

NOVEMBER 2021 | COMMERCIAL VIEW



COMMERCIAL SOLUTIONS

Fiducia Commercial Solutions' Monthly Newsletter For  
Introducers, Network ARs and Partners



## **SEMI-COMMERCIAL: NON-STANDARD ONLY BY THEIR DIMENSIONS** **Does It Matter How The Property Is Divided? Well, Yes It Does To Lenders.**

Semi-Commercial properties aren't any sort of standard size, and aren't often split exactly 50-50 between commercial and residential elements. The majority of Semi-Commercial properties make up our high street landscape: they are retail, restaurants, take-aways or financial services with residential above.

Residential property remains hot, and the larger the residential element - in value, income or square footage depending on lender - the larger the LTV available to you.

- Some lenders need 60%+ of the property value to be in the residential
- Some lenders need 51%+ of the square footage to be residential
- If the residential rental income is enough to cover the required commercial mortgage then we work with lenders that can apply residential Buy To Let rates

So like our high street landscape, not many properties are the same, but it can be a diverse investment and there is lender appetite to support it.

We know who has appetite for what - why not ask us to match your client's unique property to the most suitable lender?

### **THIS MONTH:**

- **Semi-Commercial Property Investment**
- **Commercial View with Emily Machin, Head of Specialist Finance**  
**InterBay Commercial**
- **Commercial Investment Properties**
- **Fixing Your Commercial Mortgage Rate - The Ship Hasn't Sailed**
- **Commercial Owner Occupier Mortgages**

## **FIDUCIA'S COMMERCIAL VIEW** **This Month:**



**Emily Machin, Head of Specialist Finance**  
**InterBay Commercial**

**Q:** How do you view client appetite for investment in the commercial and semi-commercial sectors as the economy transitions out of the pandemic period and restrictions?  
And how is your product proposition positioned to meet client demand?

### **Emily Machin's Commercial View:**

Despite the challenges of the past 18 months, we've seen a strong level of enquiries and deals, particularly from professional investors looking to diversify. With the buy to let market becoming more professionalised in recent years, interest in semi-commercial and commercial has increased as canny investors explore different property asset classes and look to adopt different investment strategies.

We've seen a lot of interest in the tertiary end of the sector, for example out of town sites and mini-parades, and have seen an increase in enquiries for various asset classes in these areas. We've also seen a sharp rise in funding requests for warehouses and industrial units which I think can be put down to the explosion in internet shopping.

Going forward, I think all eyes will be on the high street and how it evolves over the next few years once the permitted development rights changes kick in. I believe that the high street is always evolving as our habits change, and the events of the last year or so have only hastened that. I think the high street will become more of a residential and cultural hub, which could mean more opportunities for semi-commercial landlords looking for mixed-use properties.

Fortunately, these sort of cases are our bread and butter and we've got vast amounts of experience in providing bespoke solutions for brokers. However challenging a case may seem, our in-house teams, including national sales team, real estate, completions and underwriting, work together to support borrowers with their lending goals.

As a prudent lender, we're always looking at the wider picture when making assessments, using our in-house real estate experts in terms of the asset and our experienced underwriting team when understanding borrower profiles. It puts us in a strong position going forward, because the market has become more complex than it was 18 months ago and we're keeping ourselves well prepared for the challenges.

To find out more, visit <https://www.interbay.co.uk/> or call 0345 878 7000.

## COMMERCIAL INVESTMENT PROPERTIES

### As Diverse And Varied As The Sectors And Businesses That Lease Them.

We are seeing increasing interest in Commercial Investment Mortgages - far from a single dimensional investment product, they are as diverse and varied as the sectors and businesses that lease the properties.

Two rules of thumb:

- An investor can gauge lender appetite by applying common sense - sectors that have thrived or grown during the pandemic will be preferred for example over office space, where many businesses have not yet fully returned, or have reduced their required space
- As opposed to Commercial Owner Occupier mortgages, the affordability is driven by the lease - so it is important for the investor to take account of the strength of the lease (sector of tenant, the amount being paid, remaining term) as much as the cost of the property

Commercial Investment Properties are attracting interest - industrial, manufacturing, warehouses, distribution - to name just a few of the 'hot sectors' attracting investment currently. The change in the make up of the UK economy post-pandemic another driver of interest - potential value to be found in some sectors or types of property maybe?

Why not see how we can help your client invest in a commercial property?

## FIXING YOUR COMMERCIAL MORTGAGE RATE

### Even With A Predicted Rate Hike In November, The Ship Won't Have Sailed

Without a fixed interest rate on a Commercial Mortgage what is it? You could say it's 'variable', or a margin to wherever the current Bank of England base rate is?

Both true, but it is also: **Changeable | Uncertain | Left to chance | A question mark | A toss of a coin | Out of your control**

It is likely to be one of, if not THE biggest, fixed overhead to a business - and if your clients don't currently have a fixed rate Commercial Mortgage then their repayments could increase if interest rates go up - at a time when so many other business costs are increasing out of their control.

**Even beyond a predicted rate hike in November, the ship will NOT have sailed on fixing a commercial mortgage rate in advance of any future interest rate rises.**

Clients will likely spend so much time planning for their business, and not leaving the way forward to chance. Why leave the cost of one of their biggest overheads to chance when you can do something about it for them - fix the interest rate of their Commercial Mortgage today.

## COMMERCIAL OWNER-OCCUPIER MORTGAGES

### We Can Fund The Roof Over Your Clients' Businesses.

Does your client run a Trading Business looking to Buy or Refinance Commercial premises?

We can help to source the Owner-Occupier Commercial Mortgage that is right for their company:

- To purchase the commercial premises they already operate under a lease
- To buy a new or additional commercial premises to operate from
- The purchase of a new business which includes a freehold commercial property
- To re-mortgage their commercial property from the existing mortgage provider
- To move to a fixed interest rate deal
- To release equity from their commercial property towards working capital or onward investment

The last year has caused a lot of businesses to review their finances, including the leases that they pay to a landlord. Is it a good time to pay their own mortgage and not their landlord's?

It may be that they are looking to refinance an existing mortgage – with so much upward pressure on costs for business that are out of your control, why not control the cost of their mortgage with a fixed rate?

The post-pandemic period has increased demand for many sectors and industries, and many companies 'pivoted' to different activities during the last 18 months; both could possibly now mean clients require increased space and capacity for their business.

We support clients from every sector of the economy to source suitable Commercial Mortgages and achieve the best outcome for their requirements and their business.

Why not talk to us about the roof over your clients' businesses?

### 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.**