

Shawbrook Bank Commercial Mortgages



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N.B. ANY PROPERTY USED AS SECURITY, INCLUDING YOUR HOME, MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT. EARLY REPAYMENT CHARGES APPLY FOR TERM PRODUCTS ONLY. A BROKER FEE MAY APPLY.

AGENDA...

- Limited Company vs. Individual Borrowing
- When to use Short Term Finance to maximise returns
- Housing of Multiple Occupancy (HMO's)

SPECIALISTS IN GOOD SENSE

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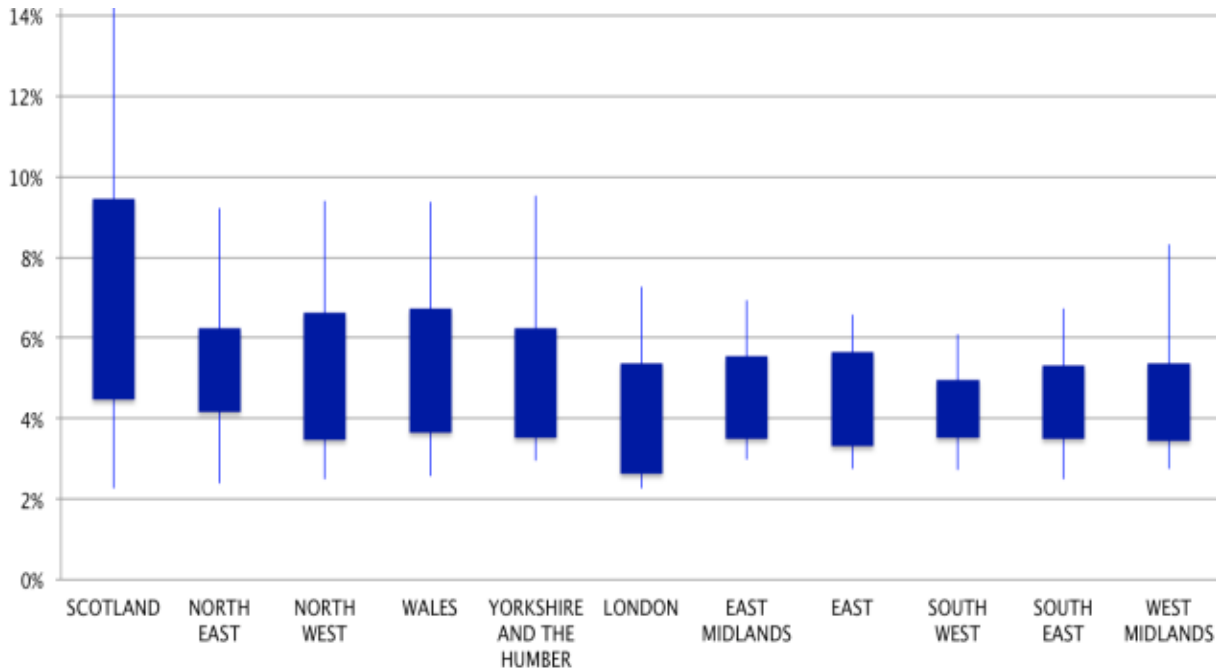
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PRA CONSULTATION – underwriting standards in BTL

- 90% of lenders affected
- Portfolio landlord vs. investor distinction – specialist underwrite required
- 1.25% cover of 5.5% or pay rate + 2% or full personal affordability assessment
- 1.25% cover likely to increase for tax on individual borrowers

Stress rate	5.5%	5.5%
Cover	1.25%	1.45%
Effective IR on debt	6.88%	7.98%
Gearing	Required yield	
75%	5.16%	5.98%
70%	4.81%	5.58%
65%	4.47%	5.18%

Regional yield:



Source: LiveYield

Example...

Assumptions*

Property value:		£200,000
Gross yield:	(5%)	£10,000
Voids:	(5%)	£500
Expenses:	(15%)	£1,500
Debt:	(75%)	£150,000
Notional interest:	(4%)	£6,000
Profit before tax:		£2,000

Individual tax*

	2015 & 2016	2017	2018	2019	2020
Gross income (£)	10,000	10,000	10,000	10,000	10,000
Less voids (£)	-500	-500	-500	-500	-500
Expenses (£)	-1,500	-1,500	-1,500	-1,500	-1,500
Mortgage interest allowed (£)	(100%) 6,000	(75%) 4,500	(50%) 3,000	(25%) 1,500	(0%) -
Taxable profits (£)	2,000	3,500	5,000	6,500	8,000
Tax @ 45% (£)	900	1,575	2,250	2,925	3,600
Tax credit on disallowed (£)	-	-300	-600	-900	-1,200
Total tax due (£)	900	1,275	1,650	2,025	2,400
Profit after tax (£)	1,100	725	350	-25	-400
Effective tax rate on profit	45%	64%	83%	101%	120%

*For illustrative purposes only

Company tax*

	2016	2017	2020
Gross income (£)	10,000	10,000	10,000
Less voids (£)	-500	-500	-500
Expenses (£)	-1,500	-1,500	-1,500
Mortgage interest allowed (£)	(100%) 6,000	(100%) 6,000	(100%) 6,000
PBT (£)	2,000	2,000	2,000
	20%	19%	18%
Corporation Tax	-400	-380	-360
Profit after tax (£)	1,600	1,620	1,640
Income Tax on Dividend 37.50%	-600	-608	-615
Net income	1,000	1,013	1,025
Effective tax rate on profit	50%	49%	49%

*For illustrative purposes only

“STL-TO-LET”

The Stamp Duty changes in action

£250,000 Buy-to-Let now needs an extra £7,500 to purchase

Value £ (April 2016)	Previous SDLT (£)	SDLT post-surcharge (£)
150,000	500	5,000
250,000	2,500	10,000
350,000	7,500	18,000
450,000	12,500	26,000

Short Term Loans from 0.59%* per month

- Purchase property more cheaply
- Perhaps start small – light refurbishments
 - Plan for profit and recycle cash
- Refinance to a Shawbrook mortgage with no fee

*Once offered, the rate will remain fixed at the offered rate for the term of the loan.

SHAWBROOK SHORT TERM FINANCE

Light and Heavy
refurbishment available
No minimum term
No early repayment charges
100% Funding with additional
security

Planning gain to add
value
Change of use i.e. single
to HMO
Permitted development
Pay off development
finance

Used for purchase or re-
finance of properties
quickly
Loans from £50,000 to
£15m



Best Bridging Lender

**Voted Bridging Lender of the Year
for 2016...**

“STL -TO-LET”

Illustrative Example

- Purchase ready to let £250,000 property. Deposit needed £62,500 and stamp duty £10,000. Total cash **£72,500**. Mortgage 75%, £187,500. **Day 1 Profit = £0**
- Purchase property to refurbish for £200,000. Deposit needed £50,000, stamp duty £7,500 and refurbish cost of £15,000. Total cash **£72,500**. Mortgage 75% £150,000.
- End value of £250,000 (25% increase). £187,500 mortgage releasing £37,500 cash for the next project. **Day 1 Profit = £37,500**
- No minimum interest or early repayment charges, arrangement fee 1.95%



“STL -TO-LET”

LONDON

CONVERSION FROM SEMI-COMMERCIAL TO RESIDENTIAL

Shawbrook Commercial provides two bespoke term loans for investor to exit their STL.



Short Term Loan (STL) 6, £428k

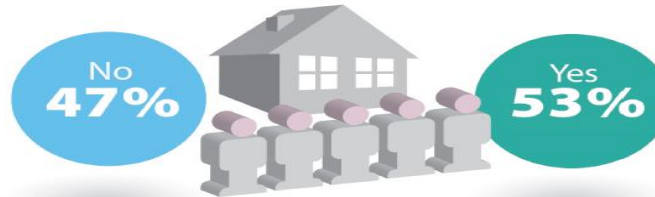
Illustrative only

- Property acquisition on **STL6** product for a gross loan of £428k on 18 months interest only, at a LTV in excess of 70%
- Loan purpose to facilitate the refurbishment of the existing residential unit and commercial shop, converting into 3 separate flats and a small 5 bed HMO
- Existing customer of Shawbrook – eligible for **0.25% discount** on margin OR arrangement fee
- Refinanced onto a term loan on two separate loan agreements ensuring the maximum amount of finance – client received more funding than was offered by a high street bank in competition

THE RISE OF HMO PROPERTY INVESTMENT

HOUSES IN MULTIPLE OCCUPATION (HMOs) & PORTFOLIOS

IS THE HMO MARKET AN AREA WITHIN
WHICH YOU WISH TO EXPAND / ENTER?



*Taken from Shawbrook Client Barometer 2015, a survey of 200 Shawbrook customers.

The rise of the HMO (Houses of Multiple Occupancy)

- HMO investors are providing better quality accommodation to maximise tenant demand
- The back drop of capital growth HMOs continue to offer strong yields
- Growth of the 'young professionals' seeking affordable rents in good locations
- Trend towards HMO living becoming a 'lifestyle' choice

Investors beware!

- HMOs are subject to legal and planning requirements
- Cost of repairs can be in multiple, should consider 'net rents'
- May need to 'manage' tenant disputes and/or multiple voids
- If seeking finance – be clear on how HMOs are valued

SHAWBROOK ADDITIONAL BENEFITS

- Existing Customer Discount

0.25% reduction on margin OR arrangement fee
for customers with another Shawbrook product

- Customer Solicitor Panel
Available to offer cost savings, speed and efficiency
- Solicitor “non-representation” service (refinances) and “title insurance”, potentially enabling faster completions and saving on the cost of your own solicitor (in-house solicitors act for Shawbrook.)



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COMMERCIAL, INVESTMENT
AND BUY TO LET MORTGAGES

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THANK YOU FOR LISTENING



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