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Full Loan Request: Wolverhampton Petrol Station Refinance

Date:	16/1/2023
Main Site:	1) 70-72 Willenhall Road, Wolverhampton, WV1 2HJ 2) Land and buildings on the north east side of Hickman Avenue, Wolverhampton
Property Description:	A freehold investment property comprising a petrol filling station with a yard and workshop. The site has an approximate area of 0.63 acres.
Loan Summary:	We are asked to provide a 62% LTV gross loan facility in order to refinance the current Wolverhampton Petrol Station loan, and raise capital to put towards the acquisition of further investment property.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£800,000	Passing Income	£50,000
Gross Loan	£496,000	Loan to Value (LTV)	62%
Blended Interest Rate	7.45%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£96,000	8.95%	8.06%	1.35x
A	Low	0-50%	£400,000	7.09%	6.38%	1.76x

PROPERTY

Market Value	£800,000	Passing Income	£50,000
Vacant Possession Value	£625,000	Estimated Rental Value	£67,000
Tenure	Freehold	Asset Class	Petrol Forecourt
EPC Rating (min. E)	D	Planning Use	Sui Generis

Property Details

The site is located at the junction of Willenhall Road and Hickman Avenue and is prominent, with wide frontage to Willenhall Road of approximately 40 metres.

The site also has reverse frontage of approximately 84 metres to Hickman Road, this being a secondary but busy road that leads to surrounding industrial and commercial premises.

The retail premises are set back from the road, with the petrol forecourt and canopy to the front.

There is a good sized rear service yard, which we believe may have once been used as a car wash site.

This site has gated access to Hickman Road. Access/egress to the petrol station forecourt is via both Whitehall Road and Hickman Road and there is a separate gated access from Hickman Road to the rear service yard.

There is on site customer parking on the forecourt for perhaps six vehicles. The site has an approximate area of 0.63 acres.



Location Report

The property is situated on a prominent corner position of Willenhall Road and Hickman Avenue within the suburb of Willenhall.

Willenhall Road (A454) is one of the arterial routes into Wolverhampton city centre and which provides a direct link to Junction 10 of the M6 Motorway.

Wolverhampton Railway Station is located 0.8 miles south east and Wolverhampton Bus Station 1.3 miles east.

The property is within a predominantly industrial area. Chancel Industrial Estate is located immediately to the south of the subject.

The estate comprises a number of modern industrial units with shared yard space, and includes tenants such as Fireguard Global Ltd, Birmingham Brake Specialists Ltd and Ravel Electronics Ltd.

Nearby there are a number of other former industrial units that have been redeveloped for alternative commercial uses which include a gymnasium, takeaway and social club.



Tenant Commentary

The family/owners of JC Fuels are very-well known to the Borrower and his own family – they are a high net worthy family, and own a haulage business as well as a portfolio of 60 buy-to-lets.

They own their own fuel tanker, and are a fuel wholesaler, and have now entered into retailing fuel too. Although they are a young company (for this purpose), they have been trading for many years as a family office/business.

Their other companies include; Cargo Carriers (Midlands) Ltd, Cargo Holdings Ltd, Cargo Properties Ltd, CPG Constructions Ltd, & City Fuels Ltd.

The initial rent of £50,000 per annum is stepped to £55,000 per annum from 15th May 2025, and then £60,000 per annum from 15th May 2030.

Tenant Details

Tenant	J C Fuels Limited	Business Activity	Petrol Station
Lease Type	FRI	Lease Start	May 2020
Months to Lease Break	n/a	Lease Expiry	May 2040
Passing Rent	£50,000 p.a.	Occupancy Level	100%

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 on an arterial route within a predominantly industrial area
- the Subject Property is situated in a prominent corner position of Willenhall Road and Hickman Avenue
- there is a substantial yard area
- over 17 years unexpired lease term
- the Property is in an overall Good condition
- 7.42% yield based on MR and comparable market evidence
- the Property offers suitable security for the intended loan facility
- nearby there are a number of other former industrial units that have been redeveloped for alternative commercial uses which include a gymnasium, takeaway and social club.

Valuation Numbers			
Market Value	£800,000	Vacant Possession Value	£625,000
Passing Rent	£50,000	Estimated Rental Value	£67,000
Rent psf	£18.24	Re Instatement Value	£630,000

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	£496,000	Loan Purpose	Refinance and Capital Raise
Loan Term	36 months		
Loan to Value (LTV)	62%	LTV Covenant	65%
Interest Cover Ratio (ICR)	1.35x	ICR Covenant	1.25x
Rate of Interest	7.45%	Interest Expense (p.a.)	£36,952

Serviceability	Rental income of £50,000 p.a. is being received, with interest payments due of £36,952 p.a.
Interest Reserve	Proplend will retain £12,317 (4 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

Existing Facility			
Lender	Proplend	Expiry	26/1/2023
Amount Outstanding	£318,600	Status	Up-to-Date

Business Plan During Loan Term
The Property is a long-term investment for the Borrower - there are no plans other than to ensure the tenant is happy 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 Required
Property Insurance	PSL Interest to be Noted on Completion		

Personal Guarantee	Individual Guarantee from an Individual Director of Paragon Real Estate (Midlands) Ltd for the sum of £124,000.		
	Please note that the same Guarantor will also be providing a Director's Personal Guarantee for the Tipton Petrol Station Refinance loan, limited to the sum of £157,500.		

BORROWER	
Name	Paragon Real Estate (Midlands) Ltd
Registration	UK Registered Limited Company
Main Business Activity	<p>The proposed Borrower is a special purpose Limited Company, registered in the UK.</p> <p>It has no assets other than the Subject Properties.</p>
Ownership Structure	The Company is 100% owned by Mr Anupe Singh.

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]	6.95
Risk Level	MEDIUM

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	<p>The Borrower's intention to refinance at more competitive terms should not prove too problematic provided the tenant continues 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>	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>The ICR is a reasonable 1.35x and this will improve towards the end of this loan term, when the next stepped increase kicks in.</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>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<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>	<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 62% 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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