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Full Loan Request: Kidderminster Retail

Date:	2/5/2023
Main Site:	Comberton Heights, Comberton Hill, Comberton, Kidderminster, Worcestershire, DY10 1QL
Property Description:	Five ground floor retail units comprising a total NIA of 4,697 sq ft situated in a densely populated residential area.
Loan Summary:	We are asked to provide a 65% LTV gross loan facility in order to refinance the bridging loan used to purchase the Property in September 2022.



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£575,000	Passing Income	£39,952
Gross Loan	£373,750	Loan to Value (LTV)	65%
Blended Interest Rate	7.85%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£86,250	9.01%	8.11%	1.36x
A	Low	0-50%	£287,500	7.50%	6.75%	1.85x

PROPERTY			
Market Value	£575,000	Passing Income	£39,952
Vacant Possession Value	£505,000	Estimated Rental Value	£50,600
Tenure	Freehold	Asset Class	Retail
EPC Rating (min. E)	B	Planning Use	E

Property Details
The Subject Property is comprised of the freehold of the entire building with five ground floor, retail premises let on occupational business tenancies and on the upper floors, thirteen long leasehold residential tenancies each with a term of 999 years at a peppercorn ground rent. The uses incorporate a Polish convenience shop, a craft beer public house, a hot food takeaway, a men's barbers and a female hair and beauty salon. The latter two are operated by the same business albeit non-concurrent demises. To the immediate frontage of 95 and 96 Comberton Hill is a shallow forecourt given over to paving and tables for the hot food takeaway premises. Above the subject retail units are 13 residential flats arranged over first and second floor, which have all been sold off on 999 year long leasehold interests.



95 Comberton Heights

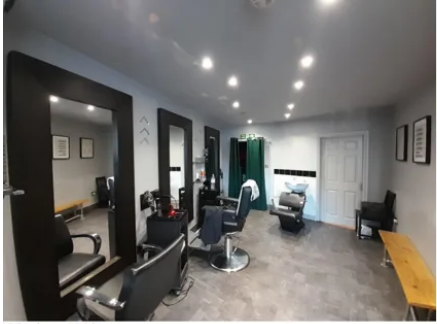


96 & 97 Comberton Heights frontages



96 Comberton Heights

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97 Comberton Heights



98 Comberton Heights



99 Comberton Heights

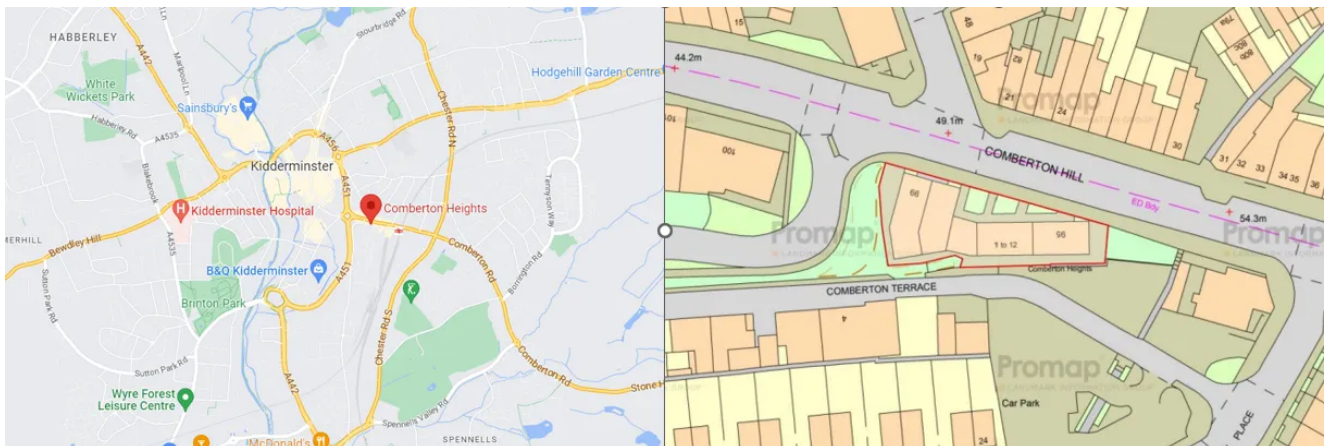
Location Report

Kidderminster is a town situated 14 miles north of Worcester and 16 miles west of Birmingham.

The town is situated on the A449 providing access to Worcester to the south with A456 links to the M5 motorway (junction 3) to the east.

The Property is situated on the southern side of Comberton Hill at its junction with Hoo Road and opposite the junction with George Street. Kidderminster railway station is in close proximity approximately 100m east which provides services to Birmingham and Worcester.

Directly opposite on Comberton Hill is a traditional retail parade offering local services and amenities with principally local covenant businesses with the exception of a Tesco Express directly opposite the Subject Property.



Tenant Commentary

Let to four local tenants, all of which have been in situ at the Property for four years or more.

95 Comberton Heights is let to Nikki's Nail & Brow Bar Ltd at a passing rent of £5,000 pa. This is significantly below market rent however, a rent review is due in April 2023. The valuer believes market rent for this unit to be £10,500 p.a.

96 Comberton Heights as below is being let as a hot food takeaway premises to Stelios Georgiou. The lease provided is a reversionary lease signed in March 2019 but commencing in May 2023 at a rent of £12,000 p.a. For the purposes of our ICR/serviceability calculations above, this rent has been excluded as it is not yet passing.

97 Comberton Heights is let to Nikki's Hair Salon Ltd operating as a traditional male barber shop. The passing rent of £8,752 p.a.

98 Comberton Heights is let to Dean Cartwright trading as Pig Iron Brewery / Weavers at a passing rent of £10,000 p.a.

99 Comberton Heights is let to Renata Jeskiewicz and Krzysztof Kolasa t/a Caspers Supermarkets - a delicatessen and convenience store catering to the Eastern European market. Passing rent is £16,200 p.a. on a lease which expires in 2027.

Nikki's Nail & Brow Bar Ltd	Ground floor 95m ² (1,023 sq.ft.)	10 yrs from 03.04.2018 Rent review every 5 th year FR&I	£5,000
Stelios Georgiou	Ground floor 97m ² (1,044 sq.ft.)	On a new reversionary lease for 15 yrs from 28.05.23 FR&I	£12,000
Nikki's Hair Salon Ltd	Ground floor 50m ² (538 sq.ft.)	10 years from 03.04.20418 Rent review every 5 th year FR&I	£8,752
Dean Cartwright t/a Pig Iron Brewery/Weavers	Ground floor 100.5m ² (1,082 sq.ft.)	5 years from 06.06.2019 FR&I	£10,000
Renata Jeskiewicz, Krzysztof Kolasa t/a Caspers Supermarkets	Ground floor 127.5m ² (1,372 sq.ft.)	20 years from 15.11.2007 Rent review every 5 th year FR&I	£16,200

Valuation Commentary

A valuation of the property was carried out by Sheldon Bosley Knight Ltd on 17th February 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the passing rent of the five retail units is of a wide variance (£5.70-£21.50 per sq ft)
- the average as below is £9.95 per sq ft
- the market rent is between £15 - £18 per sq ft
- unit 95 is significantly under-rented and a rent review due in April 2023 represents an opportunity to increase
- unit 95 - passing rent £5,000, market rent £10,000 p.a. value £110,000
- unit 96 - passing rent £12,000, market rent £12,500 p.a. value £130,000
- unit 97 - passing rent £8,752, market rent £7,000 p.a. value £85,000
- unit 98 - passing rent £10,000, market rent £9,000 p.a. value £100,000
- unit 99 - passing rent £16,200, market rent £12,100 p.a. value £150,000
- the units all have an EPC rating of B
- the Property provides suitable security for loan purposes.

Valuation Numbers

Market Value	£575,000	Vacant Possession Value	£505,000
Passing Rent	£39,952	Estimated Rental Value	£50,600
Rent psf	£8.50	Re Instatement Value	£1,050,000

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	£373,750	Loan Purpose	Refinance
Loan Term	36 months		
Loan to Value (LTV)	65%	LTV Covenant	70%
Interest Cover Ratio (ICR)	1.36x	ICR Covenant	1.25x
Rate of Interest	7.85%	Interest Expense (p.a.)	£29,333

Serviceability	Rental income of £39,552 per annum is being received, with interest payments due of £29,333 p.a.
Interest Reserve	Proplend will retain £7,335 (3 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	Funding 365	Expiry	30/4/2023
Amount Outstanding	£427,500	Status	Active - Good Standing

Business Plan During Loan Term

The Borrower bought the entire building in September 2022 for £1.685m, and is now splitting the Property into two separate titles.

The 13 flats on the upper floors on one, and these are being refinanced by way of 13 buy-to-let mortgages, and the freehold and five ground floor retail units on the other title.

The Subject Property represents a long-term investment for the Borrower, and there are no plans other than to ensure the tenants are performing 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
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Property Insurance	PSL Interest to be Noted on Completion
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Personal Guarantee	Individual Guarantee from an Individual Director of Paragon Real Estate (Midlands) Ltd for the sum of £93,437.
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BORROWER	
Name	Paragon Real Estate (Midlands) Ltd
Registration	UK Registered Limited Company
Main Business Activity	The proposed Borrower is a commercial property investment Company, registered in the UK. It has one asset other than the Subject Property, under it's ownership (please see below).
Ownership Structure	Paragon Real Estate (Midlands) Ltd is 100% owned by Paragon Consortium Limited. Paragon Consortium Limited is 100% owned by Mr Anupe Singh.

Sponsor	
Name	Anupe Singh
Age	33
Relevant Experience	Anupe Singh 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. Mr Singh has gained a vast amount of experience within the construction industry and property sectors over the past 10 years. He owns two multi-unit residential blocks, land and two petrol station forecourts (and is also a homeowner). He has been managing the five retail units at the Subject Property for the past six months, and has managed the petrol station tenants for over ten years.
Credit History	Good - CreditSafe risk band 8, and Lexis Nexis checks passed.
Additional Information	Please note that Paragon Real Estate (Midlands) Ltd is also the owner of, and the Borrower for, our Wolverhampton Petrol Station loan. Anupe Singh is also the personal owner of, the Borrower for, our Tipton Petrol Station loan.

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	HIGH
Asset Class Outlook	HIGH
Property Risk	MEDIUM
Tenants Leases	MEDIUM
Borrower Sponsor	LOW
Risk Rating [3.5 to 10.02]	7.10
Risk Level	MEDIUM

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	The Borrower's intended plan to refinance at maturity is not unrealistic, provided the tenants continue to perform as they have done to date. 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.	Medium

Lender Risks	Mitigant	Risk Level
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.	The rental income as stated above will increase from the end of May 2023 when the new tenant starts paying rent for no. 96. This will improve the ICR from the current 1.36 to 1.77x. Having owned the Property for six months, the Borrower describes the tenants as 'good payers'. When fully let at 1.77x ICR, the Borrower can 'afford' to lose two tenants, and still have sufficient rental income to meet our interest payments. The retail units are well presented. The Borrower is also of sufficient means to ensure our interest payments are met, in the event of any difficulty with the tenant. Further comfort may be taken in our holding of a 3-month Interest Reserve.	Medium

Lender Risks	Mitigant	Risk Level
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.	As above, the Borrower's plan to refinance is realistic provided the tenants continue to trade profitably, and meet their rental obligations. The commercial lending market may be a little more settled in 2026.	Medium
The Property falls in value due to either macroeconomic or property specific reasons	The gross loan amount equates to 65% of the market value, and 74% of the vacant possession value. Longer term given the surrounding Properties, the Subject Property could be converted to residential, subject to planning.	High

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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