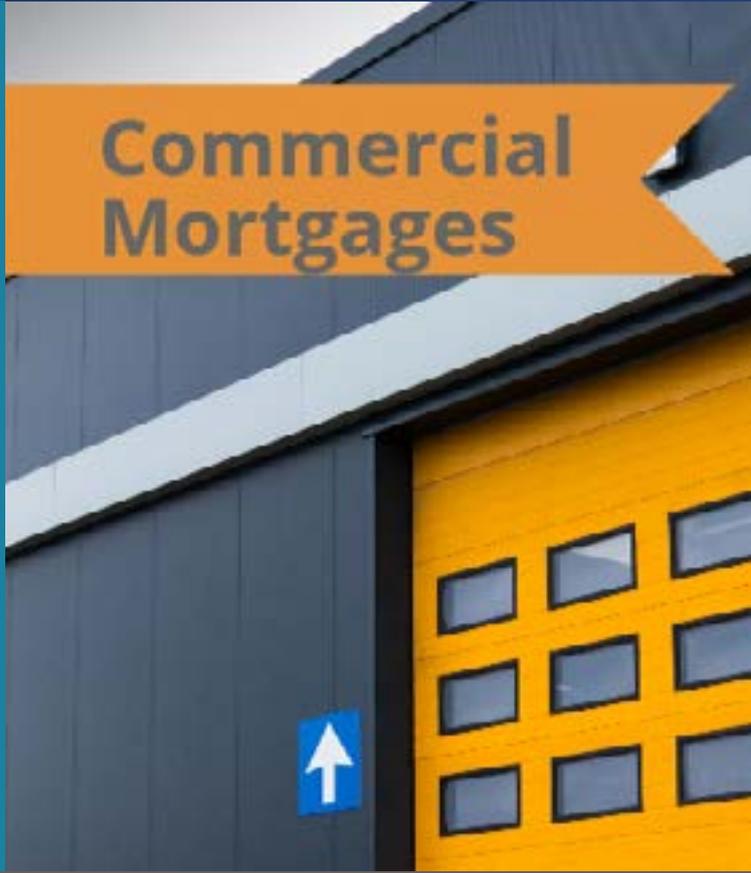




**A GUIDE TO
COMMERCIAL
MORTGAGES
FOR INVESTORS &
OWNER OCCUPIERS**

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**Commercial
Mortgages**

INTRODUCTION FROM MARK DOWELL



WHAT IS A COMMERCIAL MORTGAGE?

A commercial mortgage is any loan secured on property which is not your residence.

Commercial mortgages generally take over where business loans finish. Business loans up to £25,000 are unsecured, but for larger amounts lenders need security in order to reduce the risk to themselves. Because of the legal and administrative costs of taking security on commercial property it is considered uneconomic to borrow under £50,000 this way, and some lenders have a minimum of £75,000 or more.

Generally lenders take the property you are buying as the only security for the loan, which is typically 70% of the value of the property, and ask for a cash deposit for the balance of the purchase price.

If you are looking to purchase a Commercial Property for your own occupation known as owner occupier, which can be purchased with a regular commercial mortgage or via a SIPP as a longer term investment or perhaps you wish to purchase a trading business or re-mortgage an existing property as an investor then speak to the experts within our team.

If you don't have the cash you can offer the lender additional security, which is typically other property which you have considerable equity in, but could be a charge over other assets such as an insurance policy or shares.

Commercial mortgages are typically from 3 to 25 years. Commercial mortgages can be on Capital Interest/ Interest only or a blend of those. Typically a rate will be quoted as X% over base or LIBOR, Fixed rate mortgages are available and for amounts under £500,000.

As ever, if you would like to discuss commercial mortgage funding with us, please do not hesitate to get in touch:
enquiries@hadriancapitalfinance.co.uk

Mark Dowell, Director



ABOUT COMMERCIAL MORTGAGE FINANCE

TYPES OF COMMERCIAL MORTGAGE

OWNER OCCUPIER

The borrower need to demonstrate serviceability of the loan from business profits and proof of additional income as secondary security may be offered

COMMERCIAL INVESTMENT

If the purchase is based on an investmet model then affordability will be based on rental incomes from the property.



Commercial mortgages can be harder to obtain than say regular Buy to Let mortgages for many reasons such as the cost of building s tends to be higher, the LTV's are normally slightly lower so more of your own cash is required. Experience is also deemed a requirement from lenders and getting on the first rung of the ladder can be the tricky part

1. COMMERCIAL MORTGAGE TERMS

Capital and interest repayment mortgages generally limited to 15 years investment and 20 years owner occupier.

2. REPAYMENT TYPES

Capital and Interest / Part and part / Interest only mortgages. Up to 75% LTV for residential property portfolios on interest only and up to 70% LTV on commercial assets interest only or 75% repayment mortgages.

3. LENDING CRITERIA

Most of the lenders in this arena are fairly similar and as well as lending on bricks and mortar Open Market Values and in the case of trading business will also look at the gross profitability of the incumbent business or the rental incomes from an investment point of view.

4. COMPLEXITY

Due to the complexity each case must be measured on it's individual merits.



"There are almost no commercial mortgages for a client who has no prior commercial landlord experience although note there are a few that will"

5. PENSIONS CAN BE USED TO PURCHASE COMMERCIAL PROPERTY

As a business owner, there are a number of ways you can utilise your pension fund you may not have considered such as buying commercial property.

Commercial property transfer to a pension is a specialist area and there are, of course, several key issues to be aware of: We have advisors that specialise and can give advice as well as assisting in transferring your pension into a SIPP or SSAS.

Permitted investments include business premises, factories, offices, shops etc., as well as hotels, care homes and prisons. Investment in student halls of residence is also permitted, but not flats or houses let to students.

GET IN TOUCH TO FIND OUT MORE - enquiries@hadriancapitalfinance.co.uk



If you want to secure commercial funding you will need pull several threads together so that the lender has a complete picture of the property asset and who they are lending to. Here's our guide to the essential steps investors/ occupiers should take to get their funding in place.

Here are the top five things an investor should do when applying for commercial finance:

1. MAKE A PROPER PLAN

Let's be clear about this, a list of figures haphazardly entered on to a spreadsheet is not a proper plan. Don't expect the lender to try to work out why the business stacks up. Numbers showing how you have arrived at the figures in a comprehensive business plan, the more concise and relevant information provided will give you the best chance of getting your loan.

2. BE REALISTIC ABOUT RENTAL INCOME AND YIELDS

Tempting as it may be, don't pluck figures out of the air based on nothing more than wishful thinking. Be realistic about property values and the likely rental income and back them up with empirical evidence, as that is what a valuer will do.



3. EXPLAIN THE PROJECT IN WRITING

Tell us why you have bought or are buying this property, in this location and for this price. Explain your thinking behind the particulars, what your tenant covenant is and what the rental incomes are. Support it with data and facts. Exit strategy may also be useful.

4. TELL US ABOUT YOURSELF AND YOUR TRACK RECORD

As well as being interested not just in the property or tenants but the people behind it. Who are you, who's on your team and what have you done before? etc. Give us as much information as possible. You need to be able to explain to us the reasons behind your figures

5. BE TRANSPARENT ABOUT YOUR PROFITS OR PROJECTED PROFIT

If the legal process, putting in place the security and the release of the funds are to go smoothly, there needs to be a relationship of trust between the lenders and their respective professionals. This starts with you being transparent with the lender and providing accurate information to them.



We refer many of our clients to primary lenders such as the high street banks along with challenger banks and other lending institutions when needed or indeed wished for and we enjoy excellent relationships with many of the leading players in the market. Here, we talk about our relationship with the lenders.

WHY USING A BROKER CAN HELP INVESTORS AND OWNER OCCUPIERS

There are many advantages for investors and business owners using a broker when trying to obtain property funding. In a nutshell, what they bring is experience in interpretation and presentation.

What we mean by interpretation is that brokers understand what lenders require. They know the information that needs to be included in an appraisal, how to do a desktop valuation and what biographical details about the cases lenders will want.

They also know which lenders to approach and how to present the relevant information in the best possible way. There is no doubt that a good broker adds value to both clients and brokers.

WORKING WITH COMERCIAL FUNDING LENDERS

Similarly, it is important to recognise that commercial lenders and brokers complement each other. We add value by introducing business to the right lenders that best suit the clients needs. To us, so it is a two-way relationship. We know what they are looking for and vice versa.

At the same time, commercial lenders do a different job to other lenders. In many instances, it will allow clients to do deals that would otherwise be out of their reach and in turn this enables these lenders to make loans that otherwise would have been denied to them.



Mark Dowell
DIRECTOR

From an engineering background and having ran my own businesses, I know how hard it can be and love to help others. We will do everything possible to deliver a solution to meet your finance needs in property and business. Based in Newcastle Upon Tyne we build relationships and endeavour to find the best funding solution for our clients.



Joy Dowell CeMAP
DIRECTOR

After 25 years of working in various customer service environments in both Finance and Retail I decided to take my passion for helping others into a Mortgage Advisory and commercial finance role. My past experience means I approach all my clients with a caring, personal approach and I strive to achieve the best results.



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