Security

There are many different types of commercial security, and each of these represent a different risk to the various lenders. These properties can be zoned as residential, commercial, industrial or mixed use.

Standard commercial properties

These are deemed the best type of security for a commercial property loan, and include:

- Offices
- Warehouses
- Retail spaces
- Factories
- Residential blocks (usually 3 or more units / townhouses)
- Shop fronts

Specialised commercial properties

These properties are usually specific purpose usage or are purpose built, and are a higher risk to the lender because they deemed to be more difficult to sell or value, and include:

- Pubs
- Childcare facilities
- Petrol stations
- Backpacker accommodation / hotels / resorts / motels / caravan parks
- Aged care centres
- Supermarkets
- Car yards / Storage facilities
- Function and Recreation centres
- Land subdivisions
- Commercial property developments
- Vineyards and Farms
- Places of Worship

Other forms of Security

General Security Agreement (GSA)

When applying for a commercial property loan, you're usually required to provide a residential property as security. Despite the collateral you provide, most banks will also ask for a General Security Agreement (GSA) over the property and any and all of your business assets.

However, as long as you have you can afford the loan or you have sufficient equity, your mortgage broker can argue against a GSA or Guarantee and Indemnity (G&I).

Banks are very risk-averse so, more often than not, they over-collateralise their loans by asking for a General Security Agreement when your residential property is actually enough.

The reason is that commercial real estate prices tend to fluctuate a lot more than residential real estate. This is largely due to changes to the economy on a macro level (such as mining and manufacturing) but sector level changes as well.

Sometimes, it becomes difficult to find a buyer for a commercial property, or to sell it at a price that will allow a bank to cover their losses. By taking a 'security interest' in your residential property and the commercial property, the bank is reducing their level of exposure.

Fixed and floating company charges have effectively replaced General Security Agreements.

The GSA doesn't give the bank rights to your property and assets but what it does do is provide them with a security interest via the commercial loan.

You "default" under the GSA if you:

- Are no longer able to meet your mortgage repayments;
- A third party, such as lender or a corporate entity, take security over any property already secured by the GSA. This includes opening a line of credit with a supplier.

The GSA applies to all property (other than land) and assets including water rights and some statutory licences, goods or inventory, shares, debts and even intellectual property.