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# Full Loan Request: Bradford Commercial Mixed Use

<b>Date:</b>	26/10/2023
<b>Main Site:</b>	1) 60-70 City Road, Bradford, BD8 8ES 2) 46-50 City Road, Bradford, BD8 8ES
<b>Property Description:</b>	<p>1) An industrial/factory building with yard used as a bakery, with a GIA of over 35,000 sq ft, on an overall site of 1.4 acres.</p> <p>2) A former public house, now a café/restaurant on the ground floor, and shell upper floors, with a GIA of 7,774 sq ft, on an overall site of 0.05 acres.</p> <p>Both Properties are located half mile north west of Bradford city centre in a busy mixed use area of the city.</p>
<b>Loan Summary:</b>	We are asked to provide a 57% LTV gross loan facility in order to refinance the single loan with the current lender secured against both Subject Properties.



## HIGHLIGHTS

<b>Loan Type</b>	Commercial Term Loan	<b>SIPP Eligible</b>	Yes
<b>Property Value</b>	£2,310,000	<b>Passing Income</b>	£182,000
<b>Gross Loan</b>	£1,316,700	<b>Loan to Value (LTV)</b>	57%
<b>Blended Interest Rate</b>	8.97%	<b>Loan Term</b>	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
<b>B</b>	Medium	51-65%	£161,700	10.04%	9.04%	1.54x
<b>A</b>	Low	0-50%	£1,155,000	8.82%	7.94%	1.79x

## PROPERTY (Combined)

<b>Market Value</b>	£2,310,000	<b>Passing Income</b>	£182,000
<b>Vacant Possession Value</b>	£1,995,000	<b>Estimated Rental Value</b>	£197,000
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Mixed Use (Commercial)
<b>EPC Rating (min. E)</b>	60-70: E 46-50: B	<b>Planning Use</b>	E

## Property Details - 60-70 City Road

The Subject Property comprises an industrial/production building which is fitted out and occupied as a commercial bakery. It is believed to have been originally built in the 1980s.

The accommodation includes the main single storey production and warehouse facility, together with two storey ancillary offices, workshop, canteen and other accommodation and a self-contained yard.

The main production area is of steel portal frame construction with brick elevations beneath a pitched profile steel sheet covered roof, which does include some adaptations for the existing use.

The two storey offices are integral to the main building although they are of brick construction beneath a pitched slate covered roof, and there are also additional two storey ancillary areas of steel frame construction with brick elevations beneath pitched roofs extending in a southerly direction off the main production area.



## Property Details - 46-50 City Road

The Subject Property comprises a former public house/club, recently comprehensively re-built and refurbished and now occupied as a non-alcoholic café venue on the ground floor only. The upper floors are in shell condition.

The Property is of traditional load bearing stone/brick construction with timber suspended floors beneath a pitched tiled roof.

The Property was a former public house dating back probably 100 years which had lain vacant for many years but has recently been subject to a comprehensive refurbishment / redevelopment.

The tenant was responsible for fitting out the ground floor to its current specification.



## Location Report

Bradford is located within the heart of West Yorkshire and is the fifth largest metropolitan district area in the UK. The city is situated in a central location for the north of England, approximately half way between Hull and Liverpool, and Edinburgh and London; it is well served by domestic and international routes for roads, rail, sea and air.

The principal link to the national motorway network is from the M606, which provides access to the M62 approximately 1½ miles south of the city centre. The M62 in turn provides a link to the A1 & M1 to the east and M6 to the west, these motorways providing major routes to the rest of the UK.

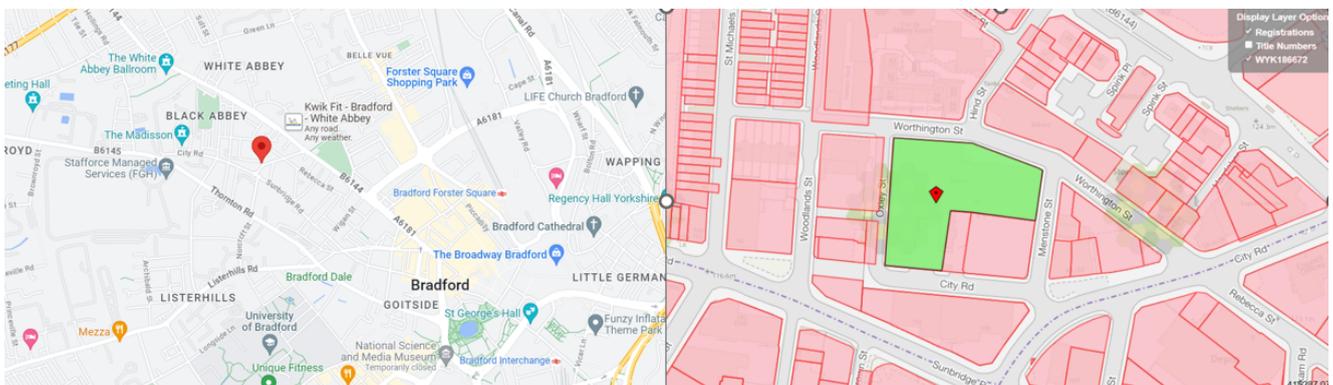
Bradford is served by two railway stations; Forster Square and Bradford Interchange, both providing Intercity links throughout the UK. Leeds Bradford International Airport is located approximately 7 miles north east of the city centre.

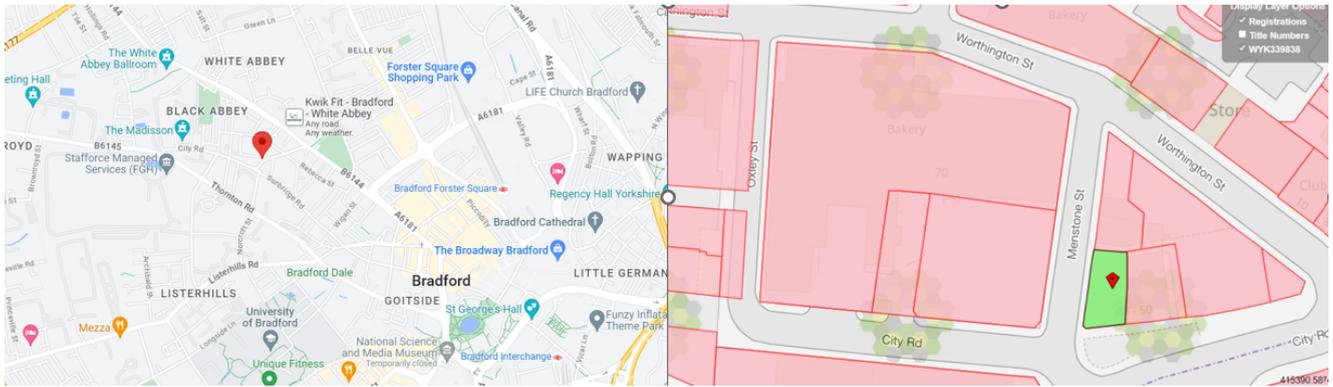
The Subject Properties are situated approximately half a mile north-west of Bradford city centre, at the junction of City Road, and Menstone Street and to the south of Worthington Street, just off the B6144 White Abbey Road which merges into the A6181 providing a direct route to central Bradford.

City Road also provides a route in a south westerly direction to Thornton Road (B6145) which is also a major arterial route into Bradford from the west.

This is a mixed-use area of the city, although the majority of buildings in close proximity to the Subject Properties are commercial in nature with adjacent occupiers including Bright Blue Foods Ltd, Enviro Wholesale Distribution Centre, Kashmir Crown Bakeries and Sweets, Whitegyll Plastics Ltd, The Islam Bradford Centre and Sunbridge Road Mission.

There are various local shops and services nearby, although all of the main facilities of the city centre are easily accessible either by vehicle or a short walk away.





## Tenant Commentary

### 60-70 City Road:

The entire property is let under a single FRI lease for a term of 15 years from 4th April 2023 to 3rd April 2038 to Bright Blue Foods Ltd at a rent of £160,000 per annum. The lease includes a 5 yearly rent review pattern and the tenant has the benefit of break clauses at the ends of years 5 and 10.

The tenant has been in occupation of the property for at least 15 years and the new lease is a reversionary lease of the original lease dating from 2008.

Bright Blue Foods Limited is a leading manufacturer of ambient cakes and other baked goods, supplying the UK's major supermarkets and other retail clients. Please see <https://www.bbflimited.com/>

Their accounts to June 2022 show annual turnover of over £196m, retained profits of £4.6m, and net worth of £21.8m.

### 46-50 City Road:

This Property is let under a single FRI lease to Hasnain Akhmat (a Sole Trader) operating a restaurant/shisha/coffee shop. It is let on a 10-year lease from 1st September 2021 until 31st August 2031.

For the first 3 years of the term the rent is £22,000 per annum, increasing to £24,000 per annum on 1st September 2024. This considered to be at significant discount to market rents.

This low rent has been accepted due to significant spend on upgrading the premises by the tenant.

## Valuation Commentary 60-70 City Road

A valuation of the property was carried out by Dove Haigh Philips LLP on 18th October 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the Property is located in a busy mixed use suburb of Bradford
- the Property is let to a strong covenant
- the tenant has been in occupation for over 15 years
- the Property is let at a sensible market rent
- it should allow for rental growth at the first rent review in five years time
- the Property would benefit from some cosmetic improvements, though these would be the responsibility of the tenant
- timescales for a sale, subject to the current lease - 3-6 months
- for a sale with vacant possession - 6-9 months
- if openly marketed for sale, interest would be expected from a variety of purchasers including local buyers, property companies and potentially, the tenant
- timescales to re-let - 6-9 months
- the Property is considered good for secured lending purposes.

## Valuation Commentary 46-50 City Road

A valuation of the property was carried out by Dove Haigh Philips LLP on 18th October 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the Property is located in a busy mixed use suburb of Bradford
- the ground floor has been subjected to a good quality fit out recently
- the valuer was advised on inspection that c£300k was spent on the refurbishment, which appears to be in line with the valuer's findings
- the VP value is higher due to the unused upper parts
- the Property could be used for a variety of other uses under class E
- the upper floors could be used for residential subject to appropriate planning permission
- timescales for a sale, subject to the current lease - 3-6 months
- for a sale with vacant possession - 3-6 months
- timescales to re-let - 3-6 months
- the Property is considered good for secured lending purposes.

Valuation Numbers 60-70 City Road			
<b>Market Value</b>	£2,000,000	<b>Vacant Possession Value</b>	£1,600,000
<b>Passing Rent</b>	£135,000	<b>Estimated Rental Value</b>	£160,000
<b>Rent psf</b>	£4.50 £3.09	<b>Re Instatement Value</b>	£3,800,000

Valuation Numbers 46-50 City Road			
<b>Market Value</b>	£310,000	<b>Vacant Possession Value</b>	£395,000
<b>Passing Rent</b>	£24,000	<b>Estimated Rental Value</b>	£37,000
<b>Rent psf</b>	£3.09	<b>Re Instatement Value</b>	£1,050,000

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

LOAN			
<b>Gross Loan</b>	£1,316,700	<b>Loan Purpose</b>	Refinance
<b>Loan Term</b>	36 months		
<b>Loan to Value (LTV)</b>	57%	<b>LTV Covenant</b>	65%
<b>Interest Cover Ratio (ICR)</b>	1.54x	<b>ICR Covenant</b>	1.25x
<b>Rate of Interest</b>	8.97%	<b>Interest Expense (p.a.)</b>	£118,107

<b>Serviceability</b>	Rental income of £182,000 per annum is being received, with interest payments due of £118,107 p.a.
<b>Interest Reserve</b>	Proplend will retain £59,053 (6 months interest) from the gross loan amount which will be held on account.

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

<b>Existing Facility</b>			
<b>Lender</b>	Together Money	<b>Expiry</b>	9/11/2023
<b>Amount Outstanding</b>	£1,200,000	<b>Status</b>	Up-to-date

### Business Plan During Loan Term

Both Properties are long-term passive investments for the Borrower. They will continue to enjoy the rental income being received.

### Exit Strategy

The Borrower intends to refinance onto the most commercially viable loan offer available at the time approaching maturity.

### Security

Charge	First Legal Charge	Debenture	Debenture Not Required
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<b>Property Insurance</b>	PSL Interest to be Noted on Completion
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### BORROWER

<b>Name</b>	M & Z Real Estate (Partnership)
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<b>Registration</b>	Personal Capacity
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<b>Main Business Activity</b>	The Borrowers are commercial property investors, borrowing in their personal capacity.
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Sponsor	
<b>Name</b>	Mr Mussadhik Hussain & Mr Zahoor Ahmed
<b>Age</b>	71 & 63 respectively.
<b>Relevant Experience</b>	<p>The Sponsors were previously directors and partners running a bakery business (Yorkshire Cottage Bakeries) from the City Road premises manufacturing cupcakes for supermarkets.</p> <p>They have since sold the business to another concern, and since then the business has been further sold/transferred to other entities with Bright Blue Foods Ltd being the current operator and assignee of the lease.</p> <p>The clients have therefore operated the property as a commercial investment for a number of years, and it has never been vacant.</p> <p>They have also owned various other residential/commercial investment properties resulting in over 18 years of experience.</p>
<b>Credit History</b>	They both could not score more highly on CreditSafe and Lexis Nexis.

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	MEDIUM
Asset Class Outlook	LOW
Property Risk	MEDIUM
Tenants   Leases	LOW
Borrower   Sponsor	MEDIUM
Risk Rating [3.5 to 10.02]	5.78
Risk Level	MEDIUM LOW

Lender Risks	Mitigant	Risk Level
<p><b>The Borrower is not able to successfully execute their business plan.</b></p>	<p>With good security at a sensible LTV, the Borrower's plan to refinance is not expected to prove troublesome.</p>	<p>Medium/Low</p>
<p><b>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.</b></p>	<p>The majority of the rental income comes from a very strong tenant, who has been at that Subject Property for 15 years.</p> <p>Their rental income alone equates to 1.35x the interest payments due, without the additional rents from the neighbouring Property.</p> <p>Additional comfort may be found in our holding of a 6-month Interest Reserve.</p>	<p>Low</p>
<p><b>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.</b></p>	<p>As above, the exit should prove fairly smooth given the assets, gearing, Borrower and main tenant.</p> <p>We will no doubt wish to offer a second loan if required, provided the Borrower performs as expected in the forthcoming three years.</p>	<p>Medium/Low</p>
<p><b>The Property falls in value due to either macroeconomic or property specific reasons</b></p>	<p>The Property may dip in value throughout the loan term, however the gross loan advance represents;</p> <ul style="list-style-type: none"> <li>• 57% of OMV figures</li> <li>• 66% of VPV figures, and</li> <li>• 61% of the 90-day figures.</li> </ul>	<p>Medium/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 57% 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 Brecher LLP 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.