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Full Loan Request: Luton Light Industrial

Date:	22/9/2023
Main Site:	Sunrise Industrial Estate, 324 Hitchin Road , Luton, LU2 7SR
Property Description:	<p>The subject property comprises the freehold interest in an industrial estate known as 'Sunrise Industrial Estate'.</p> <p>The estate consists of a mixture of small and medium sized(one/two storey) units consisting of variations of storage/workshop/office accommodation and substantial parking/yard space.</p>
Loan Summary:	We are asked to provide a 75% LTV gross loan facility in order to assist with the purchase of the Subject Property.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£1,250,000	Passing Income	£121,210
Gross Loan	£843,750	Loan to Value (LTV)	75%
Blended Interest Rate	8.75%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£112,500	11.05%	9.95%	1.64x
B	Medium	51-65%	£168,750	9.55%	8.60%	1.97x
A	Low	0-50%	£562,500	8.05%	7.25%	2.68x

PROPERTY

Market Value	£1,250,000	Passing Income	£121,210
Vacant Possession Value	£1,235,000	Estimated Rental Value	£90,250
Purchase Price	£1,125,000	Purchase Type	Open Market
Tenure	Freehold	Asset Class	Warehouse
EPC Rating (min. E)	D x 5, and E x 4	Planning Use	E



Unit E – Typical Internal

Unit G1 – Typical Internal

Unit H – Typical Internal

Property Details

The Subject Property comprises the freehold interest in an industrial estate known as 'Sunrise Industrial Estate'.

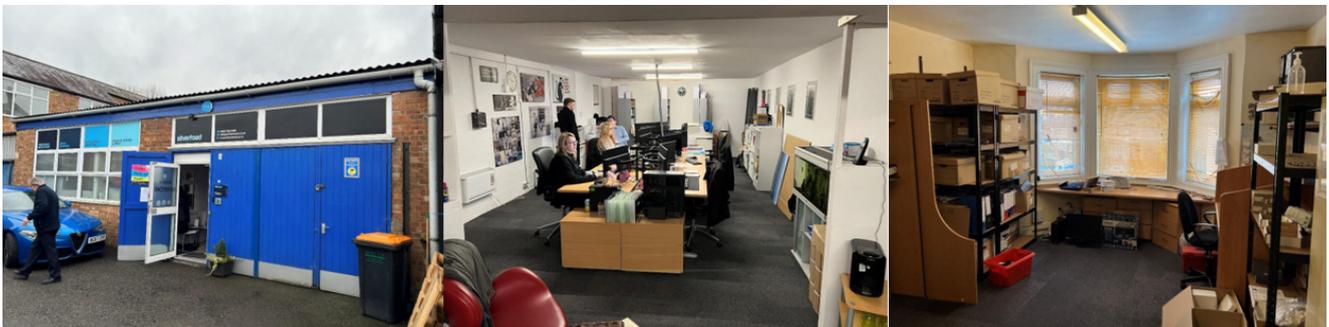
The estate consists of a mixture of small and medium sized (one and two storey) units consisting of variations of storage/workshop/office accommodation and substantial parking/yard space.

The buildings appear to have been constructed c1930s and are located on an irregular shaped plot.

The main walls of the subject property are of mainly brickwork construction beneath a various section of pitched and flat roofing. The roof coverings are a mixture of slate tiles, felt, metal and asbestos roofing.

A limited number of units have metal panel coverings to the elevations.

Floors throughout the building are of a mixture of solid concrete and suspended timber construction. Natural lighting and ventilation is provided by mainly double glazed PVCu framed windows.



External - Unit A1

Unit A1 - Typical Internal

Unit A2 - Typical Internal



Unit E - Office

Unit E - Typical Internal

Unit E & F - External

Location Report

The Subject Property is situated along Hitchin Road close to its junction with Turners Road, within the Stopsley area of Luton in Bedfordshire (Luton Borough Council).

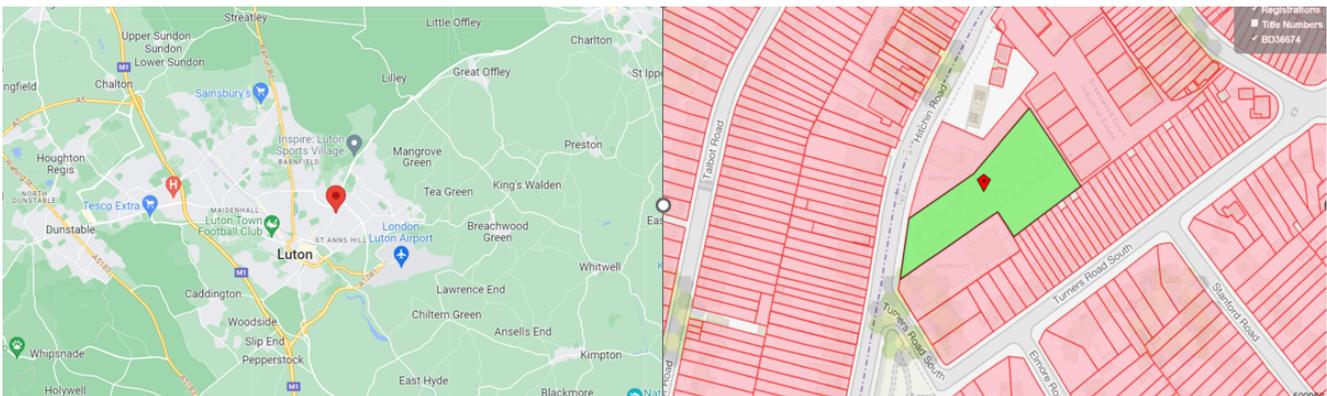
The Property is situated in a commercial and industrial estate, convenient for all local amenities, shops and public transport.

Luton is an established commercial and employment location and is a typically densely populated Southern Bedfordshire town, situated approximately 34 miles north-west Central London, which benefits from reasonable demand from both the rental and vacant possession sectors.

Away from the immediate commercial locality, Luton represents a “low to medium value” residential area, comprising properties of varying eras, targeted at predominantly the lower and middle level income groups.

Road connections are good, with Junction 10 of the M1 Motorway within approximately 3 miles to the south-east, providing good access to the national motorway network. Junction 21 of the M25 Motorway is within approximately 14 miles to the south.

Luton Mainline Station (East Midlands trains & Thameslink) is within a mile of the subject property, offering a frequent commuter service into Central London. Numerous bus routes serve the surrounding area.



Tenant Commentary

There are four existing tenancy agreements that will continue under the new ownership of our Borrower, paying a combined rent of £26,210 per annum;

Units A & G: Let to 'Tarisai Makwavarara' on a five-year lease from 13.10.2019, subject to mutual option to break after 01.01.2021 (6 months' notice) at a passing rent of £10,000 per annum.

Unit A1: Let to 'Silvertoad Limited' on a three-year lease from 16.11.2016 at a passing rent of £10,500 per annum, subject to Landlord option to break (1 month notice). We have been informed this agreement is holding over.

Unit A2 & G1: Let to 'TNS Automotive Limited' on a five-year lease from 11.09.2019, subject to mutual option to break after 01.01.2021 (6 months' notice) at a passing rent of £4,650 per annum.

Unit B1: Let to 'Mr Barry Cottier' on a two-year lease from 01.11.2010, at a passing rent of £1,060 per annum, subject to Landlord option to break (1 month notice). We have been informed this agreement is holding over.

These agreements fall outside the security provisions of Sections 24-28 of the Landlord & Tenant Act 1954.

Three of the vacant units (B, C, & D) will be let to three separate legal entities - each are UK companies with established trading histories - all with a common shareholder (Salvatore Giannone) who knows our Borrower well.

Until now, these companies have been operating from three separate locations, and will all benefit by coming together under the same roof - for economies of scale, scaling up/sharing equipment, etc (the three related trades are spray-painting, joinery and construction).

Tenant 1 - Savvy Joinery Ltd (11691085) – a joinery and construction business established in 2013, and incorporated in 2018. Please see <https://www.savvy-joinery.com/> The abbreviated balance sheet to 30 November 2021 shows a modest positive net worth of £7.9k (all profits fully drawn), and the Credit Safe Rating is C - Moderate Risk.

Tenant 2 - Savvy Property Finder & Management Ltd (8774797) - a property finding and management company for his own properties, incorporated in 2013. The abbreviated balance sheet to 30 November 2021 shows a modest positive net worth of £15.6k, and the Credit Safe Rating is B - Low Risk.

Tenant 3 - Savvy Spray Ltd (10263512) – a bespoke spray-painting business (furniture and other house fittings), established in 2013, incorporated in 2016. Please see <https://www.savvy->

Tenant Commentary

[spray.com/](https://www.spray.com/) The abbreviated balance sheet to 31 July 2022 shows a modest positive net worth of £11.9k, and the Credit Safe Rating is B - Low Risk.

The three will pay a combined rent of £95,000 per annum on new 6-year FRI leases, with no breaks.

In addition, there will still be three vacant units (E, F & H) that will attract approximately another £40k p.a. if let.

Valuation Commentary

A valuation of the property was carried out by Belleveue Mortlakes on 2 May 2023, and updated on 10 August 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- as at the date of inspection units A, A1, A2, C, E, F, G, G1 and H were all tenanted. Only units B and D were vacant
- the units were all in moderate to good order, though some were in need of maintenance and repairs (which is the Borrower's intention)
- the items of disrepair were consistent for a Property of this age and type
- required period to re-let: 6–12 months (assuming the property is competitively priced)
- likely sales period required: 8-16 months (assuming the property is competitively priced)
- if priced correctly the Property would be popular with a range of owner occupiers, investors and developers
- the valuer would recommend that the property, during the current climate, is sold via private treaty or auction as being the most effective method of disposal
- overall, for loan security purpose, no significant defects or items requiring urgent attention were noted which would be likely to require a retention or be the subject of a condition of the mortgage advance.

Valuation Numbers

Market Value	£1,250,000	Vacant Possession Value	£1,235,000
Passing Rent	£121,210	Estimated Rental Value	£90,250
Rent psf	£7.82	Re Instatement Value	£1,515,000

Report on Title

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.

LOAN

Gross Loan	£843,750	Loan Purpose	Purchase
Loan Term	36 months		
Loan to Value (LTV)	75%	LTV Covenant	80%
Interest Cover Ratio (ICR)	1.64x	ICR Covenant	1.25x
Rate of Interest	8.75%	Interest Expense	£73,828p.a.

Serviceability Rental income of £121,210 per annum will be received, with interest payments due of £73,828 p.a.

Interest Reserve Proplend will retain £36,914 (6 months interest) from the gross loan amount which will be held on account.

In addition, a further 14 months worth of interest will be retained and not returned to the Borrower until a new Asbestos Report has been provided to Proplend, and evidence that all recommended works have been carried out, within three months of the report date.

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.

Business Plan During Loan Term

Upon completion of the purchase, the Property will be let out to the existing, and the three new tenants, as set out above.

The units are all in moderate to good order. There are no plans to refurbish the Property other than minor cosmetic work as and when required.

Exit Strategy

The Property is a long-term investment for the Borrower. The Borrower will endeavour to refinance at the most competitively advantageous prior to maturity.

Should economic conditions, or the Sponsor's financial situation change, selling the Property may be considered as an alternative.

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	Joint and Several Guarantee from the Directors and Shareholders of GI Property Management Limited for the sum of £210,937.		
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BORROWER

Name	GI Property Management Limited
Registration	UK Registered Limited Company
Main Business Activity	<p>The proposed Borrower is a special purpose Limited Company, registered in the UK.</p> <p>It has no assets other than the Subject Properties.</p>
Ownership Structure	<p>GI Property Management Limited is 100% Owned by FG Holdings & Ventures Limited.</p> <p>FG Holdings & Ventures Limited is 100% owned by Mr Federico Giannandrea.</p>

Sponsor

Name	Frederico Giannandrea
Age	48
Relevant Experience	<p>Federico has a successful background as a Fund Manager (where his wealth originated, following an Initial Public Offering).</p> <p>Until June 2021, he lived in the UK with his wife (Karen Beasley). They then moved to Italy, but kept the UK property (in Shaftesbury Mews, London) which has been rented out since.</p> <p>He also owns two other UK Buy-to-lets in Shoreditch, which are also fully rented out. In addition, we have been provided with bank statements, which evidence good account conduct, and good credit balances held.</p> <p>We have a bank statement on file, confirming he has over £1m in cash personally. The applicant is not ordinarily resident in the UK, but still has a UK footprint (assets, banking, good credit score), and is of reasonable net worth.</p> <p>We have been provided with a copy of his Certificate of Naturalisation as a British Citizen. His CreditSafe rating is Risk Band 8, which is strong.</p>
Credit History	Clear

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	MEDIUM
Asset Class Outlook	LOW
Property Risk	MEDIUM
Tenants Leases	MEDIUM
Borrower Sponsor	MEDIUM
Risk Rating [3.5 to 10.02]	7.16
Risk Level	MEDIUM

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	<p>The Borrower's intention to refinance at more competitive terms should not prove too problematic provided the tenants continue to perform at these new premises, and honour their rental obligations.</p> <p>We may be open to offering a refinance subject to the usual conditions and parameters, including good account conduct as expected.</p>	Medium

Lender Risks	Mitigant	Risk Level
<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>The existing tenancies have a mutual option to break and therefore providing potentially insecure income, as is common at this type of asset, however the ICR is a fairly healthy 1.62x and the new tenants have met their rental obligations at their previous premises.</p> <p>In addition, there will still be three vacant units that will attract another £40k p.a. once those are let too.</p> <p>Additional comfort may be taken with the holding of a 6-month Interest Reserve.</p>	<p>Medium</p>
<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>The Borrower has an achievable plan to refinance on maturity and has a finance broker that covers the whole of the commercial lending market.</p> <p>If the Borrower performs as expected, as above, we may wish to pitch for the proposed refinance on or before maturity.</p>	<p>Medium</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>Our loan equates to 67.5% of the market value, and 71% of the vacant possession value.</p> <p>There is scope for additional value to be added, if the vacant units are let.</p>	<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 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:

The information provided in this Loan Request is provided solely by the applicant and not Proplend Ltd ("Proplend") or Proplend Security Limited ("PSL"). Neither Proplend nor PSL has verified or audited the information in the Loan Request or the Loan Request itself; and the publication of the Loan Request by the applicant on the Platform does not constitute any approval, endorsement or representation by Proplend or PSL in relation to the Loan Request. Neither Proplend nor PSL provides any warranty, representation or undertaking as to the accuracy, timeliness or reliability of the information in the Loan Request or that the Loan Request or any Due Diligence Material accurately reflects the risks associated with the Loan Request; nor does Proplend or PSL make any recommendation or give any advice of any kind in relation to the Loan Request. Expected bad debt estimates are estimates for general guidance only and neither Proplend nor PSL warrant their accuracy or reliability. Lenders should seek their own independent legal, financial, tax or other advice before lending. Capital at risk.