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Full Loan Request: Leyton Mixed Use 2

Date:	31/3/2023
Main Site:	177 & 177a Lea Bridge Road, London, E10 7PN
Property Description:	A terraced two-storey period building arranged as a ground floor Class E retail unit and a self-contained one bedroom flat on the first floor
Loan Summary:	We are asked to provide a 65% LTV gross loan facility in order to refinance the Properties from the current lender.



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	No
Property Value	£475,000	Passing Income	£32,200
Gross Loan	£308,750	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%	£71,250	8.51%	7.66%	1.42x
A	Low	0-50%	£237,500	7.00%	6.30%	1.94x

PROPERTY			
Market Value	£475,000	Passing Income	£32,200
Vacant Possession Value	£475,000	Estimated Rental Value	£21,500
Tenure	Freehold	Asset Class	Mixed Use (Residential)
EPC Rating (min. E)	D	Planning Use	E, C3

Property Details

The Subject Property comprises a terraced two-storey period building arranged to provide a ground floor Class E retail unit and a self-contained first floor one bedroom flat.

The ground floor has been recently extended over a single storey to the rear elevation. Access to the shop is via its own entrance forming part of a glazed shop front to the front elevation.

The shop front has a clear width of 3.806 metres and secured with metal roller shutter blinds. Upon entry, an open plan sales area is formed leading to the rear where a newly erected ground floor rear extension accommodates a kitchen and WC.

The flat is accessible via its own ground floor entrance to the front elevation to the left hand side of the shop front. Upon entry, an entrance hallway is formed with a staircase leading up to the first floor landing.

The flat is arranged to provide a reception and kitchen to the front, and a bedroom and shower/WC to the rear.

Shop front elevation



Ground floor open sales area



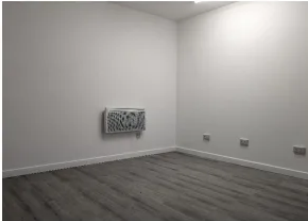
WC



First floor flat reception



Rear sales area



Kitchen



First floor flat kitchen



First floor flat bedroom



Location Report

The Subject Property is 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.

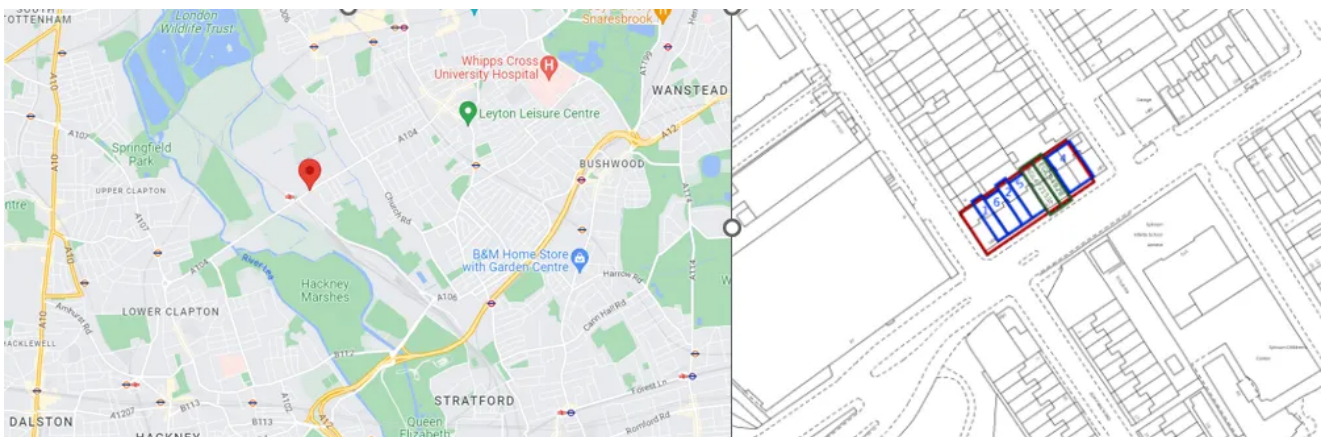
Lea Bridge Road is an arterial thoroughfare of East London forming part of the A104 which runs from Islington Green to Epping.

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 property is 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 mainly residential or ancillary accommodation.

The prime retail pitch in the locality is found approximately a mile away to the northeast. 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 Leyton Jubilee Park is 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

The ground floor is let to one of the Director's associated businesses, Coversure Insurance Services (Leyton) Limited. The current lease to them is being surrendered, and a new 8-year FRI lease (with no breaks, with a rent review in 4 years), at a rental of £16,000 p.a. will be in place prior to completion - this has been actioned by the lawyers now that building improvements have recently been completed.

Coversure are one of the UK's leading insurance franchises, providing home, motor, and business insurance services.

The tenant's abbreviated balance sheet as at 28 February 2021, shows that the Company's net worth had increased from £1,124,754 as at 28/2/2020, to £1,423,484.

Accounts provided to year end 28 February 2022 show NPBT of £298,848 and the Company's net worth has increased to £1,451,689.

CreditSafe's rating of the tenant is A ('Very Low Risk').

The rental income received from the flat above is £16,200 p.a. (on an AST), and the rents are up-to-date.

Valuation Commentary

A valuation of the property was carried out by Quest Property Consultants Ltd on 1st December 2022, and updated 31st March 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 ground floor shop is newly extended and refurbished, and finished to a good standard
- the flat is presented in good condition and finished to a good letting standard
- 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	£475,000	Vacant Possession Value	£475,000
Passing Rent	£32,200	Estimated Rental Value	£21,500
Rent psf	£28.42	Re Instatement Value	£350,000

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	£308,750	Loan Purpose	Refinance
Loan Term	36 months		
Loan to Value (LTV)	65%	LTV Covenant	70%
Interest Cover Ratio (ICR)	1.42x	ICR Covenant	1.25x
Rate of Interest	7.35%	Interest Expense (p.a.)	£22,688

Serviceability	Rental income of £32,200 per annum will be received, with interest payments due of £23,887 p.a.
Interest Reserve	Proplend will retain £5,673 (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 loan term.

Existing Facility			
Lender	Vector Business Finance	Expiry	31/3/2023
Amount Outstanding	£295,000	Status	Up to Date

Business Plan During Loan Term	
The plan is to hold the Property. The Sponsor's insurance business has been at the Property since 2001, and has no plans to move. Cosmetic improvements will be made as and when required.	

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 £81,250
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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	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. 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.
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]	7.01
Risk Level	MEDIUM

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	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.	Medium
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 ICR is a reasonable 1.35x and letting demand for the Property is good. The Borrower is of sufficient means to meet our interest payments in the event of any voids. Further comfort may be found in our holding of a 3-month Interest Reserve.	Medium
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 proposed refinance should not prove too troublesome if the economics stay the same or similar. If the Borrower performs as expected, we may wish to offer the required refinance.	Medium
The Property falls in value due to either macroeconomic or property specific reasons	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 91% if the valuer's 90-day sale value.	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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