

Bridging Loans: Inc Impact of COVID-19 - UK - September 2020

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This report looks at the following areas:

- The impact of COVID-19 on bridging loans and how lenders and borrowers will react to the new market conditions.
- How the bridging loans market will adapt to the post-COVID-19 environment.
- The value of individual segments in the market in 2020.
- Small business owner attitudes towards and interest in bridging loans.

With a significant increase in unemployment expected once the furlough scheme ends in October 2020 alongside the start of the second wave of COVID-19 cases that has emerged since mid-September, the likelihood of the property market making up 'lost ground' before year-end is unlikely to happen. Although this will damage some bridging opportunities, in terms of helping borrowers to complete transactions, it could open up opportunities in other areas such as refurbishment and rebridging.

According to our small business owner survey that is included within this report, 30% of owners would consider using bridging finance in the future – up from 27% in 2019.

MBD believes that the value of the bridging loans market has risen by 73% over the last five years – from £5.3 billion in 2016 to £9.15 billion in 2020.

Despite achieving significant growth over each of the last five years, annual growth diminished from 18% in 2017 to an estimated 10% in 2020.

According to both the ASTL and MT Finance, the industry was hit by the coronavirus pandemic shutdown in Q2 but still managed to complete some significant deals even through lockdown.



"Bridging lenders must ensure that the risk appetite of the loans they underwrite is such that they can maintain a viable business and adapt to changing economic drivers without carrying a high default rate in the currently challenging lending market."

– Lewis Cone, Senior B2B Analyst, 22nd September 2020

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THE CONSUMER – KEY TAKEAWAYS

- A fifth of business owners have sought finance in the last year
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- Lower arrangement fees remain most attractive to business
- Equipment purchase and improving cash flow represent most common uses of loan

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- Loans Insider
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- Trade events
- Financial Services Expo London 2020 TBC
- NACFB Commercial Finance Expo 2021
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