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Full Loan Request: Northants Light Industrial

Date:	12/9/2022
Main Site:	1 North Portway Close, Round Spinney, Northampton, NN3 8RD
Property Description:	The Subject Property is a detached, industrial building prominently situated upon the corner of Stonecircle Road and North Portway Close, comprising GIA of 49,081 sq ft, with on-site parking for 25 vehicles.
Loan Summary:	We are asked to provide a 30% LTV loan facility in order to raise capital to clear HMRC arrears of the Borrower's associated business, prior to sale.



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£2,875,000	Passing Income	£98,000
Gross Loan	£850,000	Loan to Value (LTV)	29.57%
Blended Interest Rate	5.60%	Loan Term	36 months

	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£850,000	5.60%	5.04%	2.06x

PROPERTY			
Market Value	£2,875,000	Passing Income	£98,000
Vacant Possession Value	£2,425,000	Estimated Rental Value	£294,000
Tenure	Freehold	Asset Class	Light Industrial
EPC Rating (min. E)	C	Planning Use	B2, B8

Property Details

The Subject Property is a large industrial building off steel portal frame construction under profile sheet, pitched roofs.

The building consists of four main bays with single storey office block to the front.

The offices span the full frontage and provide a main reception room, a mix of open plan and private offices, conference room, kitchen/canteen and toilet facilities. In addition there is a first aid room.

The office predominantly have carpet covered floors, painted plastered walls and suspended acoustic tiled ceilings with inset fluorescent box lighting.

Beyond the offices are two parallel bays that are inter linked. These are currently the main production areas on the site and thus accommodate rows of machinery and tools.

To the rear of the main areas is a further two bays. These are tenanted and are used for storage by the tenant. These bays are accessible via the side yard area leading to a rear passageway suitable for loading and unloading.

There are five roller shutter doors in place all having a similar width from approximately 3.12m and working access height of from 3.80m.

The minimum working height within the bays is approximately 4.70m.

Within the main bays are some site offices , facilities and a works canteen. Above this area is a mezzanine suitable for additional storage.

Within the rear bay there is an integral office block providing works offices/stores.

To the front of the property is a parking area which can accommodate approximately 28 vehicles with 4 electric vehicle charging points.

To the side of the main buildings is a hard surfaced yard and partial canopy over the main loading areas.



Location Report

Location Report

Northampton is a market town and civil parish in the East Midlands of England, on the River Nene, 60 miles (97 km) north-west of London and 50 miles (80 km) south-east of Birmingham.

The county town of Northamptonshire, Northampton is one of the largest towns in England and it had a population of 212,100 at the 2011 census.

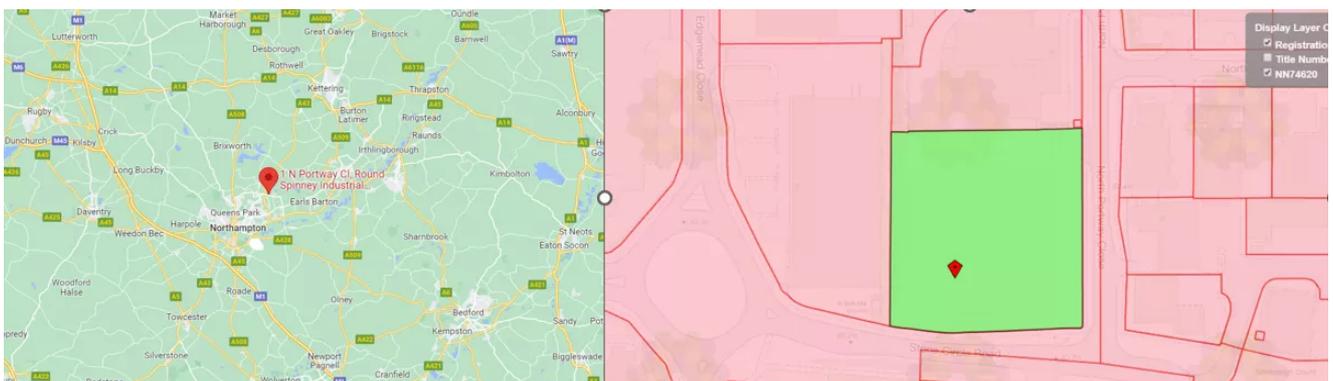
Northampton is one of the most important industrial markets in the UK, sitting within the 'Golden Triangle' and at the heart of the country's motorway network.

Northampton is served by junctions 15, 15a and 16 of the M1 motorway which connects the town with London at its most southern point and Leeds at its most northern. Both the A45 and A43 link Northampton with the other major towns in Northamptonshire and beyond and can be accessed by a partially completed ring road.

The A14 is close by to the north of Northampton, providing links to East Anglia and a secondary route to the areas of the Midlands which are situated to the north of the town.

Northampton railway station is on the Northampton Loop of the West Coast Main Line and has services southbound to London Euston and northbound to Birmingham and Crewe provided by West Midlands Trains. Avanti West Coast also provide two daily services to London.

The Subject Property is situated within the Round Spinney Industrial estate which is a well-established estate approximately 5 miles to the north of the town centre.



Tenant Commentary

Tenant Commentary

1) The two rear bays are let to BSI Transport Limited - <https://bsitransport.com/> - a transportation and distribution business, established over 25 years ago. Their rental obligations are all up-to-date.

2) The remainder of the Property is occupied by Auto Turned Products Limited - <https://autoturned.co.uk/> - an engineering/manufacturing business established in 1962, which is the Borrower's associated business. The Company is being sold to Arkle, and with the change of ownership on completion, a new, second lease will be in place in favour of our Borrower, at a rental of £196,000 p.a. over a 5-year term, but with an initial rent-free period of 12 months.

Tenant Details

Tenant	BSI Transport Limited	Business Activity	Haulage
Lease Type	FRI	Lease Start	May 2022
Next Tenant Break	May 2024	Lease Expiry	May 2028
Passing Rent	£98,000 p.a.	Occupancy Level	35%

Valuation Commentary

A valuation of the property was carried out by Innes England on 5th September 2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the property is situated within a well-established industrial estate sitting within the 'Golden Triangle' and at the heart of the country's motorway network
- the property is a large building at almost 50,000 sq ft having the flexibility to be let as a whole or sub-divided for multiple tenancies at relative ease
- the rentals to be achieved at the Subject Property is comparable with similar Property in the near vicinity, which range from £5.87 psf to £8.59 psf
- RICS survey feedback remains comfortably positive regarding tenant demand in the industrial sector, even if the latest net balance of +49% is the least elevated figure since Q4 2020
- 8.50% yield based on MR and comparable market evidence
- the Property is considered to be good for secured lending purposes
- should the property come to the market to let, it would be expected to rent within 3-6 months
- should the property come to the market for sale, it would be expected to sell within 6-9 months
- the 90-day value is £2,150,000.

Valuation Numbers

Market Value	£2,875,000	Vacant Possession Value	£2,425,000
Passing Rent	£98,000	Estimated Rental Value	£294,000
Rent psf	£5.99	Re Instatement Value	£4,875,000

Report on Title

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

LOAN			
Gross Loan	£850,000	Loan Purpose	Refinance
Loan Term	36 months		
Loan to Value (LTV)	29.57%	LTV Covenant	40%
Interest Cover Ratio (ICR)	2.06x	ICR Covenant	1.25x
Rate of Interest	5.60%	Interest Expense (p.a.)	£47,600

Serviceability	Rental income of £98,000 p.a. is currently being received, with interest payments due of £47,600 p.a.
Interest Reserve	Proplend will retain £23,800 (6 months interest) from the gross loan amount which will be held on account.

Fees			
Arrangement Fee	2%	Broker Fee	0%
Early Repayment	N/A	Exit Fee	1% - only incurred if the loan is not fully redeemed within the agreed 36-month loan term.

Business Plan During Loan Term

The Borrower's trading business, Auto Turned Products (ATP), suffered in difficult trading conditions caused predominantly by the Covid pandemic that affected the entire motor industry, specifically major client Jaguar Land Rover, as well as more recently the Ukraine conflict, which led to HMRC arrears.

ATP is now being sold to Arkle, who are turnaround specialists in the engineering and manufacturing sectors

This will give the business the best chance of securing its longer term future, as well as its 28 employees.

ATP has kept up with their time-to-pay arrangement, and also PAYE obligations all the while.

The net loan proceeds will clear HMRC in full.

The newly-formed property holding company, our borrower, will continue to hold the freehold as a long-term investment, and collect the stated rents.

Exit Strategy

Prior to maturity, the Borrower will refinance most likely to a challenger bank, on to a longer term commercial mortgage product.

Security

Charge	First Legal Charge	Debenture	Debenture Required
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Property Insurance	PSL Interest to be Noted on Completion		
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Personal Guarantee	Joint and Several Guarantee from the Directors and Shareholders of AE 84 Ltd for the sum of £170,000		
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BORROWER	
Name	AE 84 Ltd
Registration	UK Registered Limited Company
Main Business Activity	The proposed Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Properties.
Ownership Structure	The Company is 100% owned by Jacqueline Edge.

Sponsor	
Name	Jacqueline Edge
Age	57
Relevant Experience	The Sponsor is a qualified solicitor, property developer and entrepreneur. Jacqueline is the Managing Director of Auto Turned Products, and as such is involved in all aspects of the business, including negotiating and drafting contracts, and all personnel management.
Credit History	Strong - CreditSafe risk band 10, and Lexis Nexis checks Passed.

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	MEDIUM
Asset Class Outlook	MEDIUM
Property Risk	MEDIUM
Tenants Leases	MEDIUM
Borrower Sponsor	MEDIUM
Risk Rating [3.5 to 10.02]	6.79
Risk Level	MEDIUM

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>The Borrower's plan to refinance on to an amortising commercial mortgage during the course of our loan should be relatively straightforward, provided the rental income continues to be received.</p> <p>In the event of both tenants entering formal financial insolvency, the valuer has stated that rental demand for such Property in this location, is good.</p> <p>Once re-let, a subsequent refinance is still realistic, though may take longer, until rents from new tenants are demonstrable to the lender over a reasonable period of time.</p>	<p>Medium</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>From drawdown to May 2024, we will have a minimum of £98k rental income, covering our interest payments of £42k (2.33x ICR).</p> <p>From Autumn 2023, a further £196k in rent will be received as above, taking the ICR cover at that point, to 7.00x, thus making the proposed refinance to a challenger bank prior to maturity, realistic.</p> <p>If BSI exercise their break, the ICR at that stage would decrease to 4.12x.</p> <p>Further comfort may be found in our holding of a 6-month Interest Reserve.</p>	<p>Low</p>
<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>As above, the Borrower's exit strategy is readily achievable.</p> <p>The Borrower is giving what will become the main tenant's chance of long-term survival, its best chance through this sale.</p>	<p>Medium</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>The gross loan facility equates to 29.6% LTV, and the loan-to-vacant possession value is 35%.</p> <p>The loan-to-90 day value is still a relatively healthy 39.6%.</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 30% 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 will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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