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Full Loan Request: Tipton Petrol Station Refinance

Date:	17/11/2022
Main Site:	Tipton Service Station, 232 Whitehall Road, Tipton, DY4 7EX
Property Description:	A freehold investment property comprising an independently branded petrol filling station with convenience store and a tyre-fitting workshop.
Loan Summary:	<p>We are asked to provide a 63% LTV gross loan facility in order to refinance the current Tipton Petrol Station loan, and raise capital to put towards the acquisition of further investment property.</p> <p>Please note that we are also providing the same Borrower with a loan secured against another petrol station in Wolverhampton.</p>



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	No
Property Value	£1,000,000	Passing Income	£67,000
Gross Loan	£630,000	Loan to Value (LTV)	63%
Blended Interest Rate	7.37%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£130,000	8.79%	7.91%	1.44x
A	Low	0-50%	£500,000	7.00%	6.30%	1.91x

PROPERTY			
Market Value	£1,000,000	Passing Income	£67,000
Vacant Possession Value	£790,000	Estimated Rental Value	£84,950
Tenure	Freehold	Asset Class	Petrol Forecourt
EPC Rating (min. E)	C	Planning Use	Sui Generis

Property Details

The Subject Property is located at the junction of Whitehall Road and Sheepwash Lane and is prominent with wide frontage to Whitehall Road of 78.25m.

The retail premises, a single storey detached property, which appears to have been extended to the rear, for the use of the tyre fitting occupier, are set back from the road, with the petrol forecourt to the front and a small fenced service yard to one side.

To the northern end, the premises are occupied by a tyre fitting business, with a store extending to the rear. Access/egress is via Whitehall Road.

There is on site customer parking for both the petrol station and retail outlet and for the tyre business.

There is a public pay and display car park adjacent.



Location Report

Tipton is an industrial town, north west of Birmingham in the Borough of Sandwell, West Midlands.

Tipton is approximately 10 miles to the north west of Birmingham, six miles to the south east of Wolverhampton and two miles north east of Dudley.

The Subject Property is 1.8 miles east from Tipton town centre and is situated on Whitehall Road B4166, which provides an arterial route crossing the Black Country.

The wider motorway network is accessible via Junctions 1 & 2 of the M5 at West Bromwich and Oldbury, which are both situated within 3-4 miles of the property.

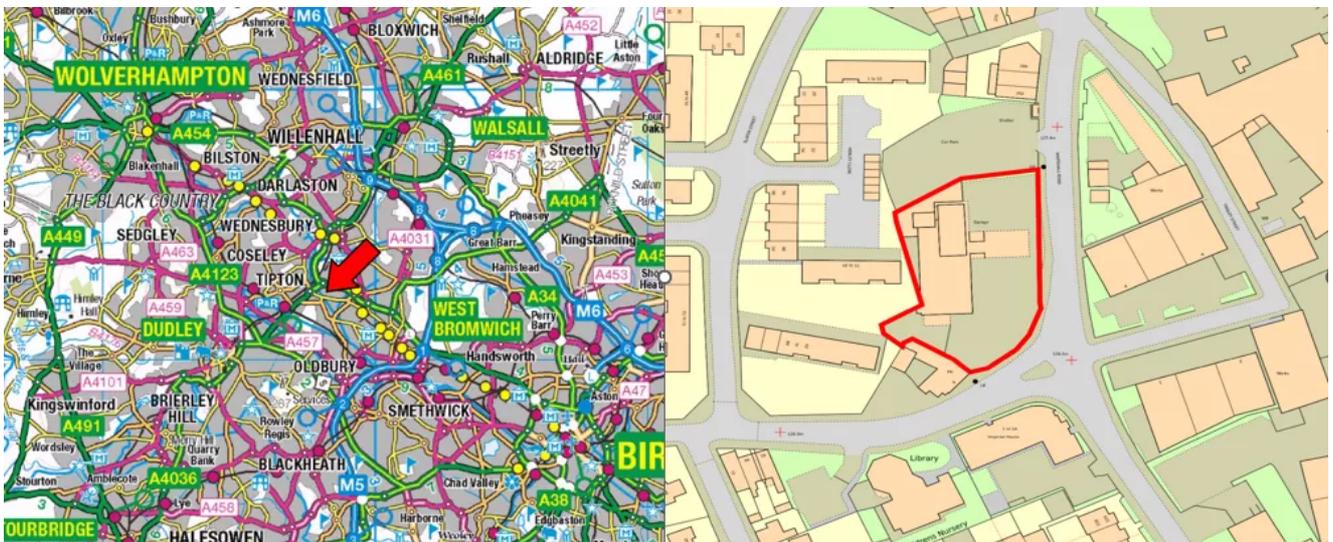
Dudley Port Train Station located 0.9 miles south-west of Tipton on the Stour Valley Line and is operated by West Midlands Railway Services, primarily serving the surrounding areas of Wolverhampton, Walsall, and Birmingham. In addition, there are nearby direct bus links to Tipton town centre, Dudley and West Bromwich.

The Property is situated in a mixed residential and industrial area.

There are a number of warehouse/distribution units located on Whitehall Road as well as a block of flats adjacent to the subject property on Sheepwash Lane.

Whitehall Industrial Park comprises both commercial offices and industrial units.

Great Bridge Retail Park is situated within a mile to the north of the site and includes a number of tenants which include Asda, KFC, McDonalds, Boots, B & M, Poundland and B and Q.



Tenant Commentary

There are two Tenants:

1) Petrogas Group UK Limited, relating to the petrol filling station/forecourt. Petrogas Group UK Limited is a £460m T/O business, whose parent Company, Applegree Plc, is registered in Eire - <http://petrogasglobal.com/>

They are party to a 20-year lease from 20th June 2017 until 19th June 2037, with stepped rents from an initial rent of £50,000 per annum until the fifth anniversary; £55,000 per annum from the fifth to tenth anniversary and £60,000 until the fifteenth anniversary. With an upwards only Open Market Rent Review on the fifteenth year, and a tenant break option on 20th June 2032.

2) Habib Qadir Majed, relating to the tyre workshop. A relatively weak, local covenant, but with full rents received in a timely manner. On a 20-year lease from 20th June 2018 until 19th June 2038, with contracted rent of £12,000 per annum. Rent review on 20th June 2023 and every fifth anniversary to open market rent.

Tenant Details

Tenant	Petrogas Group UK Ltd	Business Activity	Petrol Station
Lease Type	FRI	Lease Start	May 2017
Next Lease Break	May 2032	Lease Expiry	May 2037
Passing Rent	£55,000 p.a.	Occupancy Level	58%

Tenant Details

Tenant	Habib Qadir Majed trading as AB Tyres	Business Activity	Tyre-fitting workshop
Lease Type	FRI	Lease Start	June 2017
Next Lease Break	June 2032	Lease Expiry	June 2037
Passing Rent	£12,000 p.a.	Occupancy Level	42%

Valuation Commentary

A valuation of the property was carried out by Lambert Smith Hampton on 26 September 2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the Subject Property is situated within a mixed residential and industrial area
- the Subject Property has a prominent location on Whitehall Road
- both leases have good unexpired terms
- the Property is in Average condition
- 7.77% yield based on MR and comparable market evidence
- the Property offers suitable security for the intended loan facility

Valuation Numbers

Market Value	£1,000,000	Vacant Possession Value	£790,000
Passing Rent	£67,000	Estimated Rental Value	£84,950
Rent psf	£11.59	Re Instatement Value	£1,600,000

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	£630,000	Loan Purpose	Refinance and Capital Raise
Loan Term	36 months		
Loan to Value (LTV)	63%	LTV Covenant	70%
Interest Cover Ratio (ICR)	1.44x	ICR Covenant	1.25x
Rate of Interest	7.37%	Interest Expense (p.a.)	£46,431

Serviceability	Rental income of £67,000 p.a. is being received, with interest payments due of £46,431 p.a.
Interest Reserve	Proplend will retain £11,603 (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	Proplend	Expiry	23/12/2023
Amount Outstanding	£531,000	Status	Active - Good Standing

Business Plan During Loan Term

The Subject Property represents a long-term investment for the Borrower, and there are no plans other than to ensure the tenants are performing and fulfilling their rental obligations.

Exit Strategy

Towards maturity, the Borrower will seek to refinance with the most competitive commercial lender in the market at that time.

Security

Charge	First Legal Charge	Debenture	Debenture Not Required
Property Insurance	PSL Interest to be Noted on Completion		

BORROWER

Name	Mr Anupe Singh
Registration	Personal Capacity
Main Business Activity	Commercial Property Investor

Sponsor	
Name	Anupe Singh
Age	33
Relevant Experience	<p>Anupe Singh graduated in 2010 at University of Wolverhampton with a 2:1 in BSc Civil Engineering.</p> <p>He joined the family business which was retail-based, running a single small petrol forecourt, and then diversified into the property investment/development sector, as his family had always been involved in BTL properties.</p> <p>Mr Singh has gained a vast amount of experience within the construction industry and property sectors over the past 10 years.</p>
Credit History	Good - CreditSafe risk band 8, and Lexis Nexis checks 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]	7.01
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 intention to refinance at more competitive terms should not prove too problematic provided the tenants continue to perform as they have done to date.</p> <p>Similarly, the Borrower has established a good track record with Proplend, and we may be open to offering a refinance subject to the usual conditions and parameters.</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 ICR is a reasonable 1.44x and this may improve upon the tyre shop's rent review in June 2023.</p> <p>The Borrower is also of sufficient means to ensure our interest payments are met, in the event of any difficulty with the tenant.</p> <p>Additional comfort can be taken with the 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>The Borrower has good experience of the property industry, and extensive knowledge of this sector.</p> <p>As above, at this sensible LTV, the proposed refinance should prove relatively straightforward.</p>	<p>Medium</p>

Lender Risks	Mitigant	Risk Level
The Property falls in value due to either macroeconomic or property specific reasons	<p>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.</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>	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 63% 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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