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Full Loan Request: Liverpool Duke Street Mixed Use Refinance

Date:	15/7/2022
Main Site:	1) 52-60 Duke Street, Liverpool L1 5AA 2) 44 Morris Street, London E1 2NP
Property Description:	1) A Mixed-Use Retail/Aparthotel: 30-Bed Hotel conversion with 3 commercial retail units, located in central Liverpool. 2) A Mixed-Use Property in London, situated in Shadwell, London.
Loan Summary:	A Commercial Term Loan refinance of the existing Proplend Commercial Bridge Loan previously provided over a 9 month term, which is currently past the maturity date of 05/05/2022. The delayed Duke Street Hotel development works are nearing completion, and the subject properties are producing sufficient rental income to support the proposed commercial mortgage term loan facility at 51.73% Gross LTV.



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	No
Property Value	£2,740,000	Passing Income	£121,800
Gross Loan	£1,417,500	Loan to Value (LTV)	51.73%
Blended Interest Rate	6.75%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£47,500.00	8.26%	7.43%	1.27x
A	Low	0-50%	£1,370,000	6.70%	6.03%	1.33x

PROPERTY			
Market Value	£2,740,000 TOTAL	Passing Income	£121,800 TOTAL
	£2,000,000 Duke St. £740,000 Morris St.		£75,000 Duke Street £46,800 Morris Street
Vacant Possession Value	£2,700,000 TOTAL	Market Rental Value	£246,300 TOTAL
	£2,000,000 Duke St. £700,000 Morris St.		£202,500 Duke Street £43,800 Morris Street
Tenure	Freehold	Asset Class	Mixed Use (Commercial)
EPC Rating (min. E)	D	Planning Use	Retail/Hotel & Residential

Property Details

1) 52-60 Duke Street, Liverpool L1 5AA

A former office building and basement converted by our Borrower into a 30 bedroom hotel/aparthotel together with 3 Retail Units to the ground floor.

Total Gross internal area is 11,745 sq ft.

The Valuation confirms that as part of the conversion/refurbishment, the whole property was brought back to bare brick and has been rewired, replumbed, new drainage installed, new gas installations, new refurbished double glazed sash windows and significant reconfiguration and improvement has been carried out to provide a high quality hotel development.

As noted within the Valuation Report, £510,000 has been expended on the project to date with a further £110,000 still to spend to complete the project.

The total costings figures were provided by Vextrix Quantity Surveyors.

The estimated time for completion is 8-12 weeks as noted within the Valuation report.

First Floor - 13 Rooms Completed

Second and Third Floors - 12 Rooms Completed

Basement - 5 Rooms - In Refurbishment

It has been noted that the Borrower has made significant cost savings at a minimum of 30% by project managing the refurbishment himself with his professional team.

On Completion and rental of the Hotel, LTV will reduce to 47.4% and ICR expected at 2.61x based on Total Market Rent.

The Borrower has advised that the cause for the delays, has been due to Building Regulation sign off in respect of the fire doors and delays in obtaining the right materials which has now been resolved.

The Hotel is expected to generate a minimum income of £127,500 p/a based on £40 a room per night which we are advised is a cautious estimation and likely to be a lot more based on the discussions with the operator.

This figure is also in line with the Market Rent attributed to the Hotel.

A market yield of 9.00% has been applied to the market rental value of £202,500 to produce the assessment of the capital value of the building on completion of the development.

2) 44 Morris Street, London E1 2NP

Property Details

Mixed Use Freehold, situated on the corner plot at the junction of Morris and Chapman Street and comprises of a detached semi-commercial dwelling split over 3 storeys, previously in use as a public house and constructed circa 1900s.

The Property benefits from being situated on a well sized site of approximately 0.07 acres.

The Retail Accommodation has a Net Internal Area of 762 sq ft.

The Residential Accommodation has a Gross Internal Area of 897 sq ft.

EPC Rating : D for both Retail and Flat.

The Ground Floor comprises of a fast-food shop (The Perfect Fried Chicken) that has a small dining area, a food counter with a kitchen behind and storage and toilet facilities to the rear.

Belleveue Mortlakes Valuation Report dated 08.07.2022 confirms that the subject property is considered as good security for the loan purpose.

The Valuation Report confirms that the subject property if priced correctly, would be popular with a range of owner occupiers / investors.

Valuation Report dated 03/2021 confirms Market Value of £740,000 (£700,000 Vacant Possession). The Market Value of the Residential aspect of the subject property is determined at £410,000 and £330,000 for the Retail.

Internal inspection on the residential flat was not made due to access issues. The Valuer has therefore applied a Market Value for rental and yield. The upper floors form a small part of the overall security within the proposal and therefore it has been decided by the Head of Credit that the risk was acceptable on this basis.

Total Market Rent of £43,800 per annum.

The Market Rent figure has been used for loan serviceability calculations at it is slightly lower than the Passing Rent.

The total Passing Rent is £46,800 per annum.

The Retail unit is slightly above market rent at £24,000 per annum. The Market Rent figure is £21,000 per annum.

The Residential Flat rented on AST is in line with usual Market Rent levels.

Comparable market evidence suggests yields for this type of property of between 5.75% and 6.75%, dependent primarily on the strength of the covenant.

A Yield of 5.92% has been applied to the subject property based on the Market Rental Values.



Unit C Loxbys



Location Report

1) 52-60 Duke Street, Liverpool L1 5AA

The Property is situated fronting Duke Street at the corner of York Street in the Ropewalks district within Liverpool City Centre.

The building is situated within an area that has seen significant development and improvement over the last 10 years.

The whole area has enjoyed substantial redevelopment and regeneration over the last few years with many new private residential, student accommodation and commercial ventures including bars, restaurants, and apart hotels.

The subject property is located approximately 5 minutes walk from Liverpool One shopping center and 15 minutes walk from Liverpool Lime Street Railway Station.

Duke Street is at the heart of Liverpool's creative Ropewalks area and close to Chinatown, hip shopping bohemia Bold Street and the city's two magnificent cathedrals. The Universities of Liverpool and John Moores, along with the Liverpool Institute for Performing Arts (LIPA) and FACT are all within a few minutes walk, as are numerous bars, restaurants and coffee shops catering for all tastes and budgets. Central Station is close. The BT Convention Centre, ECHO Arena and Albert Dock are within walking distance.

There are several large projects close by including Wolstenholme Square which has recently been completed. The largest residential scheme was undertaken by The Elliot Group, who have rehabilitated an existing 3 storey warehouse, alongside further development that includes four new buildings with staggered heights varying from 1 to 10 storey mixed-use scheme comprising 447 private residential apartments. On the ground floor fronting onto a new and attractive Wolstenholme Square there will be large restaurant and leisure units, which are envisaged to become a hub of life, both day and night for the whole area.

Location Report

Since Covid-19 Pandemic there has been a significant bounce back for the Liverpool Hotel and Leisure market. The last Liverpool hotel market update published prior to the Covid-19 pandemic illustrates the strength of the local market which is demand led by Liverpool's tourism and its football offering. Whilst there are risks anticipating the likelihood of demand returning to pre Covid-19 levels, there is every indication that once all restrictions are lifted (including international travel), then there is every chance that Liverpool's hotel market will continue to thrive.

Liverpool has seen significant investment and will continue to do so for the foreseeable future. Liverpool is a city which has experienced huge renaissance. Spearheaded by the multi-billion-pound Liverpool ONE development, regeneration has continued on an unprecedented scale.

Some of the most significant regeneration projects to have taken place in the city include new buildings in the Commercial District, the King's Dock area, the Mann Island area, the Lime Street Gateway, the Baltic Triangle area, the Ropewalks area and the Edge Lane Gateway. There is also the proposed Liverpool Waters scheme which if built will cost in the region of £5.5 billion and be one of the largest mega projects in the UK's history.

It should be noted that over the last 10 years Liverpool has become a major tourist destination both domestically and globally. The demand for hotel, apart hotel and serviced apartments is currently at an all time high. All the major hotels have located in the City and an abundance of smaller operators have successfully followed the trend and invested in developments which has enhanced the offer and choice for tourists.

2) 44 Morris Street, London E1 2NP

The subject property is located to the east of the center of London within Shadwell, an area in the East End district that comprises of restaurants, local shops, small mosques, historic churches and a market.

The immediate location largely comprises of smaller, local retailers, with superior retailing locations situated along Commercial Road.

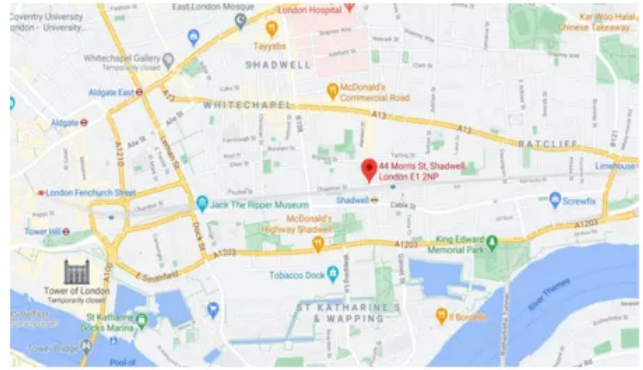
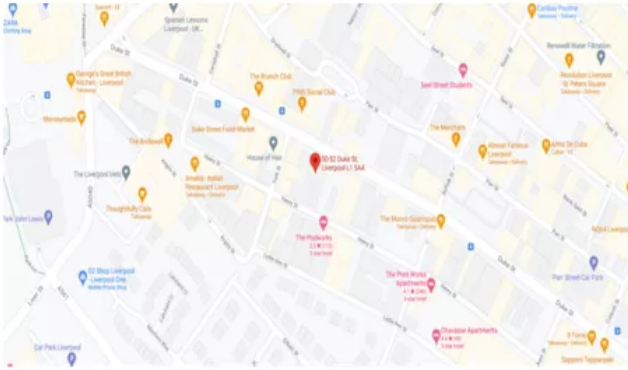
The shop will serve the immediate adjacent residential population together with a certain amount of passing trade.

Shadwell is a typically densely populated East London district, situated less than four miles east of Central London, which benefits from reasonable demand from both the rental and vacant possession sectors.

Surrounding the property comprises a mixture of residential and commercial dwellings.

Location Report

The property has good access to public transport links with Shadwell station located 100 yards away which provides access to the DLR and Overground rail services.



Tenant Commentary

Tenant Commentary

1) 52-60 Duke Street, Liverpool L1 5AA

Commercial Units :

a) Loxbys Limited (Restaurant and Takeaway) 10 Year FRI Lease (to 2031) £27,500 per annum. Incorporated 14/10/2020 - No Accounts yet held at Company House.

b) FriesDay L1 Limited (Fast Food Restaurant) 5 Year FRI Lease (to 2027) £25,000 per annum. Incorporated 07/06/2021 - No Accounts yet held at Company House

c) Convenience Store 10 Year FRI Lease (to 2032) £22,500 per annum - Being Finalised and will be in place prior to Completion.

Total Commercial Rental Income : £75,000 per annum.

A lease will also be formalised with an established Hotel Operator within the next 8-10 weeks for the 30 Bedroom Hotel.

Details have not yet been provided and the minimum is expected at £127,500 per annum (Market Rent Figure).

2) 44 Morris Street, London E1 2NP

The Retail Unit is rented to a local tenant, considered to be a weak covenant, however typical for the market sector and demand within the local area.

The tenancy is a 10 year FRI Lease to Perfect Fried Chicken from 01/02/2022 at £24,000 per annum (5 year rent review).

Residential Flat Rented on AST at £22,800 per annum.

Total Passing Rent £46,800 per annum.

Tenant Details

Tenant	Loxbys Limited	Business Activity	Restaurant & Takeaway
	52 Duke Street (UNIT C)		
Lease Type	FRI	Lease Start	2021
Months to Lease Break	2022	Lease Expiry	2031

Tenant Details			
Passing Rent (£ p.a.)	27,500	Occupancy Level (%)	100

Tenant Details			
Tenant	FriesDay L1 Limited 60 Duke Street (UNIT A)	Business Activity	Fast Food Restaurant
Lease Type	FRI	Lease Start	01/05/2022
Months to Lease Break	01/05/2025	Lease Expiry	30/04/2027
Passing Rent (£ p.a.)	25,000	Occupancy Level (%)	100

Tenant Details			
Tenant	Johnny Ronsef (UNIT B)	Business Activity	Convenience Store
Lease Type	FRI (Current Lease in Draft Form)	Lease Start	2022
Months to Lease Break	Tenant only in 2027 with 3 months notice	Lease Expiry	2032
Passing Rent (£ p.a.)	22,500	Occupancy Level (%)	100

Tenant Details			
Tenant	Perfect Fried Chicken	Business Activity	Fast Food Restaurant
Lease Type	FRI	Lease Start	01/02/2022
Months to Lease Break	None	Lease Expiry	01/02/2032
Passing Rent (£ p.a.)	24,000	Occupancy Level (%)	100

Tenant strength	Local Retail Tenants, appropriate to sector and location, whilst considered potentially moderate to weak covenant.
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Valuation Commentary

A valuation of the property was carried out by Jonathan Kersh Commercial & Belleveue Mortlakes Chartered Surveyors on 13.07.2022 and 08.07.2022, a copy of which can be seen in the supporting documents.

The valuations conclude the following

JONATHAN KERSH COMMERCIAL - DUKE STREET :

- £2,000,000 MV & VPV (£2,200,000 GDV Estimated 8-12 weeks for Completion)
- £202,500 P/A MR Total (£75,000 Commercial Units & £127,500 Hotel)
- 9.00 % Yield Based on MR and Comparable Market Evidence
- Considered Adequate and Acceptable Loan Security
- Demand : High - 'City centre commercial freehold retail and hotel property is an asset class that remains in high demand, with very few refurbishment opportunities available/offered to the market.'

BELLEVEUE MORTLAKES - 44 MORRIS STREET :

- £740,000 MV
- £700,000 VPV
- £43,800 P/A MR (£22,800 Residential & £21,000 Retail)
- 5.92% Yield Applied Based on MR and Comparable Market Evidence
- Considered Good Loan Security
- Demand : If priced correctly, the subject property would be popular with a range of owner occupiers / investors.
- Overall, for loan security purpose, no significant defects or items requiring urgent attention were noted which would be likely to require a retention or be the subject of a condition of the mortgage advance.

Valuation Numbers

Market Value	£ 2,740,000 TOTAL	Vacant Possession Value	£2,700,000 TOTAL
Passing Rent	£ 121,800 TOTAL	Estimated Rental Value	£246,300 TOTAL
		Re Instatement Value	£3,340,000 TOTAL (£2,950,000 Duke St. & £390,000 Morris St.)

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	£1,417,500	Loan Purpose	Refinance
Loan Term	36 months		
Loan to Value (LTV)	51.73%	LTV Covenant	55%
Interest Cover Ratio (ICR)	1.25x	ICR Covenant	1.25x
Rate of Interest	6.75%	Interest Expense (p.a.)	£95,681

Serviceability	The loan interest will be serviced from the rental income received from the subject properties.
Interest Reserve	Proplend will retain £47,841 (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

Existing Facility

Lender	Proplend	Expiry	05.05.2022
Amount Outstanding	£1,316,250	Status	Past Maturity

Existing Facility			
Rate	9.96%	Existing Facility Description	Commercial Bridge

Business Plan During Loan Term

Property development works are approaching completion at Duke Street, estimated at 8-12 weeks (as confirmed within the Valuation Report).

The Basement (5 Rooms) and Hotel Reception remains outstanding.

On Completion of the development works, based on the total market rent, ICR would increase to 2.61x once the Duke Street property is fully let.

LTV would also reduce further (based on MV at Completion of £2,250,000) to 47.4%.

The intention is to service the loan interest for the term and further invest the surplus rental income to grow the commercial investment portfolio.

The Sponsors intend to retain the commercial investment assets long term and grow the investment portfolio accordingly, as part of their retirement planning strategy.

Exit Strategy

The Exit Strategy is to refinance at term maturity with an alternative lender, potentially on a longer term and on an amortizing basis.

The Borrower can consider selling the Hotel aspect of Duke Street on long leasehold depending on the value attributed at the time, to part repay the loan balance at maturity. The location of the subject property is deemed popular for this sector type. This would leave a moderately low LTV for refinance.

The Borrower could also consider selling the subject property at Morris Street, which again would reduce the LTV to a moderately low level for refinance purposes.

Security

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

Personal Guarantee

Joint and Several Guarantee from selected Directors and Shareholders of H & A Properties (Liverpool) Ltd for the sum of £354,375

BORROWER**Name**

H & A Properties (Liverpool) Ltd

Registration

UK Registered Limited Company

Main Business Activity

Commercial Property Investment

Ownership Structure

Liverpool Duke Street is owned by H & A Properties (Liverpool) Ltd with Farhan and Abdul as the sole directors and shareholders.

Morris Street is owned by Abdul and an associate Ataur Rahman jointly.

The current loan is to H & A Properties (Liverpool) Ltd with a first charge on both properties. Ataur Rahman is not a party to the current loan.

In the event of enforcement, we have the same capacity as we have a first charge over both properties, even though one is by way of third party legal charge. We will also have a debenture over the SPV and PG's.

Financial Accounts dated 28.02.2021 for H&A Properties (Liverpool) Ltd were filed at Company House 07.07.2022.

Highlights have been summarized below.

The position of the financials is as expected based on the ongoing Development Works and associated property costs which are now complete.

(£494,332) Shareholder Funds

N/B : The Tangible Assets figure of £1,255,745 will increase in 2022 by c.£1m (Based on Current Valuation).

The Creditors (More than 1 Year) figure of £1,729,275 includes the Commercial Bridge Liability and Directors Loan of £413k which reflects funds spent on development works during that period.

There was minimal property rental income in 2021, as the property was being developed and lease tenancies not yet established.

Sponsor	
Name	Dr Abdul Hamid and Ms Farhana Akhter
Age	47 and 45
Relevant Experience	Abdul and Farhana are both medical professionals. Abdul is a Doctor and owns a GP practice. Farhana is also a medical professional and manages the GP practice. Both are also experienced property investors and developers with a current portfolio of 11 commercial investment properties including the subject properties.
Credit History	A Hamid - LexisNexis Pass 65 - PEP Warning which was highlighted on the last FLR as not being the client. Band 7 Credit Safe. Farhana Akhter Age 45 - LexisNexis Pass 45 Band 7 Credit Safe.
Additional Information	Updated Asset Liability Statements reviewed and deemed acceptable - Equity of £309k in Residential Home. The Property Investment Portfolio has an estimated value of £6m and is currently geared at less than 50%.

Lender Risks	Mitigant	Risk Level
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Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	Whilst there have been delays in responses and receiving updated financial information for the refinance purpose, the Borrower is an experienced property investor with an established investment portfolio of 11 income generating assets, with gearing of less than 50%. The property development works at Duke Street are being finalised within the next 8-12 weeks, albeit slower than planned due to unexpected delays with the economic climate and financial advisor challenges. The Sponsors are not reliant on the property rental income to service their lifestyle as they have alternative income sources from their medical professions. The Sponsors are driven healthcare professionals and it is their intention to continue to grow the property investment portfolio as part of their long term business investment strategy.	Medium

Lender Risks	Mitigant	Risk Level
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.	The original Bridge Loan Interest continued to be serviced as expected post the maturity date. Once the hotel tenancy contract is established, a Strong ICR of 2.61x cover is expected based on the Market Rent Income. Existing Lease terms will remain and continue for the term of our lending, with no breaks. According to the tenancy schedule provided by the Sponsor, there is c.£10k surplus monthly rental income against current loan repayments on the property investment portfolio.	Low

Lender Risks	Mitigant	Risk Level
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.	Good Demand and central locations for subject properties as confirmed by Valuation Reports which is expected to remain stable going forward. Current Moderate LTV of 51.73% and an expected 47.4% LTV on completion of the Hotel works should enable refinance options with an alternative lender at loan maturity as LTV below 50%. The Borrower may consider selling the Hotel aspect of Duke Street on long leasehold to part repay the borrowing and reduce the LTV further. The Borrower has an established income generating commercial property portfolio and may consider refinancing other investment assets to generate additional capital if so required.	Low
The Property falls in value due to either macroeconomic or property specific reasons	Based on Valuation commentary, the subject asset demand is expected to increase going forward and therefore the value is not expected to fall in the medium term based on market comparables. The subject properties would need to fall in value by c.48% for our loan to be adversely affected.	Low

Term Loan Risk Rating		
Risk Category	Score	Rating
Financial Ratios	2.25	MODERATE
Property	1.40	MODERATE
Tenants Leases	1.26	MODERATE
Borrower Sponsor	0.64	LOW
Asset Class Outlook	1.00	MODERATE
Risk Rating [3.5 to 10.02]	6.55	LOW MOD

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 55% 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:

The information provided in this Loan Request is provided solely by the applicant and not Proplend Ltd ("Proplend") or Proplend Security Limited ("PSL"). Neither Proplend nor PSL has verified or audited the information in the Loan Request or the Loan Request itself; and the publication of the Loan Request by the applicant on the Platform does not constitute any approval, endorsement or representation by Proplend or PSL in relation to the Loan Request. Neither Proplend nor PSL provides any warranty, representation or undertaking as to the accuracy, timeliness or reliability of the information in the Loan Request or that the Loan Request or any Due Diligence Material accurately reflects the risks associated with the Loan Request; nor does Proplend or PSL make any recommendation or give any advice of any kind in relation to the Loan Request. Expected bad debt estimates are estimates for general guidance only and neither Proplend nor PSL warrant their accuracy or reliability. Lenders should seek their own independent legal, financial, tax or other advice before lending. Capital at risk.