



DECEMBER 2021 | COMMERCIAL VIEW

FIDUCIA
COMMERCIAL SOLUTIONS



Fiducia Wishes Our Introducers, Network ARs and Partners
Seasons Greetings & A Healthy And Prosperous New Year



RESIDENTIAL PROPERTY INVESTMENT AND BUY TO LET

All Part Of The Day Job For Commercial Finance Brokers!

An easy assumption is that all Commercial Finance brokers would look at is commercial buildings – shops, offices, pubs, restaurants, factories etc. **But the term ‘commercial’ applies to the purpose, not the property.**

So, who can we help to fund residential Buy To Let properties for?

- Property in a personal name that is 100% for investment purposes, and NOT that was previously or intended to be lived in by the client or their close family
- Property that is in a limited company ‘special purpose vehicle’ (SPV) – basically a limited company set up to own, manage and let out properties
- Portfolio Landlords – owners of multiple properties, and these can be in personal or limited company names

What types of properties can we help fund?

- Standard BTL – houses, flats, bungalows etc
- HMO – Home of Multiple Occupancy – single property with multi tenants
- MUFB – Multi Unit Freehold Block – eg. Block of flats
- Holiday Lets

We custom fit rates and terms to your client, your client's property and the financials in each case – and share your client's 'best outcome' as our goal too.

THIS MONTH:

- Residential Investment Property Funded With Commercial Finance
- Commercial View with Ross Turrell, Commercial Director at CHL Mortgages
- What Is An HMO?
- Don't Leave BTL Funding to Chance
- Green Commercial Finance

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FIDUCIA'S COMMERCIAL VIEW



This Month:

Ross Turrell, Commercial Director at CHL Mortgages

Q: What are the issues currently that you are able to help clients address through your criteria and product range at CHL Mortgages, and how do you see the outlook for the residential investment property market in 2022 and beyond?

CHL Mortgages' Commercial View:

As we approach the end of what has been another testing year, it's worth taking stock of the past 12 months and see if there are any signs of how the buy-to-let market will perform in 2022.

Firstly, the rental market generates a huge amount of revenue and that doesn't look set to change in the foreseeable future. Recent research from Sequire Property Investment found that total rental income sits at over £69.4bn across the 2.2 million privately rented homes on an annual basis.

While we don't yet have any overall figures for buy-to-let in 2021, all the indicators are that the market will have improved on 2020, when gross buy-to-let mortgage lending to individuals and companies totalled £38.1 billion, down 12.4% on 2019 (UK Finance).

One of the buy-to-let market's strength is in its diversity of lenders. UK Finance reported that last year 38% of all buy-to-let lending was made by the largest banks, with the remaining 62% financed by building societies and specialist lenders. 2021 has seen a number of new specialist buy-to-let lenders enter the sector and it would therefore not be surprising to find that the specialist share of the market has increased over the past year. We expect the competition in the market to increase further.

The Private Rented Sector (PRS) has certainly performed well this year, all things considered. According to HomeLet, the average UK rent in August was up 6.9% on the same time last year, while strong rental demand and stock shortages have pushed rental prices sharply higher over recent months.

The Stamp Duty holiday was the key factor behind the sharp rise in residential completions in the second and third quarters of this year but the end of the holiday saw a predictable slump in residential activity. The buy-to-let market, while seeing an increase in activity over the same period, did not rise so sharply and so has not had such a fall at the end of the holiday. Rightmove found that over the entire course of the 15-month tax break investors purchased 12% of homes sold across the country. While this was up from an average of 11% during the 12 months before the holiday, it was noticeably off the 17% recorded in Q4 2015.

One factor behind the recent improvement in the letting market has been the change in fortunes in the London market, with the capital seeing rental increases for the past three months.

Another cause is the shift by some landlords towards holiday lets, as 'staycations' have boomed in popularity due the restrictions on international travel. This has also reduced the stock of homes in the PRS and thus caused rents to rise. Of course, one can easily foresee a rush to go abroad for some sun and a change of scene next year which could dampen domestic demand but if there's one thing we've learnt (and learnt the hard way) is that you never know when we're out of the woods with Covid.

So what about 2022? Rightmove has forecast that rents will rise by an average of 2.5% in 2022, following an increase of 3.0% this year. It believes that while rising yields may attract new investors, this could be offset by affordability issues caused by predicted interest rate rises.

There are no regulatory or tax changes on the horizon. Successive Chancellors have targeted the buy-to-let sector and hit landlords' bottom lines, but thankfully the recent Budget did not contain anything that would negatively affect investors.

While 2022 may well turn out to be a year of solid, rather than spectacular growth, we at CHL Mortgages have a real appetite to increase buy-to-let volumes next year. We have a strong proposition and see limited company buy-to-let to be a particular area of strength.

Our limited company rates are the same as those for individuals, while SPV, trading companies and Subsidiary Limited companies are all accepted. In addition, deposits can include directors' loans or inter-company loans.

All in all, market fundamentals are good, funding is strong and product choice is expanding. There's no reason to expect anything other than a decent 2022 for buy-to-let.

Ross Turrell, Commercial Director, CHL Mortgages.



WHAT IS AN HMO?

We Are Seeing A Lot Of Demand To Fund A 'House in Multiple Occupation'

A 'House in Multiple Occupation' is a property rented by 3 or more people not from a single household, and share facilities like bathrooms and kitchens. We are seeing a lot of demand for HMO mortgages, and for funding to convert standard BTL and properties to HMOs.

An HMO landlord will have some extra considerations:

- A large HMO is 5+ beds and requires council licensing in England and Wales
- PAC testing / Annual gas and electrical certificate / Fire safety and smoke detectors
- Increased levels of property management with a larger number of tenants

Returns and increased yield are attractive, Plus other benefits:

- High level of tenant demand
- Lower income vacancy rate issues where multiple tenants contribute to property's income
- Easily identifiable areas of increased demand, eg. Hospitals and Universities

HMOs come in all shapes and sizes – 3 beds to, well unlimited really – we saw a 51-bed property funded recently. Plenty of lenders will back you – but they all have different criteria on LTV, bed numbers, landlord experience etc.

When your client has searched the market for their perfect HMO investment property and leave all the leg work to us to find you the most suitable funding?

DON'T LEAVE BTL FUNDING TO CHANCE

We Can Help You Fund Almost All Types Of Investment Property.

We source Buy To Let mortgages for individuals, limited company SPVs and portfolio landlords with only one aim – their best outcome. We can help to fund almost all types of property, including – but not limited to:

- Houses, flats, studios, maisonettes and bungalows, incl. Ex-local authority
- Freehold or leasehold
- HMO – of all sizes & Multi-Unit Freehold Block (MUFB)
- Student Lets
- New Builds and Refurbs / Conversions

We can help a wide range of borrowers, including:

- Individuals, Limited companies or LLPs and Portfolio landlords
- Ages 21 for primary applicant – to age 95 at the end of an agreed mortgage term
- Experienced and first time BTL landlords considered
- Adverse credit considered on a case by case basis

We can access a whole of market panel of lenders to find the best mortgage deal for the property – we work with High Street banks, challenger banks and specialist lenders totally impartially. And we can often access rates and terms that are not available directly.

Don't take a Chance on your client's next BTL mortgage, and talk to us today about their requirements.

GREEN COMMERCIAL FINANCE

An Opportunity To Contribute To Collective Action On Climate Change.

If you work with trading businesses, property developers or property investors, had you realised that you were on the front line for action against climate change?

First the commercial issue – ‘what is it going to cost them?’ – The pandemic has been tough, and businesses, developers and investors are already seeing costs increasing.

The answer is nothing, and in fact the opposite; Green Commercial Finance incentivises your clients' expenditure to have a positive impact environmentally, and play their part.

Areas where incentives are available include, but are not limited to:

- Property development – Tools to help to enhance the energy performance of new build, converted or refurbished property
- Property investment – Enhanced rates applied to higher rated properties on energy performance, which are better for your tenants as well as the environment
- Vehicles and transport – Funding for investment in low carbon and all electric, including supporting charging infrastructure
- Renewable Energy – multiple sub sectors including Solar Power, Wind Power, Hydro Energy, Waste, Heat Pumps
- Reduction in waste and/or improvement in recycling ratios
- Investment in infrastructure, machinery, plant, property and processes to lower carbon and greenhouse gas emissions
- Support for companies who deliver positive environmental impacts for regional areas and communities
- Investment to improve water and energy efficiency
- Eco-efficient or circular economy activities

We are told that we are at the point where ‘putting change off’ will make that change too late. Your clients can play their part - ask us how they can use Green Commercial Finance in their business, development or property investment TODAY.

THE OPENWORK PARTNERSHIP AND THE FIDUCIA NETWORK



We value the long standing and close working relationship that we have with The Openwork Partnership, and all of our introducing partners in the network.

The Fiducia Network gives you the opportunity to work more broadly with commercial finance opportunities - by becoming a Fiducia Commercial Finance AR. In addition to Commercial, Investment and Development property finance, The Fiducia Network allows you to source Business Loans, Asset Finance and Leasing, Invoice Finance, Trade and Supply Chain Finance and much more for your clients.

