



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



COMMERCIAL INVESTMENT PROPERTIES

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

We are seeing increasing interest in Commercial Investment Mortgages - 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?

THIS MONTH:

- **Commercial Investment Properties - As Diverse And Varied As The Tenants**
- **Commercial View: Current Conditions And Outlook for Commercial Investment**
Mike Davies, Head of Business Development, YBS Commercial Mortgages
- **Commercial Owner Occupier Mortgages - The Roof Over Your Clients' Businesses**
 - **Fixed Rate Commercial Mortgages - The Ship Still Hasn't Sailed**
 - **Semi-Commercial - Non-Standard Only By Their Dimensions**
 - **Lender Criteria - The Devil, And The Funding, Are In The Detail**

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YBS COMMERCIAL MORTGAGES

COMMERCIAL VIEW: CURRENT MARKET CONDITIONS, AND THE OUTLOOK FOR COMMERCIAL INVESTMENT.

Mike Davies, Head of Business Development at YBS Commercial Mortgages

Commercial investment has always been part of our bread and butter at YBS Commercial. However, in recent years, things have been shifting.

This is because of the boom in buy-to-let – largely fuelled by investor activity, which is driving up demand, as property investors look to residential properties as a potential safer investment bet than commercial property.

There's also the fact that much buy-to-let lending is fixed rate – not always the case for commercial investment products. This is tricky in an increasing rate environment, as borrowers search for certainty in an uncertain world.



As a lender, we've responded to the surge in buy-to-let business by making changes to our range to make them more accessible to the market, taking steps such as editing our criteria to ensure more borrowers qualify for a product, filling a gap in our lending policy; and extending our holiday lets and HMO propositions to personal applicants – opening them up to more borrowers who needed them.

However, despite the dominance of buy-to-let, for us at least, semi-commercial products have also been thriving. This may be because the residential income generated from this type of arrangement mitigates some of the perceived risk brought by the commercial element.

Looking ahead

With all this as a backdrop – what does the future hold for commercial investment?

Looking at the current picture, there's no doubt that the cost-of-living crisis will have an impact on the commercial investment market, albeit potentially further down the line – if people stop spending their money on leisure, for example. However, the crisis may also have a positive impact on other types of lending – like holiday lets, as Brits feel cautious about spending to go overseas, instead choosing to stay closer to home, as we saw during the pandemic.

COMMERCIAL VIEW (CONTD.)

As to the role of commercial investment in the future, the answer, in my opinion, is that it still has a key part to play. Demand for high quality commercial property is still high, and there are many areas of the economy where it is essential. For office space, perhaps albeit on a more flexible or reduced basis, but the need is still there - maybe even more so as workers return more frequently to the office to collaborate and network with their colleagues.

There's also the local economy to consider, as commercial investment helps to create local jobs, contributing to the government's levelling up agenda and regenerating the high street, perhaps facilitating the repurposing of empty buildings for facilities more suited to local need.

For us, yes, it's true that a large part of our focus so far this year has been on buy-to-let - but, with one eye on the future - lenders need to show their support for the commercial investment market and recognise its far-reaching potential.

COMMERCIAL OWNER-OCCUPIER MORTGAGES

We Can Fund The Roof Over Your Clients' Businesses

Are your clients a Trading Business looking to Buy or Refinance Commercial premises? We can help source the Owner Occupier Commercial Mortgage that is right for their company:

- Purchase the commercial premises they already operate under a lease
- Buy a new or additional commercial premises to operate from
- The purchase of a new business which includes a freehold commercial property
- Re-mortgage their commercial property from the existing mortgage provider
- Release equity funds for their business
- Fix the rate to protect against any further interest rate rises
- Get a better rate than their current deal

The last year has caused a lot of businesses to review their finances, including the leases that they pay to a landlord; whether they are paying £16k or £60k annually the comment is the same - they "will be better off owning their own space than paying all that rent".

It may be that they are looking to refinance their existing mortgage - and with so much having changed in the economy it could pay to see what is available to them from the whole of market, and not just what their existing lender can offer them?

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

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

FIXED RATE COMMERCIAL MORTGAGES

Even With 5 Rate Rises In The Rearview Mirror, The Ship Hasn't 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.

With price inflation pressures still increasing, is it likely that the next move in interest rates will still be upwards? The Bank of England expect inflation to now hit at least 11% this year.

Even with 5 rate rises already in the rearview mirror since December, 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.

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?

LENDER CRITERIA - THE DEVIL, AND THE FUNDING, ARE IN THE DETAIL

What are Lender Criteria? They are the details of what lenders will and what they won't accept about a borrower and their requirements when they present an application for funding, e.g:

- Sector – if involving a trading business, what sector are they in?
- What type of building/structure is it? (Commercial/Semi-Commercial/Residential/Land)
- Credit – Any adverse credit for either the company or the directors?

When we are asked for 'just a quick idea' of what is available for a client it is frustrating to either be told that we need to know more about them and their requirements – or to be told a very wide ballpark or range with a long list of caveats attached.

The temptation as a broker would be to quote what you know is available to someone out there, and then worry about finding someone who can justify that indication later. But that is not how we operate – and it does the potential client no favours.

So, we're sorry for wanting to know a bit more up front about the client and their requirements – but our answer will be based on their eligibility to current lender criteria. That indication of terms gives them a foundation to base business decisions on, and it's not the best rate available to someone, with us worrying about how we get that for them later!

THE FIDUCIA COMMERCIAL NETWORK OUR COMMERCIAL FINANCE APPOINTED REPRESENTATIVE NETWORK



A PARTNERSHIP WITH YOU THAT ENABLES YOU TO DELIVER SUITABLE
COMMERCIAL FUNDING SOLUTIONS - AND SO MUCH MORE

THE CORE COMMERCIAL NETWORK PROPOSITION

- FCA authorisation, including all regulatory reporting
- PI Insurance - a significant saving on its own
- NACFB membership - unlocks a whole of market panel of commercial finance lenders
- NO UPFRONT FEES to join the Fiducia Commercial Network

AND SO MUCH MORE!

- Training and set up support while your application is authorised
- Compliance, Admin and Finance support
- System support with a CRM and sourcing system plus white label documentation
- Full direct access to BDMs at our entire 'whole of market' lender panel
- Direct access to the internal Fiducia broking team for business support with your cases
- Access to the Fiducia brokers can include jointly working cases - ask for more details
- Monthly lender webinars for the network
- Monthly newsletter, and frequent news and product / rate updates from lenders

fiduciagroup.co.uk/commercial-network/

E-Mail Mark Grant at mark@fiduciagroup.co.uk, and start a conversation about how we can work together in commercial finance.

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