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Full Loan Request: Deal Retail

Date:	23.09.2022
Main Site:	43-45 High Street, Deal CT14 6EL
Property Description:	<p>A commercial freehold property arranged over ground, basement and two upper floors with a single storey extension to the rear.</p> <p>Total 7,359 sq.ft</p> <p>Construction circa 1930.</p> <p>The building offers rear access and is arranged as retail accommodation on ground, first and second floors all served by a customer lift.</p> <p>Situated in a pedestrianized High Street trading location, close to WHSmith, Boots, Aldi, Costa Coffee and Starbucks.</p>
Loan Summary:	Request to borrow 65% Gross LTV on a 3 year Commercial Mortgage to assist with the purchase of the subject freehold commercial property.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£800,000	Passing Income	£65,000
Gross Loan	£520,000	Loan to Value (LTV)	65%
Blended Interest Rate	6.70%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£120,000	7.90%	7.11%	1.87x
A	Low	0-50%	£400,000	6.34%	5.71%	2.56x

PROPERTY			
Market Value	£800,000	Passing Income	£65,000
Vacant Possession Value	£735,000	Estimated Rental Value	£65,000
Purchase Price	£800,000	Purchase Type	Open Market
Tenure	Freehold	Asset Class	Retail
EPC Rating (min. E)	C	Planning Use	Full

Property Details



Location Report

Location Report

The location is believed to be a popular, affluent tourist destination in south east Kent.

The property is located in a secondary trading location along the High Street, close to its junction with Park Street within Deal (Dover District Council).

The parade comprises mainly local retail outlets at ground floor level with upper parts largely in residential.

The historic port and naval town of Deal is located on the East Kent Coast approximately 8 miles north of Dover, 84 miles south east of London and approximately 8 miles south of Ramsgate.

Originally the largest of the “Cinque Ports”, Deal is now a popular tourist destination, with long shingle beaches, its historic castle commissioned by Henry VIII, the Pleasure Pier and well preserved Georgian architecture. It also boasts a second historic castle in the adjoining town of Walmer.

The town has a population of around 30,000 (2011 Census) which is supplemented by the large influx of holiday makers and day trippers that visit each year.

Good road communications with the A2 M2 via Dover and the M20 via Folkestone linking the town to the M25 and the national motorway network.

Deal is served by its own station with 106 train services per day with a fastest journey time to London St Pancras of 1 hour 24 minutes.



Tenant Commentary

Regional Tenant :

<https://www.mandco.com/>

The entire property is let to M&Co Trading Ltd for a term of 5 years from 13th May 2022, expiring 12 May 2027 on FRI terms at £65,000 per annum.

Initial 3 month rent free period has now expired so the full premium is payable.

Copy of the lease has been provided and reviewed accordingly.

There are no break clauses within the lease.

M&Co Trading Ltd (Co No. SC662082) started trading in August 2020 following the administration of Mackays Stores Limited (MSL).

MTL trade from 187 stores across the UK.

Since that date, MTL has traded through a difficult period which has been punctuated by several months of Government enforced Covid lockdowns. However, the strategy of the business remains to be primarily a physical retailer focusing on local market towns, but at the same time developing new channels and opportunities for its core business as well as new brands. MTL has been well supported throughout by good relationships with key suppliers as well as its lenders.

Headline (unaudited) Management Information for the reporting period to the year to 25th February 2022 shows sales of greater than £120m which generates an EBITDA of more than £5m.

This financial year contained two periods (March 2021 and April 2021) when MTL's stores were shut due to Government ordered Covid-19 lockdown.

If the tenant vacated during the term of our loan, LTV based on Vacant Possession Value is 70.7%. The Valuation Report Comparables provide comfort for Re-Lettings as Demand is confirmed as strong for retail tenants within the High Street property location.

Tenant Details

Tenant	M&Co Trading Ltd	Business Activity	Clothing Retailer
Lease Type	FRI	Lease Start	13 May 2022
Months to Lease Break	N/A	Lease Expiry	13 May 2027

Tenant Details

Passing Rent (£ p.a.)	65,000	Occupancy Level (%)	100
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Lease arrangement	Rental Income commenced 3 months from the lease start date
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Tenant strength	National Covenant
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Valuation Commentary

Valuation Commentary

A valuation of the property was carried out by Bellevue Mortlakes Chartered Surveyors on 23.09.2022, a copy of which can be seen in the supporting documents.

The valuation concludes the following:

MARKET VALUE £800,000

MARKET VALUE (Restricted 90 Days) £720,000

MARKET VALUE (Vacant Possession) £735,000

Building Reinstatement £1,650,000

The property offers good security for loan purposes.

Demand: If priced correctly the property would be popular with a range of investors.

Retail Lettings Assumed Period: 9-12 months

Sales Assumed Period: 6-9 months

Market evidence indicates properties of this nature and in this location will achieve yields in the region of 8.00%-10.00% dependent primarily on the strength of covenant.

A Yield of 8.12% has been applied to the subject property.

Similar retail units will achieve rents in the region of £30.00 - £40.00 per sq ft Zone A (FRI lease terms) depending upon size, layout, specification and permitted use.

The current passing rent of £65,000 per annum = £35.04 per sq ft Zone A and is therefore in line with current market levels.

Investment Sales Comparable Evidence (Table 1)

Retail Lettings Comparable Evidence (Table 2)

Address	Description	Sold Price	Initial Yield	Date
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8 St. Georges Street, Canterbury, Kent, CT1 2SR	Long leasehold interest in three storey retail unit let to a Warren James Jewellers Ltd on undisclosed terms, producing an income £58,000 per annum.	£715,000	8.11%	Feb 2020
37 & 39 High Street, Deal, CT14 6EL	A freehold interest in two storey retail unit let to Walgreens Boots Alliance on five-year FRI lease at a rent of £75,000	£1,080,000 On the market	6.94%	On the market

Address	Description	Letting Terms	Tenant	Rent Per Annum	Rent £ Per sq ft – ITZA
37-39 High Street. Deal, CT14 6EL	'E' Use Class – 2,141 sq ft	New five-year FRI lease with no rent reviews and no options to break.	Walgreens Boots Alliance	£75,000	£35.03 ITZA
69a High Street, CT14 6EH	'E' Use Class – 407 sq ft	New five-year FRI lease with no rent reviews and no options to break	Local LTD	£15,000	£36.85 ITZA

Valuation Numbers

Market Value	£800,000	Vacant Possession Value	£735,000
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Valuation Numbers

Passing Rent	£65,000	Estimated Rental Value	£65,000
Rent psf	£35.04	Re Instatement Value	£1,650,000

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	£520,000	Loan Purpose	Purchase
Loan Term	36 months		
Loan to Value (LTV)	65%	LTV Covenant	70%
Interest Cover Ratio (ICR)	1.87x	ICR Covenant	1.25x
Rate of Interest	6.70%	Interest Expense (p.a.)	£34,840

Serviceability

Interest Reserve	Proplend will retain £17,420 (6 months interest) from the gross loan amount which will be held on account.
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Fees

Arrangement Fee	2%	Broker Fee	1%
Early Repayment	2% first 12 months	Exit Fee	1 % if redeemed past maturity

Business Plan During Loan Term

The Property is a long-term commercial investment for the Borrower who intends to grow this in the future.

Exit Strategy

The Borrower will redeem this loan in full, by refinancing onto an amortizing loan basis with either a high street lender or a challenger bank based on the market offering at the time.

The Borrower also may consider to refinance the lending with Proplend.

Security

Charge	First Legal Charge	Debenture	Debenture Required
Property Insurance	PSL Interest to be Noted on Completion	Other	N/A

Personal Guarantee	Individual Guarantee from an Individual Director of Tianxia Properties Limited for the sum of £130,000
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BORROWER

Name	Tianxia Properties Limited
Registration	UK Registered Limited Company
Main Business Activity	Commercial Property Investment Incorporated 20.08.2020 for the acquisition of a commercial investment asset. Currently dormant and will be activated for the purchase of the subject property.
Ownership Structure	Jeremy Crampin 100% sole director and shareholder

Sponsor	
Name	Jeremy Crampin
Age	30
Relevant Experience	<p>First Commercial Investment Purchase, the Sponsor would like to build a commercial property investment portfolio for long term investment retention.</p> <p>Asset Liability Statement highlights £80,362 available personal cash and £95k related available limited company funds where sponsor is the sole director and shareholder.</p> <p>£364k held in Investments is available to use towards the property investment purchase.</p> <p>Therefore, the sponsor will have surplus cash funding of c.£50,980 towards Legals fees and related professional expenses after the £800,000 property purchase price and net loan funding amount.</p> <p>Total Asset Liability Statement £541k Assets against Liabilities £186k Liabilities. Verified by the sponsors Accountant.</p> <p>A motivated professional, the sponsor has 5 years experience running an e-commerce business and managing a team of specialists. Additionally, 2 years experience managing financial investments and 2 years experience as an executive headhunter.</p>
Credit History	<p>Credit Safe Band 4</p> <p>Lexis Nexis Pass</p>
Additional Information	<p>The Sponsor runs his own trading business 'Trendsnare' which was launched in 2017.</p> <p>The company designs and manufactures its own brand of retro football shirts. The shirts are produced overseas and imported to the UK where they are sold to football clubs, wholesale customers and individuals.</p>

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	MEDIUM
Asset Class Outlook	MEDIUM
Property Risk	MEDIUM
Tenants Leases	MEDIUM
Borrower Sponsor	LOW
Risk Rating [3.5 to 10.02]	6.28
Risk Level	MEDIUM LOW

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>The commercial property is leased to a national tenant on a 5 year FRI term from May 2022. The rental income will allow the borrower to comfortably service the ongoing loan interest payments at 1.87x ICR cover.</p> <p>The sponsor has sufficient cash reserves as demonstrated by the Asset Liability statement to meet any additional property related costs or professional fees that could be incurred during the purchase.</p> <p>The sponsor is a young motivated financially astute professional with a clean credit background and a successful business track record, highlighted by current liquidity and investments. This indicates that past business plans have been executed successfully.</p>	Medium

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>National Retail Tenant M&Co with 187 stores across the UK. Confirmed that the tenant is not currently in breach of previous financial covenants which have now been re-set based on the current market and trading performance.</p> <p>The Property is of a good size and situated in a prominent popular retail high street offering similar trade therefore as confirmed by the Valuation, rental demand should remain good for this asset type to similar retailers.</p> <p>6 months Interest Reserve funds will be held on account.</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>The Borrower intends to refinance the loan on maturity, at which time the lease will have c. 2 years remaining. A short term commercial loan should prove feasible based on the rental income and tenant covenant.</p> <p>Should a longer term lease be negotiated in the future, the borrower may be able to secure increased term borrowing against the property.</p> <p>Valuation Report confirms that the demand should remain Good based on the location for this asset type.</p>	<p>Medium</p>

Lender Risks	Mitigant	Risk Level
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>Moderate 65% LTV borrowing request. The property would need to fall in value by c.35% over the next 3 years, for our loan to be adversely affected. This is perceived unlikely based on the retail high street location and asset class of the property.</p> <p>The Valuation Report suggests that comparable yield trends within this location and market are at between 8-10% which is relative to the subject property which offers a yield of 8.12%</p>	<p>Medium</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 75% 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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