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Full Loan Request: Smethwick Retail 2

Date:	19/10/2022
Main Site:	1) 583 Bearwood Road, Smethwick, B66 4BH 2) 575 Bearwood Road, Smethwick, B66 4BH 3) 1082 Warwick Road, Acocks Green, Birmingham, B27 6BH 4) 1084 Warwick Road, Acocks Green, Birmingham, B27 6BH
Property Description:	Four retail outlets let to national/regional covenants - two in the same road as the Smethwick Retail 1 loan, and two seven miles away, in Acocks Green.
Loan Summary:	We are asked to provide a 65% LTV gross loan facility in order to assist with the purchase of the four Subject Properties.



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£1,465,000	Passing Income	£124,500
Gross Loan	£952,250	Loan to Value (LTV)	65%
Blended Interest Rate	6.60%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£219,750	7.26%	6.84%	1.98x
A	Low	0-50%	£732,500	6.40%	5.67%	2.66x

PROPERTY			
Market Value	£1,515,000	Passing Income	£124,500
Vacant Possession Value	£1,195,000	Estimated Rental Value	£116,250
Purchase Price	£1,545,000	Purchase Type	Option
Tenure	Mix of freehold and long-leasehold	Asset Class	Retail
EPC Rating (min. E)	C	Planning Use	E

Property Details

In the same order as listed above;

1) A commercial investment Property let to Levines, a long established local furniture retailer. The Property dates back to the 1970s and is a modern two storey mid-terraced building of cavity brick construction set beneath a pitched slate covered roof with an area of flat mineral felt covered roof to the rear section.

The floors are of timber and concrete construction with mainly carpet floor coverings. Natural light and ventilation is gained via timber framed single glazed window units to the upper floors and an aluminium framed single glazed shop frontage with double pedestrian access door located centrally. Heating is provided by way of a gas fired warm air blowers. The combined net internal floor area is 10,047 sq ft.

2) A commercial investment Property let to Scrivens, an opticians. The Property dates back to the 1970s and is a modern two storey mid-terraced building of cavity brick construction set beneath a pitched slate covered roof with an area of flat mineral felt covered roof to the rear section.

The floors are of timber and concrete construction with mainly carpet floor coverings. Natural light and ventilation is gained via timber framed single glazed window units to the upper floors and a timer framed single glazed shop frontage with single pedestrian access door located centrally. Heating is provided by way of a gas fired central heating system. The combined net internal floor area is 1,636 sq ft.

3) A mid-terraced ground floor retail investment, let to Boots the opticians. It dates back to the middle part of the last century and is a two-storey mid-terraced building although the upper floors do not form part of the valuation. It is of cavity brick construction set beneath a flat mineral felt covered roof. The floors are of concrete construction with carpet floor coverings. Natural light and ventilation is gained via an aluminium framed single glazed shop frontage. The combined net internal floor area is 1,153 sq ft.

4) A mid-terraced retail investment, let to Holland and Barrett. It dates back to the middle part of the last century and is a two storey mid terraced building. It is of cavity brick construction set beneath a flat mineral felt covered roof. The floors are of concrete construction with carpet floor coverings. Natural light and ventilation is gained via an aluminium framed single glazed shop frontage. The combined net internal floor area is 1,551 sq ft.



Location Report

1 & 2) The Subject Properties are situated in Birmingham, which is the largest city in the country outside of London, located in the heart of Central England, 110 miles to the north of London.

The area is located at the heart of the National Motorway Network with access to the M5, M6, M40 and M42 which provides good connectivity to all parts of the country.

There is an international airport situated to the south east of the city centre, which has recently expanded and flies to destinations throughout Europe, North America and Asia.

There is a train station situated in the city centre which provides access to the West Coast Main Line served by Virgin Trains, with good connectivity to London, reachable in an hour and a half.

The Properties are situated in the Smethwick area of the city, which is located on the western fringes, just to the north of Harborne, and Edgbaston.

They adjoin the A456 which is the main arterial route leading in an easterly direction into the city, and provides a link in a westerly direction with the M5.

The Properties are situated on Bearwood Road, which forms the commercial heart of Bearwood and is a densely populated commercial area occupied by a combination of high street retailers interspersed with local traders.

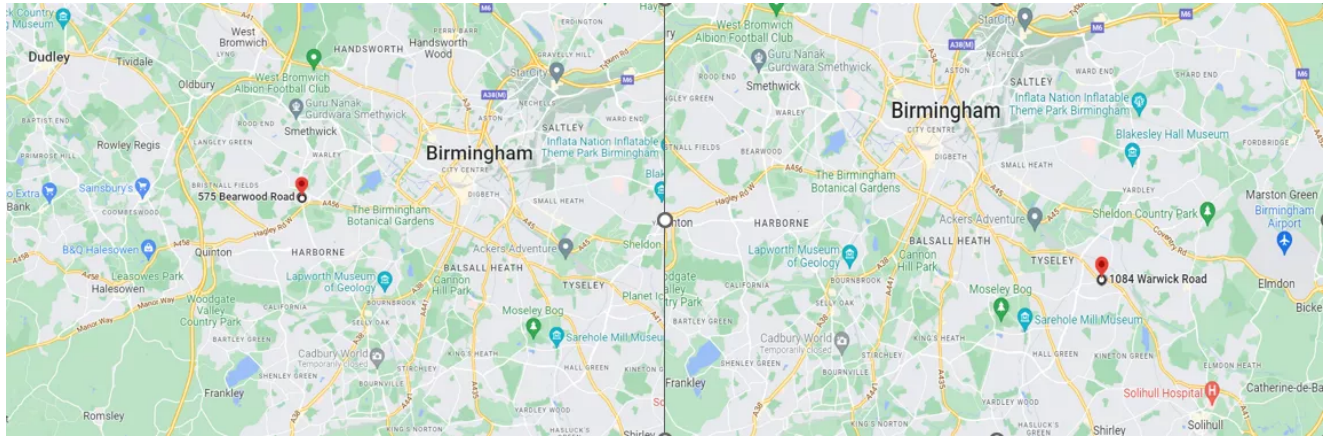
The Properties are located centrally within the street where demand would be considered reasonable at this present time.

3 & 4) The Properties are situated in Acocks Green, which is a mature suburb situated south of the city centre adjoining the neighbouring areas of Sparkhill, Hall Green and Solihull.

The Properties are located on the A41, Warwick Road, which is one of the main arterial routes leading out of the city centre towards the M42.

They are located in the heart of Acocks Green in an established commercial location with surrounding occupiers being a comprehensive mix of high street retailers, interspersed with local traders.

Demand for accommodation in the locality would be considered average at this time.



Tenant Commentary

- 1) Levines is a regional furniture store established in 1951, with three outlets in the Birmingham and West Midlands area.
- 2) Scrivens are opticians and hearing specialists formed in 1938, with over 175 branches across the country.
- 3) Boots are a national pharmacist and opticians, established in the 1840s. At this Subject Property, they have negotiated a new five year lease subject to a three year break option at a rent of £20,000 per annum.
- 4) Holland & Barrett is a multinational chain of health food shops with over 1,300 stores in 16 countries, including a substantial presence in the United Kingdom.

Tenant Details

Tenant	Levines	Business Activity	Furniture store
Lease Type	FRI	Lease Start	December 2020
Months to Lease Break	38	Lease Expiry	December 2025
Passing Rent	£60,000 p.a.	Occupancy Level	100%

Tenant Details			
Tenant	Scrivens	Business Activity	Opticians
Lease Type	FRI	Lease Start	September 2017
Months to Lease Break	36	Lease Expiry	September 2022 (holding over)
Passing Rent	£20,000 p.a.	Occupancy Level	100%

Tenant Details			
Tenant	Boots	Business Activity	Pharmacist
Lease Type	FRI	Lease Start	September 2022
Months to Lease Break	36	Lease Expiry	September 2027
Passing Rent	£20,000 p.a.	Occupancy Level	100%

Tenant Details			
Tenant	Holland & Barrett	Business Activity	Health food store
Lease Type	FRI	Lease Start	October 2019
Months to Lease Break	24	Lease Expiry	October 2024
Passing Rent	£25,000 p.a.	Occupancy Level	100%

Valuation Commentary

A valuation of the property was carried out by JRW Chartered Surveyors Ltd on 14/7/2022 (with side letter extending for a further month now held), a copy of which can be seen in the supporting documents. The valuation concludes the following:

- there would be reasonable demand for accommodation in these localities
- the Properties are in keeping with the location
- the Properties have an economic life of 20 years, and provide suitable security
- the Properties are situated in vibrant commercial areas, with a mix of high street traders and local independent traders
- generally, though recovery is underway following Covid and Brexit, conditions are still challenging in the office and retail sectors
- Permitted Development Rights allowing commercial premises including Retail to be converted to residential, provide an obvious alternative use, longer-term.

Valuation Numbers

Market Value	£1,465,000	Vacant Possession Value	£1,195,000
Passing Rent	£124,500	Estimated Rental Value	£116,250
Rent psf	£8.65 (combined)	Re Instatement Value	£2,345,000

Report on Title

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

LOAN			
Gross Loan	£952,250	Loan Purpose	Purchase
Loan Term	36 months		
Loan to Value (LTV)	65%	LTV Covenant	70%
Interest Cover Ratio (ICR)	1.98x	ICR Covenant	1.75x
Rate of Interest	6.60%	Interest Expense (p.a.)	£65,208

Serviceability	Rental income of £124,500 p.a. will be received, with interest payments due of £60,268 p.a.
Interest Reserve	Proplend will retain £15,712 (3 months interest) from the gross loan amount which will be held on account.

Fees			
Arrangement Fee	2%	Broker Fee	1%
Early Repayment	None	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 Subject Properties are being purchased as long-term investments.

The Borrower will endeavour to re-gear the leases wherever possible throughout the course of this loan, starting with the opticians as they are holding over.

The four tenants are believed to be long-established and successful in these locations, and the Borrower is confident that they will both renew.

Exit Strategy

The Borrower will seek to refinance on to a longer-term commercial mortgage product once the leases have been re-gearred.

Security

Charge	First Legal Charge	Debenture	Debenture Required
Property Insurance	PSL Interest to be Noted on Completion		

Personal Guarantee	Joint and Several Guarantee from the Directors and Shareholders of ASR Premier Properties Ltd for the sum of £247,000. Please note that the same Guarantors have also provided Joint and Several Personal Guarantees for the Smethwick Retail 1 loan, limited to the sum of £131,625.
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BORROWER	
Name	ASR Premier Properties Ltd
Registration	UK Registered Limited Company
Main Business Activity	The proposed Borrower is a currently dormant UK-domiciled commercial property investment company, but as above and below is about to acquire other assets.
Ownership Structure	The three Directors are brothers and each own an equal third of the Company.

Sponsor	
Name	Waqar Rahim, Zeeshan Rahim, and Salman Rahim
Age	39, 37 & 36 respectively

Sponsor

Relevant Experience

The Sponsors are three brothers, who have operated as business partners since 2006, and own/operate multiple, profitable businesses together, as well as properties.

Their businesses include furniture (wholesale and retail), car sales and home interiors/soft furnishings. The clients have owned commercial properties for many years (let to their own businesses).

They retain almost all profit inside their various businesses, and take only minimal personal incomes themselves and lead relatively frugal lifestyles (all living in the same house in Warwickshire).

Related businesses;

ASR Interiors Ltd

Credit Safe rating = B

Accounts to year end 28/2/2021 show T/O increased from £1,754,121 (as at 28/2/2020), to £2,253,350, GP increased from £247,273 to £393,738, and NPBT increased from £141,086 to £242,423.

Shawn Ltd

Credit Safe rating = B

Accounts to year end 31/12/2020 show a slight increase in T/O from £767,231 to £825,837, GP down slightly from £355,512 to £321,109, and NPBT increased from £101,980 to £152,930.

Shawn Dream Cars Ltd

Credit Safe rating = B

Accounts to year end 30/9/2020 show T/O up from £2,360,896 to £2,949,768, GP down from £229,978 to £134,830, and NPBT increased slightly from £91,804 to £95,947.

Credit History

All three have strong personal credit ratings - all Credit Safe Band 9, and all 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]	6.40
Risk Level	MEDIUM LOW

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	The Borrower's intention to refinance at more competitive terms should not prove problematic provided the tenants renew their leases as envisaged. We know that the Borrower has an on-going relationship with at least one high street lender.	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 ICR is a healthy 2.07x albeit that the unexpired lease terms are relatively short, and it is obviously unknown at this stage what the aggregate rental income with amount to, once they have all renewed. Comfort may be found in our holding of a 3-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.	As above, provided the tenants renew, a loan to refinance this loan is not unrealistic. If the Borrower performs as expected, we may wish to offer a second loan as maturity approaches, provided the leases have been renewed at appropriate levels.	Medium
The Property falls in value due to either macroeconomic or property specific reasons	Whilst there are no concerns specific to this Property, the recent raising of interest rates by the Bank of England in response to rising inflation is likely to suppress property values. With further measures possible to curb the fall of the pound, there is potential for severe fluctuations in both short-term market activity and values. With regards the above 'Property Value' (that we are lending 65% of), we are lending against the market values (also the purchase prices) of three of the Properties, and the vacant possession value of 575 Bearwood Road, and have also applied a further haircut of £50k, to get to the figure of £1,465,000.	High

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 65% 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 LLP will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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