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Full Loan Request: Wembley Park Residential

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|------------------------------|--|
| Date: | 10/10/2023 |
| Main Site: | 47 Elliott Close, Wembley, HA9 8BY |
| Property Description: | The Subject Property is comprised of newly built 2 x two-bedroomed flats and 1 x one-bedroomed flat. |
| Loan Summary: | We are asked to provide a 55% LTV gross loan facility in order to assist with the purchase of the Subject Property. Please note that the Property Value and LTV below are based on the Purchase Price of £1.25m. The valuer has stated the Market Value as being £1.37m. |



| HIGHLIGHTS | | | |
|------------------------------|----------------------|----------------------------|-----------|
| Loan Type | Commercial Term Loan | SIPP Eligible | No |
| Property Value | £1,250,000 | Passing Income | £68,000 |
| Gross Loan | £687,500 | Loan to Value (LTV) | 55% |
| Blended Interest Rate | 8.18% | Loan Term | 36 months |

| Tranche | Risk | LTV | Loan Amount | Gross Interest | Net Interest | Interest Cover |
|---------|--------|--------|-------------|----------------|--------------|----------------|
| B | Medium | 51-65% | £62,500 | 9.98% | 8.98% | 1.21x |
| A | Low | 0-50% | £625,000 | 8.00% | 7.20% | 1.36x |

| PROPERTY | | | |
|--------------------------------|------------|-------------------------------|-------------|
| Market Value | £1,370,000 | Passing Income | £68,000 |
| Vacant Possession Value | £1,370,000 | Estimated Rental Value | £71,200 |
| Purchase Price | £1,250,000 | Purchase Type | Open Market |
| Tenure | Freehold | Asset Class | HMO |
| EPC Rating (min. E) | C | Planning Use | C3 |

Property Details

The Subject Property is comprised of a new build residential property, with two 2 bedroom apartments on the ground and first floors and one 1 bedroom apartment on the second floor.

We are not aware of any significant development or change of use potential of the Property or properties in the locality which would materially affect the valuation.

The Property is a 2-storey building of brick wall and pitched tiled roof. The site is approximately 30 metres (100 feet) in length by 12 metres (40 feet) in width. The combined floor area totals 2,093 sq ft.



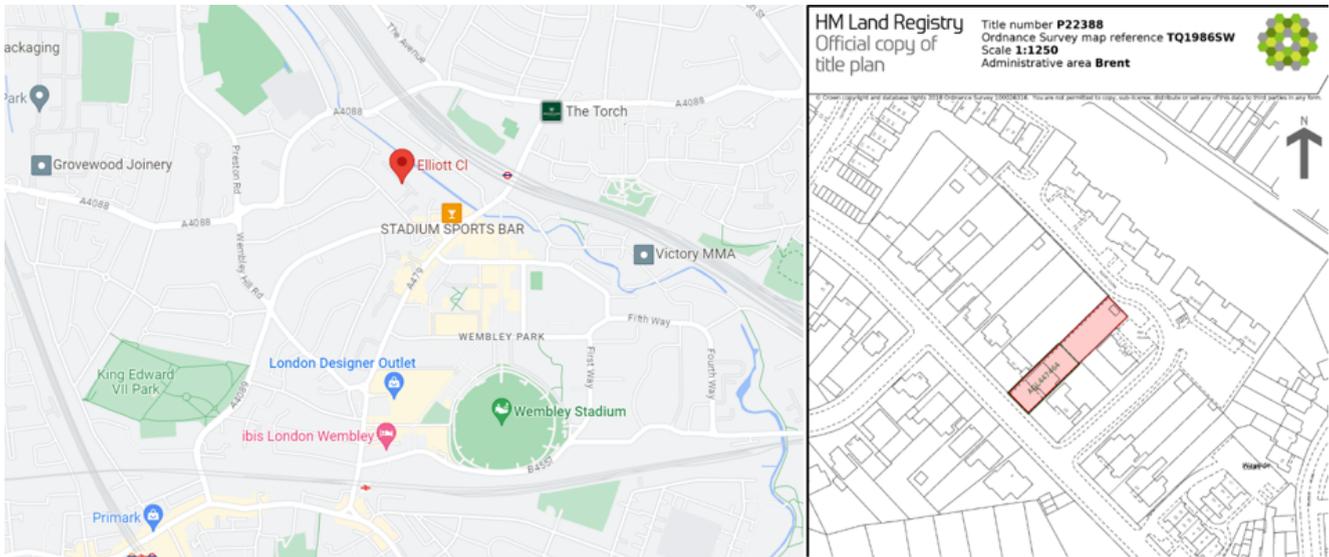
Location Report

The Property is located on Elliott Close in the London Borough of Brent, approximately 8 miles north west of London City centre.

Junction 1 of the M1 which connects to the A406 is approximately 2.5 miles east of the Subject Property.

The surrounding properties are predominantly residential. Wembley Park tube station is a short 7-minute walk east of the Subject Property and Wembley Stadium, a 15-minute walk to the south.

The London Borough of Brent has an approximate population of 339,800, whilst London possesses around 8.8 million residents, both according to the most recent census.



Tenant Commentary

The Borrower's solicitor is in the throes of drafting a new 5 year commercial lease, with no breaks.

The associated company entering into the lease agreement is Yellow Associates Ltd, Co No. 14960178.

Yellow Associates will then in turn sub-let the Property to private tenants on ASTs. Letting Agents have been appointed.

| Tenant Details | | | |
|------------------------------|-----------------------|--------------------------|--------------|
| Tenant | Yellow Associates Ltd | Business Activity | Real Estate |
| Lease Type | FRI | Lease Start | October 2023 |
| Months to Lease Break | 60 | Lease Expiry | October 2028 |
| Passing Rent | £68,000 p.a. | Occupancy Level | 100% |

| Valuation Commentary | |
|---|--|
| <p>A valuation of the property was carried out by Barnsdales Valuations Limited on 4th August 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:</p> <ul style="list-style-type: none"> • the Property is well located, being close to Wembley Stadium and Wembley Park station • each flat has its own parking space • the bedrooms are all en suite • the Property has the relevant planning consents • the Property is in a low flood risk zone • the Property is suitable for the purposes of secured lending • the Property is marketable and should perform in line with its peers • there is no higher alternative use value • there is no hope value or synergistic value associated with adjoining buildings • a reasonable marketing period to achieve the Market Value is 6-12 months • a reasonable letting period on an AST basis, is 1-3 months • the potential occupational demand for this type of property is Good. | |

| Valuation Numbers | | | |
|---------------------|------------|--------------------------------|------------|
| Market Value | £1,250,000 | Vacant Possession Value | £1,370,000 |
| Passing Rent | £68,000 | Estimated Rental Value | £71,200 |
| Rent psf | £32.48 | Reinstatement Value | £670,000 |

| Report on Title | |
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| <p>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.</p> | |

| LOAN | | | |
|-----------------------------------|-----------|--------------------------------|----------|
| Gross Loan | £687,500 | Loan Purpose | Purchase |
| Loan Term | 36 months | | |
| Loan to Value (LTV) | 55% | LTV Covenant | 60% |
| Interest Cover Ratio (ICR) | 1.21x | ICR Covenant | 1.15x |
| Rate of Interest | 8.18% | Interest Expense (p.a.) | £56,237 |

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| Serviceability | Rental income of £68,000 per annum will be received, with interest payments due of £56,237 p.a. |
| Interest Reserve | Proplend will retain £14,059 (3 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% - only incurred if the loan is not fully redeemed within the agreed 36-month loan term. |

| Business Plan During Loan Term | |
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| The business plan is to retain the Subject Property for long term investment, and build a portfolio of HMOs/Residential Blocks in their local area/Borough and to extract capital and rental growth. | |

Exit Strategy

The first option for a refinance would most likely be given to ourselves as the Borrower is a Limited Company, subject to rates, and the performance of the Borrower.

Otherwise, the Borrower will go to the market for an external refinance.

Security

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|---------------|--------------------|------------------|--------------------|
| 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 Dark Assets Limited for the sum of £137,500 |
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BORROWER

| | |
|-------------|---------------------|
| Name | Dark Assets 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 Mr Dayal Halai. |
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| Sponsor | |
|----------------------------|--|
| Name | Dayal Halai and Chandrika Halai |
| Age | 25 and 55 |
| Relevant Experience | <p>Dayal has an academic background, having two degrees, in Mathematics BSc and Masters of Finance MSc.</p> <p>He is a trustee and beneficiary of an onshore trust, which manages a mixed-use property comprising of a commercial premises leased to Starbucks, and also two flats above, which are fully let and managed by Dayal.</p> <p>He is in the throes of renegotiating the current lease with Starbucks as it is expiring in January 2024. He is well versed in the legality of renting, arranges the AST's, manages tenant deposits and issues all the relevant legal documentation.</p> <p>He is also a member of The National Residential Landlords Association (NRLA).</p> <p>Chandrika (Dayal's mother) has ability to manage all aspects of property management, including leasing, maintenance, and tenant relations.</p> <p>She has an investment property in Edgware, which is fully managed by her (including seeking and vetting all suitable tenants, and being responsible for liaising with the leaseholders and tenants to ensure smooth running of the property).</p> <p>Dayal has a personal net worth of £60.3k, and Chandrika has a personal net worth of £1.746m.</p> |
| Credit History | Both have clear CreditSafe searches and LexisNexis searches Passed. |

| Lender Risks | Mitigant | Risk Level |
|---|--|---------------|
| <p>The Borrower is not able to successfully execute their business plan.</p> | <p>Being a new build, there is very little to do now other than to collect the rental income from the commercial lease.</p> <p>The valuation report states that the local rental market is good, with potential growth in rents and re-letting that should be achieved within 1-3 months.</p> <p>This is considered a 'dry' investment.</p> | <p>Low</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 ERV is higher than the contracted rent.</p> <p>The valuation provides a element of comfort suggesting the location is favourably and re-lettings can be achieved inside a couple of months of any of the flats becoming vacant.</p> <p>If the Borrower stopped making interest payments, as a first step, we could formally apply to take control of the rental income.</p> <p>Further comfort may be found in our holding of a 3-month Interest Reserve.</p> | <p>Medium</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>This is a long term investment and once the AST income has stabilised, a refinance via a buy to let mortgage would be explored.</p> <p>If a sale or refinance was not achieved, in this scenario, we would take full control and appoint Receivers.</p> <p>Our protection is the modest 50% LtVPV so even in a 'fire sale' this risk is considered low.</p> | <p>Low</p> |
| <p>The Property falls in value due to either macroeconomic or property specific reasons</p> | <p>We have structured the loan building in this potential risk hence, a conservative day 1 LTV.</p> <p>Furthermore, c10% debt yield is also a positive mitigant.</p> | <p>Low</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 55% 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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