

8 February 2024

# Commercial mortgages product guide



## Key lending criteria

<b>Borrower type</b>	UK registered Limited Companies, LLPs, Partnerships and Sole Traders.
<b>Loan size</b>	£150,000 to £10 million
<b>Term</b>	5 to 25 years. Interest only products maximum 5 years.
<b>Base Rate type</b>	Variable – Bank of England Base Rate (subject to a minimum Base Rate of 1.5%)  Fixed – reverts to a margin above Bank of England Base Rate equal to the fixed rate less 1.5%, subject to a Base Rate floor of 1.5%
<b>Security</b>	First charge over Freehold & Long Leasehold Property in England, Scotland & Wales  Debentures and guarantees on a case by case basis



## Commercial investment

### Available discounts



#### Energy efficiency discount

0.25% for EPC rating A-C evidenced at application.

OR



#### Large loan discount

Discount of 0.25% for loans of £750k or over.  
Available for variable and fixed rate loans.

All discounts are available for variable and fixed rate loans.

#### Repayment type

Capital & Interest

Interest Only (5-year term)

#### Debt Service Cover

Variable - 130% using gross rent at margin, plus Base Rate plus 1.5%

Fixed - 130% at pay rate. Interest only loans must evidence affordability over a 25-year amortising term

### Commercial

LTV	Up to £2 million		Over £2 million
	Up to 60%	60.01-75%	Up to 65%*
5-year fixed	8.25%	Please see following page	8.00%
Variable (margin over Base Rate)	4.80%		4.50%

\*The large loan discount is already applied

### Semi-commercial

50-80% residential

LTV	Up to 60%	Up to 70%	Over 70%
5-year fixed	6.20%	6.90%	7.10%
Variable (margin over Base Rate)	2.25%	3.00%	3.50%

Semi-commercial apportionment is defined by percentage of floor space across a semi-commercial property or portfolio (confirmed at valuation). The residential element must not exceed 80%, and must be capable of being let on a separate assured shorthold tenancy. The commercial element must be not less than 20%. Properties less than 50% residential will be classed as commercial from a product perspective.

## Commercial investment

Supported by the Recovery Loan Scheme guarantee

### Available discounts



#### Energy efficiency discount

0.25% for EPC rating A-C evidenced at application.

OR



#### Large loan discount

Discount of 0.25% for loans of £750k or over.  
Available for variable and fixed rate loans.

All discounts are available for variable and fixed rate loans.

#### Repayment type

Interest Only (5-year term)

#### Debt Service Cover

Variable - 130% using gross rent at margin, plus Base Rate plus 1.5%

Fixed - 130% at pay rate. Interest only loans must evidence affordability over a 25-year amortising term

### Commercial investment up to £2m

LTV	Up to 60%	60.01-70%	Over 70%
5-year fixed	Please see previous page	8.25%	8.40%
Variable (margin over Base Rate)		4.80%	4.95%

Commercial investment mortgages, backed by the Recovery Loan Scheme guarantee, are available on a 5-year interest-only term.

**Please ensure you have completed and submitted the RLS Questionnaire alongside your application**

## Owner-occupied

### Available discounts



#### Energy efficiency discount

0.25% for EPC rating A-C evidenced at application.

OR



#### Large loan discount

Discount of 0.25% for loans of £750k or over.



#### Additional discount

An additional 0.25% discount will apply if 200% Debt Service Cover can be evidenced at application.

All discounts are available for variable and fixed rate loans.

#### Repayment type

Capital & Interest

Up to 2 year capital repayment holiday available

#### Debt Service Cover

Variable - 130% using adjusted EBITDA at margin, plus Base Rate plus 1.5%

Fixed - 130% at pay rate using adjusted EBITDA

### Commercial

LTV	Up to 60%	Up to 70%	Over 70%
5-year fixed	7.15%	7.50%	7.85%
Variable (margin over Base Rate)	3.10%	3.45%	3.80%

### Semi-commercial

50-80% residential

LTV	Up to 60%	Up to 70%	Over 70%
5-year fixed	6.10%	6.45%	6.80%
Variable (margin over Base Rate)	2.00%	2.35%	2.70%

## Interest-only, owner-occupied

Supported by the Recovery Loan  
Scheme guarantee

### Product criteria



#### Debt Service Cover

Minimum of 130% assessed on a 25-year  
capital & interest profile.

#### Repayment type

Interest only (5-year term)

### Pricing

LTV	Up to 70%	Over 70%
5-year fixed	7.90%	8.00%

### Product terms

Borrower type	UK registered Limited Companies, LLPs, Partnerships and Sole Traders. Owner occupiers only
Loan size	£150,000 to £2,000,000
Term	5 years
Rate type	Fixed
Security	First charge over Freehold & Long Leasehold Property in England, Scotland & Wales  Debentures – case by case Guarantees – case by case

Please ensure you have completed and submitted  
the RLS Questionnaire alongside your application



## Owner-occupied hotels

### Available discounts



#### Energy efficiency discount

0.25% for EPC rating A-C evidenced at application.

OR



#### Large loan discount

Discount of 0.25% for loans of £750k or over.



#### Additional discount

An additional 0.25% discount will apply if 200% Debt Service Cover can be evidenced at application.

All discounts are available for variable and fixed rate loans.

### Up to £1.5m

Debt service cover	LTV – VP	LTV – MV
130%-200% debt service cover	70%	65%
>200% debt service cover	80%	65%

### Over £1.5m

Debt service cover	LTV – VP	LTV – MV
Branded hotel	100%	65%
Unbranded hotel	90%	65%

### Pricing

Loan to VP value	Up to 60%	Up to 70%	Up to 80%	Up to 90%	Up to 100%
Fixed rate	7.15%	7.50%	7.85%	8.10%	8.35%
Variable margin	3.10%	3.45%	3.80%	4.05%	4.30%

### Product criteria

- Management accounts to be provided on a quarterly basis for loans over £1.5m
- Loan over 80% of VP value and must be fully amortising from day 1
- Personal guarantee to be given for any amount in excess of 70% of VP value

## Healthcare – care homes

Experienced elderly residential and nursing home operators, and first-time buyers

### Repayment type

Capital & Interest

Up to 2 year capital repayment holiday available

### Debt Service Cover

#### Experienced operators:

- min 20 bedrooms – 150% EBITDA/ 125% CFADS
- min 40 bedrooms (across multiple assets – min 20 bed rule applies) – 150% EBITDA/ 120% CFADS

#### First-time buyers/ new entrants:

150% EBITDA/ 140% CFADS

### Minimum number of bedrooms

20

### Experienced operators (a minimum of two years as care home owner-operator)



Loan size for experienced operators: £500,000 to £10m (subject to a maximum of 5.0x EBITDA)



Loan-to-value for experienced operators: up to 70% MV and 100% MV2, whichever is lower

- Margins are above Bank of England Base Rate (subject to a minimum Base Rate of 1.5%)
- Interest Rate Margins are subject to status and due diligence
- Extending above 90% MV2: considered subject to borrower profile, valuation and DSCR
- For care home transactions, please speak with your BDM/ SRM for full details on required information

\*MV2\* - Market Value on the special assumption that property is open, accounts are not available and restricted sales period of 9 months.

Product	Rate	Maximum loan term
Up to 70% MV/ 90% MV2	3.00%	25 years (20 years for non-purpose built)
Up to 70% MV/ 100% MV2	3.50%	15 years

### First-time buyers/ new entrants (operator with less than two years experience/first-time buyer)



Loan size for first-time buyers/ new entrants: £500,000 to £5m (subject to a maximum of 5.0x EBITDA)



Loan-to-value for first-time buyers/ new entrants: up to 70% MV and 100% MV3, whichever is lower

- Margins are above Bank of England Base Rate (subject to a minimum Base Rate of 1.5%)
- Interest Rate Margins are subject to status and due diligence
- Extending above 90% MV3: considered subject to borrower profile, valuation and DSCR
- For care home transactions, please speak with your BDM/ SRM for full details on required information

\*MV3\* – Market Value on the value of the property closed with no trading accounts.

Product	Rate	Maximum loan term
Up to 70% MV/ 90% MV3	3.75%	25 Years (20 years for non-purpose built)
Up to 70% MV/ 100% MV3	4.00%	25 years (20 years for non-purpose built)



## Healthcare – care homes

### Specialist care operators

#### Repayment type

Capital & Interest

Up to 2 year capital repayment holiday available

#### Debt Service Cover

150% EBITDA/ 125% CFADS

#### Minimum number of care homes

3

**Specialist care operators** (a minimum of five years as care home owner-operator, strong links to regulatory bodies and mature operational team)



**Loan size for specialist operators:** £500,000 to £10m (subject to a maximum of 5.0x EBITDA)



**Loan-to-value for specialist operators:** Lower of 70% MV1 or 120% MV3

- Margins are above Bank of England Base Rate (subject to a minimum Base Rate of 1.5%)
- Interest Rate Margins are subject to status and due diligence
- Extending above 100% MV3 subject to borrower profile, valuation and DSCR
- For care home transactions, please speak with your BDM/ SRM for full details on required information

#### Specialist care operators:

- Children's learning disability care – 5-18 years with complex needs ranging from lower acuity social, emotional and mental health issues (SEMH) through to more complex acquired brain injury/ autistic spectrum conditions (ABI/ ASC).
- Adult learning disability residential care
- Adult supported living (where operator owns the freehold assets)

Product	Rate	Maximum loan term
Up to 70% MV/ 80% MV3	3.00%	18 years
Up to 70% MV/ 100% MV3	3.25%	15 years
Up to 70% MV/ 120% MV3	3.50%	15 years

## Healthcare – children's day nursery owner-occupied

Experienced operators and  
first-time buyers

### Repayment type

Capital & Interest

Up to 2 year capital repayment holiday available

### Debt Service Cover

130% EBITDA

### Term

Up to 20 years

### Minimum number of registered places

40

### Experienced operators (a minimum of two years as children's day nursery owner-operator)



Loan size for experienced operators:  
£500,000 to £10m



Loan-to-value for experienced operators: up to  
70% MV and 100% MV2, whichever is lower

- Margins are above Bank of England Base Rate (subject to a minimum Base Rate of 1.5%)
- Interest Rate Margins are subject to status and due diligence
- Extending above 90% MV2: considered subject to borrower profile, valuation and DSCR
- For care home transactions, please speak with your BDM/ SRM for full details on required information

'MV2' - Market Value on the special assumption that property is open, accounts are not available and restricted sales period of 9 months.

Product	Rate	Maximum loan term
Up to 70% MV/ 90% MV2	3.00%	20 years
Up to 70% MV/ 100% MV2	3.50%	15 years

### First-time buyers/ new entrants (operator with at least three years of direct experience working in a childcare setting or suitable academic qualifications)



Loan size for first-time buyers/ new entrants:  
£500,000 to £5m



Loan-to-value for first-time buyers/ new entrants:  
up to 70% MV and 100% MV3, whichever is lower

- Margins are above Bank of England Base Rate (subject to a minimum Base Rate of 1.5%)
- Interest Rate Margins are subject to status and due diligence
- Extending above 90% MV3: considered subject to borrower profile, valuation and DSCR
- For care home transactions, please speak with your BDM/ SRM for full details on required information

'MV3' - Market Value on the value of the property closed with no trading accounts.

Product	Rate	Maximum loan term
Up to 70% MV/ 90% MV3	3.75%	20 years
Up to 70% MV/ 100% MV3	4.00%	20 years

## Property type

### Standard property

	Standard investment & owner-occupied	Owner-occupied with 2 x DSC
	VP	VP
Factories	75%	80%
Food outlets - takeaway	70%	70%
Garages/ vehicle showrooms	75%	75%
Holiday lets	75%	80%
Industrial units	75%	80%
Mixed use/ multi- let (exc residential and retail)	75%	80%
Offices	75%	80%
Retail units (lock up)	75%	80%
Retail units with commercial uppers	75%	80%
Retail units with residential uppers	75%	80%
Student accommodation*	60%	-
Warehouses	75%	80%

\* Student accommodation properties are classed as commercial investment.

### Trading property

	Investment	Owner-occupied	
	VP	VP	MV1
Children's day nurseries	75%	See healthcare – children's day nursery (page 9)	
Convenience stores	75%	80%	70%
Food outlets - restaurant	70%	70%	65%
Guest houses/ B&Bs	70%	70%	65%
Hotels	70%	See owner-occupied hotels (page 6)	
Professional practices	75%	80%	70%
Leisure	70%	70%	60%
Public houses	70%	70%	65%

All loan to values above are maximums and are subject to credit view on quality of the asset and other factors of the application

VP - Vacant possession

## Mandatory information checklist

What you'll need to start an application:

- ✓ Company/ business details
- ✓ Details of the officer applying on behalf of the business - full name, DOB, and address details (address to cover min 3 years) and email/ mobile details
- ✓ Property address, estimated value, age, freehold/ leasehold, and type
- ✓ Details of tenant and lease terms (name, rent, start/ break/ expiry date)
- ✓ Product details - term, repayment profile, how Arrangement Fee is to be paid
- ✓ Affordability - turnover/ EBITDA/ rent
- ✓ Details of any other income sources

At this point you can choose to submit for a Decision in Principle or continue with a full application. For a full application you will need:

	Investment	Owner-occupied
Historical financial/ income information - last 2 year's financial accounts (to include detailed profit and Loss and Balance sheet) - excludes newly formed SPV's	✓	✓
Up to date financial/ accounting information - Management Accounts		✓
Full tax returns of Ultimate Beneficial Owners/ Applicants	✓	✓
Bank statements - personal - last 3 months	✓	✓
Bank statements - business - last 3 months	✓	✓
<u>Debt schedule</u> (to cover external debt with more than 1 facility)		✓
A Proposal Summary which must include: <ul style="list-style-type: none"> <li>the structure of the loan (eg. Newco, OpCo/ PropCo)</li> <li>evidence of affordability (show how EBITDA has been calculated)</li> <li>background experience of the directors/ partners/ individuals</li> <li>brief description of the security property</li> <li>an overview of how rising prices and energy/ fuel costs have affected business/ tenant performance and how has this been managed</li> </ul>		✓
A Proposal Summary which must include: <ul style="list-style-type: none"> <li>tenant performance over last 12 months to include - rental voids, rental arrears and any management expenses incurred</li> <li>background experience of the directors/ partners/ individuals/ purpose of funds (if Capital Raise)</li> <li>brief description of the security property</li> </ul>	✓	
<u>Property schedule</u>	✓	
<u>Assets, Liabilities, Income and Expense Report (ALIE)</u>	✓	✓
Nominated Bank account details	✓	✓
Amount and Source of Deposit contribution	✓	✓
<u>Allica Bank, Recovery Loan Scheme customer questionnaire</u>		✓
Justification of RLS product being required		✓

## Fees and charges

<b>Fees</b>	<p>Arrangement fee – 2%, which can be added to the loan for loans up to £3m  <b>Promotion</b> – owner-occupied mortgage applications approved before March 31st 2024 will only incur an arrangement fee of 1.5%</p> <p>Commitment fee – £500 payable once a formal Loan Offer is made and before we instruct a formal valuation. Refunded at completion.</p>
<b>Overpayments</b>	10% allowed per annum
<b>Early repayment charges</b>	3% for the first 5 years (variable rates only)
<b>5-year fixed rate breakage cost</b>	5% in year one, 4% in year two, 3% in year three, 2% in year four, 1% in year five
<b>Fixed rate pricing</b>	Fixed rates are guaranteed for 3 months from the date of the Offer Letter. Beyond 3 months, we have the right to amend the rate if market funding conditions have changed

### Contact us

0330 094 3333

