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# Full Loan Request: Harrow and Wembley Social Housing

<b>Date:</b>	17/05/2023
<b>Main Site:</b>	1) 7 South Hill Grove, Harrow, HA1 3PR 2) 27 Clarendon Gardens, Wembley, Middlesex, HA9 7QW
<b>Property Description:</b>	The Subject Properties were previously care homes, but have now been converted and are used for social housing. Both are extended semi-detached 2 storey houses, with C2 planning use.
<b>Loan Summary:</b>	We have been asked to provide a 33% gross LTV loan facility in order to refinance the current lenders and provide a small capital raise. The current outstanding facility with Natwest is £414,000 and the outstanding facility with the second charge lender Alternative Bridging Corporation, stands at £185,000. The remaining surplus will be utilised for working capital.



HIGHLIGHTS			
<b>Loan Type</b>	Commercial Term Loan	<b>SIPP Eligible</b>	No
<b>Property Value</b>	£2,031,000	<b>Passing Income</b>	£134,400
<b>Gross Loan</b>	£675,000	<b>Loan to Value (LTV)</b>	33%

## HIGHLIGHTS

<b>Blended Interest Rate</b>	7.25%	<b>Loan Term</b>	36 months
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Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
A	Low	0-50%	£675,000	7.25%	6.53%	2.75x

## PROPERTY

<b>Market Value</b>	£2,031,000	<b>Passing Income</b>	£134,400
<b>Vacant Possession Value</b>	£1,740,000	<b>Estimated Rental Value</b>	£134,400
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Social Housing
<b>EPC Rating (min. E)</b>	D	<b>Planning Use</b>	C2

## Property Details

The subject properties comprise two individual semi-detached two storey houses, both have been converted from care homes previously to social housing.

### **7 South Hill Grove:**

The property has been extended to the side and the rear of the ground floor, as well as a side dormer to the roof area, thus creating a gross internal area of 1,688 square feet. It is arranged as a house in multiple occupation, with 6 letting rooms each with an en-suite bathroom. The property is configured to have one letting room on the second floor (attic), three letting rooms on the first floor alongside an office and separate bathroom, as well as two letting rooms on the ground floor with shared kitchen and lounge areas.

The front garden has been paved to facilitate 2-3 off road parking spaces. Access to the shared use of the rear garden is afforded through the lounge.

### **27 Clarendon Gardens:**

This property has also been extended by virtue of side and rear extensions, making a gross internal area of 2,032 sq feet. It is arranged as a house in multiple occupation with seven letting rooms in total, each with an en-suite and a shared reception room and kitchen. It comprises of four letting rooms on the first floor and three letting rooms on the ground floor.

The front garden of this property has also been paved to allow for 2-3 off road parking spaces and access to the shared rear garden, similar to the other security property, is through the lounge.

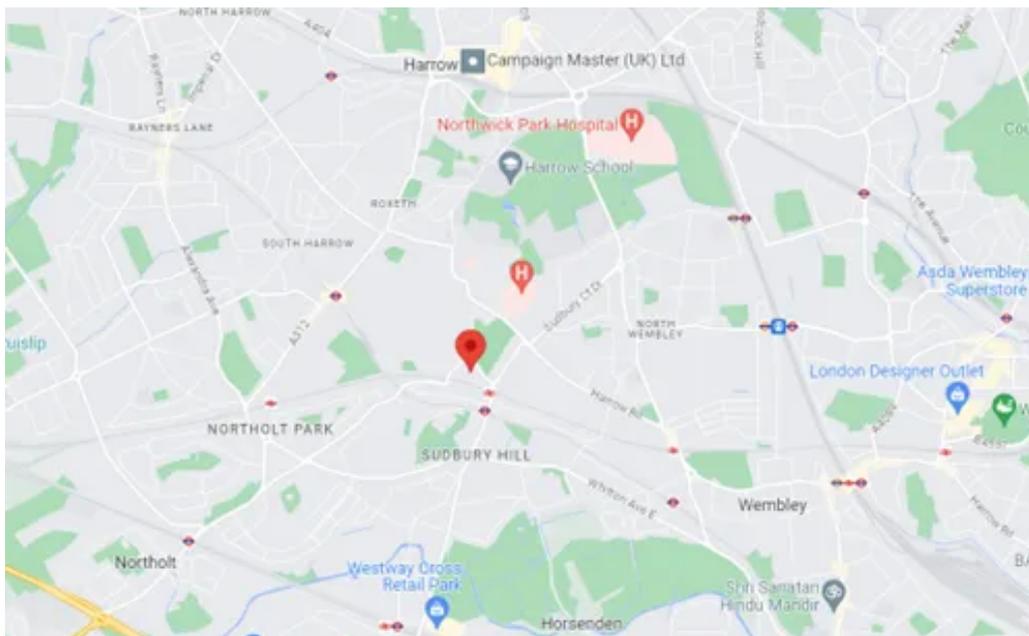


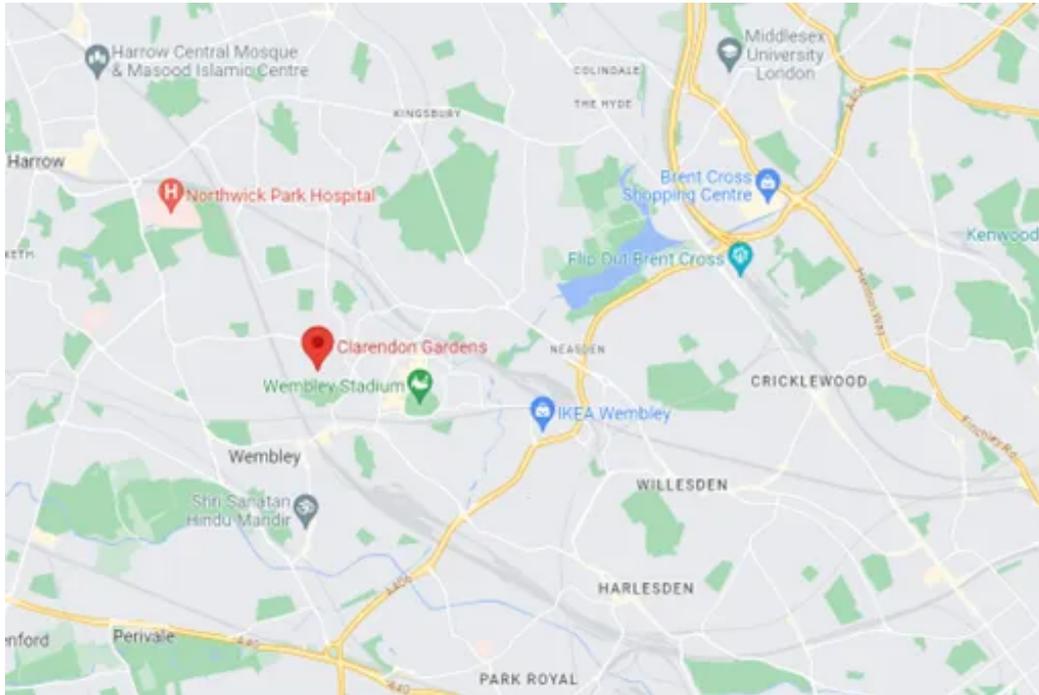


## Location Report

Both the subject properties are both well located. South Hill Grove is a residential cul-de-sac off West End Lane, which is approximately 400m west of Sudbury Hill Harrow TFL station and Sudbury Hill underground station, which operates the piccadilly line. It is within the residential suburb of Harrow and is about 14km northwest of central London.

Clarendon Road is located within a residential thoroughfare in Wembley, running to the west of Park Lane and to the south of East Lane. It is a mixed commercial and residential suburb 1.5km away from Wembley Stadium, Wembley Central and High Street. These surrounding areas include extensive retail and leisure facilities as well as a sufficient amount of recreational facilities in the nearby King Edward VII Park. It is located approximately 12km northwest of central London, which can be easily accessed via North Wembley underground station, which is 800m east of the security property.





## Tenant Commentary

Daffodils Homes Limited (formerly YCC Investments Limited) have been trading since 2010 (Company number 07276390) and operate over 20 homes in the Greater London area. The company has a positive net worth of £587,784 as at 30/06/2021.

### 7 South Hill Grove:

- The social housing tenant is Daffodils Homes Limited.
- Lease: FRI, 5 year term from 13th April 2022 expiring in 2027 and have already expressed interest to extend.
- Break clause: 2 years after commencement, with at least a 3 months notice to the landlord prior to break.
- Initial rent is £60,000 pa which is contracted to increase to £66,000 pa after 12 months. There is another contracted scheduled increase at the 2 year mark, thereafter annually until end of term.

### 27 Clarendon Road:

- Also let to the same social housing tenant Daffodils Homes Limited.
- Lease: FRI, 5 year term from 13th April 2022 expiring in 2027.
- Break Clause: 2 years after commencement, with at least a 3 months notice to the landlord prior to break.
- Initial rent is £74,400 pa which is contracted to increase to £86,400 pa after 12 months.

Bank statements have been provided to evidence the stated rental receipts passing for both properties. The table below illustrates the accumulated information for both properties.

Tenant Details			
<b>Tenant</b>	Daffodils Homes Limited	<b>Business Activity</b>	Social Housing
<b>Lease Type</b>	FRI	<b>Lease Start</b>	13/04/2022
<b>Months to Lease Break</b>	12	<b>Lease Expiry</b>	13/04/2027
<b>Passing Rent (£ p.a.)</b>	£134,400	<b>Occupancy Level (%)</b>	100%

Valuation Commentary	
<p>A valuation of the property was carried out by Brendons Chartered Surveyors on 20th March 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following for both properties:</p> <ul style="list-style-type: none"> <li>• The houses are built of traditional solid brick construction and all other modifications to the property used conventional building materials.</li> <li>• They have been fitted and decorated to an acceptable standard throughout the property and are in a condition that commensurate with its age, character and style of construction.</li> <li>• The properties are configured as a HMO, which are popular as they have a higher income generating potential than ordinary family homes.</li> <li>• As no work needs to be done to the property, they would attract interest from a broad range of residential investors.</li> <li>• EPC rating for both properties is D.</li> </ul>	

Valuation Numbers			
<b>Market Value</b>	£2,031,000	<b>Vacant Possession Value</b>	£1,740,000
<b>Passing Rent</b>	£134,400	<b>Estimated Rental Value</b>	£134,400
<b>Rent psf</b>	£36.13	<b>Re Instatement Value</b>	£1,214,000

Report on Title	
<p>A Report on Title will be supplied by Brecher LLP acting on behalf of Proplend Security Ltd, and it's comments thereon can be viewed under documents.</p>	

LOAN			
<b>Gross Loan</b>	£675,000	<b>Loan Purpose</b>	Refinance
<b>Loan Term</b>	36 months		
<b>Loan to Value (LTV)</b>	33%	<b>LTV Covenant</b>	40%
<b>Interest Cover Ratio (ICR)</b>	2.75x	<b>ICR Covenant</b>	2x
<b>Rate of Interest</b>	7.25%	<b>Interest Expense (p.a.)</b>	£48,937

<b>Serviceability</b>	Rental income of £134,400 per annum is being received, with interest payments of £48,937 p.a due.
<b>Interest Reserve</b>	Proplend will retain £24,469 (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>	Natwest and Alternative Bridging Corporation	<b>Expiry</b>	Natwest - 2038 Alternative Bridging Corporation - January 2024
<b>Amount Outstanding</b>	£599,000	<b>Status</b>	Up to Date

## Business Plan During Loan Term

The plan is to hold the Properties and keep them as long term investment for their children. One of whom is the property manager of the Subject Properties on a day-to-day basis.

## 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 Not Required
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**Property Insurance** PSL Interest to be Noted on Completion\*

\* Notwithstanding the security documentation (Mortgage Deed (part 3 clause 4.1(a) and the Debenture (clause 6.7(a)(i))), upon review of the various Geographic and Sector underwriting factors we have determined that specific insurance against terrorist acts is to be waived for this loan.\*

## BORROWER

**Name** Nicholas and Dympna Kritikos

**Registration** Personal Capacity

**Main Business Activity** Landlords

## Sponsor

**Name** Nicholas Kritikos and Dympna Mary Kritikos

**Age** 70 and 68 respectively

**Relevant Experience** While the applicants themselves do not have significant property experience, their daughter is an experienced Buy-To-Let landlord with over six years experience and is the de facto property manager of the Subject property on a day-to-day basis.

**Sponsor**

**Credit History**      Strong - Credit Safe risk band 10

<b>Term Loan Risk Rating</b>	
<b>Risk Category</b>	<b>Rating</b>
Financial Ratios	<b>MEDIUM</b>
Asset Class Outlook	<b>HIGH</b>
Property Risk	<b>MEDIUM</b>
Tenants   Leases	<b>MEDIUM</b>
Borrower   Sponsor	<b>LOW</b>
<b>Risk Rating [3.5 to 10.02]</b>	<b>7.14</b>
<b>Risk Level</b>	<b>MEDIUM</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>Providing the Subject Properties are able to hold value, refinance should prove realistic.</p> <p>However if not, plan B would be to sell both properties on the open market. This would certainly be achievable taking into consideration the strong residential market at present and our loan only being 38% of vacant possession value.</p>	Medium

Lender Risks	Mitigant	Risk Level
<p><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>	<p>The ICR is strong at 2.75x and should increase during the term of our loan.</p> <p>If the tenants were to exercise the lease break that is in place during our loan, the ICR covenant of 2x would mean that even if one property became vacant, it would be an occurrence of default.</p> <p>In the event that regear does not occur there is also strong demand for the property as a HMO. Assuming a HMO licence is in place, the valuer has provided a market rental value of £63,000 pa.</p> <p>Further comfort may be found in our holding of a 6-month Interest Reserve.</p>	<p>Medium</p>
<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>The refinance is not expected to prove troublesome, with the LTV being so low.</p> <p>However the alternative exit strategy which is to sell the properties, is very achievable as they are both in good locations and prospective buyers would deem these assets as favourable property investments.</p> <p>Provided the Borrower performs as expected, we may wish to offer the Borrower a second loan.</p>	<p>Low</p>

Lender Risks	Mitigant	Risk Level
<b>The Property falls in value due to either macroeconomic or property specific reasons</b>	The Property may fall in value due to wider economic circumstances and uncertainty. However our gross loan advance is circa 39% of the vacant possession value which provides comfort.	Low

## 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 75% 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 Brecher LLP will be made available as soon as it is received.

## PROPLEND DISCLAIMER - PLEASE NOTE:

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