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Full Loan Request: Brighton Offices 2023 Refinance

Date:	9/1/2023
Main Site:	1 Clifton Mews, Clifton Hill, Brighton, BN1 3HR
Property Description:	A purpose-built 3-storey office building within a gated Mews-style development, providing 2,738 sq ft office space.
Loan Summary:	We are asked to provide a 57% LTV gross loan facility in order to refinance the existing Brighton Offices Refinance loan.



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£1,000,000	Passing Income	£110,160
Gross Loan	£570,000	Loan to Value (LTV)	57%
Blended Interest Rate	7.22%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£70,000	8.22%	7.40%	2.68x
A	Low	0-50%	£500,000	7.08%	6.37%	3.11x

PROPERTY			
Market Value	£1,000,000	Passing Income	£110,160
Vacant Possession Value	£950,000	Estimated Rental Value	£70,000
Tenure	Freehold	Asset Class	Office
EPC Rating (min. E)	D	Planning Use	E

Property Details

The Subject Property comprises a 3-storey end-of-terrace building, believed to have been constructed in the 1980s.

The Property forms part of a terrace of 5 similar buildings all similarly sold on a freehold basis and occupied as office accommodation.

To the first floor both front and rear there is access onto balcony areas via timber and glazed doors with asphalt covering to the rear and timber decking to the front.

The development is a Mews style one with a gated access and, as well as the office buildings on site, there is also a residential element.

The development is situated to the rear of residential properties fronting onto Clifton Hill. To the front of the development there is communal vehicular parking.

There is a degree of inter-connection and non-exclusive use/occupation and on the ground floor the rear occupiers are allowed to pass through the front office unit for access, although on the upper two floors the front and rear occupiers use the side access doorway.

The Property is of brick construction under a mansard style roof with slate coverings to the slopes and a flat crown section which we assume is membrane covered.

To the outside there is a shared parking area and it is understood that there are two allocated parking spaces per property.

The parking area is brick paved finished and there is an automatic entrance gate via the driveway leading out onto Clifton Hill.

Boundaries to the site are of brick and rendered walls.



Location Report

The Subject Property is situated in a mainly residential location just to the north of Brighton retail city centre less than half a mile and a similar distance west of Brighton railway station.

The Property is in a reasonably modern Mews development with a gated access off the north side of Clifton Hill and is situated to the rear of residential properties in Clifton Hill.

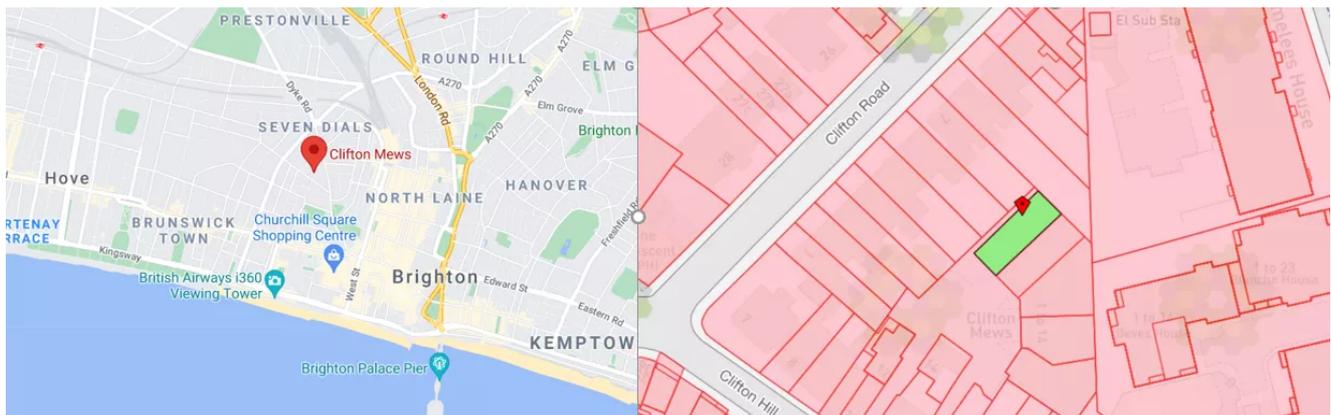
The main retail areas of Western Road and Churchill Square covered shopping centre is within walking distance to the south as is Queens Road which leads in turn to Brighton mainline railway station.

There is good public transport links both from the station and with bus services from Western Road and Queens Road.

There is on-street parking within the surrounding roadways mainly controlled by resident parking permits and/or pay and display.

Road transport is the A259 east/west coast road and the A23 out of the city to the north which leads onto the M23 to London and Gatwick and then the M25 Orbital Motorway Network.

Train services from Brighton are to London/Victoria in approximately 1 hour and Gatwick Airport in 44 minutes and with services east and west along the coastway route.



Tenant Commentary

The Property is currently let on rolling Licences to Occupy (they have been there for several years), as per the Tenancy Schedule below.

TENANT/RENT/CREDIT PROFILE/CREDITSAFE RATING

- 1) Artsy Clothing Ltd (Ruta), paying £4,800 p.a. 47/100 - C - Moderate Risk
- 2) Mayday Assistance Limited, paying £44,520 p.a. 50/100 - C - Moderate Risk
- 3) Rev Rooms (Sound) Ltd, paying £60,840 p.a. 72/100 - A - Low Risk.

Bank statements held on file confirm that the stated rents are all up-to-date.

Quarter Date: Nov-22

Tenant Name	Annual Rent (£)	Lease Start	Lease End	Break Date	Break Option (T/L/M)	Next Review Date	
Rev Rooms	30,840.00	Sep-22	Nov-25		6 months notice by Ov	Sep-23	
Artsy Clothing	4,800.00	Jun-22	Nov-25		6 months notice by Ov	Jun-23	
Hakuna	6,000.00	Jan-19				Vacated	Room taken by Rev Rooms
ReV Rooms	7,800.00	Sep-22	Nov-25		6 months notice by Ov	Sep-23	
Rev Rooms	22,200.00	Jul-22	Nov-25		6 months notice by Ov	Jul-23	
Mayday	44,520.00	Jun-22	Nov-25		6 months notice by Ov	Jun-23	
	116,160.00						

Valuation Commentary

A valuation of the property was carried out by Parsons Son & Basley Ltd on 11th November 2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the Subject Property provides suitable security for bank lending purposes
- the Property has obvious potential for conversion/refurbishment to wholly residential use
- the Property if sold, would appeal to local/regional investors and owner-occupiers
- a period of 9 months would be sufficient in which to arrange a sale.

Valuation Numbers

Market Value	£1,000,000	Vacant Possession Value	£950,000
Passing Rent	£110,160	Estimated Rental Value	£70,000
Rent psf	£40.23	Re Instatement Value	£925,000

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	£570,000	Loan Purpose	Refinance
Loan Term	36 months		
Loan to Value (LTV)	57%	LTV Covenant	65%
Interest Cover Ratio (ICR)	2.68x	ICR Covenant	2x
Rate of Interest	7.22%	Interest Expense	£41,154 p.a.

Serviceability	Gross rental income of £110,160 p.a. is being received, with interest payments due of £41,154 p.a.
Interest Reserve	Proplend will retain £10,288 (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	26/7/2023
Amount Outstanding	£540,000	Status	Up to Date

Business Plan During Loan Term

The Borrower intends to continue to maximise rents throughout the loan term, with improvements being made to the Subject Property if and where required, from the surplus rental income.

Please note that the repairs to the roof and balcony, as recommended in the last valuation report, have since been carried out.

Exit Strategy

The Property is a long-term investment for the Borrower, and as such, a refinance at the most competitive terms at the time will be sought approaching maturity of this loan.

Security

Charge	First Legal Charge	Debenture	Debenture Required
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Property Insurance	PSL Interest to be Noted on Completion	Other	
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Personal Guarantee	Individual Guarantee from an Individual Director of Two GB Limited for the sum of £114,000
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BORROWER

Name	Two GB Limited
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Registration	UK Registered Limited Company
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Main Business Activity	The Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Property.
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Ownership Structure	The Company is owned 50:50 between David Pounds and his wife Debra Stokes.
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Sponsor	
Name	David Pounds and Debra Stokes
Age	Both are 62 years of age
Relevant Experience	David Pounds was a film engineer in the TV industry but he now works as a video/film consultant. He purchased the Property in 2007 and he has managed the property and tenants since then.
Credit History	Strong - CreditSafe risk band 10 with Lexis Nexis checks Passed.

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	<p>The Subject Property is in a desirable location, and the Borrower has demonstrated its commitment to it, with repeated expenditure on refurbishment since acquisition in 2008.</p> <p>The Property remains an attractive proposition to a lender such as ourselves, but less so to a high street lender, due to the short-term nature of the tenancy agreements.</p> <p>However, there is plenty of ICR cover as stated above, and a sensible level of gearing.</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 Borrower has always serviced his monthly interest payments in good time, as well as respond to housekeeping issues, such as the quarterly monitoring report, and the provision of insurance renewal documents, also in a timely manner.</p> <p>The Property is clearly over-rented, however, even at the market rent of £70k p.a. the ICR would still be a healthy 1.70x.</p> <p>Further comfort may be taken in the holding of a 3-month Interest Reserve.</p>	<p>Low</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 is an experienced property professional, and has a good track with Proplend, to date.</p> <p>As above it is not unrealistic to expect this to be an attractive lending proposition to an alternative lender (including ourselves, if the Borrower continues to perform) in two years time, dependant on their credit policy as that time.</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 57% 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:

The information provided in this Loan Request is provided solely by the applicant and not Proplend Ltd ("Proplend") or Proplend Security Limited ("PSL"). Neither Proplend nor PSL has verified or audited the information in the Loan Request or the Loan Request itself; and the publication of the Loan Request by the applicant on the Platform does not constitute any approval, endorsement or representation by Proplend or PSL in relation to the Loan Request. Neither Proplend nor PSL provides any warranty, representation or undertaking as to the accuracy, timeliness or reliability of the information in the Loan Request or that the Loan Request or any Due Diligence Material accurately reflects the risks associated with the Loan Request; nor does Proplend or PSL make any recommendation or give any advice of any kind in relation to the Loan Request. Expected bad debt estimates are estimates for general guidance only and neither Proplend nor PSL warrant their accuracy or reliability. Lenders should seek their own independent legal, financial, tax or other advice before lending. Capital at risk.