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Full Loan Request: Burnt Oak Mixed Use

Date:	21/9/2022
Main Site:	261 Burnt Oak Broadway, Edgware HA8 5ED
Property Description:	A two storey mid-terrace building, originally constructed around 1890, arranged as a ground floor retail unit and a self contained one bedroom maisonette to the first floor. The property benefits from a small outbuilding to the rear which provides additional storage and could be combined to provide additional retail accommodation subject to obtaining the necessary Planning Permission.
Loan Summary:	We are asked to provide a 69% LTV gross loan facility in order to refinance the current lender. The Borrower is injecting £30,000 from personal capital for the remaining amount required to redeem the existing borrowing.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	No
Property Value	£390,000	Passing Income	£22,500
Gross Loan	£269,100	Loan to Value (LTV)	69%
Blended Interest Rate	6.65%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£15,600	9.40%	8.46%	1.26x
B	Medium	51-65%	£58,500	7.75%	6.98%	1.37x
A	Low	0-50%	£195,000	6.10%	5.49%	1.89x

PROPERTY			
Market Value	£390,000	Passing Income	£22,500
Vacant Possession Value	£330,000	Estimated Rental Value	£24,200
Tenure	Freehold	Asset Class	Mixed Use (Residential)
EPC Rating (min. E)	D	Planning Use	Retail E & C3

Property Details

The subject property comprises a two storey mid terrace freehold building currently arranged as a ground floor retail unit with a self contained one bedroom maisonette to the first floor.

In addition there is a single storey outbuilding to the rear of the property which provides open external storage and also provides a first floor roof terrace for the flat.

Both the retail unit and maisonette have separate entrances from Burnt Oak Broadway.

The retail unit is currently used for a professional services operation whereby the tenant provides translation and interpretation services to local Romanian residents.

Ground Floor (Retail)

- ❖ Two timber partitioned offices
- ❖ Kitchen
- ❖ WC

First Floor (Residential)

- ❖ Living room
- ❖ Kitchen
- ❖ One bedroom
- ❖ Shower room
- ❖ Roof terrace accessed via the bedroom

Outside

- ❖ Rear yard
- ❖ Outbuilding/External Storage

Gross internal floor area (G.I.A.) 1,001 sq.ft

The Borrower has advised that the trend along Collindale and Burnt Oak Broadway over recent years has been that developers have been purchasing retail parades similar to the subject and then converting to residential flats, due to strong residential accommodation demand. The Borrower feels that there may be interest from such developers with this parade in the near future for a sale opportunity.

Location Report

The property forms part of a secondary yet popular area of Edgware which is north west of London.

Burnt Oak Underground station is approximately 0.6 miles to the south east and Edgware Underground station is approximately 0.8 miles to the north.

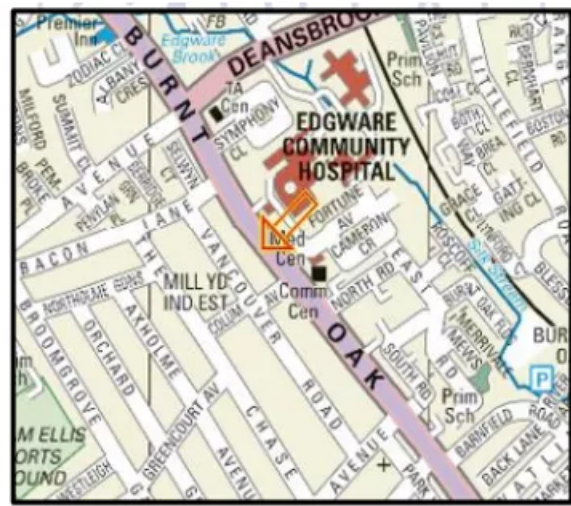
Edgware Community Hospital is directly opposite the property and local amenities are available along Broadway.

The M1 motorway is a short distance to the east.

The property is well placed for access to the local road and transport network. Properties within the immediate vicinity generally comprise a mix of converted mixed use retail, commercial and residential terrace buildings of varying style, size and age. The majority of properties within the immediate vicinity have retail units to the ground floor with residential accommodation to the upper floors.

The property is situated towards the north western side of Burnt Oak Broadway between its junctions with Columbia Avenue to the south and Bacon Lane to the north. Burnt Oak Broadway is a very busy road with a number of bus routes.

Chandos Recreation Ground is a short walking distance to the west and Silkstream Park is a short walking distance to the south east. As described above, the property is well placed for access to a range of local amenities as well as transport links.



Tenant Commentary

The property is let to CRN Garden Ltd under a commercial lease and an Assured Shorthold Tenancy agreement.

The lease for the ground floor retail unit is for a term of five years expiring in November 2025 at a current passing rent of £10,800 per annum.

The lease states that it is full repairing and insuring and rent reviews are provided every two years.

The residential unit is held on an Assured Shorthold Tenancy agreement expiring in November 2022 at a current passing rent of £975 per calendar month, equating to £11,700 per annum.

CRN Garden have been renting this Property since 2012, (they incorporated in 2018). They provide translation services to Romanian nationals.

CRN Garden Ltd latest accounts filed to 30 September 2020, show modest activity, and their accounts for year end 30 September 2021 are currently overdue.

However, we have been provided with bank statements confirming the stated rental receipts for the last 6 months, and the Sponsor advises that they have never missed a payment.

Tenant Details

Tenant	CRN Garden Ltd	Business Activity	Translation & Interpretation Activities
Lease Type	FRI	Lease Start	November 2020
Months to Lease Break	None	Lease Expiry	November 2025
Passing Rent (£p.a.)	10,800	Occupancy Level (%)	100

Lease arrangement	Ongoing
Tenant strength	Weak Covenant however deemed appropriate for the sector type as they have occupied since 2012, always paying the rent on time.

Valuation Commentary

A valuation of the property was carried out by Capital Value Surveyors on 26.07.2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- Market Value £390,000 subject to existing tenancies

The Valuer has adopted a yield rate of 5.75% to the retail element and 5.50% in respect of the residential element to arrive at a figure of £410,000. The Valuer has then deducted purchaser's costs to arrive at a rounded Market Value of £390,000, which equates to a net yield of 6.21%, which falls outside of the comparable market transactions detailed within the Valuation report, however reflects the short lease in respect of the retail unit.

- Market Rent £24,299 per annum
- Based on Comparables, the opinion is that the retail unit has a Market Rental Value of £12,200 per annum (£32.50 per square foot ITZA). The maisonette could let at £1,000 per calendar month, equating to £12,000 per annum.
- Total Passing Rent £22,500 per annum
- Suitable as Loan Security
- The property is in need of modernising throughout, although it is adequate for its current retail & residential use
- Sales & Rental Demand deemed Reasonable
- Period within which to complete a sale: 6 months
- Period within which to let the property: up to 12 months subject to a single commercial lease in respect of the retail unit and up to 3 months subject to residential AST assuming the services are separated.

Strengths:

Established mixed use property, situated in a small parade of mixed use properties with good access to Burnt Oak Underground station

Weaknesses:

The retail and residential elements do not currently have separate services and can therefore not be let separately at the present time

Opportunities:

Potential to generate a higher rental income by separating the services to the retail and residential units and therefore being able to let the two units separately

The rental income can be sustained in the short to medium term subject to the current configuration

Threats:

Ongoing political and economic uncertainty is causing a degree of caution in the property market generally

Tenant default

Valuation Numbers			
Market Value	£390,000	Vacant Possession Value	£330,000
Passing Rent	£22,500	Estimated Rental Value	£24,200
Rent psf	£32.50	Re Instatement Value	£200,000

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	£269,100	Loan Purpose	Refinance
Loan Term	36 months		
Loan to Value (LTV)	69%	LTV Covenant	75%
Interest Cover Ratio (ICR)	1.26x	ICR Covenant	1.25x
Rate of Interest	6.65%	Interest Expense (p.a.)	£17,895

Serviceability	Interest Only
Interest Reserve	Proplend will retain £8,948 (6 months interest) from the gross loan amount which will be held on account.

Fees			
Arrangement Fee	2%	Broker Fee	0%
Early Repayment	2% year 1, 1% year 2	Exit Fee	1% if redeemed past maturity

Existing Facility			
Lender	Funding 365	Expiry	22/09/2022
Amount Outstanding	£285,000	Status	Up to Date
Rate	7.99%	Existing Facility Description	Interest Only

Business Plan During Loan Term	
The existing tenancies will continue during the term of the proposed loan and loan interest payments will be serviced on an ongoing basis. The subject property will be fully occupied until the current lease expiry of 2025 by the current tenant who has occupied since 2012. The refinance will enable the Borrower to benefit from a more attractive rate for the next 3 years. AST rental income will also be increased by 10% at renewal which the borrower has discussed in principle with the tenant. The Borrower may decide to build an extension on the ground floor under permitted development, which would increase the rental income to £29,000 per annum for the whole building. Relevant consent from the lender would be requested at the time and all costs would be funded on a personal capacity.	

Exit Strategy

Potential sale at exit - there is a likelihood of a developer taking over the parade to build a block of flats, as this has been the trend along Colindale and Burnt Oak Broadway recently.

As mentioned above, should an extension to the property be permitted and carried out by the Borrower during the term of the loan, the condition of the property would improve and rental income would also increase accordingly.

The property may therefore appeal to alternative tenants, should the existing tenants not wish to renew at expiry.

The subject property is opposite Edgware Community Hospital and situated mainly between residential houses, therefore a fast food takeaway restaurant could be an appealing tenant alternative.

A potential refinance with an alternative lender could be negotiated over a longer term once a new lease tenancy is negotiated at expiry.

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 Sala Properties Limited for the sum of £67,275
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BORROWER

Name	Sala Properties Limited(04322260)
Registration	UK Registered Limited Company
Main Business Activity	Commercial Property Investment Company The proposed Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Property.
Ownership Structure	Husband and Wife Equal Ownership Limited Company Financials reflect a stable Net Worth £287,641 for year end 31.10.2021.

Sponsor

Name	Mr Kishore Bhagwandas Nagrani Mrs Asha Nagrani
Age	72 and 62
Relevant Experience	Kishore Nagrani is a commercial finance real estate broker (Accelerated Finance Ltd). Both Mr and Mrs Nagrani own other income producing investment properties and have over 40 years relevant property investment experience.
Credit History	Both Mr Nagrani and Mrs Nagrani have strong personal credit scores - Creditsafe risk band 10, with Lexis Nexis checks also Passed.
Additional Information	Asset Liability Statements have been reviewed and are deemed satisfactory. Mrs Nagrani reflects available equity of £512,465 and Mr Nagrani reflects available equity of £848,500. The Income and expenditure in each is also deemed appropriate with good monthly disposable income levels available.

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	The Sponsors are established property professionals with over 40 years relevant trade experience with other property investment assets in the background and relevant available equity. The Borrowers appear to have successfully executed similar business refinance plans in the future and have an established property brokerage business supporting their expertise with such matters.	Medium
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 Borrowers financial track record, professional experience and character demonstrates that they are reliable and adhere to their monthly financial obligations. One tenant who has occupied the whole property since 2012 and has always paid rental obligations on time. The existing lease tenancies will continue during the term of our loan until 2025. The Borrowers personal income and expenditure demonstrates that they have good surplus monthly income to cover any unforeseen expenses if required. Further comfort may be found in our holding of a 6-month Interest Reserve.	Medium

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.	Opportunity to separate the services with the property to let the commercial and residential separately if required and increase rental income. The Borrower has also discussed applying for relevant consent to potentially add an extension to the property as a future option to add value. Whilst the demand for the property type is deemed reasonable, the location may appeal to commercial tenants such as fast food restaurants, estate agents or grocery stores going forward being situated in a primary residential area opposite the hospital and near transport links. The Borrower believes that a developer may seek to buy the property to develop into residential flats in the near future. This appears to be the trend in the local area of Colindale and Burnt Oak where there is growing residential development as accommodation is more affordable than central London.	Medium

Lender Risks	Mitigant	Risk Level
The Property falls in value due to either macroeconomic or property specific reasons	Valuation Report confirms reasonable demand for this property type within the location. Previous and current market value trends suggest that the property value has remained stable with gradual growth from original purchase.	Medium

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	HIGH
Asset Class Outlook	LOW
Property Risk	MEDIUM
Tenants Leases	MEDIUM
Borrower Sponsor	MEDIUM
Risk Rating [3.5 to 10.02]	6.72
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 70% 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.