

# NAI Harcourts Market Leader

Bringing you news and information from the world of commercial real estate.

## The Role of the Commercial Finance Broker

Making the commercial funding process work for you



STRATA FUNDING

commercial finance brokers

**In today's economic climate, how you structure and obtain funding has never been more critical and to succeed requires substantial planning, coupled with market knowledge and backed up with clear, concise documentation.**

Specialist commercial finance broker and founding director of Strata Funding, Alan Robertson, explains why obtaining the correct funding package for any commercial property or business is a complex exercise.

"It goes without saying that at the moment the market is extremely challenging. The environment has changed and the days of obtaining finance comparatively easily have ended. This, to my mind in the longer term is not entirely a bad thing – but of course life will be much easier for all when business – and finance – flows more easily again! However, for those of us who have worked in the financial sector for years it's not the first time we've witnessed tight credit conditions. For instance, back in the 70s and even the 80s as it was again post GFC, obtaining finance seemed to be more a privilege than a right."

So, what does this mean, in practical terms, to you as a potential borrower looking for funding for a commercial or business project? You could be looking for finance required for a business acquisition or restructure of existing funding, property development or purchase of an existing property for investment, redevelopment or for your own use.

Robertson says to be successful any loan application has to provide full disclosure of

your circumstances and planning. This will then be matched to the appropriate lending source with an application tailored to meet your needs and their specific requirements.

"Loan applications are an applied science," he says. "It really is a question of do it once and do it right – you won't get a second chance to tweak any application in this market!" He goes on to say this just underlines the importance of structuring your loan application properly, "and that means full disclosure of your circumstances – and I mean full disclosure - and projecting cash flow, cash flow and cash flow."

"It requires a full overview of your personal and business affairs as well as information about any existing personal guarantees. Then there will be annual accounts, budgets, valuations, consents - and the list goes on. From all of this information we determine a clear picture of what is needed and how to best structure the proposal. We will work alongside your Accountant, Solicitor, Project Manager etc to coordinate the required information."

If you're looking at undertaking a property development, the valuation needs will include the "as is" value of the property, value at completion, resale factors and future saleability. Robertson says the complexity of what is needed should never be underestimated - and with current market conditions - whether for the uninitiated or even the experienced, this can be difficult to put together and achieve.

"But, with a properly prepared, tailored individual funding proposal, coupled with the market knowledge necessary to connect the borrower with the right lender, this can be effectively achieved and that's where working

with a professional commercial finance broker really makes the difference.

We're dealing with the market on a day-to-day basis; we know what's going to work and what is needed. We've also built up our networks with lenders over the years we've been in business – and that really makes the difference! In addition, the loan must fit both today's needs and tomorrow's requirements.

Commercial and business funding has to have relevance and longevity. Funding arranged for today's purchase could have major implications over the funding of future projects in, say, two or more years time – and that, you can rest assured, will be in a different marketplace again."

The best first step, he says, is to start off by building a working relationship with a highly competent commercial finance broker. "Professional commercial finance brokers have long term knowledge of the sector and an established track record of success.

Our experience clearly shows the best results come from establishing long term relationships both with our clients and with the lenders with whom we work. In practical terms what that means is by our obtaining an understanding of your needs, plans and aspirations we can make sure the funding package arranged really suits your long-term goals.

Make sure, as well as the skill to put together an effective proposal, your broker has excellent and proven working relationships with a wide variety of funders – these could be mainstream lenders, mortgage funds, finance companies or even private funders."

Robertson says your broker also needs to tell you what is feasible. “After all, better to know whether your project is viable at the beginning, before you incur costs preparing budgets, obtaining consents, valuations, and so on. It is imperative to be realistic, factual and to make sure your funding has relevance for the long term. The importance of working with a professional commercial finance broker cannot be underestimated – they will literally make your deal work for you.”

He says the costs for such services are success based and should always be agreed at the beginning of the project. “Success in any commercial property or business venture

can, we believe, be directly attributed to effective long-term relationships between clients and their finance broker, the lenders and accountants, solicitors, valuers, quantity surveyors, and other consultants who all form part of the overall development process.” Robertson also says the relationship between finance broker and client should be ongoing.

“At Strata Funding we don’t stop working with our clients once funding is in place – we keep working to make sure everything runs smoothly. We believe it is critically important to facilitate the overall process and assist you with any challenges you meet along the way!”



**Alan Robertson**

Specialist Commercial Finance Broker and  
Founding Director - Strata Funding  
[www.stratafunding.co.nz](http://www.stratafunding.co.nz)

## Commercial market **update**

Industrial is the darling of the commercial property



**Our commercial teams across the country are experiencing positive market conditions and good demand for product, with the markets attributing more risk to retail, hospitality and office as opposed to the industrial sector.**

This risk is reflected in yields that are being offered or achieved for the various asset classes. Industrial continues to remain the darling of the commercial property segment and it is unlikely that this will change in the short to medium term.

The investor’s risk profile will to a certain extent define what type of investment someone will look at, an example being government and/or blue-chip tenanted property with long leases in place. These properties will be highly sought after with the yield reflecting the lower risk profile as opposed to other categories such as vacant retail property!

**Some of the key drivers and stimulants of commercial property are:**

- Low official cash rate and mortgage rates, which are likely to continue in the foreseeable future.
- Historically low deposit interest rates that are helping channel money to commercial property through vehicles such as shares or syndication.
- Large scale quantitative easing by the government/ central bank.
- Significant government investment in infrastructure projects and stimulation through Covid-19 relief.
- Shortage of skilled labour resulting in pressure on build costs.
- With the strong residential market investors are considering repositioning their investment funds from residential to commercial property.
- Owner occupiers that are finding it is cheaper to own than lease.

Covid-19 is still front of mind with the fragility evident as recently as March 2021. As we move forward with the rolling out of vaccines across the world, we will hopefully see a return to some degree of normalcy and light at the end of tunnel.

Situations like this help drive change and have been a stimulus in many respects for change across different sectors. For example, the lockdowns during Covid-19 allowed many businesses to consider their space requirements and policies around workspace flexibility. The office is certainly not dead; however, the debate is on as to what the future office may look like!



**Tony Kidd**

General Manager, NAI Harcourts New Zealand