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Full Loan Request: Connahs Quay Mixed Use Commercial Refinance

Date:	14/09/2023
Main Site:	95-99 High Street, Precinct, Connahs Quay CH5 4DD
Property Description:	Mixed Use Commercial, William Hill & pub with a flat above.
Loan Summary:	We have been asked to provide a 65% LTV gross loan facility in order to refinance our own loan against the Subject Property.



HIGHLIGHTS			
Loan Type	Commercial Term Loan	SIPP Eligible	Not Eligible
Property Value	£335,000	Passing Income	£41,300
Gross Loan	£217,750	Loan to Value (LTV)	65%
Blended Interest Rate	8.15%	Loan Term	24 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£50,250	9.15%	8.24%	2.33x
A	Low	0-50%	£167,500	7.85%	7.07%	3.14x

PROPERTY			
Market Value	£335,000	Passing Income	£41,300
Vacant Possession Value	£265,000	Estimated Rental Value	£41,300
Tenure	Freehold	Asset Class	Mixed Use (Commercial)
EPC Rating (min. E)	E	Planning Use	E, C3

Property Details

The property comprises a betting shop unit let to William Hill and a sports bar with 3 bedroom flat above. There are two private car parking spaces to the rear, adjacent to an enclosed yard. It comprises a part single, part two storey end terrace property of traditional masonry construction with rendered and painted elevations beneath flat roofs.

The William Hill unit has two access points off High Street and Fron Street. The unit comprises a predominantly open plan area with sales desk and staff room and a customer WC.

The Boathouse Inn comprises an open plan sports bar with multiple TV screens throughout, together with many sports memorabilia on the walls. This unit also includes ladies, gentleman and disabled customer toilets, office/storeroom and upland beer cellar accessed from the rear yard.

The first floor flat is accessed through The Boathouse Inn and comprises a 3 bedroom flat with 2 bathrooms, living room and kitchen. The accommodation was in a poor condition and required some essential capital expenditure.



Location Report

The Subject Property is located 6 miles west of Chester and can be reached by Road from the A548, by rail from the nearby Shotton railway station and is also on the National Cycle Network Route 5. The property is located at the commercial heart of Connah's Quay town centre, fronting the B5129, High Street.

Connah's Quay is the largest town in Flintshire with a population of over 16,000, lying within the Deeside conurbation along the River Dee and along the border with England. It is also located just south of Deeside Industrial Park, which is one of the largest complexes in the region.



Tenant Commentary

There is an existing FRI lease between the borrower and William Hill, for one of the commercial units on the ground floor of the property. The lease in place commenced in September 2011 and is for the length of 20 years, meaning it will end in September of 2031. The original break in the lease was in place for September 2021, however on completion of our previous loan this was deferred to September of 2025 - which means it will fall in the duration of our loan. The rental income has remained the same at £17,300 per annum, with the next rent review in September of 2026.

A new FRI lease has been put in place as of the 10th March 2023 for a 1 year term with the rental income of £24,000 per annum. Although the lease is for 1 year, it was previously also on a rolling licence and the rental income for this commercial unit has since increased by £5,800 per annum.

Tenant Details

Tenant	William Hill	Business Activity	Betting Shop
Lease Type	FRI	Lease Start	September 2021
Months to Lease Break	26	Lease Expiry	September 2031
Passing Rent (£ p.a.)	£17,300 p.a.	Occupancy Level (%)	100%

Tenant Details

Tenant	The Boathouse - Dale MCarthy	Business Activity	Sports Bar
Lease Type	FRI	Lease Start	March 2023
Months to Lease Break	N/A	Lease Expiry	March 2024
Passing Rent (£ p.a.)	£24,000 p.a.	Occupancy Level (%)	100%

Valuation Commentary

A valuation of the property was carried out by Kroll Advisory Ltd on 27th June 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- The property has a total floor area of 4,869 sq ft (452.40 sq m)
- The property is of traditional masonry construction with rendered and painted elevations beneath flat roofs.
- The overall standard of external appearance is reasonable commensurate with the age and use.
- the Subject Property is considered to offer suitable loan security.

Valuation Numbers

Market Value	£335,000	Vacant Possession Value	£265,000
Passing Rent	£41,300	Estimated Rental Value	£41,300
Rent psf	£68.80 psf	Re Instatement Value	£1,150,000

Report on Title

A Report on Title will be supplied by HCR acting on behalf of Proplend Security Ltd, and it's comments thereon can be viewed under documents.

LOAN

Gross Loan	£217,750	Loan Purpose	Refinance
Loan Term	24 months		
Loan to Value (LTV)	65%	LTV Covenant	70%
Interest Cover Ratio (ICR)	2.33x	ICR Covenant	1.25x
Rate of Interest	8.15%	Interest Expense (p.a.)	£17,746

Serviceability	Rental income of £41,300 per annum will be received, with interest payments due of £17,746 p.a.
Interest Reserve	Proplend will retain £8,873 (6 months interest) from the gross loan amount which will be held on account.

Fees			
Arrangement Fee	2%	Broker Fee	N/A
Early Repayment	N/A	Exit Fee	1% - if goes past maturity

Business Plan During Loan Term

The borrower will look to manage and maintain the property as is for the next two years. Within this time the borrower will await for planning permission approval to convert and extend above the property to increase the residential element.

Exit Strategy

If planning is not achieved during the term of our loan, then the Borrower will refinance to a longer term lender.

Security

Charge	First Legal Charge	Debenture	Debenture Not Required
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Property Insurance	PSL Interest to be Noted on Completion
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Personal Guarantee	Individual Guarantee from the Directors and Shareholders of RCHN Limited for the sum of £217,750.
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BORROWER

Name	RCHN Limited
Registration	UK Registered Limited Company
Main Business Activity	Buying and selling of own real estate & Other letting and operating of own or leased real estate.
Ownership Structure	Rita is the sole Director and Shareholder for RCHN Limited.

Sponsor

Name	Rita Nnawuchi
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Sponsor	
Age	33
Relevant Experience	Rita is a property investor, albeit relatively new in the business, she bought her first investment property in June 2020. Since then she has built a portfolio of seven BTL properties, which is overall relatively lowly geared at 64% LTV across her portfolio. By profession Rita is a pharmacist and runs her own business Munarix Limited.
Credit History	CreditSafe Band Score 6 and LexisNexis Pass

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	Since completion of our last loan the borrower has successfully built up a small portfolio of investment properties and therefore has increased her experience and has become more familiar with this sector. This has meant she has built relationships with different brokers and lenders to aid in the refinance process when required.	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>There is a risk of this happening as there is a lease break in 2025 for William Hill. However they have expressed that they do not wish to exercise this break and if they did they would have to provide 6 months notice before doing so.</p> <p>Although The Boathouse is only on a 1 year FR1 lease, this was previously on a rolling licence. The borrower has confirmed the tenants interest in renewing this lease.</p> <p>The ICR is currently strong at 2.33x and further comfort may be found in our holding of a 6-month 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 Broker has looked at options and is comfortable a refinance will be achievable, should planning not be achieved during the term of our loan.</p>	<p>Medium</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>The Property may fall in value during the term of our loan due to wider economic uncertainty, however, our gross loan advance is;</p> <ul style="list-style-type: none"> • 65% of the OMV figure • 72% of the 90-day value. 	<p>Medium</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 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 HCR will be made available as soon as it is received.

PROPLEND DISCLAIMER - PLEASE NOTE:

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