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Commercial Property Investment Finance

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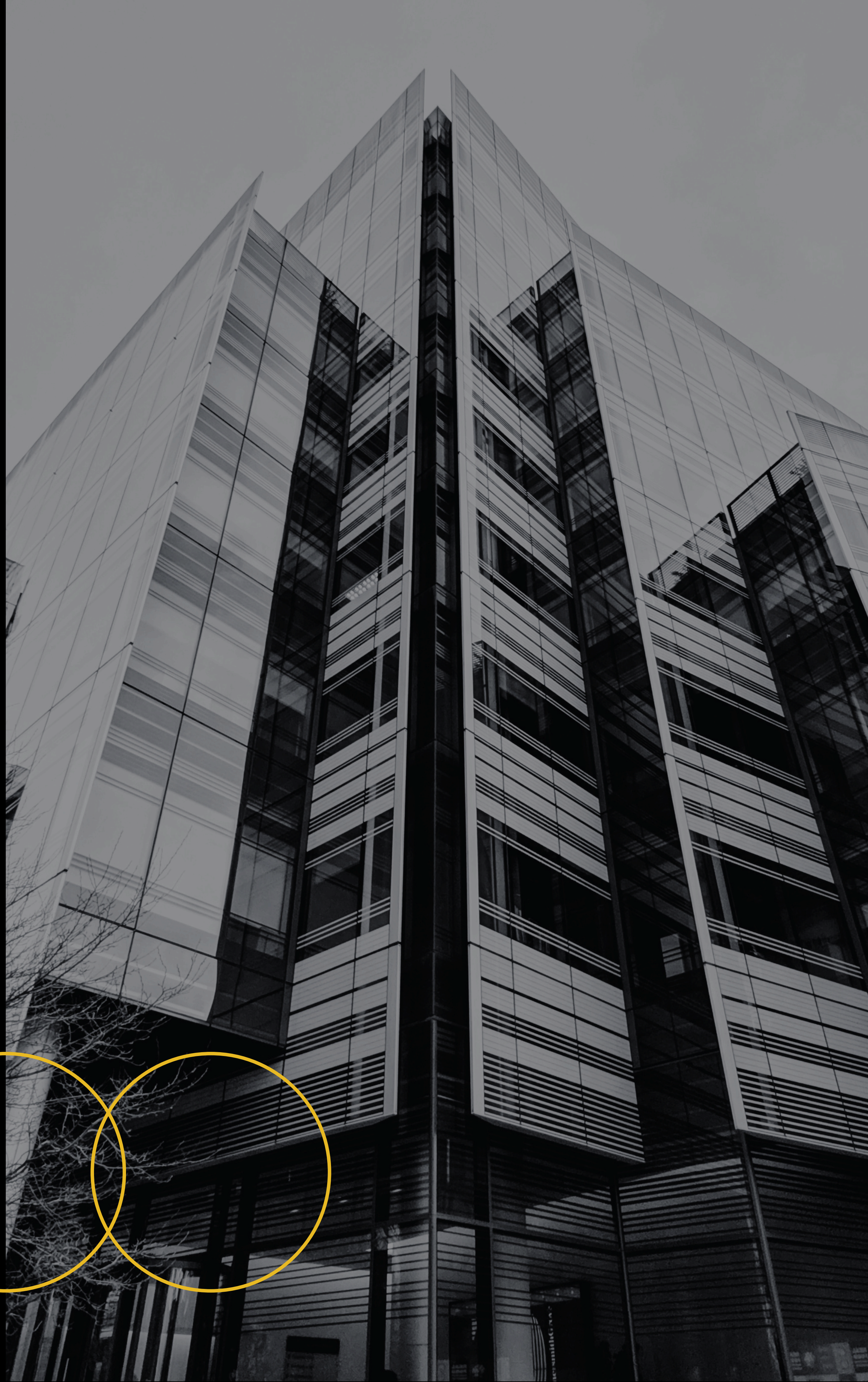

Executive Summary

Vacant Possession vs Investment Value

Commercial property valuation hinges on vacant possession and investment bases, allowing buyers to secure VP value while enhancing investment through WAULT of 6+ years and credible tenant covenants.

Creating Equity

VP value reflects potential worth without income, while investment value accounts for rent and tenant quality. Buying near VP value can create equity if the income stream justifies the uplift.

Ensuring Income Durability

WAULT (weighted average unexpired lease term) indicates income durability. A minimum of 6+ years enhances credibility, giving lenders confidence while tenant covenant strength impacts rent collection reliability.

How Finanze Helps

Optimizing Investment

Finanze analyzes cases where purchase prices reflect VP pricing while supporting investment value. Funding reduces borrower deposits and facilitates acquisitions, preserving capital for efficient deployment and growth.

Income-Backed Underwriting

Finanze's approach diverges from generic bridging by emphasizing thorough analysis of rent and leases, ensuring investment value is sustainable and backed by credible income, not merely purchase price.

Strategic Acquisition

Clarifying VP value reflects vacant property, while investment value considers rent, lease terms, WAULT, and market yield. Purchasing near VP value can reduce deposit requirements when assessed correctly.

Funding Waterfall

Step-by-Step Financial Flow

Purchase Price Logic

Establish the purchase price and vacant possession value logic to understand the baseline for investment and leverage potential, providing clarity on initial financing needs.

Investment Value Assessment

Assess investment value based on rent, WAULT, tenant covenant, and yield evidence to ensure a strong financial foundation for the investment and its sustainability.

Finanze Advance Rate

Apply 65% to the investment value (180d), deducting costs to determine the net facility, while stress-testing rent collection and exit scenarios for comprehensive risk management.

Worked Example

Understanding a Investment Lend

This example illustrates how an office in London was funded with minimal deposit.

Single Tenant

Acquired near VP value with a **credible tenant** and WAULT above 6 years; investment valuation capitalizes on rent at market-supported yield, creating higher value than purchase price.

Facility Sizing

Facility sized against investment value covers a **larger proportion** of purchase price, ensuring a more effective utilization of financial resources for the investor.

Property Details	
Investment Value (180d)	£8,500,000.00
Purchase Price	£5,000,000.00
Purpose of Loan	Purchase
Exit	Sale/Refinance

Loan Terms	
Interest Rate (p/m)	0.99%
Default Rate (p/m)	1.98%
Interest Type	Retained
LTMV	65.00%
LTPP	82.02%
Term (months)	24

Loan Financials	
Gross Loan:	**£5,525,000.00**
Less Arrangement Fee	£110,500.00
Less Administration Fee	£999.00
Less Interest Retained	£1,312,740.00
Less Broker Fee	£0.00
NET LOAN	**£4,100,761.00**
Monthly Servicing	£0.00
Exit Fee	1.00%

Supporting your case

Evidence and Potential Pitfalls

Strong Evidence

Investment comparables with similar lease terms and covenant, alongside yield evidence that matches asset type, tenant strength, WAULT, and rent level, are essential for valuation support.

Key Risks

Risks such as over-rented income, weak covenants, breaks, specialist use, capex requirements, and EPC upgrade costs can significantly impact investment value and must be carefully analyzed.

Valuation Pack

The valuation pack should effectively bridge from VP to investment value, utilizing substantial evidence to support investment decisions while highlighting potential risks involved in the process.

Lease, Tenant and Property Due Diligence

Comprehensive Review Process for Quality Assurance

Lease Review

Thoroughly examine lease expiry dates, WAULT, breaks, rent reviews, and repairing obligations to ensure all service charge recoveries are clear and any arrears or concessions are documented.

Tenant Assessment

Evaluate tenant accounts, focusing on sector resilience, payment history, and the significance of the premises to understand their financial stability and commitment to the lease.

Property Evaluation

Conduct a detailed review of the location, use class, condition, EPC, and compliance status, while also assessing planning and title issues along with reletting prospects for future viability.

Exit Routes and Cost Stack

Strategies for Financial Realization

Exit Routes

Potential exit routes include commercial refinance, sale to an investor, portfolio refinance, or a retained income strategy; repositioning or reletting may also be necessary to optimize returns.

Cost Modelling

It is essential to model the purchase price, acquisition costs, valuation, legal, broker, arrangement fees, and interest to accurately assess overall financial commitments involved in the deal.

Comprehensive Costs

Include capex, EPC works, repairs, insurance, service charge shortfalls, void risk, and reletting costs to determine the net cash required and the refinance position post-exit.

What Finanze needs

Essential Information for Underwriting

Property Details

Provide the property address, asset type, purchase price, and completion timetable, along with estimates for both vacant possession and investment value to assess potential.

Tenancy Schedule

Include a detailed tenancy schedule containing information on rent, lease expiry, breaks, reviews, and WAULT, plus tenant covenant data and any payment history or arrears.

Borrower Profile

Supply the borrower profile, including any works or capex plans, liquidity situation, assets and liabilities, and the intended exit route for a comprehensive assessment.

Ready to Discuss Your Investment?

Connect with us for tailored financing solutions

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