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## Full Loan Request: Prenton Industrial

<b>Date:</b>	16/2/2023
<b>Main Site:</b>	Spectrum House, 20 Prenton Way, North Cheshire Trading Estate, Prenton, CH43 3DU
<b>Property Description:</b>	The Subject Property comprises a long narrow portal frame warehouse utilised for steel fabrication and is fronted by a two-storey ancillary office accommodation.
<b>Loan Summary:</b>	We are asked to provide a 70% LTV gross loan facility in order to refinance the current lender, and to make improvements to the Subject Property.



## HIGHLIGHTS

<b>Loan Type</b>	Commercial Term Loan	<b>SIPP Eligible</b>	No
<b>Property Value</b>	£1,650,000	<b>Passing Income</b>	£125,000
<b>Gross Loan</b>	£1,155,000	<b>Loan to Value (LTV)</b>	70%
<b>Blended Interest Rate</b>	7.55%	<b>Loan Term</b>	24 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
<b>C</b>	High	66-75%	£82,500	10.02%	9.02%	1.43x
<b>B</b>	Medium	51-65%	£247,500	8.56%	7.70%	1.58x
<b>A</b>	Low	0-50%	£825,000	7.00%	6.30%	2.16x

## PROPERTY

<b>Market Value</b>	£1,650,000	<b>Passing Income</b>	£125,000
<b>Vacant Possession Value</b>	£1,650,000	<b>Estimated Rental Value</b>	£117,000
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Light Industrial
<b>EPC Rating (min. E)</b>	C	<b>Planning Use</b>	E

## Property Details

The Subject Property comprises a long narrow portal frame warehouse utilised for steel fabrication and is fronted by two storey ancillary office accommodation.

The unit benefits from two roller-shutter loading doors to the northern gable elevation and a further loading access to the side (eastern) elevation fronting Prenton Way. The unit is effectively split into two halves either side of a central, two-storey area of offices and ancillary facilities.

The unit has been overclad with profile steel to the elevations whilst the rear elevation has the original plastisol coated metal cladding. It is thought that the roof is of a pitched profile metal clad construction, incorporating inline translucent roof lights, however this was only partial visible.

Internally, the warehouse areas to the unit are intensively utilised and have solid concrete floors of mixed condition, insulated and internally clad elevations and a suspended tile ceiling.

Both ends of the warehouse benefit from gantry cranes and the floor to suspended ceiling height is 5.17m (albeit the true eaves height may be greater).

The central two-storey offices provide boardrooms, canteens etc to the first floor with workshop, offices, kitchenettes etc, to the ground, the condition of these offices vary commensurately however the overall specification includes carpeted solid concrete floors, painted plastered walls, a mixture of dado and column trunking, recessed fluorescent strips and hard-wired smoke detectors.

There are additional managerial/admin offices to the front elevation over two storeys as well as an entrance foyer.

The warehouse and offices extend to a total GIA of approximately 23,399 sq ft on an overall site of 1.146 acres.



## Location Report

The Wirral peninsula is located in the North West of England and in close proximity to North Wales. It is part of the Merseyside region.

The Wirral borders the River Mersey to the East, The Irish Sea to the North and the River Dee to the West.

Prenton forms a suburb of Birkenhead which is a town and ferry port in the Metropolitan Borough of Wirral, Merseyside and has a population of 88,818 (2011 census). The Mersey railway connected Birkenhead and Liverpool with the world's first tunnel beneath a tidal estuary.

The Subject Property is located on the North Cheshire Trading Estate, situated at the southern end of the estate, and approached via Prenton Way.

The Estate is accessed directly via junction 3 of the M53 motorway and is approximately 3 miles from Birkenhead Docks, 6 miles from Liverpool, and 20 miles from Chester.



## Tenant Commentary

The three tenants are Companies owned by the Borrowers, who were until now occupying the premises by way of year-to-year rolling tenancy agreements. It is a Condition Precedent that new 3-year FRI leases, without breaks, are to be executed.

1) Proform Laser Services Ltd, incorporated in 2016, who are an engineering firm specialising in laser-cutting, sheet metal fabrication and precision engineering. Please see <https://www.proformgroup.co.uk/> Their abbreviated balance sheet as at 28 February 2022 shows a positive net worth of £160,944. Their Credit Safe score is C/39 - Moderate Risk.

2) Salisbury Management Services Ltd, incorporated in 1998, who are one of the Borrowers' property investment Companies - specifically their care home investment properties. Their abbreviated balance sheet as at 30 April 2022 shows a positive net worth of £4,488,067. Their Credit Safe score A/88 - Very Low Risk.

3) Salisbury Specialist Housing Ltd, incorporated in 2020, who are another of the Borrowers' property investment Companies, and reported net assets of £27,087 as at 30 April 2022. Their Credit Safe score is B/51 - Low Risk.

The rents payable are £73k, £36k, and £16k per annum respectively.

## Valuation Commentary

A valuation of the property was carried out by Eddisons on 24th January 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- recent economic turmoil has had little effect on the vacancy rate of the local Industrial sector
- the Subject Property has been in long-standing industrial use, however at the time of inspection, there were no obvious signs of land contamination
- a reasonable period of marketing to sell is 6-12 months
- a reasonable period to let on standard modern commercial terms is 6-12 months
- the valuer has assumed that both consented planning applications will be implemented, which is not the case
- the valuer has attributed no value to the leases as they are not 'at arms length' and hence the market value and vacant possession value figures are the same
- the Property represents suitable security for loan purposes, subject to recommendations.

Valuation Numbers			
<b>Market Value</b>	£1,650,000	<b>Vacant Possession Value</b>	£1,650,000
<b>Passing Rent</b>	£125,000	<b>Estimated Rental Value</b>	£117,000
<b>Rent psf</b>	£5.34	<b>Re Instatement Value</b>	£2,050,000

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			
<b>Gross Loan</b>	£1,155,000	<b>Loan Purpose</b>	Refinance and Capital Raise
<b>Loan Term</b>	24 months		
<b>Loan to Value (LTV)</b>	70%	<b>LTV Covenant</b>	75%
<b>Interest Cover Ratio (ICR)</b>	1.43x	<b>ICR Covenant</b>	1.25x
<b>Rate of Interest</b>	7.55%	<b>Interest Expense (p.a.)</b>	£87,202

<b>Serviceability</b>	Rental income of £125,000 per annum is being received, with interest payments due of £87,202 p.a.
<b>Interest Reserve</b>	Proplend will retain £43,601 (6 months interest) from the gross loan amount which will be held on account.

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

Existing Facility			
<b>Lender</b>	Interbay	<b>Expiry</b>	28/2/2023
<b>Amount Outstanding</b>	£870,000	<b>Status</b>	Up to Date

Business Plan During Loan Term
<p>There are two planning applications that the local authority has consented to.</p> <p>1) APP/21/00282 - Two-storey workshop extension to front elevation and amended access, Approved 01 Feb 2022.</p> <p>2) APP/19/01450 Warehouse Extension Approved 20 Dec 2019</p> <p>Due to rising build costs and raw materials, the Borrower will not be implementing the two-storey extension during the course of our loan, but will be extending the smaller warehouse extension to the side, which the capital raise element of our loan (c£200k) is required for.</p> <p>We have been provided with a Design and Access Statement and costings accordingly. The remainder of the capital being raised is to be used for maintenance costs at the Subject Property.</p>

## Exit Strategy

The Property is a long-term investment, and approaching maturity, the Borrower will refinance our loan.

It may be that if the economic headwinds at that time are more favourable, the refinance may be to a development finance provider, if they decide the time is right to build out the two-storey extension.

## Security

<b>Charge</b>	First Legal Charge	<b>Debenture</b>	Debenture Not Required
<b>Property Insurance</b>	PSL Interest to be Noted on Completion		

## BORROWER

<b>Name</b>	R & M Canner
<b>Registration</b>	Personal Capacity
<b>Main Business Activity</b>	The two borrowers are husband and wife Russell and Marika Canner.  They have over 30 years experience in the care industry and in property investment.

Sponsors	
<b>Name</b>	Russell and Marika Canner
<b>Age</b>	64 & 69 respectively
<b>Relevant Experience</b>	<p>Russell and Marika became care home owners in the late 1980s in their personal capacity, and later incorporated in 1998 (Salisbury Management Services Limited).</p> <p>They used the profits from this business to build up a portfolio of properties, some of which were designated for supported living purposes, and some were residential buy-to-lets.</p> <p>The clients repeated this model adding further properties in the care business and today have net assets of circa £4.0m under corporate ownership in the Salisbury Group, and also their personal buy-to-let portfolio which today has circa net assets of £6.4m.</p> <p>The property portfolios are now a full-time enterprise and are fully managed by their in-house family team.</p> <p>Whilst the Canners are still fully involved in the care and property businesses, they have recently handed over the registered manager's position of the care business to their daughter, Laura, who worked at the care home for over 8 years and who has a degree in Psychology from Sheffield University and an MBA from Liverpool University. Laura is 34 and is the registered manager at Salisbury House Residential Home.</p> <p>Son Michael has been managing the property portfolios with assistance from two other property managers for just over 6 years since he left university and has been instrumental in minimising voids while maximising yields. Michael is 28 years old.</p> <p>Eldest son John has worked as part of the inhouse maintenance team of 6 and 6 subcontractors for over 23 years. John is 41 years old.</p> <p>Whilst Marika and Russ do not have any specific timescales to hand over the reins, when the time comes the family team above will be well versed in how the business operates and will be able to take the business to the next level.</p>
<b>Credit History</b>	Both Sponsors have the strongest Credit Safe rating, risk band 10, and Lexis Nexis checks also Passed.

<b>Term Loan Risk Rating</b>	
<b>Risk Category</b>	<b>Rating</b>
<b>Financial Ratios</b>	<b>HIGH</b>
<b>Asset Class Outlook</b>	<b>LOW</b>
<b>Property Risk</b>	<b>MEDIUM</b>
<b>Tenants   Leases</b>	<b>MEDIUM</b>
<b>Borrower   Sponsor</b>	<b>LOW</b>
<b>Risk Rating [3.5 to 10.02]</b>	<b>6.57</b>
<b>Risk Level</b>	<b>MEDIUM LOW</b>

<b>Lender Risks</b>	<b>Mitigant</b>	<b>Risk Level</b>
<b>The Borrower is not able to successfully execute their business plan.</b>	<p>The Borrowers have demonstrated that they are driven and successful property developer/investors for.</p> <p>They also have a good track record with several lenders, and good Credit standing, if a refinance elsewhere is ultimately required.</p>	Medium
<b>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.</b>	<p>The ICR is a reasonably healthy 1.43x and given that the borrowers' own businesses are reliant on the Subject Property, from which to trade, the Borrower is incentivised to ensure our interest payment obligations are met.</p> <p>Further comfort may be found in our holding of a 6-month Interest Reserve.</p>	Medium/Low

Lender Risks	Mitigant	Risk Level
<p><b>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.</b></p>	<p>At the expected level of gearing, the proposed refinance exit is not unrealistic, for this successful property investor, not least as their finance broker covers the entire commercial lending market.</p>	<p>Medium</p>
<p><b>The Property falls in value due to either macroeconomic or property specific reasons</b></p>	<p>Given the wider economic environment, commercial property values may fall, however, the proposed extension should add value to the Subject Property (other things being equal).</p> <p>At the time of drawdown, the gross loan advance equates to:</p> <ul style="list-style-type: none"> <li>- 70% of OMV</li> <li>- 70% of VPV</li> <li>- 73.6% of the 180-day value.</li> </ul>	<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 70% 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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