

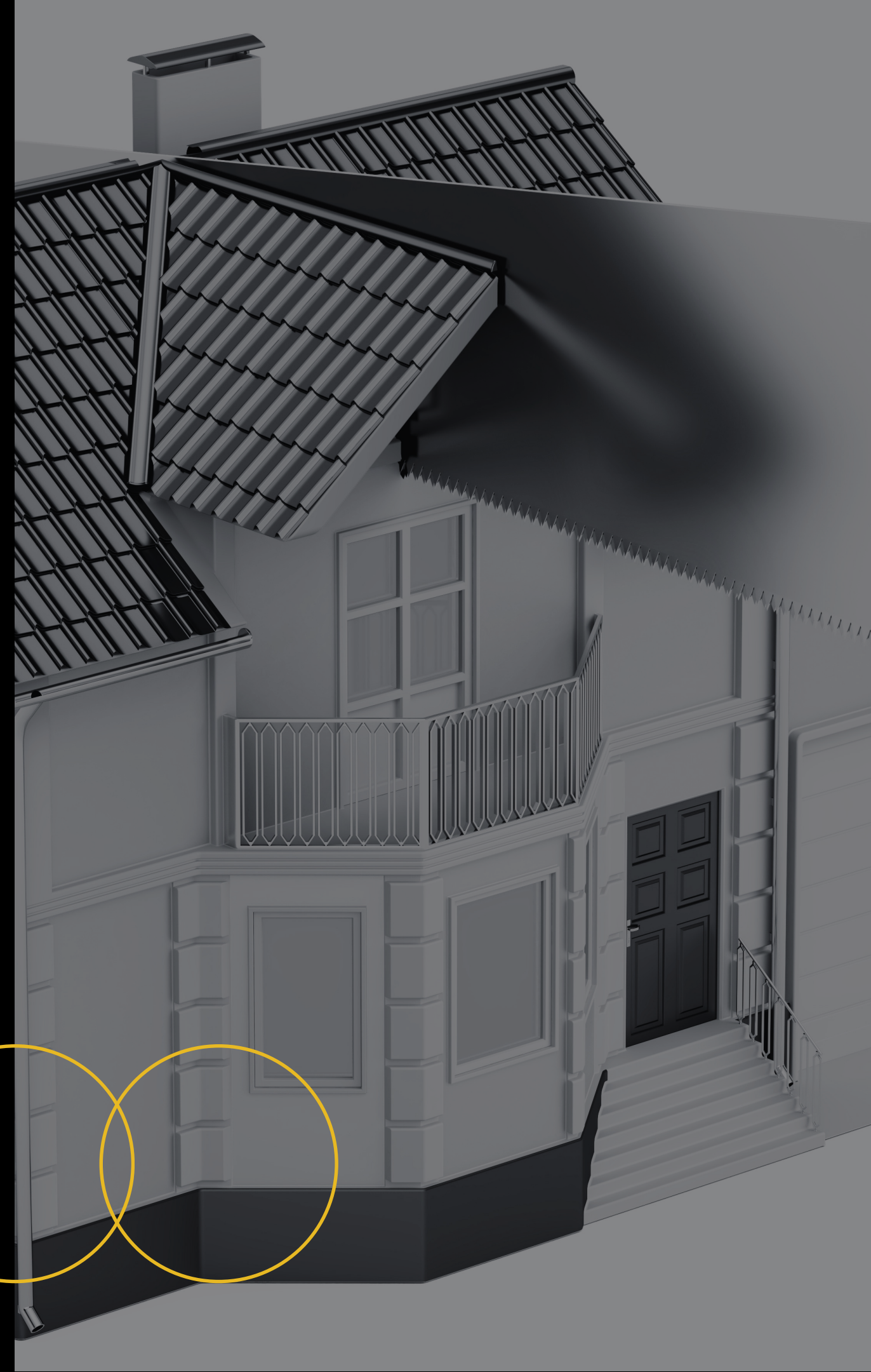
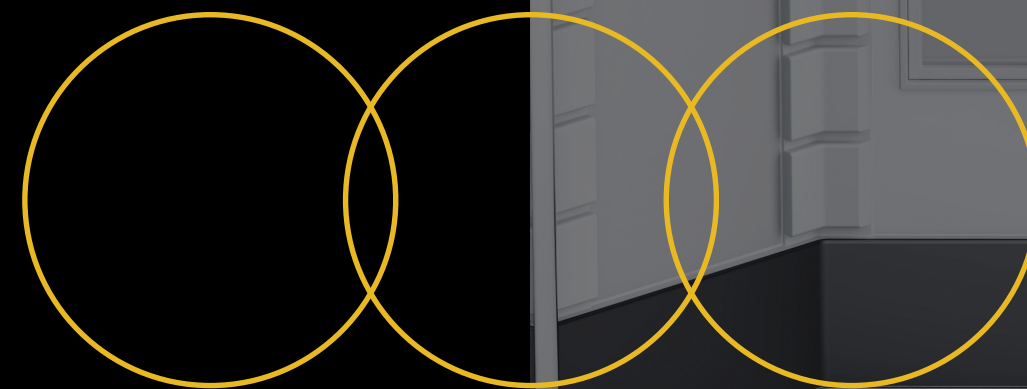
Finanze[®]

CAPITAL

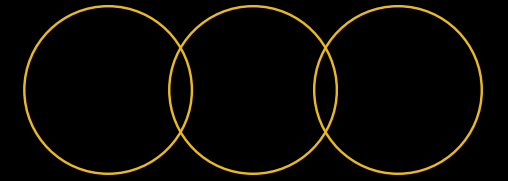
It's personal.[®]

Title Split Finance Overview

Alastair Hoyne, CEO - Finanze Capital



Executive Summary



Value Creation

Title splitting transforms a single asset into multiple interests, enhancing liquidity and market appeal for investors and lenders alike.

Strategic Insight

Finanze Capital evaluates split value upfront, allowing funding against valuations even before HM Land Registry registration is finalized.

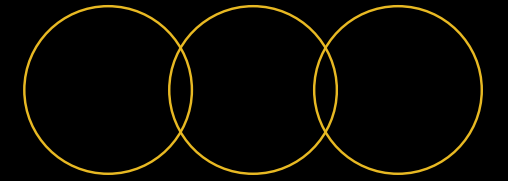
Legal Feasibility

Successful splits depend on legally achievable, marketable, and financeable interests supported by reliable comparables to ensure value uplift.

Risk Considerations

Poor layouts, weak comparables, and legal complexities can diminish deal viability, making thorough due diligence essential for investors.

The Core Concept



Value Beyond the Whole

Buyer Appeal

A whole freehold block tends to attract specialist investors who may require larger deposits, while **individual leasehold units have broader appeal**, attracting various buyer segments and enhancing liquidity.

Value Uplift

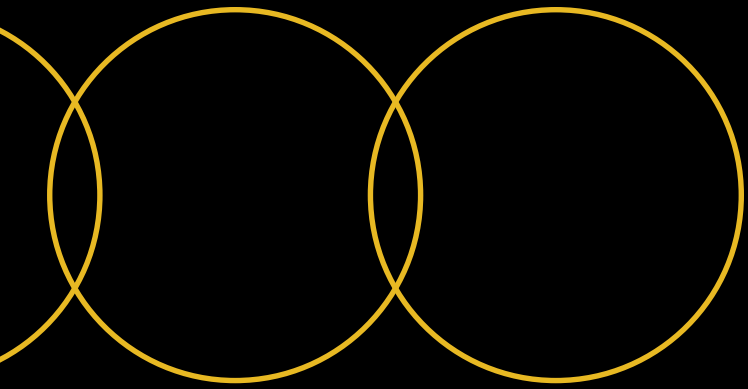
Title splitting allows investors to demonstrate that the **aggregate market value** of separated interests is significantly higher than the value of the asset as a single entity.

Market Flexibility

The strategy provides enhanced exit options, enabling investors to capitalize on a wider array of potential buyers and lenders, thus **supporting stronger values** and overall liquidity in the market.

Title Splitting Explained

Understanding the practical implications of title splitting in real estate



Legal Division

Title splitting involves legally dividing one property into multiple separate titles, creating independently saleable and refinanceable interests for investors.

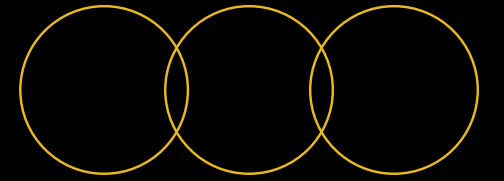
Market Appeal

The process enhances marketability, drawing a wider pool of potential buyers and lenders, ultimately supporting higher values for the separated interests.

Value Creation

Investors can unlock hidden value through title splitting, where the total worth of individual units exceeds that of the entire property.

Why This Is Different



Understanding Title Split Finance

Distinct Underwriting Approach

A title split bridge requires lenders to recognize value derived from a legal process that may not be fully registered at completion, unlike a standard bridge loan's straightforward valuation.

Legal Considerations

Underwriters must assess legal deliverability, split valuation evidence, and HM Land Registry timing, making the process more complex than typical bridging loans which rely on current title and value.

Coordinated Execution

Borrowers must collaborate with solicitors, valuers, and other professionals to ensure all elements align, transforming title split financing into a comprehensive strategy rather than a simple bridge loan.

Origin of the Facility

Understanding the development and purpose of Finanze's offering

Practical Solution

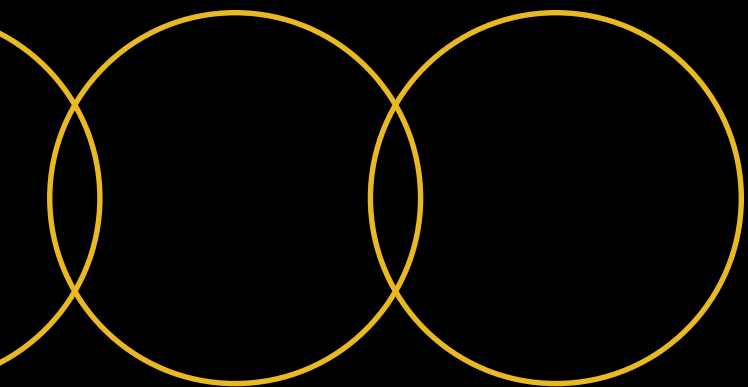
Finanze created the facility to address gaps in funding for properties needing legal separation for optimal value realization.

Market Needs

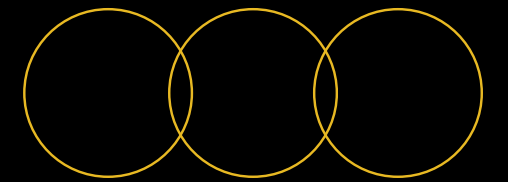
Conventional lenders struggled with finance constraints, making it difficult for investors to capitalize on the value of title split opportunities.

Strategic Development

The facility evolved around the mechanics of split value, enabling tailored financing solutions that align with title splitting processes.



When Title Splitting Works



Identifying Optimal Conditions

Clear Physical Separation

The asset must have **distinct physical separations and separate utilities** allowing for sensible legal divisions, making it easier to create separate titles that buyers find attractive and manageable.

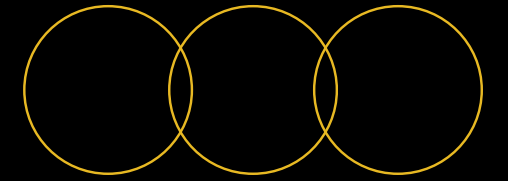
Local Demand Evidence

There should be **evidence of local demand** for the separated parts, demonstrated by completed sales rather than merely listings, ensuring interest from potential buyers in the market.

Credible Exit Routes

The exit strategy must be clear and viable from the outset, allowing for individual sales or refinancing options that can successfully capitalize on the created value.

When Title Splitting Fails



Common pitfalls to avoid

Speculative Values

Relying on **speculative values** or weak comparables can lead to poor decision-making, as they do not reflect actual market conditions and may result in significant financial loss.

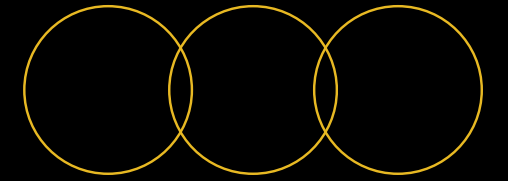
Awkward Units

Proposed units that are **awkward or unattractive** can hinder mortgageability and make them less appealing to potential buyers, ultimately affecting the success of the title split.

Legal Complexity

Legal structures that are **unclear or expensive** can create significant barriers to successful title splitting, impacting both valuation and the ability to execute the plan effectively.

Investment Opportunities



Key Assets for Title Splitting

Multi-Unit Blocks

Properties with multiple units offer potential for title splitting, making them attractive for investors seeking to enhance liquidity and value through independent saleable interests in the market.

Mixed-Use Properties

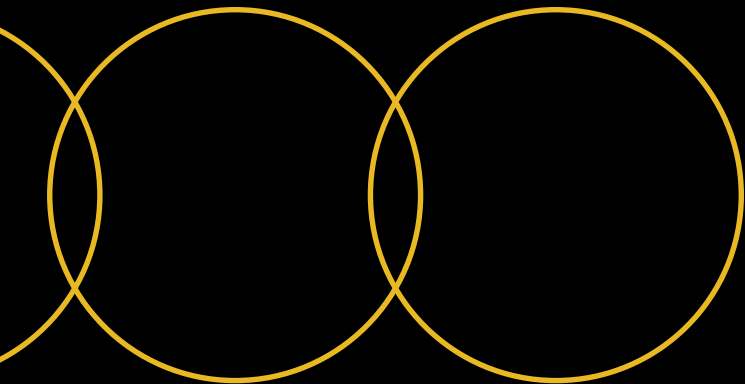
Assets combining residential and commercial spaces can be effectively separated to appeal to diverse buyer segments, increasing overall marketability and driving higher demand for individual units.

Large Residential Properties

Larger homes with land or outbuildings suitable for division into separate units provide an excellent opportunity for title splitting, allowing homeowners to maximize their investment through legal separation and enhanced buyer interest.

Block Value vs Split Value

Understanding the difference in property valuation methods



Whole Value

The block value represents the market value of the asset sold as a single entity to one buyer.

Split Value

Split value refers to the aggregate worth of the individual units after legal separation, potentially attracting more buyers as a whole or individually.

Market Appeal

The key to enhancing liquidity and exit options lies in the broader appeal of separate interests to various investors.

Calculating the Uplift



01

Establish the purchase price and current block value accurately.



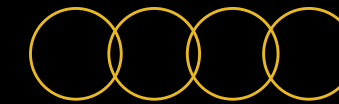
02

Identify each proposed unit or separated parcel for valuation.



03

Assign supported values using recent sold comparables for each interest.



04

Calculate the aggregate split value from the separated interests.

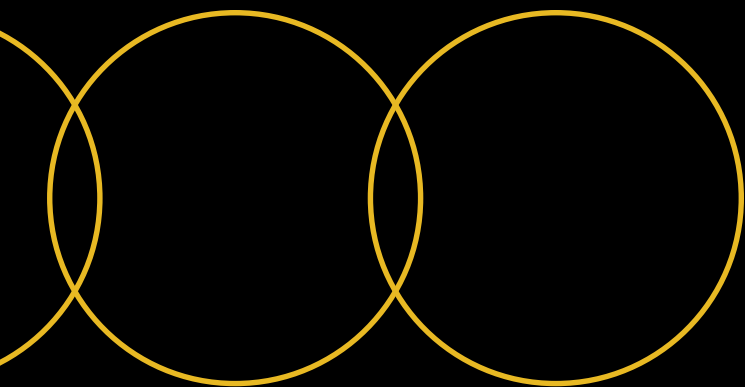


05

Deduct all costs to determine if the uplift justifies the project.

Comparable Evidence

Understanding the importance of solid comparables in finance



Strong Evidence

Completed sales of similar properties provide the most **reliable data** for valuation and should be prioritized in assessments.

Moderate Evidence

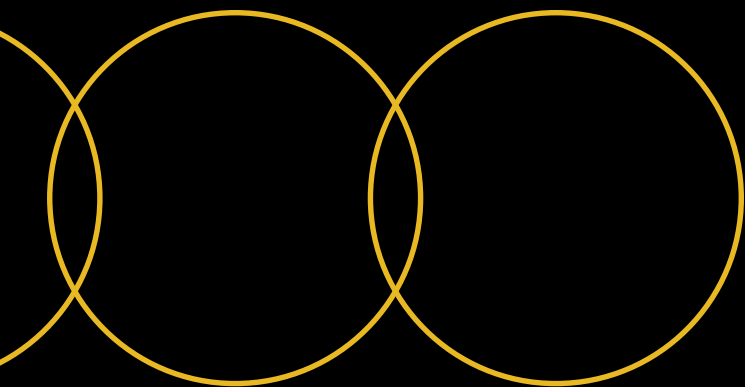
Nearby completed sales may require adjustments, but can still serve as useful **comparative benchmarks** if analyzed carefully.

Weak Evidence

Asking prices or listings are not sufficient for valuation; they lack the **substance needed** to support credible underwriting decisions.

Valuation Insights

Understanding the critical role of property valuation



Key Determinant

Valuation is the **primary factor** influencing financing decisions, determining loan amounts and influencing borrower cash requirements.

Valuer's Perspective

Valuers must recognize potential split value, ensuring that the **borrower's strategy** aligns with market expectations and comparable evidence.

Avoiding Pitfalls

Failing to understand valuation intricacies can lead to **poor decision-making**, ultimately jeopardizing the success of the title split finance strategy.

Due Diligence Checklist



01

Assess unit layouts to ensure they are **genuinely self-contained**.



02

Verify logical access paths, including entrances and emergency routes.



03

Confirm services can be easily managed and separated as needed.



04

Evaluate common areas for clarity in maintenance responsibilities and usage.

Due Diligence Checklist: Commercial and Refinance



01

Assess the **current rent roll** for income security and reliability.



02

Evaluate **market rent** to ensure it supports the projected refinance value.



03

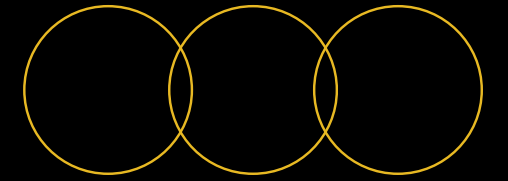
Confirm that the **yield and refinance** metrics align with realistic rental income.



04

Identify any **tenant issues** that may impact valuation and financing options.

Common Property Watchouts



Key Issues to Avoid

External Staircases

External staircases can significantly reduce buyer appeal and undermine valuation confidence, making properties harder to sell or refinance in the future, negatively impacting the overall investment strategy.

Mates-Rates Sales

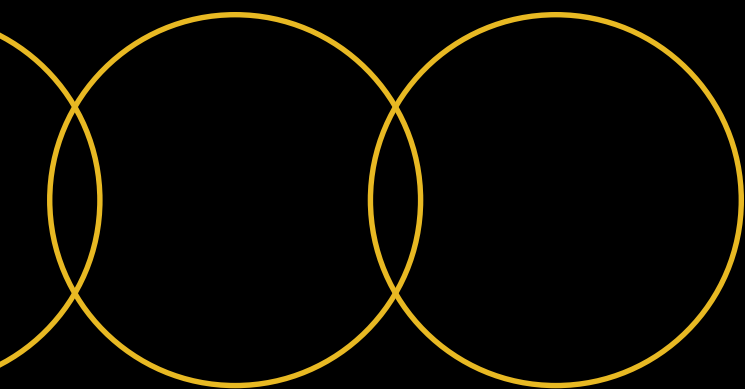
Discounted sales to tenants can create low local comparables that weaken valuation evidence, ultimately affecting the credibility of the asset's worth when seeking financing or resale opportunities.

Poor Layouts

Poor layouts, unclear access routes, and weak unit separation can diminish the split value of a property, leading to challenges in securing financing and attracting potential buyers or lenders.

Legal Execution

The Importance of Documentation in Title Splitting



Key Documentation

Leasehold title drafts (and finalised) create separated interests, supporting the value required for successful title split finance and ensuring clarity for all parties involved.

Legal Expertise

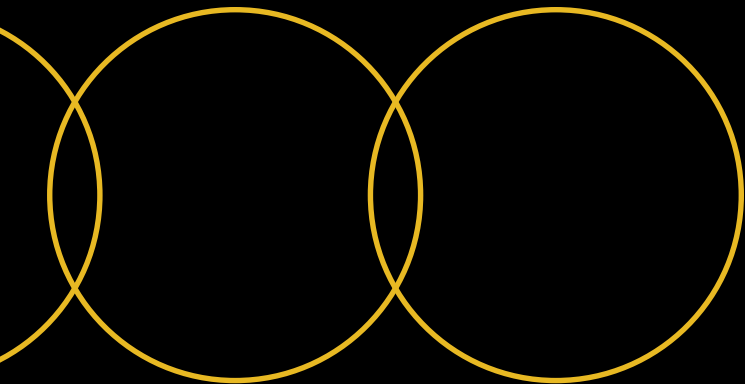
Engaging a skilled solicitor is crucial to navigate complexities, ensuring that legal structures align with the investor's exit strategy and lender requirements.

HM Land Registry

Properly prepared applications to HM Land Registry facilitate timely processing, which is critical to securing the legal separation and subsequent financing. Showing evidence of a mortgage AIP can allow for expedited processing.

Ownership Structure

Understanding SPVs for title split finance transactions



Parent SPV

A parent SPV typically holds the freehold title, allowing for streamlined management and oversight of separate leasehold interests.

Child SPVs - 100% owned by Parent

Child SPVs are established to hold individual leasehold interests, facilitating separate ownership and finance arrangements for each unit.

Management Company - 100% owned by Parent

A management company SPV handles service charges, common areas, and maintenance, ensuring operational efficiency across multiple properties. Usually used for larger blocks for tax efficiency

HM Land Registry Timing

Understanding the Risks of Title Registrations and Delays

Registration Delays

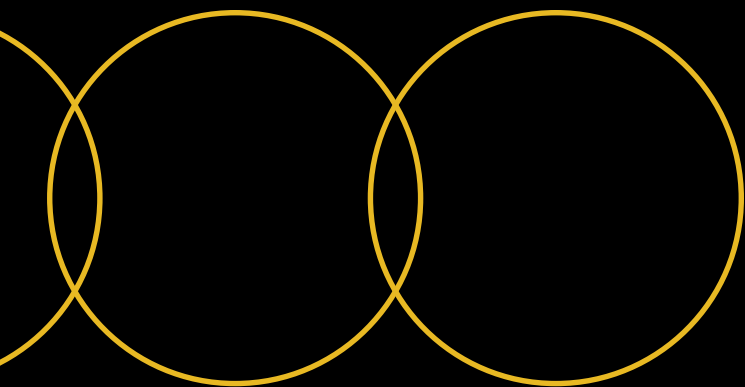
Title applications may take time to process, causing potential delays in sales or refinancing transactions. Factor 3-12 months, with shorter periods requiring expedited service.

Timing Risks

Conservative planning is essential, as HM Land Registry timings can impact financial assumptions and exit strategies.

Impact of Completion

Completion and title application submissions must be synchronized to avoid complications that could affect cash flow or project timelines.

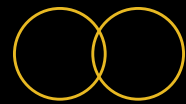


Finance Terms Overview



01

Finanze supports lending against **valuer-supported split value** before registration.



02

Residential loans can reach **up to 75%** of the split value. 70-75% for Semi-Commercial and 65% for Commercial.

Allowing up to **100% Net Loan** to Purchase Price.

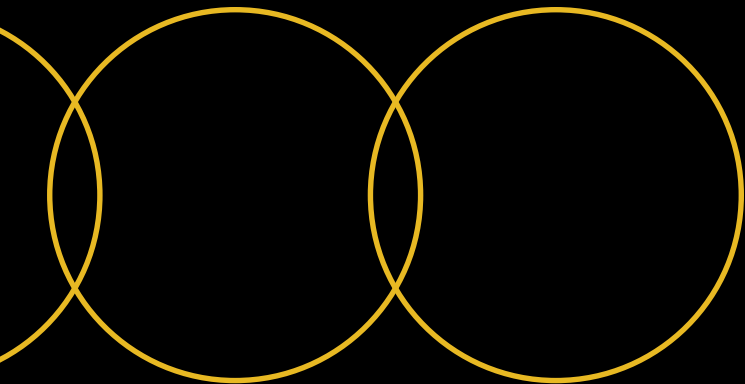


03

Interest rates between 0.99% - 1.10% p/m (based on loan size/borrower profile) with an arrangement fee of 2.00% and an administration fee of £1,999.

Loan Sizing Mechanics

Understanding the nuances of effective loan sizing strategies



Supported Split Value

Begin with the **supported split value** instead of just the purchase price to establish a sound financial basis for loan sizing.

Loan-to-Split Ratio

Apply the relevant **loan-to-split-value percentage** based on asset type and risk assessment to determine potential financing capacity effectively.

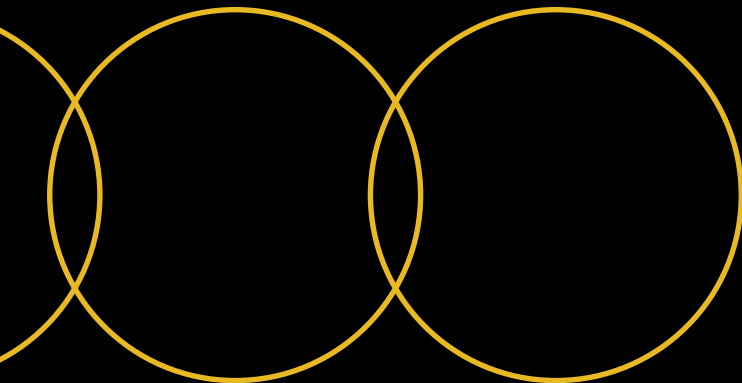
Net Proceeds Assessment

Deduct all associated costs from the gross loan amount to calculate **net proceeds**, ensuring alignment with purchase and completion objectives.

Worked Example

Understanding a Pure Split

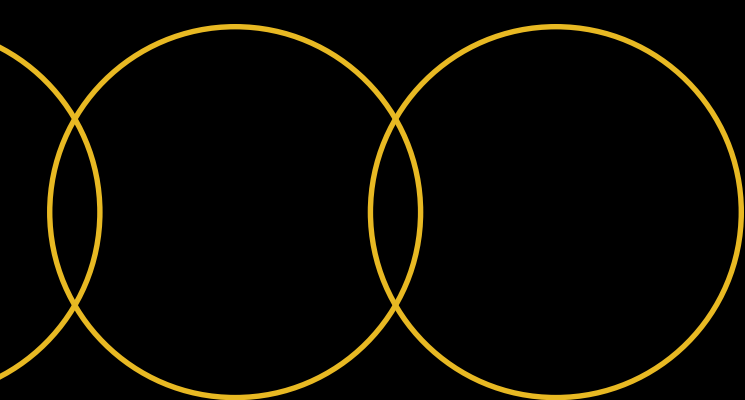
This example illustrates how a **5-flat asset** in Suffolk achieved financial uplift through title splitting, showcasing purchase price, split value, and actual net loan outcomes.



Property Details		1st Charge
Charge Type		1st Charge
Split Value		£1,000,000.00
Purchase Price		£625,000.00
Purpose of Loan		Purchase & Title Split
Exit		Sale/Refinance
Loan Terms		
Interest Rate (p/m)		1.10%
Default Rate (p/m)		2.20%
Interest Type		Retained
LTSV		73.94%
LTPP		100.00%
Term (months)		12
Loan Financials		
Gross Loan:		£739,385.61
Less Arrangement Fee		£14,787.71
Less Administration Fee		£1,999.00
Less Interest Retained		£97,598.90
Less Broker Fee		£0.00
NET LOAN		£625,000.00
Monthly Servicing		£0.00
Exit Fee		0.00%

Larger Scale Title Split

A broker introduced a **31-flat asset** in Pembrokeshire, showcasing how title split finance was used to eliminate deposit and unlock value.



Property Details	
Split Value (OMV / 180d VP)	£1,900,000.00
Purchase Price	£1,100,000.00
Purpose of Loan	Purchase & Title Split
Exit	Sale/Refinance
Loan Terms	
Interest Rate (p/m)	1.10%
Default Rate (p/m)	2.20%
Interest Type	Retained
LTSV	69.21%
LTPP	100.00%
Term (months)	12
Loan Financials	
Gross Loan:	£1,315,034.61
Less Arrangement Fee	£26,300.69
Less Administration Fee	£1,999.00
Less Interest Retained	£173,584.57
Less Broker Fee	£13,150.35
NET LOAN	£1,100,000.00
Monthly Servicing	£0.00
Exit Fee	0.00%

Title Split with Works

Exploring additional value through rehabilitation and redevelopment

Enhanced Property Value

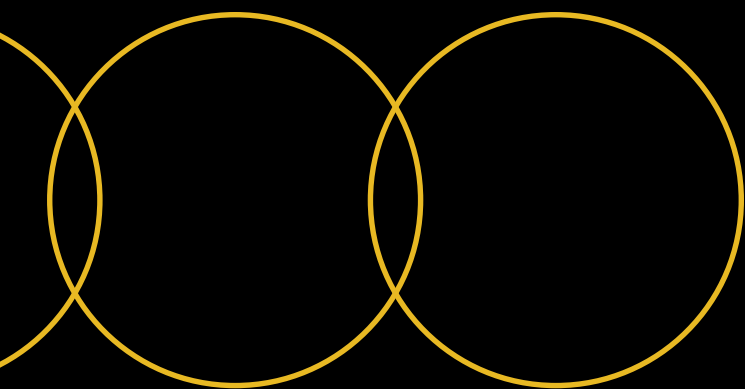
Refurbishment and reconfiguration can significantly **enhance property appeal**, leading to higher rental yields and resale values in the market.

Smart Investment Strategy

Combining title splitting with improvement works offers **strategic leverage**, allowing investors to maximize returns while managing risks effectively throughout the process.

Streamlined Financing Options

Structured financing options can support both purchase and renovation costs, ensuring adequate capital is available to realize the project's potential.



Exit Routes

Understanding the strategies for successful asset disposal

Individual Sales

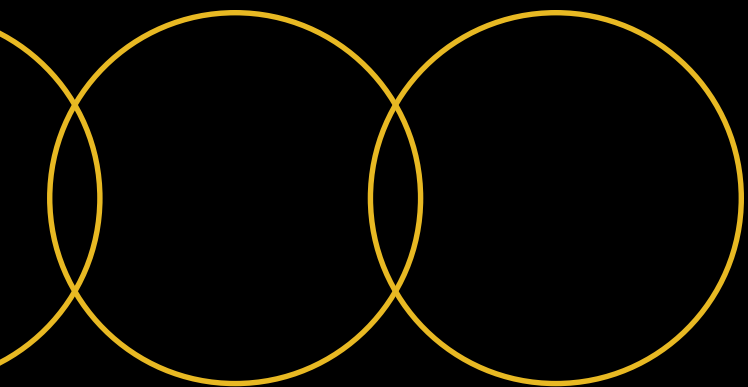
Selling units individually allows for capital release, dependent on issued titles and market demand for each property.

Portfolio Refinance

Retaining the asset through refinance can help recycle capital, but may face limitations based on yield and exposure.

Blended Exit

A blended exit strategy combines selling some units while refinancing others, optimizing asset value and cash flow management.



Cost Stack and Cashflow Model



01

Model all costs for accurate financial assessments and projections.



02

Include professional fees, legal costs, and unexpected expenses to plan effectively.



03

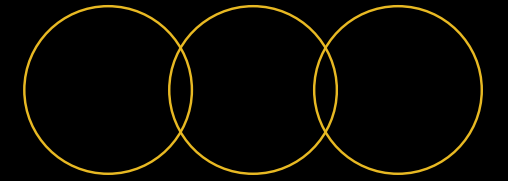
Capture operating assumptions like rent and maintenance for realistic cashflow.



04

Ensure all elements align for a viable investment strategy and exit.

Investor Assessment Framework



Key Considerations for Success

Legal Feasibility

Assess whether the **legal split is achievable** and commercially viable. The viability of the separation is crucial for its marketability and overall success in the investment process.

Market Appeal

Evaluate if the **separated interests are attractive** to potential buyers or lenders. A larger pool of interested parties increases liquidity and enhances the overall value of the investment.

Supporting Evidence

Ensure that the **split value is supported** by credible sold comparables. Strong evidence is essential for justifying the investment and ensuring a successful exit strategy.

What Finanze Requires



01

Property address and detailed asset description are essential.



02

Proposed split value and current financial metrics must be clear.



03

Market rent assumptions supported by robust comparable sales evidence.



04

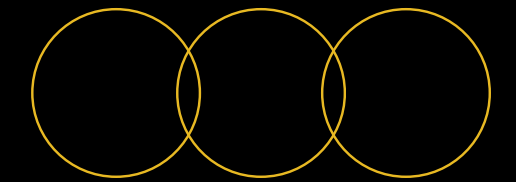
If renovating, a complete works schedule detailing costs and expected outcomes.



05

Borrower's financial background, KYC and intended exit strategy are crucial.

Process Overview



Initial Review

Finanze assesses the asset type, purchase price, and proposed split value and provides an illustration based on borrowers numbers and sends application form which details additional documentation required.

Underwriting

The credit team underwrites the transaction, assessing viability of the property itself along with undertaking a risk analysis of the borrower themselves and any UBOs.

Valuation

A valuer instructed by Finanzze evaluates block value, proposed split value, and comparables for exit logic.

Legal

Revising the facility offered if needed based on valuation result, solicitors for both parties work on reviewing documentaton for the split process and loan.

Completion

Purchase finalizes, and the title split application is submitted to HM Land Registry.

> Borrower exits when new titles issued.

Why Work With Us

Understanding the value of strategic guidance in financing

Expert Insight

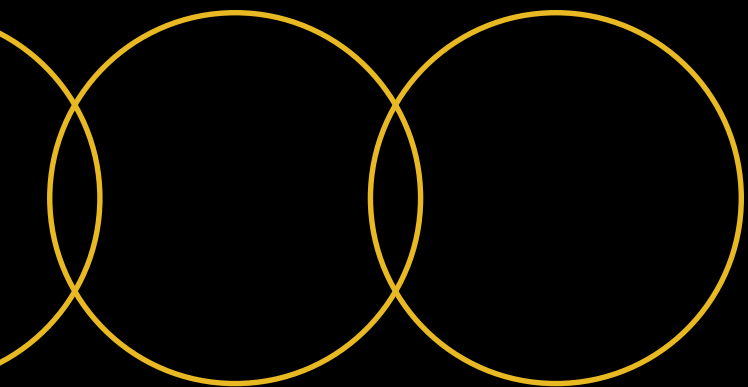
Our team provides essential **strategic understanding** of title split deals having pioneered the strategy, ensuring success beyond just securing debt.

Comprehensive Support

We offer guidance throughout the entire process, from valuation to legal structuring, which helps avoid potential pitfalls and costly mistakes.

Disciplined Underwriting

Our approach emphasizes careful evaluation, filtering out weak deals to maximize the potential for profitable title split opportunities.



Ready to Discuss Your Investment?

Connect with us for tailored financing
solutions

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