

# A beginners guide to commercial mortgages

Blog

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Commercial mortgages play a crucial role in supporting businesses' growth and expansion in the UK. Whether you are a small business owner looking to purchase a property or a seasoned entrepreneur planning to expand your operations, or a professional landlord with residential investment properties, understanding commercial mortgages is essential. In this beginner's guide, we will walk you through the key aspects of commercial mortgages, helping you make informed decisions for your business's financial needs. As well as introducing you to TAB's new product, TAB Mortgage.

## What is a commercial mortgage?

They are a specialised type of loan designed to assist businesses in acquiring or refinancing properties specifically used for commercial purposes. While residential mortgages cater to individual homeowners, commercial mortgages cater to the distinct requirements of businesses or professional

landlords seeking to secure properties for their operations. Such properties encompass a wide range of real estate assets, such as office buildings, warehouses, retail spaces, industrial units, residential properties for income and other commercial spaces that serve as vital infrastructures for business activities. The primary distinction between residential and commercial mortgages lies in their intended use and the considerations taken into account during the loan application process.

Unlike residential mortgages, which primarily evaluate the borrower's personal creditworthiness and income, commercial mortgage lenders primarily assess the financial health and creditworthiness of the business itself. The lender will also consider the property's potential income-generating capacity and its overall value as a commercial asset. The terms and conditions of a commercial mortgage are often tailored to suit the unique circumstances of each business, accounting for factors like the industry's stability, the company's financial history, and the specific use of the property. Whether it's a startup looking to acquire its first office space or an established enterprise seeking to expand its operational footprint, a commercial mortgage offers businesses the opportunity to invest in their growth and secure essential properties crucial to their success.

### **TAB Mortgage 101:**

TAB Mortgage is designed as a [commercial term debt](#) solution for professional landlords that promotes sustainability while providing efficient commercial financing solutions at bridging speed.

TAB Mortgage offers the most comprehensive ESG green mortgage product, specifically designed to support professional landlords in achieving their long-term sustainability goals. Our innovative commercial mortgage provides bridging-speed term debt with no upfront fees, accommodating any type of income-producing commercial property with a term ranging from three to 10 years. TAB Mortgage can be against [residential investment](#) properties or commercial assets.

The mortgage also encourages positive ESG outcomes by offering a discount on exit fees to borrowers who demonstrate agreed results in three categories: EPC, sustainability, and social aspects. By investing in sustainable property upgrades, borrowers not only benefit their businesses but also contribute positively to the environment and society. However, it's essential to note that TAB loans are unregulated, and failure to keep up with payments may put the secured property at risk of repossession.

## **Am I eligible for a commercial mortgage?**

To qualify for a commercial mortgage in the UK, lenders typically assess various factors, such as:

**Business performance:** Lenders will evaluate your business's financial stability, profitability, and credit history. A strong track record of financial performance will increase your chances of approval.

**Deposit:** Commercial mortgages typically require a higher deposit compared to home mortgages.

**Repayment ability:** Lenders will analyse your business's ability to repay the loan based on its cash flow and projected income.

## **What are the interest rates and terms associated with commercial mortgages?**

Interest rates for commercial mortgages can be fixed or variable. Fixed rates provide stability in monthly payments, while variable rates can fluctuate with market conditions. The interest rates offered will depend on factors such as the loan amount, deposit, and the term of the mortgage.

Commercial mortgages typically have terms ranging from three to 25 years, and in some cases, lenders may offer longer terms. The repayment structure may involve monthly instalments, quarterly payments, or tailored to match your business's seasonal cash flow.

## **Are there any additional costs and fees involved?**

Besides the interest rate, there are other costs associated with a commercial mortgage, including:

**Arrangement fees:** Lenders may charge an arrangement fee to cover administrative costs involved in setting up the mortgage.

**Valuation fees:** A valuation of the property is necessary for the lender to assess its worth. The borrower usually covers this expense.

**Legal fees:** Legal professionals are involved in the mortgage process, and their fees are the responsibility of the borrower.

**Exit fees:** Some lenders may charge an exit fee when you repay the mortgage in full.

## **Can I get a commercial mortgage?**

Absolutely! At TAB Mortgage, we offer commercial mortgages tailored to suit your specific needs. Whether you are looking to purchase a new commercial property, refinance an existing one, or expand your business, we have a range of solutions to help you secure the funding you require.

### **What is the first step?**

Obtaining a commercial mortgage is a significant financial decision for your business. Therefore, it's advisable to seek advice from mortgage brokers or financial advisors with experience in commercial lending. They can help you navigate the complexities of the process and find the best deals tailored to your business needs.

This article is for information only and does not constitute advice or a personal recommendation. When it comes to online activity it is important to be cautious and seek appropriate professional advice.

**Capital is at risk.** Property values can go down as well as up. Borrowers may default and investments may not perform as expected. Interest and income are not guaranteed. Returns may vary. You should not invest more than you can afford to lose. TAB is not authorised by the Financial Conduct Authority. Investments are not regulated and you will have no access to the Financial Services Compensation Scheme (FSCS) or the Financial Ombudsman Service (FOS). Past performance and forecasts are not reliable indicators of future results and should not be relied on. Forecasts are based on TAB's own internal calculations and opinions and may change. Investments are illiquid. Once invested, you are committed for the full term. Tax treatment depends on individual circumstances and may change.

You are advised to obtain appropriate tax or investment advice where necessary. Understand more about the key risks [here](#).

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