

Commercial Mortgages - UK - May 2021

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This report looks at the following areas:

- The impact of COVID-19 on the commercial mortgages market
- How COVID-19 is reshaping the retail and office property sectors
- Why investment is shifting in favour of alternatives
- The trends towards redevelopment
- The potential impact of Brexit on lending activity.

A year into the pandemic, the worst appears to have passed as the vaccination roll-out offers hope in significantly reducing the transmission of COVID-19 and its severe ill-effects. This has helped the government establish a path to re-opening the economy, boosting both business and consumer confidence.

However, the somewhat weak confidence levels were not a barrier in all segments of the commercial mortgage sector, with sectors such as 'alternatives' outpacing the traditionally robust industrials sector in transactions in 2020 according to Savills.

COVID-19 will continue to subdue activity as lenders wait for the dust to settle through 2021, and loan margins may continue increasing for the retail and office sector if consumer behaviour begins to reflect a COVID-related reluctance in engaging with in-person activities.

Changes to permitted development rights have the potential to spur the rapid redevelopment of unused retail and office spaces for mixed or completely alternative use, with particular interest being shown in urban areas hit hard by the exodus of commuters from the city centre.

This trend opens the path for a rapid increase in non-bank lending, filling the gaps in funding left by the cautiousness of traditional lenders, who are already focused on supporting their existing clients through the fallout of the pandemic.



"The commercial mortgages market fared better than anticipated over 2020.

Government support schemes helped minimise the impact of the pandemic and enacted policy to help combat it, which prevented a cascade of defaults that could have rocked the sector."

- **Francesco Salau, B2B Analyst**

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- Impact of COVID-19 on the commercial mortgages market

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APPENDIX – DATA SOURCES, ABBREVIATIONS AND SUPPORTING INFORMATION

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- Trade associations
- Association of Short Term Lenders
- CoStar
- The Institute of Chartered Accountants in England and Wales
- National Association of Commercial Finance Brokers
- RICS
- Trade magazines
- Bridging & Commercial
- Business Matters
- Commercial Reporter
- Loans Insider
- Mortgage Finance Gazette
- Trade events
- Commercial Finance Roadshow 2021
- The Finance Professional Show 2021
- NACFB Commercial Finance Expo 2021

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