.85%	Interest Expense (p.a.)	£182,381

Interest Reserve	Proplend will retain £91,191 (6 months interest) from the gross loan amount which will be held on account.
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Fees			
Arrangement Fee	2%	Broker Fee	1%
Early Repayment	2% first 6 months, 1% months 7-12, no fee thereafter.	Exit Fee	1% if redeemed past maturity

Existing Facility			
Lender	Proplend	Expiry	10/5/2022
Amount Outstanding	£2,074,000	Status	Up to Date
Rate	8.90%	Existing Facility Description	12-month bridging loan

Business Plan During Loan Term
<p>The Borrower will continue to operate their long-standing catering trading business from the Property.</p> <p>The construction works are due to be completed by the end of July 2022, which as the valuer comments, are making advanced progress to date, and is within budget.</p> <p>We have very recently, and since the valuation inspection, made a site visit, and good progress is being made. We will continue to make regular site visits until the works have been completed.</p> <p>According to projections and current Management Information, trading revenue should increase further following a significant rise in bookings in 2022 from previous years.</p> <p>Projected Income of £3,602,444 for the period 1/3.2022 - 28/2/2023. This incorporates the newly opened restaurant in Stockley Park Golf Club - £560,000 projected income for 12 months.</p> <p>Also included in the revenue figure above is the proposed 'Dark Kitchens' income of £210,000 from October 2022.</p> <p>The Dark Kitchens concept of setting up a takeaway business without all of the overheads of a restaurant has increased in popularity since the first lockdown of Spring 2020. This decision makes commercial sense, given the Subject Property's good transport links as previously described, coupled with the dense population in the locality and surrounding areas.</p>

Exit Strategy

The Borrower will endeavour to refinance the loan for a longer term with a primary high street lender in order to redeem this loan.

On maturity of the proposed borrowing, the Property will be newly-refurbished, and with increased sales figures.

The potential letting of one of the units should also assist with enabling the longer term refinance on maturity.

Other Potential Exit Routes :

- sell one of the units to offer part repayment of the loan (as there is a demand for smaller units as oppose to larger units) and operate from the other, and refinance the residual reduced balance.

- refinance both warehouses, rent one and operate from the other.

Security

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

Personal Guarantee	Joint and Several Guarantee from the Directors and Shareholders of Sapna Caterers Limited for the sum of £500,000
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BORROWER

Name	Sapna Caterers Limited
Registration	UK Registered Limited Company
Main Business Activity	<p>A catering business established in 1991, providing a variety of Asian cuisines for weddings, balls, silver service gala dinners, private parties and corporate events.</p> <p>Please see : https://www.sapna.co.uk/index.html</p>
Ownership Structure	<p>The Company is operated/owned by each of the following;</p> <p>Mohammad Tariq – (Director) Asma Tariq – (Director) Shareholding 25% Kamran Tariq - (Director) Shareholding 25% Rizwan Tariq - (Director) Shareholding 25% Zeeshan Tariq - Shareholding 25%.</p>

Sponsor

Name	Mohammad Tariq, Asma Tariq, Kamran Tariq, Rizwan Tariq & Zeeshan Tariq
Age	72, 69, 49, 42 & 40 respectively.
Relevant Experience	<p>Mohammad has an extensive background in the catering industry, having owned and operated his own catering companies for over 20 years.</p> <p>The family business was established in 1991 by Mohammad and Asma Tariq, and their children joined the business from an early age.</p>
Credit History	<p>MT - CreditSafe risk band 10 AT - CreditSafe risk band 10 KT - CreditSafe risk band 10 RT - CreditSafe risk band 9 ZT - CreditSafe risk band 10, and Lexis Nexis checks passed for all five.</p>
Additional Information	The Sponsors have a collective Net Asset Value of £2,100,000 excluding this commercial asset.

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>The loan is to an existing Proplend Borrower, with a good track record to date of being open and communicative.</p> <p>The Borrower is a long-established family business, which all our Applicants are fully committed to.</p> <p>This loan will allow time for the refurbishment works to be completed, and re-invest the capital within the business as per the business growth plans.</p> <p>The renovation will generate an uplifted Market Value as per the Valuation Report, as well as providing additional revenue streams from the Dark Kitchen tenants, thus enabling a smoother exit.</p> <p>Exit plans B & C are equally viable given the strong London location of the Property, where letting and sales demand is high and supply is decreasing.</p>	<p>Medium</p>

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>The Borrowers track record, background professional experience and character demonstrates that they are reliable and adhere to their monthly financial obligations.</p> <p>The weddings market has returned to normality following the severe impact Covid had on this part of the business.</p> <p>Additional revenue streams are being generated from the Stockley Park restaurant.</p> <p>Financial MI and projections indicate increased revenue for 2022-2023, where initial large one-off property expenses have an impact on Profits, this should not prove the case going forward.</p> <p>A second way out is achievable by either renting and refinancing, or selling and partially redeeming and refinancing the remainder, as described in the Exit Strategy.</p> <p>Further comfort may be found in our holding of a 6-month Interest Reserve.</p>	<p>Medium</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>As above, the Borrower has more than one realistically viable exit route.</p> <p>The Valuation Report confirms that the Demand is strong for the property, where supply of similar sized Industrial and Warehouse Property is limited, therefore either rental or sale should be easily achieved based on the location and market.</p> <p>On completion of property refurbishment works, the LTV will stand at 66.5% therefore refinancing with another Lender should be readily achievable based on asset class, location, and condition, as well as the increasing trade revenue performance expected to be generated by improved trade bookings and additional restaurant income.</p>	<p>Medium</p>

Lender Risks	Mitigant	Risk Level
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>The Valuation Report supports the Borrower's belief that the current refurbishment works will add additional value to the asset.</p> <p>The London location is strong for this industrial property type both with investors and trading business' as the supply is limited.</p> <p>As with any Development works, there is a risk attached to the time and budget of the proposed works. However, we can seek comfort in that the Valuation confirms that the works are progressing in an advanced manner and the contractor is on a fixed contract where a 10% contingency has also been applied to the budget.</p> <p>Investors in this area continue to retain the warehouses at present so yield evidence is limited but Knight Frank report suggests south-east estate yields are at 3.25-3.5% and secondary estates at 4.75-5.25% as at March 2022.</p> <p>The future uplift in Market Value will further mitigate our risk - assuming the valuer's expectations are met, our LTV upon completion of the works will improve from 75% to 66.5% LTV gross.</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 LLP will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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