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Full Loan Request: Acton Light Industrial

Date:	26/10/2023
Main Site:	Land on the west side of 219 Horn Lane, London, W3 9ED
Property Description:	The Subject Property comprises a builder's yard with a number of industrial units.
Loan Summary:	We are asked to provide a 68% LTV gross loan facility in order to refinance the current lender.



HIGHLIGHTS

Loan Type	Commercial Term Loan	SIPP Eligible	Yes
Property Value	£1,765,000	Passing Income	£120,000
Gross Loan	£1,164,900	Loan to Value (LTV)	66%
Blended Interest Rate	8.40%	Loan Term	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
C	High	66-75%	£17,650	10.25%	9.23%	1.23x
B	Medium	51-65%	£264,750	9.51%	8.56%	1.25x
A	Low	0-50%	£882,500	8.03%	7.23%	1.69x

PROPERTY

Market Value	£1,765,000	Passing Income	£120,000
Vacant Possession Value	£1,765,000	Estimated Rental Value	£120,000
Tenure	Freehold	Asset Class	Light Industrial
EPC Rating (min. E)	D	Planning Use	Sui Generis

Property Details

The property comprises a builder's yard with a number of industrial units. These units are steel portal framed with a mixture of cladding materials under asbestos roofs. The yard is predominantly an area of hard standing and the industrial units are used to store construction vehicles. The access to the side of the petrol station is in use by the car wash operator. There are also temporary shipping container units which have been repurposed for office and WC use.



Location Report

The Property is located in the London Borough of Ealing, approximately 6 miles to the west of central London. It is located on Horn Lane and is accessed to the side of a petrol station fronting the road by way of a right of way. The property is bound by Jewson, a builder warehouse to the north and residential flats to the south.

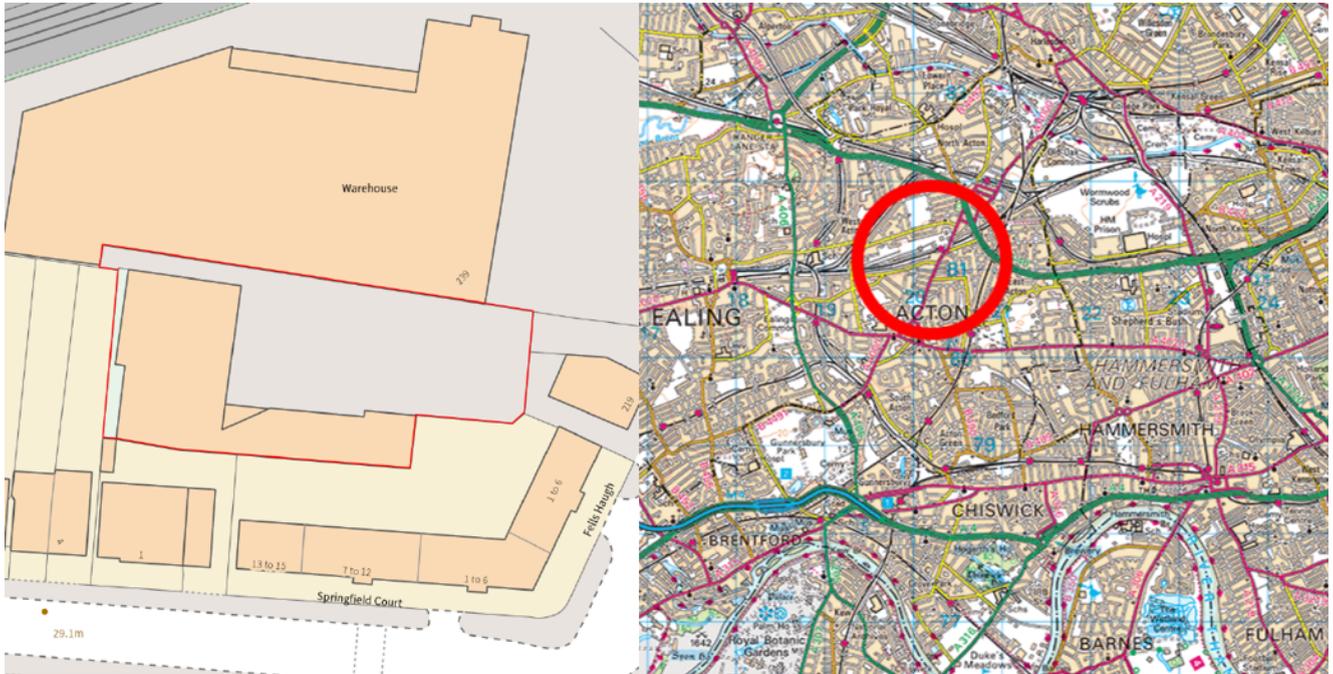
The subject property has a Public Transport Access Level rating of 2, with 0 being the worst and 6 being the best connectivity. This is a measure undertaken by TFL, which rates a location based on how close it is to public transport and how frequent services are in the area.

The M4 motorway is located approximately 1.8 miles to the south of the Property.

Acton Main Line station is situated approximately 200 metres to the northeast of the Property and provides Elizabeth Line and railway services. The railway station provides direct access to London Paddington (8 mins), London Liverpool Street (19 mins) and Abbey Wood (38 mins). The Elizabeth Line station provides direct access to London Paddington (10 mins), London Liverpool Street (21 mins), Heathrow Terminal 4 (27 mins), Canary Wharf (27 mins).

Approximately 0.6 miles southeast of the Property is located Acton Central station which is serviced by London Overground. This provides direct access to a number of stations including to Richmond (16 mins), Highbury & Islington (31 mins) and Stratford (53 mins).

Finally West Acton underground station, which is serviced by the Central Line, is situated approximately 0.5 miles to the west of the Property and provides direct access to Bond Street (20 mins), Oxford Circus (21 mins), Tottenham Court Road (23 mins), Bank (30 mins), Liverpool Street (32 mins) and Stratford (41 mins).



Tenant Commentary

A new 3-year FRI lease with no breaks is being put in place prior to completion between our Borrower and associated company M Teevan Hire Co. Ltd, at a rental of £120,000 per annum. M Teevan established in 1992 and provides tool and plant hire solutions and specialise in the construction industry - please see <https://www.mteevanhire.co.uk/>.

Tenant Details

Tenant	M Teevan Hire Co. Ltd	Business Activity	Provision of specialised construction tools and plant
Lease Type	FRI	Lease Start	October 2023
Months to Lease Break	N/A	Lease Expiry	October 2026
Passing Rent (£ p.a.)	£120,000	Occupancy Level (%)	100%

Valuation Commentary

A valuation of the property was carried out by Grant Stanley Chartered Surveyors & Property Consultants on 23rd August 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the property extends to 19,558 sq ft
- mains water, electricity and drainage are assumed to be connected to the property
- although the property has a number of units that may potentially be toward the end of their useful life there is still very much a demand for a clear site for storage purposes and builders merchant, which underpins the value of the site
- the structural integrity of the sheds will need to be monitored for health and safety purposes
- the condition of the sheds and the cost to clear the site, has been considered against the potential redevelopment/ hope value of the site
- it appears to be a good juncture for the borrower to consider talking to the neighbouring property owners as there is likely marriage value i.e. a higher value if the property is developed together with the neighbouring properties
- the report suggests it is apt to undertake a fire risk assessment report and asbestos report, both will be commission and made a condition of the loan
- the subject property is suitable as security for bank lending purposes.

Valuation Numbers

Market Value	£1,765,000	Vacant Possession Value	£1,765,000
Passing Rent	£120,000	Estimated Rental Value	£120,000
Rent psf	£6.14	Re Instatement Value	£1,400,000

Report on Title

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

LOAN			
Gross Loan	£1,164,900	Loan Purpose	Refinance
Loan Term	36 months		
Loan to Value (LTV)	66%	LTV Covenant	70%
Interest Cover Ratio (ICR)	1.23x	ICR Covenant	1.23
Rate of Interest	8.40%	Interest Expense (p.a.)	£97,851

Serviceability	Rental income of £120,000 per annum will be received, with interest payments due of £97,851 p.a.
Interest Reserve	Proplend will retain £32,617 (4 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	Exit Fee	1% - only incurred if the loan is not fully redeemed within the agreed 36-month loan term.

Existing Facility			
Lender	Shawbrook Bank Limited TFG Capital Limited	Existing Facility Description	1st Charge - Shawbrook Bank Limited 2nd Charge - TFG Capital Limited
Amount Outstanding	£503,912 £837,171	Status	Arrears

Business Plan During Loan Term

Going forwards throughout our loan term, the tenant will continue to trade from the Subject Property, that it is firmly established in and the property will be held long term.

Exit Strategy

Exit Strategy Approaching maturity, the Borrower will seek to refinance with the most competitive commercial term lender available at the time.

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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BORROWER

Name	Damian Teevan
Registration	Personal Capacity
Main Business Activity	The Borrower owns and runs a machinery hire business which operates from the site.

Sponsor

Name	Damian Teevan
Age	45
Relevant Experience	The borrower is an experienced property investor and owns a modest property portfolio of 70% residential property and 30% commercial property, including out security, all owned in personal capacity.
Credit History	Strong - Credit Safe risk band 9, and with Lexis Nexis checks Passed.
Additional Information	Please note that Mr Damian Teevan is also party to the Park Royal café loan that loan that you may see in our Pending tab, which is also expected to go into funding in the next few weeks.

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	HIGH
Asset Class Outlook	MEDIUM
Property Risk	MEDIUM
Tenants Leases	MEDIUM
Borrower Sponsor	MEDIUM
Risk Rating [3.5 to 10.02]	7.63
Risk Level	MEDIUM

Lender Risks	Mitigant	Risk Level
The Borrower is not able to successfully execute their business plan.	The associated trading business (the tenant) is a long-established expert in their field.	Medium
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>Given that the Borrower's own business is reliant on the Subject Property from which to trade, the Borrower is obviously incentivised to ensure our interest payment obligations are met.</p> <p>The trading business has a strong 33-year track record, and generates profits.</p> <p>Further comfort may be taken in our holding of a 4-month Interest Reserve.</p>	Medium/High

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 general pattern across the UK is that industrial assets remain stable across all regions, especially in a location such a London. It has also coped well during the macroeconomic headwinds.</p> <p>The property is an attractive site which subject to planning could be developed for a number of different purposes or end users.</p> <p>The valuation also states that the subject property is of a size likely to be in demand by owner occupiers and developers alike.</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>At the time of valuation it is stated that there is considerable hope value for the development of the site.</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 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 Paris Smith 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.