

COMMERCIAL RENOVATION LOAN

(OFTEN SECURED BY 1ST OR 2ND MORTGAGES – BORROWERS ARE COMPANY DIRECTORS OR CORPORATE TRUSTEES OF FAMILY TRUSTS)

Situation (Actual)

Client contacted Robert at Equity Lenders advising of his situation (March 2020)

- Client had negotiated the purchase of a bank of shops in an outer Brisbane suburb that included an adjoining vacant block of land
- The shops were dated and required extensive renovation
- Existing tenants were paying below-market rents due to the poor condition of the property
- Adjoining vacant land was suitable to construct several dwellings to further increase land value and provide holding income
- It was intended that the property be held for the long term however property was not in a suitable condition to attract traditional lenders
- The purchaser was seeking a loan based on upon-completion value with progressive drawdown payments consisting of land settlement as initial drawdown followed by several drawdowns upon presentation of invoices
- The Client very much wanted to purchase, renovate, re-tenant and refinance to a long-term lower rate traditional lender
- It was expected that a valuation based on the improved end-value, that included the higher and long-term tenant rents, would validate a substantial property value increase

Solution

Robert secured a private lender on the terms the Client was seeking

- An Equity Lenders panel lender was able to assist the Client with a loan secured by both a 1st mortgage against the property being purchased and a 2nd mortgage on an existing property to access equity
- The loan term required was just under 1 year to provide renovations to be undertaken and completed, a re-tenancing of all dwellings and a refinance to a long-term traditional lender or private lender offering low rates and long loan terms
- No financial information of any sort was required nor credit reports on personal or business
- Loan amount provided to the Client was \$1.3m and sufficient to settle the purchase, renovate the shops, provide holding expenses for several months and cover settlement expenses and fees

Outcome (for this particular Client)

Loan amount and loan term sufficient to settle, renovate, re-tenant and refinance ✓ Construction drawdowns provided with interest commencing per drawdown ✓ Immediate loan approval decision based on valuations ✓ Fees and several months of interest included in the loan ✓ Opportunity to significantly increase property value through renovation and re-tenancing ✓