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Full Loan Request: Belvedere Mixed Use

Date:	2/10/2023
Main Site:	23 Woolwich Road, Belvedere, DA17 5EE
Property Description:	A mixed use retail outlet with a workshop unit to the rear, and a self-contained flat above, with a GIA of 2,354 sq ft, on an overall site of 0.084 acres.
Loan Summary:	<p>We are asked to provide a 65% LTV gross loan facility (of the purchase price) in order to assist with the purchase of the Subject Property.</p> <p>Please note the gross loan advance equates to 71.5% of the vacant possession value.</p>



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	No
Property Value	£450,000	Passing Income	£52,800
Gross Loan	£286,000	Loan to Value (LTV)	63.56%
Blended Interest Rate	8.65%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£66,000	10.05%	9.05%	2.13x
A	Low	0-50%	£220,000	8.23%	7.41%	2.92x

PROPERTY

Market Value	£450,000	Passing Income	£52,800
Vacant Possession Value	£400,000	Estimated Rental Value	£46,800
Purchase Price	£440,000	Purchase Type	Off Market
Tenure	Freehold	Asset Class	Mixed Use (Residential)
EPC Rating (min. E)	E - commercial D - residential	Planning Use	E, C3

Property Details

The Subject Property comprises the freehold interest in a site developed to provide a two storey detached former house converted and arranged as a ground floor and basement retail unit, and self-contained first floor two bedroom flat, with to the rear light industrial workshop premises and yard.

The two storey building was constructed circa 1860 with the workshops circa 1900. The rear workshops have a past history of use as a local dairy depot.

The premises are set within a broadly rectangular shaped site. Access to the rear workshops and yard is via a rear service road, this being in shared use with adjoining premises.

The ground floor, formerly a retail unit, has since circa 1980 been occupied and in use by the vendor for the sale and servicing of gearboxes, both for private and commercial vehicles. It is arranged to provide various rooms, within which are sited engineering equipment together with racking.

The basement, accessed via an external side entrance, is in use as ancillary storage.

The rear workshops appear to have been used in conjunction with this business and also separately for the servicing of cars. The workshops are in two sections, within one a two post ramp. Access is via steel roller shutter and side hung timber loading doors.

As at the date of inspection the commercial areas were in use by the vendor. The first floor flat, we understand to be tenanted, was in residential use.





Location Report

The Subject Property is located in a tertiary trading location to the south of Woolwich Road (A206) close to its junction with Albert Road within Belvedere (London Borough of Bexley).

The Property is at the western end of a small parade of retail units and a public house. The parade comprises local retail covenants and fast food takeaway premises at ground floor level with upper parts largely in residential.

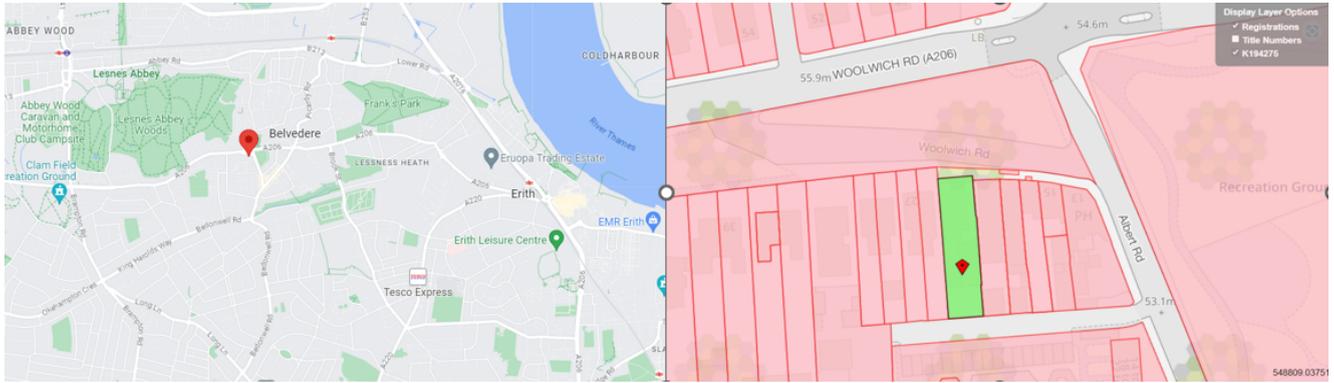
The parade fronts onto a slip road leading from Albert Road, forming a part of a local one way traffic system. The shop will serve the immediate adjacent residential population together with a certain amount of passing trade.

Belvedere is a typically densely populated South-East London district, situated approximately four miles east of Woolwich and approximately thirteen miles south east of Central London. It is an area which benefits from reasonable demand from both the rental and vacant possession sectors.

Belvedere retail town centre lies approximately one mile to the north east although more extensive shopping is at nearby Welling, Woolwich and Dartford.

Belvedere (Southeastern) station is situated within one mile to the north east offering a frequent commuter service into Central London (London Cannon Street).

Numerous bus routes serve the surrounding area. Parking is available on street along the slip road to the front of the property and within nearby roads.



Tenant Commentary

The Property is being bought with vacant possession.

The Subject Property will be rented as follows, with the leases executed on completion;

- 1) Redline Construction Group Ltd on a 5-year lease at a rental of £18k p.a.
- 2) Earlswood Interiors Limited on a 5-year lease at a rental of £18k p.a.
- 3) The flat is let out to a third party tenant for £1,400 pcm/£16,800 p.a.

Redline Construction Group Ltd was formed in 2017 by Manjit Gosal (one of the Sponsors) and Tripatpal Saggi (the son of the other sponsor). The Company now though is solely owned and run by Mr Tripatpal Saggi. They carry out disability adaptation works to properties (wet rooms, extensions, ramps, etc), for a number of local authorities. Their balance sheet to 31 October 2022 shows a positive net worth of £123.7k. Their CreditSafe rating is B (Low Risk).

Earlswood Interiors was formed in 2012 by Surinder Saggi. They provide general building services. Their balance sheet to 31 December 2021 shows a positive net worth of £70.5k. Their CreditSafe rating is A (Very Low Risk).

Redline Construction Group will occupy the front floor space and Earlswood Interiors Design the rear workshop space.

The first floor flat will be let by way of a 12-month AST, at a rental of £1,400 per calendar month (£9,600 per annum).

Valuation Commentary

A valuation of the property was carried out by Belleveue Mortlakes on 9 August 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the Subject Property is considered good for the purposes of secured lending
- the Property is in a condition commensurate with its use and age
- some areas require attention due to their current state of disrepair
- the following likely required timescales at the Property are;
- Retail Lettings: 9-12 months (assuming the property is competitively priced)
- Industrial Lettings: 6–9 months (assuming the property is competitively priced)
- Residential Lettings: 2-4 months (assuming the property is competitively priced)
- Sales: 6-9 months (assuming the property is competitively priced)
- if priced correctly, the Property would be popular with a range of owner-occupiers, investors and potentially developers if the expired planning consent can be renewed.

Valuation Numbers

Market Value	£450,000	Vacant Possession Value	£400,000
Passing Rent	£52,800	Estimated Rental Value	£46,800
Rent psf	£16.67	Re Instatement Value	£850,000

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	£286,000	Loan Purpose	Purchase
Loan Term	36 months		
Loan to Value (LTV)	65% (of the PP) 71.5% (of the VPV) 63.5% (of the MV)	LTV Covenant	70%
Interest Cover Ratio (ICR)	2.13x	ICR Covenant	1.25x
Rate of Interest	8.65%	Interest Expense (p.a.)	£24,739

Serviceability	Rental income of £46,800 per annum will be received, with interest payments due, of £24,739 p.a.
Interest Reserve	Proplend will retain £12,370 (6 months interest) from the gross loan amount which will be held on account.

Fees			
Arrangement Fee	2%	Broker Fee	1%
Early Repayment	2% year 1, 1% year 2, no fee thereafter.	Exit Fee	1% - only incurred if the loan is not fully redeemed within the agreed 36-month loan term.

Business Plan During Loan Term

The Borrower will use signage at the Property to enhance their associated businesses' commercial presence in the local area, although they do already undertake a lot of work in the Bexley Council area. They will occupy the ground floor commercial units at the Subject Property, as offices space, and the stated rents will pass.

There is previous planning consent at the Property for three apartments. During the term of our loan, the Borrower will endeavour to obtain consent for an enhanced scheme. If approved, we will most likely be refinanced by a development finance provider. If declined, they will seek a straight refinance from the most commercially viable provider at the time.

Exit Strategy

The Property is a long-term investment for the Borrower. A refinance to the most commercially viable lender will be sought approaching maturity.

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 23 Woolwich Road Ltd for the sum of £71,500.		
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BORROWER

Name	23 Woolwich Road Ltd
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Registration	UK Registered Limited Company
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Main Business Activity	The proposed Borrower is a special purpose Limited Company, registered in the UK. It has no assets other than the Subject Properties.
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Ownership Structure	The Company is owned 50:50 by Manjit Gosal and Surinder Saggu.
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Sponsor	
Name	Manjit Gosal and Surinder Saggu
Age	57 & 69 respectively
Relevant Experience	<p>Manjit Gosal is a self-employed general builder by trade, going on to specialise in provide building services to the social housing sector.</p> <p>He has a personal net worth of £1.361m.</p> <p>Surinder Saggu is a multi-linguist and interpreter, and has been a Property investor since 1982.</p> <p>She has a personal net worth of £1.157m.</p>
Credit History	Both Sponsors have clear CreditSafe searches, and have passed LexisNexis checks.

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	MEDIUM
Asset Class Outlook	MEDIUM
Property Risk	MEDIUM
Tenants Leases	MEDIUM
Borrower Sponsor	MEDIUM
Risk Rating [3.5 to 10.02]	7.18
Risk Level	MEDIUM

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>The Borrower's plan to refinance is realistic, and should appeal to several lenders provided the tenants and the Borrower perform.</p> <p>Should a cheaper alternative lender not be forthcoming, we may wish to offer a second loan, provided the Borrower has performed in the first.</p> <p>If the Property was placed on the open market for sale, the valuer states that demand should be good.</p>	<p>Medium</p>
<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 interest cover of 1.89x is strong albeit that the commercial tenants are linked to the Borrower.</p> <p>The Borrower is obviously incentivised to meet our interest payments even in the event of one of the associated tenants being in financial difficulty.</p> <p>Further comfort may be found in our 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>As above, the Borrower's plan to refinance towards the end of term is not unrealistic.</p> <p>If they are successful in obtaining planning consent during the term of this loan, this will only enhance the value and decrease the true LTV/LtVPV.</p>	<p>Medium</p>

Lender Risks	Mitigant	Risk Level
The Property falls in value due to either macroeconomic or property specific reasons	<p>The gross loan amount is 65% of the purchase price, and 63.5% of the stated market value.</p> <p>There are alternative use options possible, subject to appropriate approval.</p> <p>The LtVPV is 71.5%.</p>	Medium

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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