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Full Loan Request: Colindale Mixed Use

Date:	1/11/2022
Main Site:	7-13 Holmstall Parade, Burnt Oak Broadway, Edgware, HA8 5HX
Property Description:	The Subject Properties consist of a three-storey (plus lower ground floor), mid-terraced building arranged as seven ground floor retail units, with seven, self-contained maisonettes (all 2-beds) located to the upper floors.
Loan Summary:	We are asked to provide a 65% LTV gross loan facility in order to refinance the current lender, whose facility is coming to an end.



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	No
Property Value	£3,210,000	Passing Income	£210,900
Gross Loan	£2,086,500	Loan to Value (LTV)	65%
Blended Interest Rate	7.15%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£481,500	8.01%	7.21%	1.41x
A	Low	0-50%	£1,605,000	6.89%	6.20%	1.921x

PROPERTY			
Market Value	£3,210,000	Passing Income	£210,900
Vacant Possession Value	£2,930,000	Estimated Rental Value	£232,900
Tenure	Freehold	Asset Class	Mixed Use (Residential)
EPC Rating (min. E)	D	Planning Use	E, C3

Property Details

The Subject Property comprises the freehold interest in a three-storey (plus lower ground floor), mid-terraced building arranged as seven ground floor retail units, with a small element of hybrid office space, and seven self-contained two-bedroomed maisonettes located to the upper floors. The building appears to have been constructed circa mid-to-late 1950s.

The Property also includes an extensive secure gated yard, with ample on-site parking together with a block of six garages.

The main walls of the subject property are of cavity brickwork construction beneath a pitched and tile covered roof, with a section of flat roof to the rear (used as access for the flats), covered in a bituminous substance. There were limited views of the roofs owing to the height and configuration of the building.

Floors throughout the building are of a mixture of solid/suspended concrete and suspended timber construction.

Natural lighting and ventilation is provided by an aluminium framed plate glass shop frontages with double glazed uPVC framed windows to the rear and with single glazed metal framed windows to the upper parts.

Internally, the property is in moderate order throughout. Externally, items of disrepair were noted; however these defects are consistent for a property of this age and type and should prove capable of remedy by routine maintenance.

The Property occupies a broadly level and regular shaped parcel of land that extends to approximately 0.2947 acres, and the Property has an approximate built/plot site density ratio of 57%.



Location Report

The Subject Property is located in a secondary trading location along Edgware Road, close to its junction with Holmstall Avenue, within Colindale (London Borough of Brent).

The parade comprises mainly local retail covenants at ground floor level with upper parts largely in residential use. National multiples can be found further north along Burnt Oak Broadway.

Colindale is a typically densely populated outer North-West London district, situated approximately eight miles north-west of Central London, which benefits from reasonable demand from both the rental and vacant possession sectors.

Away from the retailing pitch, Colindale represents a “medium value” greater London residential suburb, comprising properties of varying eras, many of which have been the subject of flat conversion schemes.

Burnt Oak (Northern Line) London Underground Station is situated north of the subject, offering a frequent commuter service into Central London. Numerous bus routes serve the surrounding area.



Tenant Commentary

The Property is currently producing as per the tables below, commercial rental income of £110,100 per annum, and £100,800 per annum of residential rental income, thus £210,900 p.a. in all.

The five commercial tenants are individually weaker, local covenants, at an early stage of trading, although bank statements held on file evidence that all stated rents have been received in the last six months.

The residential tenants have been at the Property for five years or more.

Demand is generally believed to be good for commercial lettings locally, and strong for residential lettings.

A third office suite at shop no. 8 is currently vacant and available to let. This is the only vacant unit at the Property.

DEMISE	TENANT	TERMS OF OCCUPATION	RENT
SHOP 7	Sculptor Aesthetics Limited	Lease 2 years from 29.03.2021 Use Class E No rent reviews Internal repairing liability. Fixed service charge (£200pcm) No break options.	£1,625 pcm
SHOP 8(2)	Van Lear Limited	Licence 3 years from 01.06.2022 Three month rent free Use Class E No rent reviews Internal repairing liability. Fixed service charge (£50pcm) Mutual rolling break option.	£500 pcm
SHOP 8(3)	Become A Trader Limited	Licence 3 years from 01.01.2022 Three month rent free Use Class E No rent reviews Internal repairing liability. Fixed service charge (£200pcm) Mutual rolling break option.	£650 pcm
SHOP 9-11	Akshardham Funeral Directors Limited	Lease 5 years from 15.04.2021 Use Class E No rent reviews Internal repairing covenant Includes service charge obligation Tenant break option, 15.04.2024.	£50,400 pa
SHOP 12-13	London Laser Clinic Colindale Limited	Lease 3 years from 01.12.2020 Use Class E No rent reviews Internal repairing covenant Includes service charge obligation No break options.	£26,400 pa

FLAT 7a	Mr & Mrs Banaga	Assured Shorthold Tenancy 12 months from 31.01.2022 No garaging or parking.	£1,200 pcm
FLAT 8a	Ms M N Amorin & Mr F Baliwag	Assured Shorthold Tenancy 12 months from 18.10.2021 No garaging or parking.	£1,350 pcm
FLAT 9a	Ms G Q Moreno	Assured Shorthold Tenancy From 05.06.2022 and ending on 14.06.2023. No garaging or parking.	£1,200 pcm

DEMISE	TENANT	TERMS OF OCCUPATION	RENT
FLAT 10a	Mr & Ms J Infante	Assured Shorthold Tenancy 12 months from 20.02.2022 No garaging or parking.	£1,250 pcm
FLAT 11a	Mr & Ms Krastv	Assured Shorthold Tenancy 12 months from 23.12.2021 No garaging or parking.	£1,100 pcm
FLAT 12a	Mr & Ms Remolina	Assured Shorthold Tenancy 12 months from 18.12.2021 No garaging or parking.	£1,200 pcm
FLAT 13a	Ms L Laurente	Assured Shorthold Tenancy 12 months from 31.01.2022 No garaging or parking.	£1,100 pcm

Valuation Commentary

A valuation of the property was carried out by Kirkby Diamond LLP on 14 September 2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the Subject Property is suitable security for the proposed lending
- the lettings provide a diverse income stream
- the parade enjoys low vacancy rates
- all flats are in good condition and well equipped
- the Property has off-road parking, and also includes a block of 6 garages
- the local retail leasing sector is slowly recovering after subdued activity during the pandemic
- demand from private investors, family trusts and high net worth individuals is reflected in an appropriate marketing period to achieve the stated value of 5-7 months
- the value of the residential elements with vacant possession would be underpinned by the potential to dispose of as separate 125-year long-leasehold interests.

Valuation Numbers

Market Value	£3,210,000	Vacant Possession Value	£2,930,000
Passing Rent	£210,900	Estimated Rental Value	£232,900
Rent psf	Commercial - £34.59 Residential - £18.95	Re Instatement Value	£3,049,000

Report on Title

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

LOAN			
Gross Loan	£2,086,500	Loan Purpose	Refinance
Loan Term	36 months		
Loan to Value (LTV)	65%	LTV Covenant	70%
Interest Cover Ratio (ICR)	1.41x	ICR Covenant	1.25x
Rate of Interest	7.15%	Interest Expense (p.a.)	£149,184

Serviceability	Rental income of £210,900 p.a. is being received, with interest payments due of £149,184 p.a.
Interest Reserve	Proplend will retain £37,296 (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.

Existing Facility			
Lender	Oaknorth	Expiry	20/10/2022
Amount Outstanding	£1,975,000	Status	Up to Date

Business Plan During Loan Term

The Borrower bought the Property in 2019, and it will be held as a long-term investment.

Since acquiring the Property, the Borrower has spent c£45k sub-dividing the former car dealership into four separate retail units, and converting part to office accommodation, in order to maximise rents.

The active Property and tenant management at the Subject Property is all undertaken by the Sponsor himself.

Exit Strategy

We will most likely be refinanced by a lender that also has appetite for providing development finance.

In December 2021, planning was achieved for the conversion of the upper parts to nine self contained flats. The client will wait to implement this, due to the current rising build costs, before either implementing the planning himself, or alternatively selling the Property with the benefit of the planning permission in place (under reference 20/3303).

Another alternative will be to refinance this loan like-for-like.

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 TDC Management Limited for the sum of £540,000
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BORROWER	
Name	TDC Management Limited
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	Mr Dinesh Hirani is the sole Director and 57% owner. His wife, Manjula Hirani owns the other 43%.

Sponsor	
Name	Dinesh Jadva Hirani
Age	60
Relevant Experience	<p>The Sponsor is qualified in Engineering and Business Studies, and former MD of a family-run building contractors.</p> <p>Since 2012, he has acted as consultant to various clients, personal and corporate, in the same fields both at home and overseas, and since 2017, has developed and managed his own investment properties.</p>
Credit History	The sponsor has an excellent personal Credit rating - CreditSafe risk band 9 - and Lexis Nexis checks also Passed.

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	HIGH
Asset Class Outlook	MEDIUM
Property Risk	MEDIUM
Tenants Leases	MEDIUM
Borrower Sponsor	MEDIUM
Risk Rating [3.5 to 10.02]	6.96
Risk Level	MEDIUM

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>The Borrower has numerous potential exit routes available, and will pursue the most financially viable at the appropriate time on or before maturity.</p>	<p>Medium</p>
<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>The tenants have demonstrated a good payment track record to date, over varying lengths of occupation.</p> <p>In the event of voids, local lettings demand is strong in the residential sector, and 'recovering' in the retail sector.</p> <p>Further comfort may be found in our holding of a 3-month Interest Reserve.</p>	<p>Medium</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 has more than one viable exit route, and as a further alternative, and on the proviso that the Borrower performs as expected, we may wish to offer a second loan as maturity approaches.</p>	<p>Medium</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>Whilst there are no obvious local 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.</p> <p>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.</p>	<p>High</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 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 Harrison Clark Rickerbys Limited will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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