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Full Loan Request: Bromyard Storage Unit

Date:	06/05/2022
Main Site:	Land on the South Side of Streamhall Garage Linton Trading Estate, Bromyard, Herefordshire HR7 4QT
Property Description:	The total plot is approximately 1.06 acres of which 0.3 acres of the site is concrete surfaced, with a fenced and gated perimeter providing access to shipping containers which are utilised for self storage.
Loan Summary:	Borrower has requested for a Bridge loan facility to raise funding to cover planning costs on associated developments sites. The funds will be utilised for planning costs on a site at Williamson Road Worcester as well as cover associated costs for a further application at Lowesmoore Whard in Worcester.



HIGHLIGHTS			
Loan Type	Commercial Bridge	SIPP Eligible	Yes
Property Value	£400,000	Passing Income	£15,600
Gross Loan	£200,000	Loan to Value (LTV)	50%

HIGHLIGHTS			
Blended Interest Rate	7.35%	Loan Term	12 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest
A	Low	0-50%	£200,000	7.35%	6.62%

PROPERTY			
Market Value	£400,000	Passing Income	£15,600
Vacant Possession Value	£400,000	Estimated Rental Value	£27,600
Tenure	Freehold	Asset Class	Storage
EPC Rating (min. E)	N/A	Planning Use	B8

Property Details

The Land comprises a total of approximately 1.06 acres (0.42 ha).

Approximately 0.3 acres of the site is concrete surfaced, with a fenced and gated perimeter providing access to shipping containers, which are utilised for self storage.

The remainder of the site is predominantly unsurfaced and benefits from a ramped access from the Estate Road.

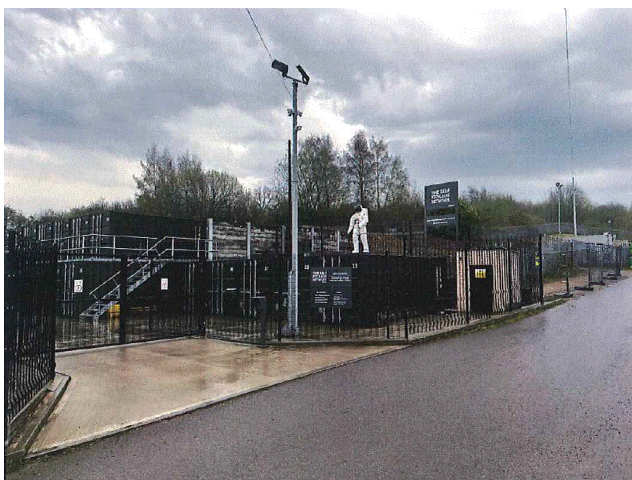
The site currently incorporates two separate titles (HE65548 and HE38319) which will be transferred to the Borrowing entity on completion of the proposed loan.

Currently, both leases contain an Option to Purchase clause and the Sale will be formed in two parts, described below as follows:

1. Plot 1 will be sold for £175,000, with contracts to be exchanged and a 10% deposit paid, Completion date agreed for no more than 3 months.
2. Plot 2 will be purchased for £225,000 with a long-stop completion date of 12 months. It has been structured in this manner to assist the Purchasers (current Tenant) with their cashflow strategy.

The Tenant intends to develop the site and extend the number of storage units.

Therefore, they have requested not to complete the purchase until these funds are available to them, as they are under no pressure to complete or risk losing the site with the existing Lease Agreement in place.





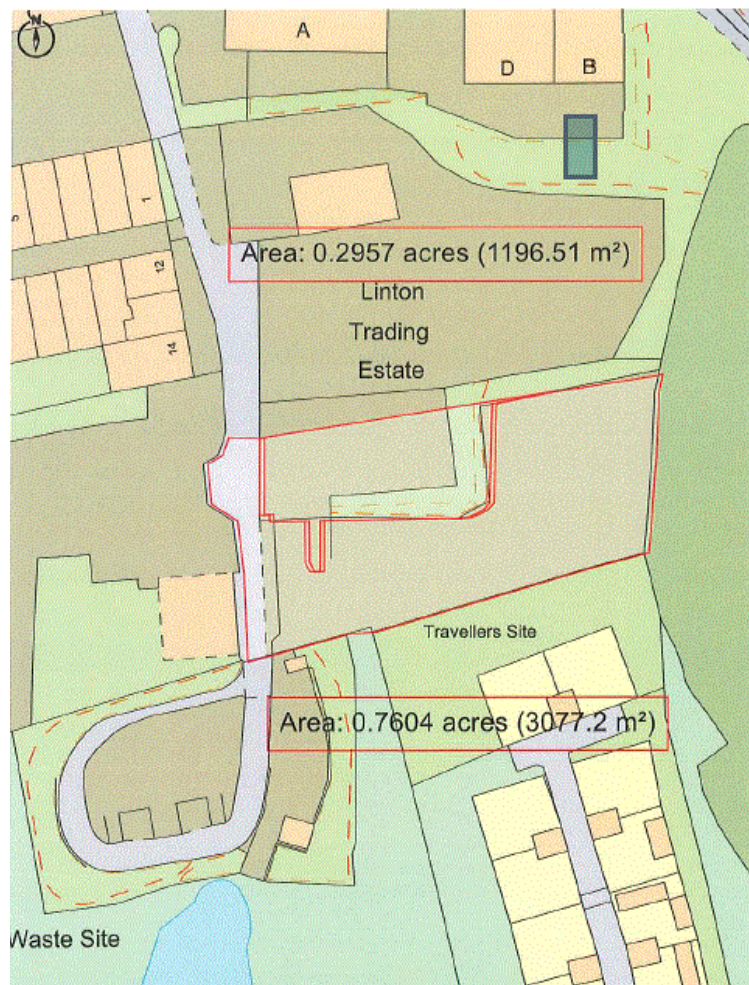
Location Report

The Land is located towards the rear of Linton Trading Estate, being accessed from Worcester Road (A44), via a section of hard surfaced private road.

Linton Trading Estate, which is an established mixed use commercial area, predominantly comprising light industrial uses, with domestic tip to the rear.

The Land is located approximately 1 mile West of Bromyard town centre, with Worcester city centre being some 14 miles to the East and Hereford 15 miles to the South-West.

Transport links are decent, with Worcester road (A44) providing access to Junction 7 of the M5 motorway, approximately 16 miles to the East.



Tenant Details			
Tenant	Storage Facilities Limited	Business Activity	Storage Business
Lease Type	FRI	Lease Start	10.11.2017
Months to Lease Break	09.11.2022 - This will not be exercised as the tenants are looking to purchase the site prior this date.	Lease Expiry	09.11.2027
Passing Rent (£ p.a.)	£9,000	Occupancy Level (%)	100%

Tenant Details			
Tenant	Storage Facilities Limited	Business Activity	Storage Business
Lease Type	FRI	Lease Start	14.03.2018

Tenant Details			
Months to Lease Break	N/A	Lease Expiry	09.11.2027
Passing Rent (£ p.a.)	£6,600	Occupancy Level (%)	100%

Tenant Description	<p>The site is currently owned unencumbered and let out on a nominal rent, presently for the two sites at £15,600 which would be due to increase to £23,000 in 2024.</p> <p>The tenant has occupied the site since 2017 with the lease due to expire in 2027.</p> <p>The site was let out as a commercial yard and the tenant has invested their own funds of £200k so far on concreting out the yard, building retaining walls, adding security fencing, lighting, CCTV and creating a 24 hour self storage facility.</p> <p>The tenant is looking to invest a further £300k on the other half of the site to expand their storage business post purchase.</p> <p>www.cosmicselfstorage.co.uk</p> <p>Under the terms of the lease, the tenant has the option to purchase the site. The tenant would like to exercise this option and purchase the site for £400,000, which is the Market Value as confirmed within our Valuation report.</p> <p>The last set of Abbreviated Financial Accounts registered, dated 31.08.2020 reflect shareholders funds of (£58,475). However, it must be noted that these accounts highlight a period that was impacted by the COVID pandemic and it is believed that the Balance sheet incorporates Other Creditors of c£91k, potential Directors Loans.</p> <p>The Directors of the Company will invest funds for the proposed developments works on the site from a personal capacity, which highlights their financial capabilities.</p>
Tenant strength	The tenant has occupied the premises for 5 years and has kept up to date with their rental payments.

Valuation Commentary

A Valuation of the property was carried out by John Truslove Chartered Surveyors & Valuers on 13th April 2022, a copy of which can be seen in the supporting documents.

The Valuation concludes the following:

The Valuation confirms that a Leasehold rate of £26,000 pa/acre and freehold rate of £375,000/acre has been applied to calculate the Market Value.

This is in line with Market Comparables which considers evidence from similar transactions, listed below :

- 1) Foley Trading Estate, Hereford
- 2) Collington Works, Bromyard
- 3) Top Garage, Bromyard

A yield of approximately 7% has been calculated, which is in line with Industrial Investment transactions for the region.

Valuation Numbers

Market Value	£400,000	Vacant Possession Value	£400,000
Passing Rent	£15,600	Estimated Rental Value	£27,600
		Re Instatement Value	£190,000

Report on Title

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

LOAN

Gross Loan	£200,000	Loan Purpose	Capital Raise
Loan Term	12 months	Rate of Interest	7.35%
Loan to Value (LTV)	50%	LTV Covenant	55%

LOAN	
	<div>Interest Expense</div> <div>£14,700</div> <div>(p.a.)</div>

Serviceability	£14,700 per annum of which interest payments of £1,225 is paid monthly in arrears from the Reserve.
Interest Reserve	Proplend will retain £18,375 (15 months interest) from the gross loan amount which will be held on account.

Fees			
Arrangement Fee	2%	Broker Fee	1%
Early Repayment	N/A	Exit Fee	1% applicable if the loan passes maturity date.

Business Plan During Loan Term

During the term of our loan the tenant will start their funding application process to purchase the site from the Borrower, as detailed within 'Property Details'.

Contracts will be exchanged in due course, as the 12 month term has been requested by the Purchaser, whilst the intention is to complete prior to the 12 months period.

The Purchaser is due to receive funds by the end of 2022 that have been invested elsewhere.

Funds for the purchase are being raised privately by the Purchaser and works on Plot 2 will be completed once fully purchased outright.

Our Borrower has therefore negotiated sale terms and timeframes with the Purchaser based on the above rationale.

The contracts for the Sale have been drafted and are presently with solicitors.

Exit Strategy

The Borrower will repay our loan from the sales proceeds of the site.

The Borrower has agreed that a repayment of £87,500 will be made upon the sale of Plot 1 to maintain the 50% LTV position. The remaining balance will be repaid upon the sale of Plot 2.

Security

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

Personal Guarantee	Joint and Several Guarantee from the Directors and Shareholders of Worcester Parkway Business Park Limited for the sum of £50,000
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BORROWER

Name	Worcester Parkway Business Park Limited
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BORROWER

Registration	UK Registered Limited Company
Main Business Activity	Buying and selling of own real estate
Ownership Structure	SNR Stennard Harrison and JNR Stennard Harrison are the directors and shareholders of Worcester Parkway Business Park Limited. They both hold 50% shares each.

Sponsor

Name	JNR Stennard Harrison & SNR Stennard Harrison
Age	83 & 54
Relevant Experience	<p>SNR Stennard Harrison is 83 years old and has been in the property development sector for more than 50 years. He now resides in Spain and the day to day dealings are done by JNR Stennard Harrison.</p> <p>CV for JNR Stennard Harrison has been provided showing relevant experience. He has over 30 years of experience both in commercial and residential property development and construction.</p>
Credit History	<p>JNR Stennard Harrison - Creditsafe Band score 9 and Lexis Nexis pass</p> <p>SNR Stennard Harrison - Creditsafe Band score 7. Lexis Nexis was unable to pick up the address, however a utility bill has been provided by the Borrower and the address has been verified.</p>
Additional Information	<p>Please note we recently funded Worcester Land with Planning for the same applicants.</p> <p>For Worcester Land with Planning, the Borrower provided PG limited to the sum of £351,750.</p> <p>A new Personal Guarantee limited to the sum of £50,000 will be taken to support this borrowing.</p>

Bridge Loan Risk Rating		
Risk Category	Score	Rating
Financial Ratios	0.90	LOW
Asset Class Outlook	0.75	LOW
Property	1.50	MEDIUM
Business Plan	1.50	MEDIUM
Borrower Sponsor	0.70	LOW
Risk Rating [4.05 to 10.32]	5.35	LOW

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	<p>The Borrowers are experienced professional property developers and investors. The site currently unencumbered and the Borrower has agreed to sell the site to his existing tenants who has occupied the premises since 2017.</p> <p>The Borrower has agreed the sale terms and timeframes to suit the Purchasers cashflow requirements, as they have an existing professional relationship and plan to add further value to the site on purchase completion to expand the Tenant trading business.</p> <p>Should the proposed sale not be executed as intended, the existing FRI lease has a remaining term of c.5 years and a potential Commercial Mortgage refinance option could be considered as an alternative.</p>	Low

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 loan being offered is a Bridge. Therefore the interest will be retained and held on account and used towards the monthly interest payments. A further 3 months interest is held on account for comfort.</p> <p>The Borrower has an existing Proplend lending facility and is currently meeting their financial obligations as expected.</p> <p>The tenant has occupied since 2017 and the suggested purchase confirms business expansion plans which would not be achievable unless the tenant business allowed for financial sales growth.</p> <p>The existing FRI lease has a remaining term of c.5 years, providing regular income for serviceability purposes and noted that this is £12,000 per annum below the Market Rent as confirmed by the Valuation report.</p>	<p>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>Although the tenant could pull out on the purchase, they have decided to exercise the option to purchase as per their lease terms. Furthermore the tenant has already invested from their own equity to improve the site and intend to invest further.</p> <p>Prior to completion, the Borrower will exchange contracts and the tenant will pay a deposit with a long stop completion date agreed within 12 months of our loan term.</p> <p>The Borrowers exit strategy remains open and is unlikely that he will be unable to sell. However the Borrower has an alternative Exit if sale was to fall through which will be sufficient to recover our funds, though he is confident sale will be achieved.</p> <p>As the site is tenanted and income producing via the existing lease, a Commercial Mortgage option could be considered as a potential.</p> <p>The Sales Contract has been drafted and is currently with solicitors.</p> <p>Should the tenant fall into unexpected financial difficulty within the 12 month period, Market Rent is £12,000 more than the current Passing Rent and the property could be re-let or sold as an alternative.</p>	<p>Low</p>

Lender Risks	Mitigant	Risk Level
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>Due to the asset class there is a risk the value may fall. However At 50% LTV gross, the site would have to fall in value by £200k before entering negative equity.</p> <p>The Valuation highlights comparable market value evidence that is in line with the proposed security, based on a 7% yield.</p> <p>The Bridge finance term is short term over 12 months and it is unlikely that the market will be significantly effected during this timeframe.</p> <p>The Directors are experienced property investors with good financial capabilities, therefore the Personal Guarantee could cover 25% Market Value reduction should this extreme be the case.</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 Harrison Clark Rickerbys will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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