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Full Loan Request: Leyton Mixed Use

Date:	22/2/2023
Main Site:	1) 171 & 171a Lea Bridge Road, London, E10 7PN 2) 175 & 175a Lea Bridge Road, London, E10 7PN
Property Description:	Two individual terraced two-storey period buildings arranged to provide ground floor Class E retail units and a self-contained one-bedroom flats on their respective first floors.
Loan Summary:	We are asked to provide a 65% LTV gross loan facility in order to refinance the Properties from the current lender, and to raise c£47k capital which will be used to refurbish this and neighbouring Properties owned by the Borrower.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	No
Property Value	£785,000	Passing Income	£54,600
Gross Loan	£510,250	Loan to Value (LTV)	65%
Blended Interest Rate	7.35%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£117,750	8.51%	7.66%	1.46x
A	Low	0-50%	£392,500	7.00%	6.30%	1.99x

PROPERTY

Market Value	£785,000	Passing Income	£54,600
Vacant Possession Value	£715,000	Estimated Rental Value	£44,780
Tenure	Freehold	Asset Class	Mixed Use (Residential)
EPC Rating (min. E)	D	Planning Use	E, C3

Property Details

The Subject Properties comprise two individual terraced two storey period buildings, each arranged to provide a ground floor Class E retail unit and a self-contained first floor one-bedroomed flat above.

171)

171 Lea Bridge Road has been extended to the rear of the ground floor and subdivided to provide two retail units, one to the front and one within the rear extension.

Access to the unit to the front is via an entrance to the shop front to the front elevation which has a clear width of 4.66 metres and secured with metal roller shutter blinds. Upon entry, an open plan sales area is formed leading to a rear partitioned store area and staff WC.

Access to the unit to the rear is afforded through an alleyway leading off Burnwell Road. The unit appears to be occupied by local hairdresser. The unit is arranged to provide an initial kitchen leading to a customer service area and a shower/WC. We note this unit is rated for council tax and based on its layout we consider it could have been unofficially used as a studio flat.

The flat above is similarly accessed through the alleyway serving the rear elevation and via a private entrance at ground floor level. A staircase leads to the first floor landing. The unit is arranged to provide a reception and single bedroom to the front, followed by a narrow kitchen, bedroom and bath/WC to the rear.

175)

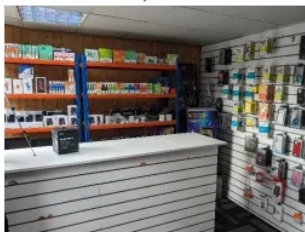
Access to the retail unit at 175 Lea Bridge Road is via the shop front to the front elevation which has a clear width of 4.91 metres and secured with metal roller shutter blinds.

The unit is arranged as an initial open plan sales area leading to a secondary sales area to the rear. The property includes a rear outbuilding utilised as a store, which appears unoccupied.

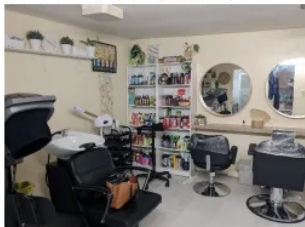
The residential flat known as 175a Lea Bridge Road is accessible through the alleyway to the rear and via a private entrance at ground floor level.

A staircase leads to the first floor landing. To the front is a reception and kitchen, and to the rear a bedroom and bath/WC.

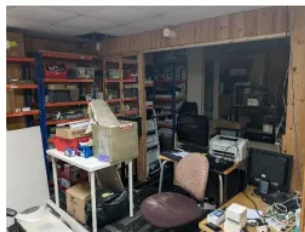
171 Ground floor shop front sales area



Ground floor extension (subtenant)



Ground floor rear sales area



Kitchen of ground floor extension



175 Ground floor shop front sales area



Rear elevations



Ground floor rear sales area



Kitchen of first floor flat



Location Report

The Subject Properties are situated on the north side of Lea Bridge Road, close to its junction with Burwell Road, within Leyton in Waltham Forest Council and the E10 postal region.

Lea Bridge Road is an arterial thoroughfare of East London forming part of the A104 which runs from Islington Green to Epping.

The immediate vicinity forms a mixed used location largely made up of terraces of period residential properties, industrial units surrounding the railway tracks and retail units predominantly found along Lea Bridge Road.

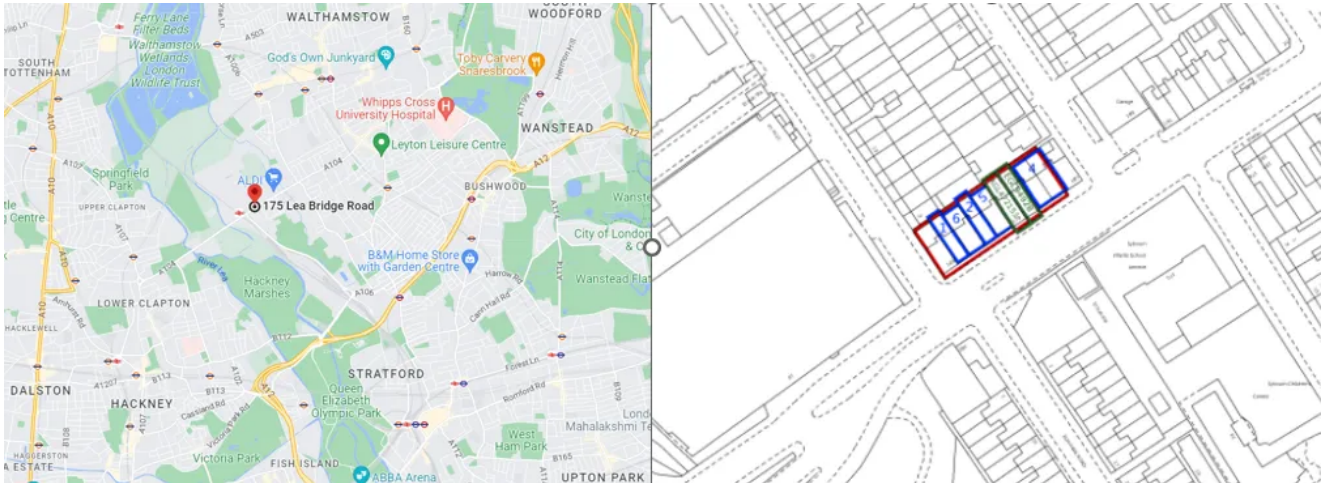
The Properties are situated within a terrace of two-storey buildings forming a secondary retail parade of nine retail units. It appears all units along the parade are occupied.

The upper parts of each respective building provide either residential or ancillary accommodation.

The locality includes various educational institutions including The Lammas and George Mitchell secondary schools, as well as St Saviour's C of E and Thomas Gamuel primary schools.

The green spaces of Leyton Jubilee Park are conveniently reached within circa half a mile to the southeast.

Public transport links in the vicinity are adequate, with Lea Bridge railway station situated approximately 0.2 miles to the west and provides direct routes to Stratford and Tottenham Hale. Various bus routes operate along Lea Bridge Road.



Tenant Commentary

171:

- let to Adeel Hussain, trading as an electrical supplies shop at the front, and a hairdressing salon at the rear. The two businesses have the same owner (and the same occupants in the residential uppers).
- Lease: FRI, 15 year term from 1st November 2022
- Break clause: after year 7, with 6 months' notice by Landlord
- Rent: = £24,000 pa (with a rent review in 5 years)

175 & 175a:

- let to Hayri Solmaz, trading as a takeaway
- Lease: FRI, 8 year term from 1st November 2022
- Break clause: none
- Rent (restaurant): £15,000 p.a. (rent review in 4 years)
- Rent (flat above): £15,600 p.a. (AST)

Bank statements have been provided showing the stated rental receipts passing.

Valuation Commentary

A valuation of the property was carried out by Quest Property Consultants Ltd on 18th January 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the Properties have been constructed using conventional building materials
- the retail elements were presented in average condition commensurate to use
- the Properties would benefit from refurbishment
- tenant demand in the lettings market continues to rise
- a marketing period of 6-9 months is considered adequate to secure a commercial tenant
- a marketing period of 2-5 weeks is considered adequate to secure a letting on AST
- the Subject Property would predominantly appeal to investors
- a sale should be completed within 6-9 months
- the Properties are considered adequate for secured lending purposes.

Valuation Numbers

Market Value	£785,000	Vacant Possession Value	£715,000
Passing Rent	£54,600	Estimated Rental Value	£44,780
Rent psf	£26.21	Re Instatement Value	£700,000

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	£510,250	Loan Purpose	Refinance and Capital Raise
Loan Term	36 months		
Loan to Value (LTV)	65%	LTV Covenant	70%
Interest Cover Ratio (ICR)	1.46x	ICR Covenant	1.25x
Rate of Interest	7.35%	Interest Expense (p.a.)	£37,503

Serviceability	Rental income of £54,600 per annum is being received, with interest payments due of £37,503 p.a.
Interest Reserve	Proplend will retain £12,501 (4 months interest) from the gross loan amount which will be held on account.

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

Existing Facility			
Lender	Vector Business Finance	Expiry	28/2/2023
Amount Outstanding	£435,000	Status	Up to Date

Business Plan During Loan Term

The plan is to hold the Property. The Borrower intends to keep the tenants happy, make cosmetic improvements as and when needed, and maximise rents.

Exit Strategy

The Property is a long-term investment. Approaching maturity, a refinance will be sought with the most competitive offer at that time.

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 E Ten Properties Limited for the sum of £127,562
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BORROWER

Name	E Ten Properties Limited
Registration	UK Registered Limited Company
Main Business Activity	The Borrower is a property investment company, registered in the UK, with other assets.
Ownership Structure	The Company is owned 50:50 by Mr Udai Patel and Mr Ali Mimoglu.

Sponsor	
Name	Messrs Udai Patel and Ali Mimoglu
Age	48 & 45 respectively
Relevant Experience	<p>Udai is the Director of Fab Homes lettings agency - https://www.fabhomes.co.uk/ - and has over 20 years property experience, as an agent, developer and investor. His net assets are in excess of £10m.</p> <p>Ali is an insurance broker, operating under the Coversure franchise - https://www.coversure.co.uk/ - in Leyton, and property investor. His net assets are in excess of £2.2m.</p>
Credit History	Strong - both are Credit Safe risk band 9 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	LOW
Risk Rating [3.5 to 10.02]	7.29
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 a good relationship with a number of lenders, and a broker that covers the whole of the commercial lending market, so the proposed refinance should prove fairly straightforward, other things being equal.</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 reasonably healthy 1.46x and letting demand for the Property is good.</p> <p>The Borrower is of sufficient means to meet our interest payments in the event of any voids.</p> <p>Further comfort may be found in our holding of a 4-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 proposed refinance should not prove too troublesome if the economics stay the same or similar.</p> <p>If the Borrower performs as expected, we may wish to offer the required refinance.</p>	<p>Medium</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>The Property may fall in value during the term of our loan due to wider economic uncertainty, however, our gross loan advance is less than 81% if the valuer's 90-day sale value.</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 Paris Smith LLP will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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