

# COMMERCIAL BOND ORIGINATION



## Commercial Property Finance Origination

Phoenix Bonds originates long-term bank funding for commercial property transactions for industrial, retail and residential development.

We have an established network of property practitioners, attorneys and developers across South Africa. Our offices are based in Sandton (Head Office), Cape Town, Somerset West, Bloemfontein and Witbank.

All of our Property Finance Consultants have expertise in commercial property, as many of our property practitioners operate in both the residential and commercial space. Our mission is to be able to assist our property practitioners and clients with all their property financing needs.

Commercial bond applications are notoriously complex and time-consuming. Submissions from bond originators are typically a 'lead referral', with no pre-assessment of the client. We aim to streamline this process and ensure that only the applications with merit will be submitted, to ensure that a consistent stream of qualified buyers are delivered to our banking partners.

Our value-add for commercial bond origination is:

- Education of property practitioners and buyers on commercial requirements
- Managing expectations of the seller, buyer and agent in terms of bond approvals
- Pre-assessment of property type, value, LTV criteria and serviceability prior to submission
- Assisting the buyer to package the application according to the bank's minimum requirements

## Commercial Lending Criteria

Commercial lending is complex and the specifics of each application is assessed for its own merit. Due to the time involved in assessing and verifying commercial loan applications, we will only submit applications that have sufficient merit based on the criteria below to avoid time-wasting and disappointment.

A "quick check" against the qualifying criteria below will be a good indication of the chances of approval.

### Property Types

Typical property types for financing may include:

- Business – offices and office blocks
- Retail – retail stores, shopping centres and shops
- Industrial – warehouses and factories
- Residential – development bonds (R5M+) for land, services and construction for housing developments

**PHOENIX BONDS (PTY) LTD**

**Cape Town Office:**

3 High St, Rosenpark, Cape Town, 7530

**Directors:**

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**Company Reg. No . 2023/567718/07**

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Property types excluded from commercial finance include:

- Farms
- Small holdings
- Vacant land only
- Guest houses and lodges
- Schools, educational and religious institutions

These property types will need to be assessed under alternative financing options - such as residential, agricultural or business-residential finance.

## Property Valuation and LTV

The maximum Loan-to-Value (LTV) must first be established. Although LTV criteria is quite straightforward, the complication comes with assessing the value of the property. The market value of a property does not always equal the bank value of a property, and LTV criteria in the commercial space is based on banks value or the bank's assessment of the return on the asset.

The property's intended use will have an affect on how this assessment is completed:

- Owner-occupied property:
  - LTV up to 100%
  - Bank value typically based on market value
  - Can use value in the Sale Agreement as a good indicator
  - Bank valuation can be done upfront for viable loan candidates to determine maximum LTV before assessing the client's serviceability of the loan
- Properties intended for investment:
  - LTV up to 60% (or 70% for specific cases with merit)
  - Value determined by investment output (gross rental income)
  - Rental income must be verifiable (i.e. based on existing lease agreements)

The property value and maximum LTV will be determined before proceeding with the serviceability assessment and verification process, to ensure the client's expectations are managed going into the process.

## Serviceability

Serviceability is assessed differently depending on the intended use of the property:

- Investment:
  - Based on net rental income
  - Supported by company cashflows if necessary

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- Owner-occupied:
  - Based on cashflows of operating company
  - Current rental expense can be used, but sufficient surplus must be proven

## Loan term

Generally, 10 years or less. However, up to 15 year loan terms will be considered for cases that have merit.

## Loan amount

Only commercial properties over R5M will be considered for finance.

## Minimum Information Required

Details on the commercial property:

- Signed OTP
- Lease agreements in place
- Valuations (if available)

Details on the juristic/borrowing entity:

- Company registration documents
- Latest 2 to 3 years of Audited Financial Statements
- Bank statements (at least 3 months)
- Solvency Certificate and SARS letter of goodstanding

Details on all Directors/Members/Trustees:

- ID Documents and/or Passports
- CVs (sometimes requested)
- Payslips (if applicable)
- Personal balance sheet
- Personal statement of income and expenses
- Bank statements (at least 3 months)

## Online Application Form

Fill in our online form and a Property Finance Consultant will be in touch:

<https://www.phoenixbonds.finance/Get-a-Bond/Commercial-Bonds>

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