PORTWAY
FINANCE

Your Essential Guide To

COMMERCIAL MORTGAGE

At Portway Finance, we specialise in providing clear, expert guidance for property investors and businesses.

This commercial mortgage guide explains how commercial lending works, when it may be suitable, how lenders assess applications, and the key funding options available, helping you make informed decisions when financing or refinancing commercial property.



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Commercial Mortgage Explained

A commercial mortgage is designed to fund the purchase or refinance of commercial or semi commercial property used for business or investment purposes.

It provides longer-term finance and is typically assessed based on the property type, its income potential, and the borrower's financial position, making it a common choice for business owners and commercial property investors.

Longer-term finance, usually 5–25 years

When Might You Use Commercial Mortgage?

A commercial mortgage may be suitable in situations such as:

- **Purchasing Premises** such as a warehouse to move from renting to owner-occupation
- **Refinancing** to secure a better rate or release equity
- **Expanding** a commercial property portfolio

TIP: **Property type and income are key factors in commercial mortgage affordability.**

Is Commercial Mortgage Right for You?

ASK YOURSELF...

- **Do I have at least 20% deposit?**
  Lenders typically require a substantial down payment, often 20-30% for owner-occupied properties and 25-40% for investment properties.
- **Do I have a solid, long-term business plan?**
  Lenders require a clear, written plan outlining how the property fits your future growth.
- **Are you comfortable with a longer-term financial commitment?**
- **Have you considered ongoing costs (e.g. maintenance, tax?)**

Yes? A commercial mortgage may be suitable.

Something to Be Aware Of

Commercial mortgages can involve costs beyond the interest rate, including lender fees, valuation, legal costs, and potential early repayment charges. These vary depending on the lender and structure.

We'll always provide a clear breakdown of all costs before you proceed.



How Lenders Assess Commercial Applications

When assessing a Commercial mortgage, lenders will usually consider:

- **Exit strategy:** How the loan will be repaid or refinanced at the end of the term
- **Property type & valuation:** Lenders evaluate the location, condition, and market demand
- **Experience & management:** Track record in managing similar commercial properties
- **Ownership structure:** Ltd, Special Purpose Vehicles (SPVs), LLPs, and personal names
- **Deposit size and loan-to value (LTV):** Lower LTV often unlocks better rates
- **Accounts or Lease Covenants:** Stronger accounts for owner occupiers or lease covenants for investments.

TIP: **Most lenders require business profit to cover 115-135% of the mortgage payment**

Understanding these criteria helps you position your application more effectively.

How to Enhance Your Application

1. **Clean up credit and banking:** Ensure there are no unexpected surprises in your credit history.
2. **Provide extensive documentation:** Do not hold back information, lease details, accounts
3. **Prepare a detailed business plan:** To prove the long-term viability
4. **Use a specialist broker:** Access the best lenders and the right structure

Interest and Repayment Options

Rate Type	What It Means	Best For
Fixed Rate	Your interest rate stays the same for a set period.	Business owners wanting predictable costs for budgeting and cash flow planning.
Tracked Rate	Your rate moves in line with the Bank of England base rate.	Investors comfortable with rate movement, often pursuing shorter-term strategies.
Standard Variable Rate (SVR)	The lender's default rate, which can change at any time.	Usually not ideal long-term, often a short transition rate.

Repayment Structure	How It Works	Best For
Interest only	You pay only the interest each month, with the balance repaid at sale or remortgage.	Investors and businesses prioritising monthly cash flow over capital reduction.
Capital Repayment	You repay both interest and loan capital monthly.	Owner-occupiers and long-term holders wanting to build equity and reduce debt over time.

TIP: **Choosing the right rate structure can make a major difference to long-term profitability. We will guide you towards the best option tailored to you.**

Commercial Mortgage Product Types





01 Owner-Occupier Mortgage

Used by business owners to purchase or refinance premises they operate from, such as offices, factories, or retail units.

Best suited for:

- Established Businesses & SMEs
- Business Owners Seeking Long-Term Stability
- Professional Services & Retailers
- Industrial Users
- Businesses Using the "Opco-Propco" Structure

02 Specialist Asset Commercial Mortgage

For non-standard commercial property types with specific operational or regulatory considerations, such as healthcare facilities, leisure venues, and student accommodation.

Best suited for:

- Healthcare operators (clinics, care homes, dental practices)
- Leisure and hospitality businesses
- Student accommodation providers and investors
- Buyers of properties requiring specialist valuation or licensing

03 Commercial Investment Mortgage

Designed for investors or landlords buying property to lease out to other businesses, generating rental income.

Best suited for:

- Commercial Investors/Landlords
- Business Owners (Non-Owner Occupier)
- Portfolio Diversification

04 Semi-Commercial Mortgages

For properties containing both commercial and residential units, such as a shop with a flat above it.

Best suited for:

- Property Investors
- Business Owners
- Live-Work Owners
- Investors with Refurbished Assets

CLIENT SUCCESS STORIES

Complex Commercial Property Refinance and Capital Raise



A commercial property investor sought to refinance a £1.5 million mortgage at the end of its term, while also releasing capital for future investments.

Portway Finance arranged a £1.7 million commercial mortgage against a £3 million asset, repaying the existing loan and raising an additional £200,000. Despite complexities around solar panel leases, many with fewer than five years remaining, a suitable lender was secured.

The deal completed on a bespoke three year fixed rate, giving the client flexibility and positioning them for further portfolio growth.



Strategic Commercial Refinancing in Scotland

A Scotland-based investor sought to refinance a £5.2 million loan on a wedding venue while raising capital to acquire an additional site and expand their business.

Portway Finance arranged a £6.7 million commercial mortgage against a £9.5 million asset, repaying the existing facility and releasing £1.5 million for expansion. The transaction involved complexities due to the size of the loan, the limited lender pool in Scotland, and the hospitality sector's variable income profile.

Despite this, a suitable lender was secured, and the deal completed on a reduced rate with an initial interest-only period to support cash flow during growth. This allowed the client to expand their operations while benefiting from a more efficient and flexible financing structure.

Results will vary depending on individual circumstances and lender criteria.

FREQUENTLY ASKED QUESTIONS

What types of properties can you finance commercially?

We arrange finance for a wide range of properties including:

- Offices
- Retail units
- Warehouses
- Mixed-use buildings
- Semi-commercial properties

How much deposit is required for a commercial mortgage?

Typically between 25% and 40%, depending on:

- Property type
- Business strength
- Risk profile

Can I get a commercial mortgage as a new business?

Yes, but it can be more challenging.
A strong business plan, relevant experience, and a higher deposit will improve your chances.

Can I get a commercial mortgage if my business has only been trading for a short time?

Yes, though options may be more limited, and lenders will look closely at your business plan and personal financial position.
A larger deposit and demonstrable industry experience can help strengthen the application.

Can I raise additional capital when refinancing a commercial mortgage?

Yes, refinancing can be used to secure a better rate and release equity for business growth, further property purchases, or other needs.
The amount available depends on the property's current value and your existing loan balance.

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Our Award-Winning Team Is Here To Support You

Thinking about a project like this?

Contact Us

portway-finance.co.uk

enquiries@portway-finance.co.uk

China Works, Black Prince Road, London, SE1 7SJ

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