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## Full Loan Request: Staines Mixed Use

<b>Date:</b>	06.06.2022
<b>Main Site:</b>	92 Gresham Road, Staines TW18 2AE
<b>Property Description:</b>	<p>Freehold Mixed Use Property</p> <p>2 Commercial Units with a 2-bedroom flat above</p> <p>Commercial : Unit 1 is 30% occupied by the Borrowers Dry Cleaning Business &amp; 70% is sub let to a grocery store. Unit 2 is a Barbers.</p> <p>Residential : Planning Permission Granted to convert the existing flat into 2 residential flats.</p>
<b>Loan Summary:</b>	We are asked to provide a 41% LTV Gross Commercial Loan facility to assist with refinancing the current lender and raising additional capital to support the Borrower with the planned conversion works on the residential aspect of the property.



### HIGHLIGHTS

## HIGHLIGHTS

<b>Loan Type</b>	Commercial Term Loan	<b>SIPP Eligible</b>	No
<b>Property Value</b>	£860,000	<b>Passing Income</b>	£32,000
<b>Gross Loan</b>	£354,900	<b>Loan to Value (LTV)</b>	41%
<b>Blended Interest Rate</b>	5.46%	<b>Loan Term</b>	17 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£354,900	5.46%	4.91%	1.65x

## PROPERTY

<b>Market Value</b>	£860,000	<b>Passing Income</b>	£32,000 Commercial
<b>Vacant Possession Value</b>	£885,000	<b>Estimated Rental Value</b>	£41,500 Commercial £16,800 Residential
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Mixed Use (Commercial)
<b>EPC Rating (min. E)</b>	C,A & E	<b>Planning Use</b>	E & C3

## Property Details

## Property Details

The subject property comprises the freehold interest in a site developed to comprise a detached two storey building arranged as two retail units , a self contained first floor/attic floor, two bedroom flat and a single storey detached retail unit, together with forecourt parking.

The original building dates back to circa 1900 with the single storey retail unit constructed by the Borrower in 2017.

The retail units are occupied as a small convenience store, dry cleaners and barbers.

Adjacent to the convenience store is an automatic parcel collection unit.

The ground floor retail units are fully occupied on FRI lease terms.

Retail Accommodation size :

Ground Floor No.92 (Open Plan Sales Area, Counter and Clockroom/WC) 422 sq. ft

Ground Floor Dry Cleaners (Sales area, Kitchenette and Clockroom/WC) 214 sq. ft

92A Barbers (Salon, Ancillary Office, Kitchenette and Clockroom/WC) 402 sq. ft

External : 12 off street car parking spaces and area used for Inpost Collection

The upper floor flat, will be vacant on loan completion to facilitate proposed building works to convert the upper floor to two residential units.

The proposed building works, for which planning consent has been granted, comprise the extension of the first floor and installation of a dormer to the attic floor.

The residential accommodation will be reconfigured to provide a slightly smaller two bedroom flat at first floor level and a studio flat at attic floor level. Each flat will use the existing external staircase as access. The Borrower has provided a builders quote of £100,000 plus VAT for the proposed works, which the Valuation report considers is within the parameters expected for such works.



Retail – Convenience Store



Retail - 92A Gresham Road

## Location Report

The subject property is located in a tertiary trading location on the north side of Gresham Road at its junction with Laleham Road (B376), within Staines (Spelthorne Council).

The property comprises an isolated terrace of total three retail units located approximately 0.5 miles due south of Staines retail town centre.

The immediate location is predominantly residential although a short distance to the south is a branch of Halfords and opposite is a car wash site.

Staines town centre is the primary retail area for the locality. The shops will serve the immediate adjacent residential population together with a certain amount of passing trade.

Staines is a typically densely populated South-West London district, situated approximately sixteen miles south-west of Central London, which benefits from reasonable demand from both the rental and vacant possession sectors.

London Heathrow Airport is within 3 miles to the north and Junction 13 of the M25 is within short travelling distance.

Away from the retailing pitch Staines represents a “medium value” greater London residential suburb, comprising properties of varying eras, including newly constructed/office conversion flats.

Staines mainline (Southwestern) Station is situated nearby, offering a frequent commuter service into Central London (London Waterloo) Numerous bus routes serve the surrounding area. Parking is available on street together with the forecourt area of the property.



Tenant Commentary

## Tenant Commentary

The property was subject to the following tenancies and the total Commercial Passing Rent is £32,000 per annum which the Valuation confirms is below the Market Rent of £41,500 per annum.

Retail : 92 Gresham Road - Dry Cleaner Business

20 years from 16 February 2021 at a current passing rent of £18,000 per annum.

The lease is on FRI terms and includes five yearly upwards only rent reviews with a service charge payable by the tenant.

A sublease has been granted of the convenience store, this for a term to expire on 15 February 2041, on effectively FRI terms and at a passing rent of £16,000 per annum.

Dry Cleaner is the Borrowers established Trading Company who sub-lets to Grocery Store Tenant.

Bracknell Dry Cleaners Ltd : Financials Year End 30.09.2020 : Shareholder Funds £26,845 £31.7k T/O, (£10.2) NP (COVID impact only opened 2 hours per day)

Forecast : 30.09.2021 £23k Net Profit.

Retail : 92A Gresham Road

The lease term is for a term of 5 years from 20 December 2018 of £14,000 per annum. The lease is on FRI terms without rent review and had a tenants only option to break at the end of year 3.

The Residential income has not been taken into account for the purpose of our funding as the flat will be vacant at the time of completion to allow for proposed works to commence.

The Residential Market Rent for the 2 bedroom flat was noted within the Valuation at £16,800 per annum and potential rental income on completion for the 2 flats at £25,800 per annum.

The tenants are fully aware of the works which have an estimated timescale of 5-6 months for completion and additional funding term has been granted to allow for any potential delays and refinance at maturity.

## Tenant Details

<b>Tenant</b>	Bracknell Dry Cleaners Ltd	<b>Business Activity</b>	Dry Cleaners
<b>Lease Type</b>	FRI	<b>Lease Start</b>	16.02.2021
<b>Months to Lease Break</b>	N/A	<b>Lease Expiry</b>	16.02.2041

**Tenant Details**

<b>Passing Rent (£ p.a.)</b>	£18,000	<b>Occupancy Level (%)</b>	30
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**Tenant Details**

<b>Tenant</b>	Vasudeva Reddy Mayreddy	<b>Business Activity</b>	Grocery Store
<b>Lease Type</b>	Underlease from Bracknell Dry Cleaners Ltd	<b>Lease Start</b>	16.02.2021
<b>Months to Lease Break</b>	N/A	<b>Lease Expiry</b>	15.02.2041
<b>Passing Rent (£ p.a.)</b>	£17,000 increasing to £20,000 from 2023.	<b>Occupancy Level (%)</b>	70%

**Tenant Details**

<b>Tenant</b>	Andrikos Nathaniel	<b>Business Activity</b>	Barber Shop
<b>Lease Type</b>	FRI	<b>Lease Start</b>	20.09.2018
<b>Months to Lease Break</b>	N/A	<b>Lease Expiry</b>	19.12.2023
<b>Passing Rent (£ p.a.)</b>	£14,000	<b>Occupancy Level (%)</b>	100

<b>Tenant strength</b>	Tenant respective trades are considered good for the property type and location.
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**Valuation Commentary**

## Valuation Commentary

A valuation of the property was carried out by Bellevue Mortlakes Chartered Surveyors on 06.06.2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

### Valuation Highlights

The subject property is considered suitable loan security

The Commercial tenants within the subject property serve the immediate adjacent residential population and passing trade

Based on comparable evidence, the subject property is under rented, below current market rental values of between £37.50-£45.00 per sq. ft.

With regards to Demand, if priced correctly, the subject property would prove popular with a range of owner occupiers/investors/developers

Timescales for expected : Retail Lettings of 9-12 months, Residential Lettings of 1-3 months and Sales of 6-9 months.

Market Value Assuming Completion of Building Works on Residential = £1,000,000.

Proposed Market Rent for the Residential Flats on Completion of works at £1,300 per month and £850 per month retrospectively. The Valuer highlights that there is an absence of studio flats within the local area.

The Residential Interest of the property is valued at between £225,000 and £235,000 assuming long leasehold interest is granted.

Yields in this location for this property type, are currently being achieved at 6.00-7.000% depending on strength of covenant.

## Valuation Numbers

<b>Market Value</b>	£860,000	<b>Vacant Possession Value</b>	£885,000
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## Valuation Numbers

<b>Passing Rent</b>	£32,000 Commercial	<b>Estimated Rental Value</b>	£41,500 Commercial £16,800 Current Residential £25,800 Residential on Completion
<b>Rent psf</b>	£28.30 & £34.82 Zone A current Passing. MR £37.50-£45.00.	<b>Re Instatement Value</b>	£600,000

## 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

<b>Gross Loan</b>	£354,900	<b>Loan Purpose</b>	Refinance & Capital Raise
<b>Loan Term</b>	17 months		
<b>Loan to Value (LTV)</b>	41%	<b>LTV Covenant</b>	45%
<b>Interest Cover Ratio (ICR)</b>	1.65x	<b>ICR Covenant</b>	1.25x
<b>Rate of Interest</b>	5.46%	<b>Interest Expense (p.a.)</b>	£19,377.54

## Serviceability

**Interest Reserve** Proplend will retain £9,689 (6 months interest) from the gross loan amount which will be held on account.

## Fees

<b>Arrangement Fee</b>	2%	<b>Broker Fee</b>	1%
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**Fees**

<b>Early Repayment</b>	2% first 6 months, 1% month 7 to 12, no fee thereafter.	<b>Exit Fee</b>	1% If redeemed past maturity
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**Existing Facility**

<b>Lender</b>	Lloyds Bank	<b>Expiry</b>	TBC
<b>Amount Outstanding</b>	c.£209,000	<b>Status</b>	On Track
<b>Rate</b>	4.25% OBR	<b>Existing Facility Description</b>	Amortising

## Business Plan During Loan Term

Refinance the outstanding loan with Lloyds Bank of £209,000  
Capital Raise £121,000 to support the proposed property development works.

The Commercial tenants will remain during the term of the loan and are fully aware and agreeable to the proposed property development works.

Therefore the Commercial Lease income of £32,000 will be paid and used towards the loan interest serviceability. This income has been used to calculate 1.65x ICR on the proposed Commercial Mortgage.

Whilst the main tenant is the Borrowers Dry Cleaners Business, the trading business sub-lets 70% of the unit to a Grocery Store tenant on a long lease which provides the trading business additional rental income to fully fund the rental liability amount.

Planning Permission granted 13.10.2020 by Borough of Spelthorne ref 20/00932/FUL for the Residential conversion.

The Borrower has carried out similar works successfully in the past, estimates works to take 5 months and will involve partitioning the current flat into 2 flats and adding a new bathroom and kitchen with a general renovation.

Estimated costs are £100,000 and the client has added a 20% contingency to the budget. Quote from 'Oliver Construction Hayes Ltd' is within the file that confirms this. Valuation commentary reflects that this budget is considered to be within the parameters for such works.

## Exit Strategy

The Borrower intends to refinance the borrowing prior to the maturity of the 17 month loan term, when the residential aspect of the property development works will also be complete. Originally a 12 month term was requested by the Borrower and upon discussion, an additional 5 months have been considered to accommodate for the loan refinance without any potential timeframe delays.

The Borrower intends to retain the subject property as a long term commercial investment.

On completion of the proposed development works, the 2 new flats will generate an additional estimated minimum of £25,800 per annum rental income, bringing the total annual property income to £57,800.

The Borrower expects the Market Value to increase to £1,000,000 on completion of works, which the valuation has confirmed.

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

<b>Personal Guarantee</b>	Individual Guarantee from an Individual Director of JSMS Trading Ltd for the sum of £88,725		
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BORROWER	
<b>Name</b>	JSMS Trading Ltd
<b>Registration</b>	UK Registered Limited Company (11575130)
<b>Main Business Activity</b>	Commercial Real Estate
<b>Ownership Structure</b>	Director : Mr Pervaiz Maqsood 100% Shareholder

Sponsor	
<b>Name</b>	Mr Pervaiz Maqsood
<b>Age</b>	59

## Sponsor

### Relevant Experience

Borrower originally ran a dry cleaning business in Holland from 1996 prior to moving back to the UK in 2002.

He purchased 2 dry cleaners and we have been advised that he ran these successfully for many years and continues to run one today albeit on a much smaller scale.

The Borrower has been a landlord since 2017 and set up JSMS Trading Ltd and SSM Trading Ltd to manage the investment properties.

JSMS Trading Ltd owns 2 properties, the subject property quoted for our security located in Gresham Road, Staines and a residential BTL in Slough SL1, generating £15,000 p/a rental income with a MV of £340,000.

The Borrower has previously successfully completed a development project in 2017/2018, demolishing two commercial units originally at the site and building the barber shop on the subject property.

Funding was sought from Lloyds Bank (existing lender) and works commenced in summer 2017 and were completed within 6 months with the Building Control certificate being issued early 2018.

The project costs were £70,000 and we are advised that these were completed within budget and time.

### Credit History

Experian Credit Report provided dated 26.04.22 confirming Excellent Score 999/999

Lexis/Nexis 65 Pass  
Creditsafe Band 5

### Additional Information

Asset & Liability Statement Reviewed and deemed acceptable - £1.196m Equity.

Residential Property £430k equity.

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	MEDIUM
Asset Class Outlook	LOW
Property Risk	MEDIUM
Tenants   Leases	MEDIUM
Borrower   Sponsor	MEDIUM
Risk Rating [3.5 to 10.02]	6.17
Risk Level	MEDIUM LOW

Lender Risks	Mitigant	Risk Level
<p><b>The Borrower is not able to successfully execute their business plan.</b></p>	<p>The Borrower has experience in completing similar development projects previously on the same property, which were completed within the expected budget and timescale.</p> <p>The works are expected to complete within 5 months which will allow sufficient time for any potential construction delays and for AST tenants to occupy the Residential flats for exit / refinance strategy. A contingency budget as also been considered.</p> <p>The property appears to be in a good residential location and near transport links, therefore the newly refurbished flats should prove desirable and easily let on completion of works.</p>	<p>LOW</p>

Lender Risks	Mitigant	Risk Level
<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 Borrower is an experienced businessman and property investor with an established portfolio of 3 investment properties, where there is available equity.</p> <p>The Borrower has been running his own business for the past 25 years successfully based on the track record.</p> <p>The Borrower is not solely reliant on this rental income for his personal living costs and is has low gearing on the other assets as per his Asset Liability statement.</p> <p>Copy of April Experian file held confirming score of 999/999 Excellent and personal and business statements reviewed which are in good order and acceptable.</p> <p>There is a risk associated with the renal income with the Borrower's trading business being one of the tenants. There is an underlease in place between the trading company and another tenant for currently £17k p/a which mitigates this risk. This tenant occupies 70% of the premises and has been occupying since 2021, having paid on time to date with no issues.</p> <p>Additionally, 6 months interest reserve will be held on account.</p>	<p>LOW</p>

Lender Risks	Mitigant	Risk Level
<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>Based on current 41% LTV and expected LTV on maturity of 35% on completion of development works, the Borrower should comfortably be able to refinance the subject property with a primary lender over a longer term as it will be fully let and the Barber lease should also be renewed or a new tenant appointed.</p> <p>The Borrower could also consider selling the flats on long leasehold terms to potentially repay or partly repay the borrowing based on the allocated MV of each flat. The Valuation has attributed a MV of £225,000 to £235,000 to the Residential aspect of the property, assuming long leasehold is granted.</p>	<p>LOW</p>
<p><b>The Property falls in value due to either macroeconomic or property specific reasons</b></p>	<p>Based on the moderately low LTV position, the property would need to fall by c.60% which appears unlikely based on its location and good demand for this property type as suggested within the valuation report.</p>	<p>LOW</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 Solicitors will be made available as soon as it is received.

## PROPLEND DISCLAIMER - PLEASE NOTE:

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