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## Full Loan Request: Hinckley Retail

<b>Date:</b>	24/2/2023
<b>Main Site:</b>	25 Hawley Road, Hinckley, Leicestershire, LE10 0PR
<b>Property Description:</b>	Three self-contained retail units, within a former Lidl supermarket premises, on a main road location.
<b>Loan Summary:</b>	We are asked to provide a 69% LTV gross loan facility in order to refinance the current lender.



## HIGHLIGHTS

<b>Loan Type</b>	Commercial Term Loan	<b>SIPP Eligible</b>	Yes
<b>Property Value</b>	£2,600,000	<b>Passing Income</b>	£210,996 *** (after rent-free periods)
<b>Gross Loan</b>	£1,794,000	<b>Loan to Value (LTV)</b>	69%
<b>Blended Interest Rate</b>	8.35%	<b>Loan Term</b>	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
<b>C</b>	High	66-75%	£104,000	11.05%	9.95%	1.41x ***
<b>B</b>	Medium	51-65%	£390,000	9.53%	8.58%	1.53x ***
<b>A</b>	Low	0-50%	£1,300,000	7.78%	7.00%	2.09x ***

\*\*\* Please note that the above rental income and Interest Cover figures are valid after the initial rent-free periods end. All three leases were executed before Christmas.

## PROPERTY

<b>Market Value</b>	£2,600,000	<b>Passing Income</b>	£210,996 ***
<b>Vacant Possession Value</b>	£2,600,000	<b>Estimated Rental Value</b>	£210,996
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Retail
<b>EPC Rating (min. E)</b>	B	<b>Planning Use</b>	E

## Property Details

The Subject Property comprises the freehold interest in a detached, single-storey retail building, arranged as three/four ground-floor retail units originally constructed and occupied by Lidl Supermarket circa 1990s and reconfigured in 2022.

As at the date of inspection the ground floor all three retail units were vacant, but close to completion of building works.

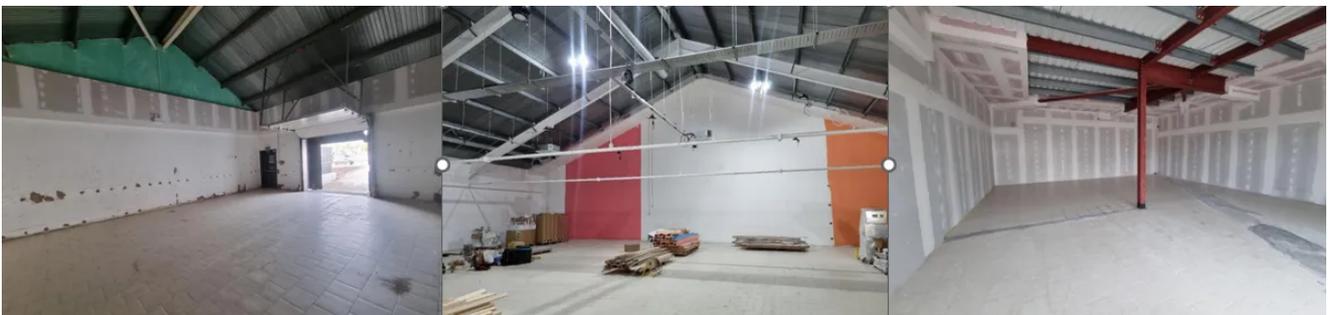
The Property is of steel framed construction with rising part glazed and part blockwork elevations with cladding on top, beneath a pitched tile covered roof.

Floors throughout the building are of solid concrete construction. Natural lighting and ventilation is provided by an aluminium framed plate glass shop frontage. Internally, the property is close to practical completion.

Externally, any items of disrepair noted defects are consistent for a property of this age and type and appear to being dealt with as part of the general refurbishment and alterations.

It would appear from our inspection that mains supplies of gas, electricity and water are provided to the property. Soil drainage is believed to be discharged to the public sewer.

Gross Internal Areas; Unit 1 - 5,021 sq ft, Units 2 and 2a - 2,014 sq ft, Unit 3 - 9,978 sq ft.  
TOTAL - 17,013 sq ft.



## Location Report

The Subject Property is located in a retail park area on the junction of Hawley Road and Rugby Road, within Hinckley (Hinckley & Bosworth Borough Council).

National multiples can be found along Hawley Road.

The units will serve the immediate adjacent residential population together with a certain amount of passing trade.

Hinckley is a densely populated town, situated approximately thirteen miles south-west of Leicester and 23 miles north-east of Birmingham, which benefits from reasonable demand from both the rental and vacant possession sectors.

Away from the commercial area this locality represents a “medium value” residential suburb, comprising properties of varying eras.

Hinckley Mainline Station is situated nearby, offering a frequent commuter service into Birmingham, Leicester and London. Numerous bus routes serve the surrounding area.



## Tenant Commentary

### Unit 1

Let to Robert Pochin Ltd for a term of 10 years from the date of completion at a rent of £55,000 per annum with three months rent-free period. The lease is on FRI terms and includes rent review at year five and is silent in regards to the security provisions of Sections 24-28 of the Landlord & Tenant Act 1954, therefore we have assumed security of tenure. Lease completed 1st December 2022, with a 10 Year Term - no breaks.

Robert Pochin Ltd are a bathroom showroom and plumbers merchant, established in 1861 - please see <https://pochin.com/> Financial accounts to 31/12/2021 show a group T/O of £45.19m, NPBT of £3.3m, and Net Worth of £6.39m.

### Units 2 & 2a

Let to Best4 Group Limited, who were established in 2001, for a term of 15 years from the date of completion at a rent of £33,996 per annum with no rent-free period. The lease is on FRI terms and includes five yearly rent reviews, mutual option to break at year five and at year ten and is excluded from the security provisions of Sections 24-28 of the Landlord & Tenant Act 1954, therefore we have assumed security of tenure. Lease Completed 8th December 2022.

Best4 Group sell health and beauty products online, established in 2001 - please see <https://www.best4.uk/> Abbreviated balance sheet as at 30/9/2021 shows a positive net worth of £532,349.

### Unit 3

Let to The Gym Ltd for a term of 15 years from the date of completion at a rent of £122,000 per annum with an initial twelve month rent-free period. The lease is on FRI terms and includes five yearly rent reviews, tenant's option to break at year five and at year ten and is silent in regards to the security provisions of Sections 24-28 of the Landlord & Tenant Act 1954, therefore we have assumed security of tenure. Lease completed 21st November 2022.

The Gym Ltd are a nationwide provider of health and fitness clubs, established in 2005 - please see <https://www.thegymgroup.com/> The Gym Group Plc reported T/O of £106m, and group adjusted EBITDA less normalised rent of £5.7m.

All three tenants have a CreditSafe rating of A (lowest risk).

Total Rents: Year 1: £88,996, Year 2: £210,996, Year 3: £210,996.

## Valuation Commentary

A valuation of the property was carried out by Bellevue Mortlakes Chartered Surveyors on 6 December 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- 9-12 months marketing required for retail lettings (assuming competitive pricing)
- a rent incentive of up to 6 months rent-free may be required in order to secure a commercial tenant, thus the total rental diminution for this element may be between 15-18 months
- 6-9 months marketing for sales (assuming competitive pricing)
- if priced correctly the property would be popular with a range of investors
- it is recommended that the Property is sold via private treaty as being the most effective method of disposal
- subject to regular maintenance and decoration, it is anticipated that the building will retain a useful economic life of at least twenty-five years
- overall for loan security purposes, no significant defects or items requiring urgent attention were noted which would be likely to require a retention or be the subject of a condition of the mortgage advance
- subject to the comments in this report we consider the property offers good security for loan purposes.

## Valuation Numbers

<b>Market Value</b>	£2,600,000	<b>Vacant Possession Value</b>	£2,600,000
<b>Passing Rent</b>	£210,996 *** (subject to rent-free periods)	<b>Estimated Rental Value</b>	£210,996
<b>Rent psf</b>	£12.40	<b>Re Instatement Value</b>	£2,370,000

## 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			
<b>Gross Loan</b>	£1,794,000	<b>Loan Purpose</b>	Refinance
<b>Loan Term</b>	36 months		
<b>Loan to Value (LTV)</b>	69%	<b>LTV Covenant</b>	75%
<b>Interest Cover Ratio (ICR)</b>	1.41x ***	<b>ICR Covenant</b>	1.35x ***
<b>Rate of Interest</b>	8.35%	<b>Interest Expense (p.a.)</b>	£149,799

<b>Serviceability</b>	<p>Day 1 - rental income of £88,996 annualised will be received with interest payments due of £149,799 per annum. The Borrower will be servicing our interest payments from surplus income received elsewhere in their investment portfolio.</p> <p>From November 2023, the rental income passing will increase to £210,996 p.a.</p>
<b>Interest Reserve</b>	<p>Proplend will retain £112,349 (9 months interest) from the gross loan amount which will be held on account.</p> <p>Interest is to be serviced from month one. Six of the nine months Reserve will be returned to the Borrower at the point that the rental income at the Subject Property reaches £210,996 per annum, leaving a 3-month Interest Reserve from then on.</p>

Fees			
<b>Arrangement Fee</b>	2%	<b>Broker Fee</b>	1%
<b>Early Repayment</b>	N/A	<b>Exit Fee</b>	1% - only incurred if the loan is not fully redeemed within the agreed loan 36-month term.

### Existing Facility

<b>Lender</b>	A Shade Greener Finance Ltd	<b>Expiry</b>	31/3/2023
<b>Amount Outstanding</b>	£1,600,000	<b>Status</b>	Up-to-date

### Business Plan During Loan Term

The Borrower purchased the Subject Property in March 2022 for £1.245m and subsequently spent £355k converting it into 3 separate units in order to maximise investment value and return.

These works included; new services being fitted, partitioning of the building for the three tenants, roof upgrade, fire alarms and general landscaping. The development was completed in November 2022.

The respective commercial tenants were responsible for the internal fit-out of the premises under the agreed terms.

During the term of our loan, the Subject Property will become a passive investment.

### Exit Strategy

The Borrower will ideally be looking to sell the property within the loan term for a seven-figure profit.

Alternatively, if market conditions dictate otherwise, the Borrower will hold for longer term investment, and seek the most competitive refinance available at the time.

Security			
<b>Charge</b>	First Legal Charge	<b>Debenture</b>	Debenture Required
<b>Property Insurance</b>	PSL Interest to be Noted on Completion		
<b>Personal Guarantee</b>	Individual Guarantee from an Individual Director of Beauford Assets Ltd for the sum of £448,500.		

BORROWER	
<b>Name</b>	Beauford Assets Ltd
<b>Registration</b>	UK Registered Limited Company
<b>Main Business Activity</b>	The proposed Borrower is a special purpose Limited Company, registered in the UK. It currently has no assets other than the Subject Properties.
<b>Ownership Structure</b>	The Company is 100% owned by Beauford Group Ltd.  Beauford Group Ltd is 100% owned by Marie O'Neill.

Sponsor	
<b>Name</b>	Marie O'Neill
<b>Age</b>	50
<b>Relevant Experience</b>	<p>Marie O'Neill has over 20 years experience in residential and commercial property development and investment, and is a planning and regeneration specialist.</p> <p>Initially Marie renovated and sold tired properties. Later she started converting houses into student accommodation and retaining the properties.</p> <p>Over time the projects have become larger and more complex, including a former pub (Gosford Park House), which was part new build, part refurbishment, retained on completion and let out to 26 students, and a former office building (Sovereign House), which was converted into 16 student studios.</p> <p>Beauford Property Ltd has just finished the development of 10 x 1-bed apartments in Plymouth, and a ground up development (Sovereign Court) for 32-bed student accommodation.</p> <p>Later this year, Beauford Victoria will complete the construction of a mixed use ground up development in Wolverhampton. This consists of retail on the ground floor and 63-bed student accommodation on the upper floors.</p> <p>Marie has over the years forged close working relationships with numerous professional partners, including; architects, engineers, structural engineers, quantity surveyors, project managers, sub-contract procurement specialists, health and safety specialists, and building warranty providers. We have been provided with a list of these firms.</p>
<b>Credit History</b>	Strong - CreditSafe risk band 10, and Lexis Nexis checks Passed.

Lender Risks	Mitigant	Risk Level
<p><b>The Borrower is not able to successfully execute their business plan.</b></p>	<p>The Borrower has demonstrated for several years that she is a driven and successful property developer/investor.</p> <p>Based on the valuer's GDV assumption alone, there is already a potential £800k profit in the Subject Property</p> <p>She also has a good track record with several lenders, if a refinance is required as an alternative.</p>	<p>Medium</p>
<p><b>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.</b></p>	<p>The Year 1 loan interest shortfall of c£60k (annualised) will be serviced by the surplus rental income that the Director receives from other properties within her portfolio.</p> <p>There is circa £18,900 monthly surplus rental income against the current loan repayments due (£226,800 per annum).</p> <p>Further may be taken in our holding of an initial 9-month Interest Reserve.</p>	<p>Medium</p>
<p><b>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.</b></p>	<p>As above, the Borrower is of good standing, and only poor market conditions at the time, will stop the preferred exit route.</p> <p>If the loan performs as expected and a refinance is required, we may wish to consider offerin a second loan as an alternative.</p>	<p>Medium</p>

Lender Risks	Mitigant	Risk Level
<p><b>The Property falls in value due to either macroeconomic or property specific reasons</b></p>	<p>Given the wider economic environment, commercial property values may fall, however, on the assumption that planning consent is obtained, this should ultimately enhance its value, other things being equal.</p> <p>At the time of drawdown, the gross loan advance equates to:</p> <ul style="list-style-type: none"> <li>- 69% of OMV</li> <li>- 79.7% of VPV</li> <li>- 85.4% of the 90-day value.</li> </ul>	<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 69% 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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