

HOW TO GET A COMMERCIAL MORTGAGE

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PortalTM

WHAT IS A COMMERCIAL MORTGAGE?

A commercial mortgage, sometimes called a business mortgage, is the financing needed to purchase or refinance a property used for business purposes.

A commercial mortgage is a loan secured against a fully or semi-commercial property. These loans can be used to purchase business premises or acquire an existing business. Examples include shopping centres, office buildings, industrial warehouses, or blocks of apartments.

WHY COMPARE COMMERCIAL MORTGAGES?



There is a marked difference between the commercial mortgages offered by high-street banks and specialist commercial mortgage lenders. This difference includes interest rate pricing and criteria:

- ✓ **Loan Amount:** A specialist lender may offer 75% of the property value, while a high street lender might only offer 50%.
- ✓ **Terms:** A high street lender may require repayment over 15 years, while a specialist lender may allow interest-only mortgages over a longer timeframe.

It's important to compare rates, terms, fees, and conditions to find the best deal for your business. Propp.io can help you shop around to optimise your deal.



TYPES OF COMMERCIAL MORTGAGES

1. Commercial Owner-Occupied Mortgage

This is for business owners who want to purchase their premises. Benefits include:

- ✓ Owning an appreciating asset instead of paying rent.
- ✓ Freedom from concerns about eviction, rent increases, or unwanted changes.

2. Commercial Buy-to-Let Mortgage

This is for investors looking to generate rental income from commercial properties. Investors may:

- ✓ Purchase properties using a commercial mortgage.
- ✓ Increase property value and rental yield by adapting the property to market demands.

WHAT KIND OF PROPERTY CAN BE PURCHASED?

Commercial mortgages can be used for a variety of properties, such as:

- Office buildings
- Shops
- Pubs
- Restaurants
- Industrial units
- Care homes



If you're looking to purchase or refinance a mixed-use property (e.g., a retail shop with a flat above), a semi-commercial mortgage may be required.

COSTS AND RATES OF COMMERCIAL MORTGAGES

How Much Can I Borrow?

The amount depends on your financial circumstances and the property's value. Loan-to-value (LTV) ratios typically range from 25% to 75%. For example, a mortgage of £200,000 for a £400,000 property reflects a 50% LTV.

Typical Costs

- ✓ Interest Rates: Commercial mortgage rates range from 5.5% to 9%, depending on factors like deposit size, property type, and loan term.
- ✓ Deposits: Generally, deposits range between 25% and 40%.

Fees to Consider

- ✓ Arrangement fees
- ✓ Exit fees (if exiting early)
- ✓ Application fees

Stamp Duty on Commercial Property

- Up to £150,000: No stamp duty.
- £150,001 to £250,000: 2% on the value above £150,000.
- Above £250,000: 5%.

Additional costs apply for leasehold properties or VAT-registered properties.



FACTORS THAT IMPACT MORTGAGE RATES

- ✓ Loan-to-Value (LTV): Higher deposits result in lower rates.
- ✓ Business Sector: Essential services like GP surgeries typically secure better rates than riskier sectors like retail or hospitality.
- ✓ Experience: Businesses with proven financial stability are rewarded with lower rates.
- ✓ Geographic Location: Rates may vary based on the property's location.
- ✓ Covenant Strength: For buy-to-let properties, tenants with strong financial standing help secure lower rates.



STEPS TO SECURE A COMMERCIAL MORTGAGE

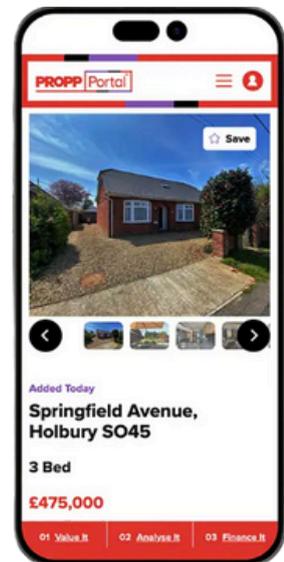
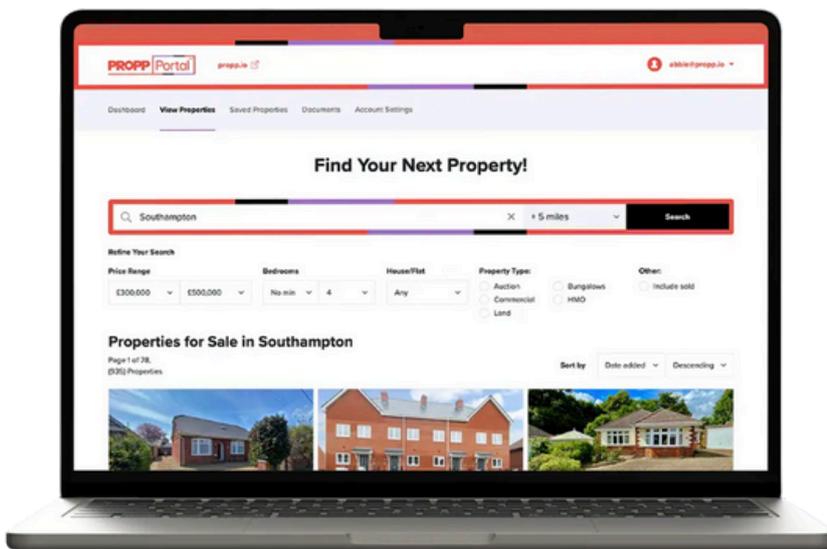
1. Assess Your Needs: Determine the property type, loan amount, and terms required.
 2. Compare Offers: Use tools like Propp.io to evaluate lenders and find the best deal.
 3. Submit Documentation: Provide business accounts, bank statements, and personal guarantees if required.
 4. Valuation and Legal Checks: An independent property valuation and legal due diligence are essential.
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CONCLUSION

Securing a commercial mortgage is a significant step in expanding your property investments.

By understanding the types of mortgages, comparing offers, and leveraging professional assistance, you can find a deal that aligns with your goals.

Platforms like Propp.io provide comparison tools and expert guidance to simplify the process.



NEXT STEPS

Consult with Propp's property finance experts to navigate the complexities of commercial property investment. Use our tools and services to ensure a seamless journey from selection to completion.

