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Full Loan Request: Grantham Retail Refinance

Date:	4/1/2023
Main Site:	The George Centre, High Street, Grantham, Lincolnshire, NG31 6LH
Property Description:	The Property comprises a Grade II listed building, operating as a covered shopping centre, with a combined GIA of approximately 58,017 sq ft.
Loan Summary:	We are asked to provide a 55% LTV gross loan facility in order to refinance our existing Grantham Retail loan.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£1,255,000	Passing Income	£117,000 net (£194,925 gross)
Gross Loan	£690,250	Loan to Value (LTV)	55%
Blended Interest Rate	9.33%	Loan Term	24 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£62,750	10.63%	9.57%	1.81x
A	Low	0-50%	£627,500	9.20%	8.28%	2.03x

PROPERTY

Market Value	£1,255,000	Passing Income	£117,000 net (£194,925 gross)
Vacant Possession Value	£925,000	Estimated Rental Value	£265,000
Tenure	Freehold	Asset Class	Retail
EPC Rating (min. E)	D	Planning Use	E

Property Details

The Property comprises a Grade II listed building, operating as a covered shopping centre, with a combined GIA of 58,000 sq ft.

The George Shopping Centre is a commercial arcade sitting inside the Grantham Commercial City Centre Character Area at the centre of the Conservation Area.

Part of the property, referred as the former George Hotel, is a Grade II* listed building. The George Hotel was originally built in the 1700s, but closed in 1989, and in the 1990s the building was remodelled and extended as the shopping centre which stands today.

The site has three main entrances, through the former George Hotel on High Street as well as through Westgate and Guildhall Street. A large internal courtyard is present within the building with the former stables space being covered by a glazed roof that was remodelled when the building was converted into a shopping arcade in the 1990s.

The ground floor provides 27 retail units with a further 13 retail units and office accommodation to the first floor as well as additional office suites to the second floor. The shopping centre further benefits from on-site parking for approximately 41 cars.



Location Report

Grantham is located around 26 miles south of Lincoln and 24 miles east of Nottingham. It is the largest settlement within the District of South Kesteven, and the second largest settlement in Lincolnshire.

The town benefits from excellent transport links being situated on the A52 which provides direct access to Nottingham and the M1 motorway. Approximately 1 mile to the west of the town is the A1 a major north-south dual-carriageway which links Edinburgh to the north and London to the south.

Specifically, the Subject Property occupies a prominent position on the west side of High Street (B1174) with additional frontages on Guildhall Street and Westgate. The High Street forms the main retail street within Grantham accommodating occupiers such as B&M, Boots, Lloyds Bank and Savers.

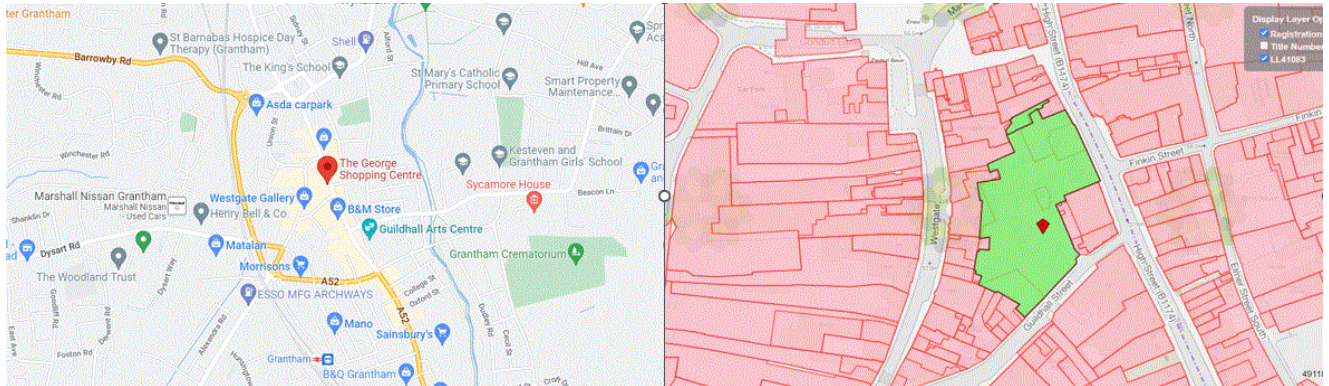
The Property benefits from good transport connections and road links, with the B1174 running through High Street connecting the A1 a 2 mile drive away giving strong links north and south and A52 also a 2 mile drive away leading east towards Nottingham.

Grantham railway station is located close by only a 10-minute walk to the south. A pay and display car park is accessible north west off Westgate which is within close proximity to the subject.

As mentioned above, there are a number of national occupiers situated on High Street, which is the main retailing section in Grantham. Also along High Street is the second shopping centre in the town, the Sir Isaac Newton Centre that is anchored by Morrisons.

The other streets which the subject fronts are predominantly occupied by more local style tenants, for example Westgate has a number of local occupiers with a range of uses such as cafes, barbers, restaurants and jewellers, whilst Guildhall is a less prominent retailing street it still provides a number of local occupiers such as barbers and cafes.

The Property has multiple points of pedestrian access from High Street, Westgate and Guildhall Street. It also has vehicular access from Guildhall Street leading to a ground floor loading bay section and an upper floor car parking area.



Tenant Commentary

The Subject Property is let on a series of agreements that essentially comprise Fully Repairing and Insuring leases with service charges levied to cover the cost of the maintenance and repair of the communal parts of the centre.

The tenants all consist of local style covenants and as such offer limited strength in terms of income security. Lease lengths in general offer between 1-3 years certain term, and a number have tenant breaks in addition.

The Landlord is liable to cover the holding costs of the empty units such as service charge shortfall and empty rates liabilities.

At present the holding costs are approaching nearly £80,000 per annum which reduces the Landlords net operating income to £117,000 per annum.

Unit	Tenant	Annual Rent	Tenancy Start Date	Next Break	Rent Review	Expiry	Comments
1	Katana (Grantham) Ltd	£18,000.00	19/01/2018	24/12/2022		24.12.2032	
8	Langford Hospitality Limited	£12,500.00	02/07/2021			01/07/2026	
9	Mr Ousman Secka T/A KLUG COSMETICS	£12,000.00	22/10/2022			21/10/2025	New letting
12	3 Raj Kaur T/A R&R Threading	£3,000.00		15/10/2017		14.10.2020	Tenant in process of agreeing to a new 5 year lease-assumed tenant is holding over
14 &14a	Manish Acharya/Ishan Acharya	£15,000.00	16/04/2021	15/04/2023	16/04/2024	15/04/2028	£15,000 year 1, from 16 April 2022 £18,000, from 16 April 2023 £20,000
15	Mrs Rosabell	£6,500.00	07/01/2022	06/01/2023		06/01/2023	1 year license

16	Alexander Kent Interiors	£5,200.00	06/08/2021	05/08/2021		05/08/2021	1 year license expired assumed tenant is holding over
20	Thi Hieu Vo T/A Glamour Nail Bar	£8,600.00				28/04/2025	
21&22	Jobs 22 Limited	£10,500.00					No start date/end date provided assumed tenant is holding over on original lease
24	Mr Ousman Secka & Mrs Amie Ndow	£4,500.00	01/03/2022			01/03/2023	
25	Lunettes Opticians Limited	£6,000.00				28/09/2022	Lease expired assumed tenant is holding over
26	Luscious Gelato	£12,000.00	01/06/2022	01/06/2023		31/05/2027	
27	Oscars Bar	£14,000.00					New 5 year Lease commenced - no start date provided assumed start date from valuation date
28, 41 & 42	Fitness Grantham Limited	£19,000.00	05/10/2022			04/10/2029	New 7-year lease
30	Feed The Beast Ltd	£4,500.00	01/11/2020			31/10/2023	£1450 year 1, then £2900 year 2, then year 3 £4500
31 & 32	Creeperhost Limited	£9,500.00		28/02/2026		28/02/2026	
36	Correct Hearing Limited	£3,000.00		01/08/2022		31/07/2024	

37	Tropicana Tan (Grantham) Limited	£5,850.00		22/12/2017		22/12/2024	
39	Pearson Professional Assessments Limited	£8,750.00		30/06/2017		14/10/2019	In lease negotiations for new 3-year lease, but assumed tenant is holding over from original lease
Office Suite 3	Ms Eunice Hansbury	£2,500.00	26/10/2022			25/10/2024	New lease
Office Suite 4	Carl Atkins	£1,750.00	01/06/2022			01/06/2023	
Store Room 109	Creeperhost Limited	£3,725.00				28/02/2026	

We also understand that 19 car parking spaces are let on agreements of which we have not had sight of at £450 per annum each for one year terms. This produces a total income of £8,550 per annum for this element

Tenant Details

Passing Rent £117,000 p.a. (net) **Occupancy Level** c60% (of GIA)

Lease arrangement The Borrower has increased lettings, and rental income, since acquisition in January 2021, from £80,000 net to £117,000 net now.

The above summary shows that;

Retail Units - 19 out of 40 are let (up from 15 as at January 2021 (the time of the last loan drawdown))

Store Room - 1 out of 1 let (same as Jan 21)

Office Suite - 2 out of 6 let (up from 1)

Car park spaces - 19 out of 41 let (down from 21).

Valuation Commentary

A valuation of the property was carried out by Lambert Smith Hampton on 10/11/2022, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the Subject Property benefits from good transport connections and road links
- the marketing period to achieve the stated Market Value is 12-18 months
- lettings assumed period: 15months
- the Net Initial Yield is 14.70%
- the Reversionary Yield is 17.99%
- the Equivalent Yield is 14.94%
- the 90-day Market Value is £900,000
- Building Reinstatement cost is £12,875,000
- the Subject Property is Suitable as Mortgage Security for the proposed lending.

Valuation Numbers

Market Value	£1,255,000	Vacant Possession Value	£925,000
Passing Rent	£117,000 net (£194,925 gross)	Estimated Rental Value	£265,000
Rent psf	£3.35	Re Instatement Value	£12,875,000

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	£690,250	Loan Purpose	Refinance
Loan Term	24 months	Rate of Interest	9.33% p.a.
Loan to Value (LTV)	55%	LTV Covenant	60%
Interest Cover Ratio (ICR)	1.81x	ICR Covenant	1.35x
Interest Expense	£64,400 p.a.	LtVPV Covenant	80%

Serviceability	Net rental income of £117,000 p.a. is being received, with interest payments due of £64,400 p.a.
Interest Reserve	Proplend will retain £32,212 (6 months interest) from the gross loan amount which will be held on account.

Fees			
Arrangement Fee	2%	Broker Fee	N/A
Early Repayment	N/A	Exit Fee	1% - only incurred if the loan is not fully redeemed within the agreed 24-month loan term.

Existing Facility			
Lender	Proplend	Expiry	12/1/2023
Amount Outstanding	£663,750	Status	Active - Good Standing

Business Plan During Loan Term

The Borrower's strategy for the forthcoming two years is comprised of two main strands;

1) They have recently submitted a planning application to remove the glazed atrium roof, in order to pave the way for a residential development scheme for the upper floors.

The Borrower advises that they have received positive feedback from the local planning officer, albeit only verbally at this stage. This will then give the Borrower the opportunity to apply for further planning consent for the upper floors and office suites that remain vacant for residential development.

They will be applying for consent for 20-30 apartments in these areas and they believe by Q3 2023, planning consent will be in place.

2) To let more units on the ground floor of the centre. They have done well in the last two years to add to their numbers, despite severe Covid restrictions in the first 9 months of their ownership.

Exit Strategy

There are three potential exit routes;

1. Refinance the loan approaching maturity at the most competitive terms available at the time.
2. Sell some of the units on 999-year leases that have street frontage in the shopping centre. The Borrower has identified 7 shops which have street fronts and could quite easily be separated for selling on long leases - namely Unit 1, Unit 27, Unit 6, Unit 8, Unit 14/14a, Unit 17 & Unit 18/19.

The following rents are being achieved or are in the process of letting:

Unit 1 - rental of £18k p.a.

Unit 27 - rental of £14.5k p.a.

Unit 6 - rental of £16.5k p.a.

Unit 14/14a - rental of £15k p.a.

Unit 17- Vacant

Unit 18/19 - Vacant

Assuming the Borrower is able to sell the above units at a yield of 9-10% for an investor or the vacant units may appeal to an owner occupier this would raise us the following amounts (the Borrower has very recently spoken with SDL auctions and Allsops about this and they have indicated that they could potentially raise the following):

Unit 1, £200,000

Unit 27, £165,000

Unit 6, £185,000

Unit 8, £150,000

Unit 14/14a, £180,000

Unit 17, £100,000

Unit 18/19, £150,000

This would raise a total of £1,130,000, if successful.

Obviously this will be dependent on the auctions on the day and investor appetite. If they opted for this route, not only would they be able to fully redeem this loan, but it will also generate sufficient cash in order to develop the remaining areas of the centre.

3. Once planning is obtained for 20-30 flats in the upper floors and office suites, the Borrower believes the GDV would be £3,750,000 (assuming 25 flats at £150k each).

The Borrower would then have the option of developing out the flats themselves, or sell with the benefit of the planning consent.

Security			
Charge	First Legal Charge	Debenture	Debenture Required
Property Insurance	PSL Interest to be Noted on Completion		

Personal Guarantee	<p>Joint and Several Guarantee from the Directors and Shareholders of Crystal Investment Group Limited for the sum of £172,562.</p> <p>Please note that the Sponsors have also provided us with the following outstanding Joint and Several Personal Guarantees;</p> <ul style="list-style-type: none"> • Hinckley Offices, limited to the sum of £60,000 • Shirley Retail, limited to the sum of £109,375 • Shirley Mixed Use, limited to the sum of £58,625.
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BORROWER	
Name	Crystal Investment Group Limited
Registration	UK Registered Limited Company
Main Business Activity	The Borrower is a commercial property investment Company, registered in the UK, with other assets.
Ownership Structure	<p>The Borrowing entity is 25% owned by each of the four Directors;</p> <ul style="list-style-type: none"> - Abul Kalam Shofraz-UI Musa Miah - Abul Khowser Shoyez-UI Issa Miah - Abul Kashem Moniul Reza Miah - Shoyeb Hussain Miah.

Sponsor

Name Abul Kalam Shofraz-UI Musa Miah, Abul Khowser Shoyez-UI Issa Miah, Abul Kashem Moniul Reza Miah & Shoyeb Hussain Miah

Age 38, 32, 45 & 42 respectively

Relevant Experience The Directors own and run Crystal & Co (Crystal Investment Group Limited), selling, letting and managing residential property since 2002.

They are a local agency based in Isleworth and Slough and manage over 300 UK properties, predominantly in the West London and Home Counties area.

They also run Vantage Housing Group, which is a social housing provider, established in 2012.

They collectively have a business and property portfolio in excess of £20m, and are proud to have never defaulted on any loan, or been late with a mortgage payment or any secured or unsecured credit.

The experience of the Crystal team is significant in both the residential and commercial sectors. They currently manage over 30 self contained office sites throughout London for clients and look after more than 150 commercial shops nationwide.

Their group ownership of commercial properties includes tenants that range from local independent retailers to household national multiples which include Boots, Halifax Bank, Vodafone, Holland & Barrett, Paddy Power, Ladbrokes, Gregg's, H & T pawnbrokers, and Gemini Energy.

They have experience with retail properties such as this Grantham property (borrowing elsewhere), namely;

- Queen Square Shopping Centre, West Bromwich - regeared and renegotiated leases with break clauses, now fully let and income producing.
- Union Street, Torquay - tenants were coming to end of their respective leases. They negotiated rebased rents and regeared some leases to have the entire site to be fully let with full occupancy and no arrears throughout the Covid period. Tenants at this site include: W. C Rowe Falmouth, Vodafone, Holland and Barrett, Amplifon and an independent coffee shop.
- Scot Lane, Doncaster. The site consisted of six ground floor shops with

Sponsor

the anchor tenant being Paddy Power and one local bakery. There were four empty shops at the site when they purchased it and there are nineteen flats above of which six were not let at the time of purchase. Paddy Power had a break clause after two years on a eight year unexpired lease when purchased. The Borrower renegotiated with Paddy Power, giving them a quarter rent free and removed the break clause. They then advertised the empty shops at competitive yet reasonable rents, and have managed to let all the empty shops and flats within six months of ownership.

Credit History

Strong

Additional Information

Please note that the same four applicants were also behind the following outstanding loans, which are all Active, and in Good Standing;

- Hinckley Offices, £294,000
- Shirley Retail, £437,500
- Shirley Mixed Use, £227,500

They were also Sponsors for the following loans, both of which were fully redeemed within term;

- Shirley Mixed Retail and Residential, £145,600
- Gloucestershire Residential Block, £462,000.

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	MEDIUM
Asset Class Outlook	HIGH
Property Risk	MEDIUM
Tenants Leases	MEDIUM
Borrower Sponsor	LOW
Risk Rating [3.5 to 10.02]	7.00
Risk Level	MEDIUM

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>This loan is to an existing and experienced property professional, with a good Proplend track record to date.</p> <p>The Property is in a reasonable location and with potential for residential development.</p> <p>The Borrower has successfully executed their business plan elsewhere in their portfolio consistently over recent years.</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>Whilst there are macro-economic factors at play that may adversely the tenants' ability to honour their rental obligations, this Borrower has a good track record with Proplend thus far with regards servicing of interest.</p> <p>The net rental income would have to drop by more than £30,000 p.a. or 25%, before breaching the ICR Covenant of 1.35x.</p> <p>Further comfort may be gained by our holding of a six-month Interest Reserve.</p>	<p>Medium</p>

Lender Risks	Mitigant	Risk Level
<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 Borrower has a good track record in achieving its Exit Strategy, including with the now repaid Shirley and Gloucestershire Proplend loans, both of which were fully redeemed within term.</p> <p>The intention to convert the 1st and 2nd floors into residential will provide the borrower with more than one potential exit route.</p> <p>We know that this Borrower has good working relationships with a small number of high street lenders, and challenger banks, in particular to borrow for retail investment property elsewhere, as described above.</p>	<p>Medium</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</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"> - 55% of OMV - 74.6% of VPV - 76.7% of the 90-day value. 	<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 55% 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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