



ASSET CLASS GUIDE: MIXED USE

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YOUR COMPLETE GUIDE TO MIXED USE INVESTMENTS IN THE UK

Against the backdrop of an increasingly tough residential buy-to-let market, many investors are turning to semi-commercial to bolster their portfolios.

Mixed Use developments offer a lucrative opportunity for investors for three core reasons:

- Diversified Income Streams
- Planning permission advantages
- Stronger Demand & Occupancy

This guide aims to provide essential insights for landlords looking to invest in warehouses, covering benefits, risks and lender expectations.



TABLE OF CONTENTS

**WHAT IS MIXED-USE PROPERTY
AS AN ASSET CLASS?** 01

**BENEFITS OF INVESTING IN
MIXED-USE** 02

**RISKS AND PITFALLS TO
CONSIDER** 03

**SECURING FINANCE FOR MIXED-
USE INVESTMENTS** 04

**INVESTMENT RETURNS:
YIELDS, RENTS & KEY METRICS** 05

NEXT STEPS 06

01

WHAT IS MIXED-USE PROPERTY AS AN ASSET CLASS?

Mixed-use properties combine residential, commercial, and sometimes industrial elements within a single development. They are commonly found in city centres, high streets, and increasingly in suburban areas.

TYPES OF MIXED-USE DEVELOPMENTS:

1. Residential & Retail

- Flats above shops or restaurants, common in urban areas.

2. Office & Retail

- Office spaces with ground-floor commercial tenants.

3. Live-Work Units

- Combined workspace and living areas, often for SMEs or freelancers.

4. Large-Scale Mixed Developments

- Complexes with residential, office, and retail spaces in one integrated community.

Mixed-use properties appeal to investors due to diversified income streams and strong tenant demand in prime locations.



02

BENEFITS OF INVESTING IN MIXED-USE

Diversified Income Streams

A mix of residential and commercial tenants reduces reliance on a single income source, improving financial stability.

Higher Yields

Mixed-use properties often provide better rental returns than single-use properties due to premium locations and tenant demand.

Stronger Demand & Occupancy

Retail spaces benefit from foot traffic generated by residential tenants, while residents enjoy convenient access to amenities.

Capital Growth Potential

Urban regeneration and mixed-use zoning trends increase property values over time.

Planning Advantages

Local councils increasingly favour mixed-use developments to promote sustainability, and changes to permitted development rights mean internal conversions can often go-ahead without the rigmarole of obtaining planning consent.



03

RISKS AND PITFALLS TO CONSIDER

Complex Management

Managing residential and commercial tenants requires experience and tailored lease agreements.

Lending Challenges

Some lenders classify mixed-use properties as commercial assets, affecting loan terms and LTV ratios.

Market Volatility

Retail spaces in mixed-use developments may be affected by economic downturns, reducing overall returns.

Planning & Regulation Constraints

Stricter planning permissions may limit redevelopment or change-of-use opportunities.

Tenant Turnover

Residential tenants typically have shorter leases than commercial tenants, increasing the risk of vacancies.



04**SECURING FINANCE FOR MIXED-USE INVESTMENTS****What do lenders look for in a mixed-use investment?****✓ Strong Tenant Mix and Stability:**

Lenders prefer mixed-use properties with a well-balanced mix of commercial and residential tenants. A stable tenant base with long-term leases, particularly from well-known businesses or high-demand residential units, reassures lenders about consistent rental income. They assess the financial health of commercial tenants and the demand for residential units to determine the risk profile of the investment.

✓ Location and Market Demand:

The property's location is a major factor in securing finance. Lenders favour properties situated in high-demand urban or suburban locations with strong footfall, easy accessibility, and a vibrant local economy. They analyse local vacancy rates, rental growth trends, and future development plans to ensure that the investment has long-term sustainability and appreciation potential.

✓ Financial Viability and Cash Flow:

Lenders require detailed financial projections, including rental income, operating costs, and potential yield. A property with a positive cash flow, high occupancy rates, and steady demand will be more appealing. Lenders assess gross rental yield, net operating income, and loan-to-value ratios to determine the financial health and risk level of the investment before offering loan terms.

✓ Planning and Compliance History:

Lenders scrutinise whether the property meets all planning and regulatory requirements. Any history of planning disputes, zoning changes, or non-compliance can be a red flag. Investors should provide full documentation showing proper approvals, licenses, and adherence to safety and building codes. Demonstrating a strong compliance history reassures lenders and increases the likelihood of securing financing on favourable terms.

A GUIDE TO SECURING FINANCE

1

Step 1: Understand Loan Terms

Familiarise yourself with market LTVs, interest rates, and repayment periods. Most lenders offer competitive rates for warehouses with stable tenants and long leases.

2

Step 2: Prepare Key Documentation

Gather essential information, including:

- Tenant lease agreements
- Property history (including previous uses)
- Financial records and cash flow projections

3

Step 3: Build a Strong Business Case

Highlight key factors such as:

- Stability and reputation of tenants
- Demand for similar properties in the area
- Future rental potential and market trends

4

Step 4: Choose the Right Lender

Working with a specialist broker who lives and breathes the commercial market will ensure you're matched with the right lender. We'll compare the whole market for you so you can ensure you get the best deal. We like to explain the pros and cons of each option so you can make an educated decision for yourself.

5

Step 5: Source your 25-30% Deposit

Most lenders offer up to 70% LTV, with potential for 75% in prime locations with stable tenants. This allows investors to leverage their capital effectively while maintaining manageable risk levels.

05

INVESTMENT RETURNS: YIELDS, RENTS & KEY METRICS

Average Yields

- Mixed-Use Properties: 5% to 7% depending on location.
- Residential-Only: 3% to 5%.
- Commercial-Only: Varies widely (4% to 8%).

Rental Income by Asset Type

- Mixed-Use Retail Units: £25-£60 per sq. ft. (varies by location).
- Mixed-Use Office units: £15-£40 per sq. ft.
- Residential units: £1,000-£3,000 per month depending on region.

Rental Growth – 4-6%

Mixed-use rental growth has averaged 4-6% per year, driven by strong demand in urban centres.

Capital Growth Potential – 5-8%

Urban mixed-use properties have seen annual value increases of 5-8%, outperforming traditional residential and retail investments. There are also additional benefits to be gained from converting disused commercial spaces to residential under permitted development rights.

Occupancy Rates

- Prime locations: Over 95% occupancy
- Suburban & emerging areas: 85-90% occupancy



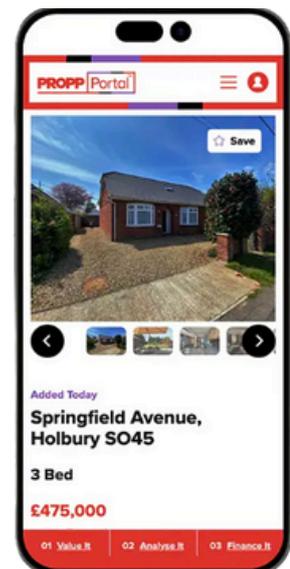
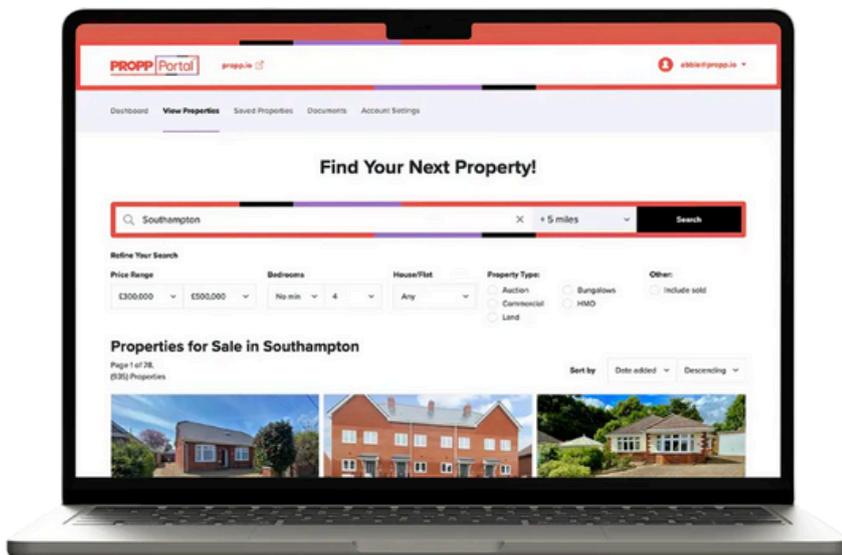
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STEP 03

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NEXT STEPS

Investing in mixed-use properties offers stability, strong yields, and capital appreciation, but careful planning is required. Understanding lender expectations and mitigating risks is critical. Partner with a trusted commercial finance broker to navigate the process and unlock the potential of semi-commercial investments.



hello@propp.io

01489 346 788

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