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Full Loan Request: Hailsham Mixed Use

Date:	22.09.2022
Main Site:	<p>1) Herstmonceux Service Station, Grove Hill, Hailsham, East Sussex, BN27 4JU (SX49996)</p> <p>2) Land To The Side Of Herstmonceux Service Station, Hailsham Road, Hailsham, East Sussex BN27 4JU (ESX414225)</p>
Property Description:	<p>1) A self-service petrol filling station site, recently redeveloped from its historic use as a car sales showroom which previously sold fuel as a secondary consideration to the main purpose of the site.</p> <p>It now forms a two storey building, comprising forecourt shop, stores, staff facilities and customer toilets as well as redundant former office space at ground floor with two large flats at first floor level each accessed separately to the rear. At a lower level to the rear the subjects also include a detached residential bungalow with small decking / garden area.</p> <p>The overall site ownership boundary extends to a total site area extending to 0.2306 hectares (0.5699 acres).</p> <p>2) The property known as Land To The Side Of Herstmonceux Service Station, Hailsham Road, Hailsham, East Sussex BN27 4JU is set immediately to the south of Herstmonceux Service Station and comprises a single storey detached industrial unit with significant yard / parking area.</p> <p>The overall site ownership boundary extends to a total site area extending to 0.6081 hectares (1.5 acres).</p>
Loan Summary:	<p>We are asked to provide a 36 month Commercial Loan to assist with the directive under the Settlement Deed to raise £2,250,000 to enable the reallocation and ownership of the said family assets further to a family dispute.</p> <p>We are lending circa 69% Gross LTV against the Settlement Deed and 49% Gross LTV against the Market Value.</p>



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	No
Property Value	£3,125,000 Combined	Passing Income	£147,500
Gross Loan	£1,543,750	Loan to Value (LTV)	49.4%
Blended Interest Rate	7.10%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£1,543,750	7.10%	6.39%	1.35x

PROPERTY			
Market Value	£3,125,000 combined	Passing Income	£147,500per annum (£89,000 Service Station & £58,500 Industrial Land)

PROPERTY			
Vacant Possession Value	£3,125,000 combined	Estimated Rental Value	£166,500 per annum
Settlement Order	£2,250,000		
Tenure	Freehold	Asset Class	Petrol Forecourt Industrial Unit & Land
EPC Rating (min. E)	D,B & E	Planning Use	Full

Property Details	
SERVICE STATION:	
<p>The property comprises of a self-service petrol filling station site which has been redeveloped from its historic use as a car sales showroom which previously sold fuel as a secondary consideration.</p> <p>It now forms a two storey building comprising forecourt shop, stores, staff facilities and customer toilets as well as redundant former office space at ground floor with two large flats at first floor level each accessed separately to the rear.</p> <p>At a lower level to the rear of the property, there is a detached residential bungalow with small decking / garden area.</p> <p>There is parking/ loading in the north western corner of the site fronting onto Hailsham Road with there being space for approximately 12 vehicles.</p> <p>The overall site ownership boundary extends to 0.2306 hectares (0.5699 acres).</p> <p>Herstmonceux Service Station, trades in part as a petrol filling station. Fuel has been sold from this site for a considerable number of years, until it opened in its current form in May 2020, the site was generally in use as a car sales operation which also sold some fuel. The site was originally a petrol station, however this is historic and pre-dates its use as a car sales operation.</p> <p>The site was refurbished with the forecourt shop area being modernised with a new canopy also being installed over the fueling area.</p> <p>The Valuation confirms that a report was provided on behalf of the trading business covering the calendar year to 5th September 2022 (247 days) reflecting a Gross Profit of £429,245 from Fuel and Shop Sales.</p>	

Property Details

LAND TO THE SIDE :

Freehold Industrial Unit - The site comprises of a single storey detached industrial unit with significant yard / parking area.

Located to immediate east of the village of Herstmonceux.

Vacant single storey detached workshop built c1990's and later extended.

Additional works would be required if the unit would be split to form small individual letting units.

Potential (subject to planning) for alternative (residential) development, noting the precedent on the adjacent site.

The subject property is located within an off-pitch location as far as most industrial occupiers are concerned however the lack of available space within the immediate vicinity would likely lead to strong demand for the unit(s) should they be available to let.

SIA Group Valuation Commentary :

Operational petrol filling stations sites are typically being sold in 'off-market' deals which is reflective of the current strength of the sector as well as the fact that there are several key operators active in the market.

Despite the discussions around climate change and the positive impact of electric vehicles and other alternatively powered vehicles, there remains very strong demand for both operational petrol filling stations as well as land for new petrol station development.

The surrounding area is a popular destination amongst tourists and day trippers and the sites prominence is a key strength.

Competition on fuel sales is limited in this location and in addition there is limited / poor competition in respect of local convenience retailing in the village.

The subject property benefits from ample parking spaces and is well positioned to capitalise on the local / passing demand for convenience retailing with the nearest supermarkets being located in Eastbourne to the south.

We would anticipate **strong demand** for the property if offered to the market which is reflective of the wider national appetite for petrol filling stations.



Location Report

The subject property is prominently located on the southern side of Hailsham Road, which forms part of the A271 in this location, on the south western edge of the village of Herstmonceux which is within the Wealden District of East Sussex.

Eastbourne is around 10 miles (16 km) to the south and Brighton and Hove is around 24 miles (39 km) to the west.

Herstmonceux is a small village of around 2,000 people and is situated within the “1066 Country of Origin” region which is very popular amongst day trippers and tourists. The village itself is renowned for its moated castle, set in 550 acres of parkland and Elizabethan gardens, which is approximately four miles to the south east of the subjects.

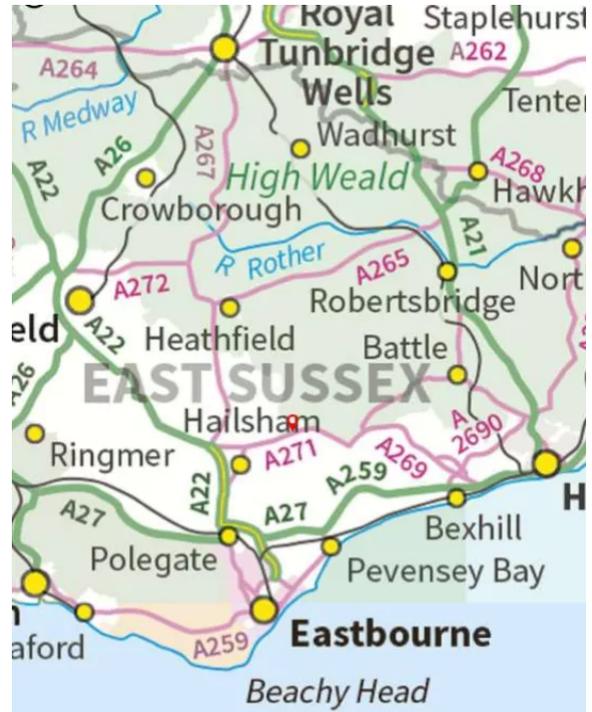
The immediate surrounding area is rural / agricultural to the north and west with the south eastern fringes of the village immediately to the east comprising residential dwellings at an elevated level.

The section of Hailsham Road (A271) that the subject property fronts onto comprises a two way single carriageway road subject to a 40mph speed limit.

The A271 runs to the east through the village of Herstmonceux and provides connections with villages such as Battle, Ninfield and ultimately Bexhill, Hastings and the A21 trunk road connecting with the M25 to the north.

There is a large amount of passing traffic and whilst there does not appear to be any traffic count data within the immediate location, the nearest count point to the west suggests upwards of 8,000 vehicles per day using the A271 in this location.

Site visibility is good to traffic travelling in both directions with access also available to vehicles travelling in both directions.



Tenant Commentary

<https://www.blackstockestate.co.uk/>

Incorporated in 2005, currently an established Weddings Venue Company and Local Farm Shop & Fuel which the Borrower owns nearby.

Latest Financial Accounts Year End 30.09.2020 reflect:

Sales £6,302,702 (inc fuel)

GP £971,127

NP £359,419

Shareholder Funds of £1,306,756.

Draft Balance Sheet provided for 30.09.2021 confirms Shareholder Funds £1,207,269.

The units will be used for storage for both the Wedding Venue business and the Petrol Stations.

Tenant Details

Tenant	Blackstock Farm Company Ltd	Business Activity	Events & Retail
Lease Type	FRI	Lease Start	Executed on Completion
Months to Lease Break	None	Lease Expiry	5 Year

Tenant Details

Passing Rent (£ p.a.)	£89,000 per annum for Herstmonceux Service Station site	Occupancy Level (%)	100
	£58,500 per annum for the Industrial Land site		
	TOTAL £147,500 per annum.		

Lease arrangement Opco / PropCo FRI

Tenant strength Deemed Good, Established with a stable Shareholder Funds position and regular sales turnover from various avenues. Mainly - Wedding Venues (affected during the COVID period), Farm Shop and Fuel Sales.

Valuation Commentary

A valuation of the property was carried out by SIA Group Asset Ingenuity on 13.09.2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

The subject properties offer suitable loan security and marketability with a marketing timescale of 6 to 9 months.

The value of the petrol filling station is a product of the location, physical condition and above all demand for such properties.

THE COMBINED VALUE FIGURES REFLECT A DISCOUNTED POSITION ATTRIBUTED BY THE VALUER.

Market Value in current condition subject to, any existing leases or tenancies:

£2,500,000 Herstmonceux Service Station

£795,000 Land To The Side Of Herstmonceux Service Station

Both Properties Combined : £3,125,000

Market Value in current condition subject to, any existing leases or tenancies assuming a sale to be completed within 90 days:

£1,750,000 Herstmonceux Service Station

£595,000 Land To The Side Of Herstmonceux Service Station

Both Properties Combined : £2,200,000

Valuation Commentary

Market Value assuming Vacant Possession:

£2,500,000 Herstmonceux Service Station

£795,000 Land To The Side Of Herstmonceux Service Station

Both Properties Combined : £3,125,000

Estimated Rental Value:

£138,500 per annum Herstmonceux Service Station

£62,500 per annum Land To The Side Of Herstmonceux Service Station

Both Properties Combined: £166,500 per annum

Service Station :

We would anticipate strong demand for the property if offered to the market which is reflective of the wider national appetite for petrol filling stations.

We are aware of several dealer groups who are active across the region and we envisage that a marketing period (exposure period) of 6 to 9 months would be required to achieve the market value figure reported to allow for due diligence to be completed.

Service Station Comparables :

East Anglia - Q1 2022 Sold for £4,800,000. Annual fuel volume 2,850,000 litres per annum, shop sales approx £2,400,000 per annum. Considered an inferior location to the subject site.

Devon - Q1 2022 Sold for £2,100,000. Annual fuel volume 5,800,000 litres per annum, shop sales approx £928,000 per annum. Considered an inferior location.

Dorset - Q4 2021 Sold for £2,600,000. Annual fuel volume 2,000,000 litres per annum, shop sales approx £2,100,000 per annum. Considered an inferior location.

Land To The Side :

The subject property is located within an off-pitch location as far as most industrial occupiers are concerned however the lack of available space within the immediate vicinity would likely lead to strong demand for the unit(s) should they be available to let.

Our reported value of the filling station, two flats and property known as Land To The Side Of Herstmonceux Service Station, Hailsham Road, Hailsham, East Sussex BN27 4JU would therefore equate to a profit multiplier of approximately 10 times, or £2,870,300.

£2,870,300 + £250,000 (Bungalow) = £3,120,300, which we have rounded to £3,125,000.

Valuation Numbers

Valuation Numbers			
Market Value	£3,125,000	Vacant Possession Value	£3,125,000
Passing Rent	£147,500p.a	Estimated Rental Value	£166,500
		Re Instatement Value	£2,350,000

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

LOAN			
Gross Loan	£1,543,750	Loan Purpose	Settlement Order
Loan Term	36 months		
Loan to Value (LTV)	49.4%	LTV Covenant	55%
Interest Cover Ratio (ICR)	1.35x	ICR Covenant	1.25x
Rate of Interest	7.10%	Interest Expense (p.a.)	£109,606.25

Serviceability	Opco / Propco
Interest Reserve	Proplend will retain £54,803 (6 months interest) from the gross loan amount which will be held on account.

Fees			
Arrangement Fee	2%	Broker Fee	1%
Early Repayment	2% year 1, 1% year 2	Exit Fee	1% if redeemed past maturity

Business Plan During Loan Term

The subject properties will be held for long term property investment.

Sponsors will look to extract further value by increasing the trading turnover and explore the possibility of splitting the industrial unit.

The Service Station, which Adam has experience in managing (demonstrated by his background), will be managed by Blackstock Farm Company Ltd, compared to Pricewatch Limited as it is currently.

New FRI 5 year leases be formalised between our Borrowing entity and Blackstock Farm Company Ltd for a passing rent figure of £89,000 for Herstmonceux Service Station (includes the Bungalow & flats) & £58,500 for the Industrial Land.

Exit Strategy

The Borrower has advised that the Exit Strategy is to refinance to Barclays or Natwest prior to maturity of the proposed loan or consider refinance options with Proplend.

Security

Charge	First Legal Charge	Debenture	Debenture Required
Property Insurance	PSL Interest to be Noted on Completion	Other	6 months Retained Interest Reserve

Personal Guarantee Joint and Several Guarantee from the Directors and Shareholders of Pricewatch Developments Ltd for the sum of £385,938

BORROWER

Name Pricewatch Developments Ltd(12062657)

Registration UK Registered Limited Company

BORROWER

Main Business Activity

Previously Dormant, the SPV will now be made active through the purchase of the subject properties.

Pricewatch Developments Ltd will own the Freehold properties which will be transferred into the borrowing entity prior to completion.

The subject properties will be let on FRI leases for a 5 year period, with no proposed breaks.

Ownership Structure

Directors and Shareholders :

Adam Salvidge (40) - 50%

Leslie (Les) Salvidge (75) - 50%

Sponsor

Name

Adam Peter Charles Salvidge

Age

40

Sponsor

Relevant Experience

Family companies from 2005:

Pricewatch Ltd - Petrol station retail business.

Blackstock Farm Company Ltd – Open Farm, Weddings, Events and Retail.

Local Fuel Plc – International sea-fed import oil terminal, wholesale and distribution business.

Acquired 2 petrol stations (Storrington and Herstmonceux) and fully redeveloped 4 petrol stations (the above plus Clayhill and North Heath) that opened in May/June 2020.

Additionally experienced in operating supply chains and distribution systems through the running and managing of Blackstock Farm Company Ltd.

Acquired, renovated and relaunched the Shoreham International Oil Terminal, operated by their new company Local Fuel Plc. The company was successful so quickly, it ranked in the top 10 of the Financial Times' 2018 list of Europe's fastest growing companies, and 3rd in the UK behind only Deliveroo and Carwow:

<https://www.ft.com/content/cf0c5fce-3112-11e8-b5bf-23cb17fd1498>

Credit History

Adam Peter Charles Salvidge - Credit Safe Band 6, Lexis/Nexus - 45 Pass

Leslie Salvidge - Credit Safe Band 10, Lexis/Nexus - 50 Pass

Pricewatch Developments Ltd - No Credit Score Band E - Previously Dormant

Additional Information

Les (Adam's father) whilst shareholder and director, is not active within the business' as these were handed down to Adam and his brothers to manage in recent years.

Lender Risks

Mitigant

Risk Level

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>The Sponsors manage several successful business' which indicate that they have always previously met their business objectives as planned.</p> <p>The Sponsors have good relevant sector and property experience.</p> <p>The Sponsors are familiar with the subject properties which have been owned and managed within the family umbrella of business' for some time. Therefore as they understand the assets, sector and market well, the business plan should be met without difficulty.</p>	<p>LOW</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 Sponsors are experienced business professionals with a good financial track record indicating that past and current financial commitments should continue to be met without concern.</p> <p>The Opco/PropCo tenant company is well established with a profitable track record within a stable market, indicating that the new lease tenancy arrangement should easily be met.</p> <p>The Sponsors are unlikely to allow their related business to fail and not meet the financial obligations payable to the property company. They have sufficient related equity available to meet any potential difficulties in the event that these should arise.</p> <p>Additionally, a 6-month interest reserve will be held on account.</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>The subject properties are long standing family assets and the Borrower intends to retain the properties for long term investment purposes.</p> <p>Valuation Report confirms that the demand for the properties should remain good and popular with Investors due to the property types and location.</p> <p>The Borrower has strong long standing relationships with professional advisors and therefore should be able to secure funding at maturity.</p>	<p>MEDIUM</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>49.4% LTV request.</p> <p>Valuation Report confirms anticipated strong demand for both properties. Therefore, It is unlikely as highlighted within Valuation, that the properties would fall in value by c. 50% during the term of our loan based on the asset classes and market trends and demand.</p>	<p>LOW</p>

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	MEDIUM
Asset Class Outlook	LOW
Property Risk	MEDIUM
Tenants Leases	MEDIUM
Borrower Sponsor	LOW
Risk Rating [3.5 to 10.02]	5.86
Risk Level	MEDIUM LOW

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 Solicitors will be made available as soon as it is received.

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