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Full Loan Request: Bloxwich Land with Outline Planning

Date:	27/4/2022
Main Site:	1) Land Lying To The East Of Warner Road, Walsall, WS3 1RW 2) Land On The North Side Of Cartbridge Walk, Walsall, WS3 1TL
Property Description:	Two adjoining parcels of land comprising 12.2 acres combined, with outline planning for up to 150 dwellings.
Loan Summary:	We are asked to provide a 60% LTV gross loan facility partly in order to assist with the purchase of plot two (above), and also to raise capital which is being utilised to pay down group debt.



HIGHLIGHTS

Loan Type	Commercial Bridge	SIPP Eligible	Yes
Property Value	£6,500,000	Passing Income	£0
Gross Loan	£3,900,000	Loan to Value (LTV)	60%
Blended Interest Rate	7.83%	Loan Term	12 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£650,000	9.48%	8.53%	0x
A	Low	0-50%	£3,250,000	7.50%	6.75%	0x

PROPERTY			
Market Value	£6,500,000	Passing Income	£0
Vacant Possession Value	£6,500,000	Estimated Rental Value	£0
Tenure	Freehold	Asset Class	Land

Property Details

The Subject Property comprises two parcels of undeveloped land, of 12.2 acres (4.94 hectares), where the local authority has Granted Outline Planning Consent for the development of 150 residential units.

The site is broadly level and rectangular in shape and situated to the southern side of Harden Road. It is bounded to the west and to the south by existing residential properties forming part of Coalpool Estate. Mclean Way, a former local railway line which has been converted to a footpath and cycle way runs along its eastern boundary.

Houses in the immediate vicinity within the Coalpool Estate are largely 1930s-built terraced and semi-detached two storey houses but interspersed with some more modern 1960s and 1970s developed housing and low-rise flats.

Situated fronting the northern side of Harden Road, approximately two hundred metres to the east of the subject property, where the road becomes Station Road, there is a modern, private housing estate developed approximately ten years ago by Barratt Homes and Taylor Wimpey.

The Subject Property is subdivided into two separate titles which historically have been in separate use. The southern part of the site has access at its southern end from Whateley Road and was previously a playing field/sports ground but has been unused as such for over 20 years.

The northern part of the site is rough unused land, part of which has been used as horse grazing.

Property Details

The purchase of the southern plot of land and outline planning consent are subject to a Section 111 Undertaking and Section 106 Agreement which includes an obligation that 25% of the dwellings are to be affordable housing units. Specifically, 37 of the 150 units are defined as being Affordable Units of which 28 are to be social rented and nine are to be shared ownership.

The outline development proposal for the site is for 150 dwellings but there is yet to be any detailed plans produced. We understand that an indicative proposal for 150 units has previously been compiled by the Borrower's architect as part of the discussions held with the council.

The indicative scheme was a mix of houses and apartments with a total floor area of 122,000 sq ft. Alternatively, on the basis of an average floor area per unit of 950 sq ft, the total gross internal floor area of the development would be in the order of 135,000 sq ft.

The gross developable area of the site, having deducted the extent of the area reserved for a drainage easement and for two balancing ponds, together with a five-metre bund along the eastern boundary, is 3.91 hectares (9.66 acres).

Whilst it is recognised that the land in question is currently classed as Green Belt, it falls within the local planning framework.

Based on the plans submitted, Natural England considers that the proposed development will not have significant adverse impacts on designated sites and has no objection.

The proposed development is within an area that Natural England considers could benefit from enhanced green infrastructure (GI) provision.

Multi-functional green infrastructure can perform a range of functions including improved flood risk management, provision of accessible green space, climate change adaptation and biodiversity enhancement.

Natural England would encourage the incorporation of GI into this development.





Location Report

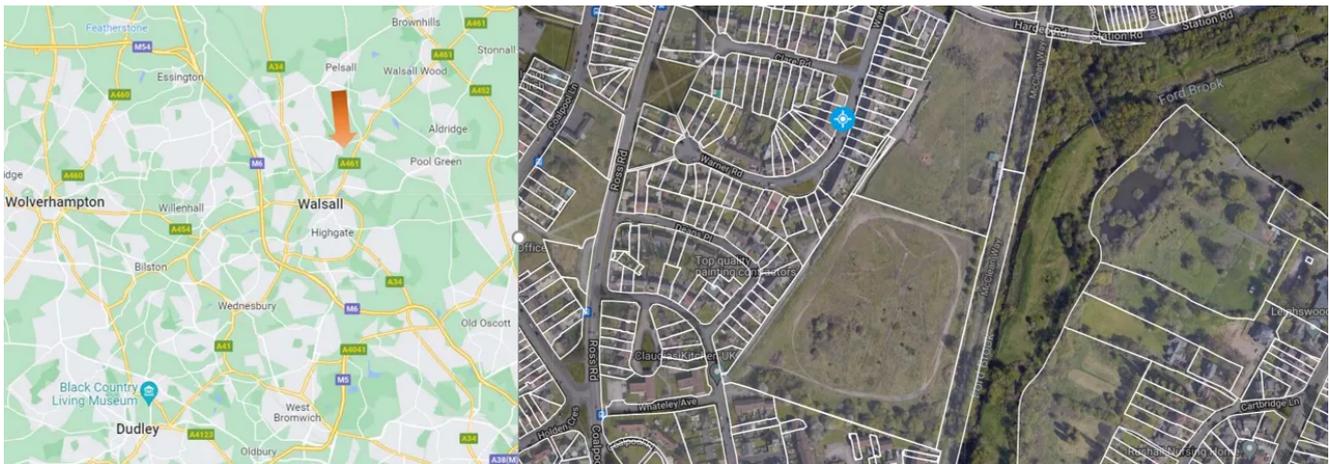
Walsall is a large town with a population of approximately 67,500 people. The population is approximately 270,000 across the wider borough which includes Darlaston, Brownhills, Pelsall, Willenhall and Bloxwich.

The town forms the north-eastern section of the West Midlands conurbation. Birmingham city centre is approximately nine miles to the south and Wolverhampton city centre is seven miles to the west. Lichfield is nine miles to the north.

The Subject Property is located approximately two miles to the north of Walsall town centre. The Coalpool Estate, a local authority developed housing estate, is to the west of the Subject Property and Rushall, an area which was originally a settlement in its own right, but which is now a suburb of Walsall, is to the east.

The Property fronts the southern side of Harden Road, a busy local route which links Green Lane (A34), which is approximately one and a half miles to the west, with Lichfield Road (A461), which is half a mile to the east. Junction 10 of the M6 is four miles to the south-west.

In the aerial photograph below to the right, our security is the two large trapezium-shaped plots of land outlined in white.



Valuation Commentary

A valuation of the property was carried out by Vail Williams LLP on 7 April 2022, a copy of which can be seen in the supporting documents.

The Valuation Numbers below have been provided on the proviso that Outline Planning Permission is in place, which at the time the valuation report was written was not the case.

As above in the Property Details section, the local planning authority, Walsall Council, Granted Permission for the Outline Planning Application on 14 April 2022.

Valuation Numbers

Market Value	£6,500,000	Vacant Possession Value	£6,500,000
Passing Rent	£0	Estimated Rental Value	£0

Report on Title

A Report on Title will be supplied by Harrison Clark Rickerby acting on behalf of Proplend Security Ltd, and it's comments thereon can be viewed under documents.

LOAN

Gross Loan	£3,900,000	Loan Purpose	Purchase and Capital Raise
Loan Term	12 months		
Loan to Value (LTV)	60%	LTV Covenant	65%
Interest Cover Ratio (ICR)	0x	ICR Covenant	n/a
Rate of Interest	7.83%	Interest Expense (p.a.)	£305,370

Interest Reserve Proplend will retain £381,875 (15 months interest) from the gross loan amount which will be held on account.

Fees

Arrangement Fee	2%	Broker Fee	1%
Early Repayment	1% first 3 months, no fee thereafter.	Exit Fee	1% - only incurred if the loan is not fully redeemed within the agreed 12-month loan term.

Business Plan During Loan Term

The Borrower already owns the northernmost of the two plots - Land Lying To The East Of Warner Road.

Upon completion, as above, the Borrower will contemporaneously purchase the land On The North Side Of Cartbridge Walk from Walsall Council.

We have been provided with copies of the purchase contract with the Council, as well as the Section 111 Undertaking and Section 106 Agreement, and these are under review by our legal representatives. Drawdown will not take place until our lawyers are fully satisfied with both Agreements.

Post-completion during the term of our loan, the Borrower will continue to pursue his Exit Strategy, as below.

Exit Strategy

The Borrower will be selling the entire site to a national housebuilder, and Heads of Terms have been agreed, at a sale price of £7.25m. At the time of writing, contracts have not yet been exchanged.

The housebuilder in question is aware that the Borrower is yet to acquire the landlocked piece of land from Walsall Council. The housebuilder's legal due diligence is at an early stage.

We have also received copies of offers from other regional housebuilders, should the above sale not ultimately proceed to completion.

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 Hill & Hall Group Ltd for the sum of £780,000		
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BORROWER	
Name	Hill & Hall Group Ltd
Registration	UK Registered Limited Company
Main Business Activity	The proposed Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Properties.
Ownership Structure	<p>The Company is 100% owned by Hills International Ltd.</p> <p>Jez Hill owns 51% of Hills International Ltd. His wife Marie Hill, and his two children each own a 16.33% share.</p>

Sponsor	
Name	Jez Hill
Age	46
Relevant Experience	<p>Jez Hill was the sole Sponsor behind two previous Proplend loans - the Walsall HMO, and Walsall Mixed Residential loans, both of which were fully redeemed six months prior to their respective maturity dates.</p> <p>Both of those Properties are still under the Sponsor's ownership. The two Properties combined are now worth £3.7m with outstanding mortgages of £1.4m.</p> <p>The Sponsor also owns an automobile business that since inception in 2017, has grown to a £10m+ turnover business. It's Net Worth increased from £2.36m (as at 31/5/2020), to £4.0m as at 31/5/2021.</p> <p>The Sponsor also owns a kennels business which was formed during the first lockdown in 2020 - a purpose-made, self-built, licenced breeding kennels. Current stock value said to be £250,000.</p>
Credit History	Strong - CreditSafe risk band 9, and Lexis Nexis checks Passed.

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>Plan A for our Exit is contingent on the sale of the land.</p> <p>As mentioned, the housebuilder/purchaser's DD is currently at an early stage, however it is believed that the proposed purchaser is aware of the S106 requirement (for 25% of the scheme to be Affordable Housing).</p> <p>We also have on file, copies of three other indicative offers from reputable housebuilders.</p>	<p>High</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>This Risk is Low throughout the loan term - the term is 12 months, and the Interest Reserve equates to 15 months.</p> <p>Should a sale become protracted and the loan pass the maturity date, this Risk will become Medium, and the Borrower will need to service the monthly interest payments.</p>	<p>Medium</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>As above, the timeframe of the sales process is an unknown quantity. If the Borrower is forced to refinance in order to redeem this loan, then at 60% LTV, this should prove to be a realistic alternative, if required.</p> <p>The gross loan also advance equates to 75% of the valuer's stated 90-day sale figure.</p>	<p>High</p>

Lender Risks	Mitigant	Risk Level
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>Our solicitor's Report on Title is awaited at the time of writing, but the valuer has stated that his opinion of market value is based on the assumption that the signing of the S106 Agreement is within the Borrower's control, and thus the issuing of outline planning.</p> <p>As mentioned above, this has since been granted, but one issue yet to be addressed, is whether or not there is a legitimate Judicial Review period of 6 weeks from 14 April 2022 (the date outline planning was granted). Regardless, indemnity cover is being taken out prior to completion to protect against this.</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 60% 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 Harrison Clark Rickerby will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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