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Full Loan Request: Balby Industrial Refinance

Date:	4/8/2023
Main Site:	Wright Business Park, Carr Hill Balby Doncaster DN4 8DE
Property Description:	The Property is an industrial complex that comprises two buildings that have been multi-let and a two-storey office building that is vacant.
Loan Summary:	We are asked to provide a 64% LTV gross loan facility, in order to refinance the Balby Industrial loan.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£3,100,000	Passing Income	£369,389
Gross Loan	£1,984,000	Loan to Value (LTV)	64%
Blended Interest Rate	9.53%	Loan Term	24 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
B	Medium	51-65%	£434,000	11.28%	10.15%	1.95x
A	Low	0-50%	£1,550,000	9.04%	8.14%	2.64x

PROPERTY

Market Value	£3,100,000	Passing Income	£369,389
Vacant Possession Value	£1,950,000	Estimated Rental Value	£420,000
Tenure	Freehold	Asset Class	Industrial
EPC Rating (min. E)	E	Planning Use	B2

Property Details

The Property is a 4.88 acres industrial complex that comprises two buildings that have been multi-let and a two-storey office building that is vacant.

The buildings sit either side of a central access road that leads to rear yard areas.

Please see pages 9-13 of the valuation report for a breakdown of the individual units. The Property affords the following accommodation:

	sq m	sq ft
1	1,137	12,239
5 offices & 6 canteen	78	845
Total 1, 5 & 6	1,215	13,083
2	2,273	24,467
3	437	4,703
4	382	4,107
7	1,045	11,251
8	1,017	10,949
9 a & b	899	9,674
Total 7, 8, 9 a & b	2,961	31,874
Open sided	571	6,145
Total 7, 8, 9a & b inc open sided	3,532	38,020
10a & b	621	6,683
10c	329	3,536
11a	196	2,107
11b	289	3,111
12	165	1,776
13	404	4,348
14 Office - ground floor	128	1,380
14 Office - first floor	123	1,329
14 Office Total (NIA)	252	2,709
TOTAL	9,929	106,874



Left to Right: Unit 1, Unit 2, Unit 3



Side entrance for: Unit 7, Unit 8, Unit 9a, Unit 11a

Location Report

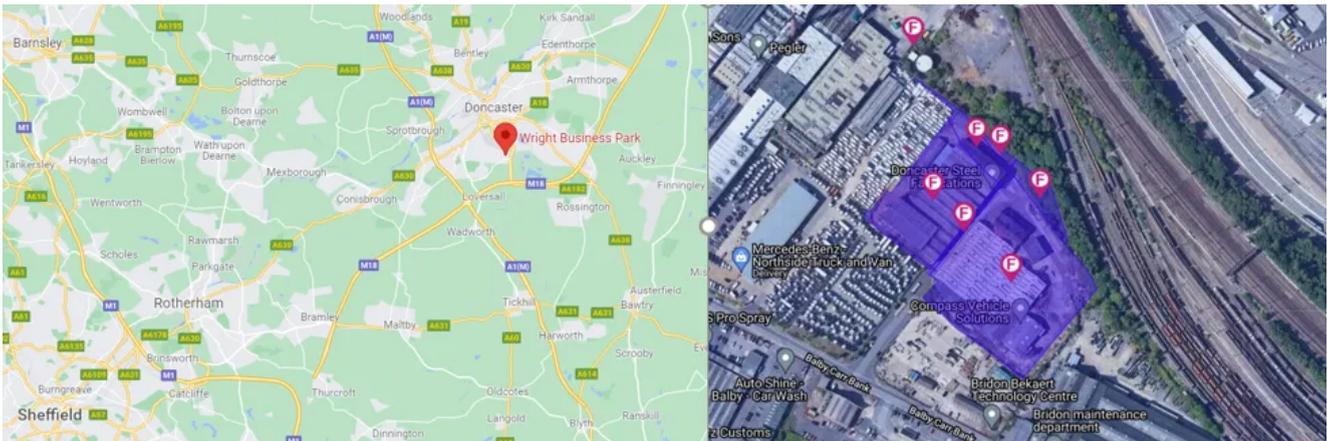
The Property is located on the north side of Balby Carr Bank, approximately 2 miles south of Doncaster centre, in the county of South Yorkshire.

Balby Carr Bank is a long-established industrial location. It connects to White Rose Way, 1¼ miles to the south east, which then connects to J3 of the M18, 2 miles to the south.

To the north, it connects to the A630 Balby Road which then connects to J26 of the A1(M) 1¾ to the west. Its motorway connections are therefore reasonably good.

Regionally, Sheffield is 22 miles to the south west, Leeds 34 miles to the north west, Hull 50 miles to the north east and Manchester 59 miles to the east.

The immediate area is an established industrial area, surrounded by residential suburbs dominated by Victorian terraces. To the north is Doncaster Carr, an outlet shopping centre, Keepmoat Stadium and Lakeside (a man-made leisure lake) surrounded by housing and offices.



Tenant Commentary

Please see the tenancy schedule in the first image immediately below, and beneath that is a summary of the tenants' Credit Safe scores.

Tenant	Unit Numbers	Occupation Date	Lease Term	Annual Rent
Doncaster Steel Fabrications LTD	Units 1, 5, 6 & Area 1	01/07/2018	10yrs	£50,000
Norton Cast Products Ltd	Unit 2	01/01/2018	10yrs	£50,724
D & H Fabrications LTD	Unit 3	01/07/2018	5yrs	£13,200
Wright Engineering LTD	Unit 4	01/05/2018	10yrs	£14,000
Sustainable Waste Solutions Ltd	7, 8, 9a, 9b & Area 4	20/02/2023	10yrs	£186,000
Vacant	10 a & b			
Vacant	10c			
ET Developments LTD	Units 11a & Area 9	01/08/2019	10yrs	£9,765
Compass Vehicle Solutions LTD	Unit 11b (Foundry Garage)	01/05/2018	10yrs	£9,600
Vacant	Unit 12			
Mohammed	Unit 13a			£12,000
Simplex Supplies Ltd	Unit 13b			£8,500
Vacant	Unit 14			
Selami Himillari (Best Hand Car Wash)	Area 2	01/06/2018	10yrs	£9,600
Concrete Mixer Storage	Area 3			£6,000
				£369,389

Tenant	Unit Numbers	Creditsafe Rating (previous in brackets)
Doncaster Steel Fabrications LTD	Units 1, 5, 6 & Area 1	51 / B (45)
Norton Cast Products Ltd	Unit 2	64 / B (60)
D & H Fabrications LTD	Unit 3	69 / B (80)
Wright Engineering LTD	Unit 4	63 / B (62)
Sustainable Waste Solutions Ltd	7, 8, 9a, 9b & Area 4	No Credit Score
Simplex Supplies Limited	Unit 10a & b and 12	48 / C (51)
The Kitchen Factory Shop Ltd	Unit 10c	69 / B (86)

Tenant	Unit Numbers	Creditsafe Rating (previous in brackets)
ET Developments LTD	Units 11a & Area 9	59 / B (64)
Compass Vehicle Solutions LTD	Unit 11b (Foundry Garage)	40 / C (56)
Wrights Removals and Storage Ltd	Unit 13	70 / B (43)
Selami Himillari (Best Hand Car Wash)	Area 2	Individual

Valuation Commentary

A valuation of the property was carried out by Carter Jonas on tbc, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the Property was bought in 2017 and has been well let since then
- circa 56% of the estate however is let to companies owned or related to the Borrower
- the leases are relatively long given the current market
- there is scope for further improvement in capital value with upgrading and modernisation
- unit 12 is not lettable in its current state (and is vacant)
- recent comparable lettings locally have produced an average of £4.13 per square foot
- the Property is acceptable for the purposes of secured lending.

Valuation Numbers

Market Value	£3,100,000	Vacant Possession Value	£1,950,000
Passing Rent	£369,389	Estimated Rental Value	£420,000
Rent psf	£3.45	Re Instatement Value	£11,360,000

Report on Title

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

LOAN

Gross Loan	£1,984,000	Loan Purpose	Refinance
Loan Term	24 months		
Loan to Value (LTV)	64%	LTV Covenant	70%
Interest Cover Ratio (ICR)	1.95x	ICR Covenant	1.75x
Rate of Interest	9.53%	Interest Expense (p.a.)	£189,075

Serviceability	Rental income of £369,389 p.a. is being received, with interest payments due of £189,075 p.a.
Interest Reserve	Proplend will retain £78,781 (5 months interest) from the gross loan amount which will be held on account.

Fees			
Arrangement Fee	2%	Broker Fee	1%
Early Repayment	2% first 12 months, no fee thereafter.	Exit Fee	1% - only incurred if the loan is not fully redeemed within the agreed 24-month loan term.

Existing Facility			
Lender	Proplend	Expiry	20/7/2023
Amount Outstanding	£1,876,000	Status	Up-to-date, but Past Maturity
Rate	8.01%	Existing Facility Description	18-month commercial term loan

Business Plan During Loan Term	
<p>During the term of the loan, the borrower will endeavour to continue to increase rents, as has been the case over the last two years, and continue to increase the capital value accordingly.</p> <p>The Borrower has an on-going refurbishment programme at the Subject Property to facilitate the above - improvements have been made throughout the term of our existing loan, and this will continue.</p>	

Exit Strategy

The Property is a long-term investment. Prior to maturity, the Borrower will seek to secure the most commercially viable refinance available at the time.

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 Maridian Limited for the sum of £496,000		
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BORROWER

Name	Maridian Limited
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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 100% owned by Mrs Diane Wright. Diane and her husband Colin Wright are to provide Joint and Several Personal Guarantees.
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Sponsor	
Name	Diane and Colin Wright
Age	59 & 62 respectively
Relevant Experience	<p>For over 25 years, the Wrights have developed a substantial number of sites throughout the UK in the name of Wright Investments.</p> <p>Their completed developments include housing developments, luxury apartments, riverside apartments, historic conversions and commercial units.</p> <p>Their track record of producing high quality developments at extremely competitive build costs over the last 25 years has earned them an excellent reputation for delivering projects within budget, and they currently have a number of projects at various stages of development.</p>
Credit History	Strong - CreditSafe risk band 9, and Lexis Nexis checks Passed.

Lender Risks	Mitigant	Risk Level
<p>The Borrower is not able to successfully execute their business plan.</p>	<p>Over the course of the existing loan, albeit rather slowly, the Borrower has continued to execute the asset management strategy which has resulted in increased rental income.</p> <p>Over the life of the new loan further capital investment will be made to improve the property on a piecemeal basis and enhance the rent roll further.</p> <p>The Property is very much part of the Sponsor's long term modernising plan.</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>Loan servicing has been good and in accordance with the terms. Given the ICR is 1.95x spread across multiple tenancy's, this risk is deemed Low.</p> <p>Further comfort is gained from the current passing rental being lower the ERV and retaining 5-month Interest Reserve.</p>	<p>Low</p>

Lender Risks	Mitigant	Risk Level
<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>There is always a element of risk in this situation however, the asset class has coped well during the macroeconomic headwinds.</p> <p>In fact, the valuation has seen a increase further supporting the confidence placed on high st lenders having the appetite to fund such income producing properties in good locations.</p> <p>This is one of the reasons why we are providing the refinance.</p> <p>The Sponsor has no near term plans to sell the property.</p>	<p>Medium</p>
<p>The Property falls in value due to either macroeconomic or property specific reasons</p>	<p>At the time of writing, the industrial / warehouse investment market is currently strong – if sentiment in the market shifts the values could fall.</p> <p>We consider the set LTV covenant to provide an early warning trigger should values fall.</p> <p>Furthermore, in a distress scenario but there is a reasonable (36% LTV) buffer.</p>	<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 64% 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 Law 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.