

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

Report Price: £995.00 | \$1343.55 | €1119.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



“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

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.

**BUY THIS
REPORT NOW**

VISIT:
store.mintel.com

CALL:
EMEA
+44 (0) 20 7606 4533

Brazil
0800 095 9094

Americas
+1 (312) 943 5250

China
+86 (21) 6032 7300

APAC
+61 (0) 2 8284 8100

EMAIL:
reports@mintel.com

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

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

Report Price: £995.00 | \$1343.55 | €1119.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Table of Contents

Overview

Key issues covered in this Report
 COVID-19: Market context
 Economic and other assumptions
 Products covered in this Report

Executive Summary

COVID-19 and bridging loans

Figure 1: Expected impact of COVID-19 on Bridging Loans, short, medium, and long-term, 22 September 2020

The market

Aggregated loan balances forecast to rise by 40% to 2025 although slower growth expected to 2023

Figure 2: UK bridging loans market value, in aggregated loan balances and by sector, 2021-25, (£ billion)

Bridging grows again but must navigate default challenge over the rest of 2020

Figure 3: UK bridging loans market value, in aggregated loan balances, 2016-20, (£ billion)

Development loans now dominant as commercial sector hit by changing environment

Figure 4: UK bridging loans market value segmentation, in aggregated loan balances and by sector, 2016-20, (£ billion)

Refurbishments will be the most common use of loans by the end of 2020

Figure 5: UK bridging loans market value segmentation, by loan purpose and in aggregated loan balances, 2019 and 2020, (% of bridging loans)

The consumer

A fifth of business owners have sought finance in the last year

Figure 6: Last finance use, July 2020, (% of respondents)

Grants most commonly used whilst 30% would consider bridging

Figure 7: Non-bank lending use, July 2020, (% of respondents)

Lower arrangement fees remains most attractive to business

Figure 8: Attractive lending factors, July 2020, (% of respondents)

Equipment purchase and improving cash flow represent most common uses of loan

Figure 9: Purpose of loan, July 2020, (% of respondents)

COVID-19 and Bridging Loans

The market

Number of bridging lenders has reduced with a North-South divide seen in opportunities

Changing purpose for loans as residential exceeds commercial

Government measures

The future

Threats and opportunities

Issues and Insights

Business insolvency rise could increase level of loan defaults

Future funding capacity under threat if repossession ban is further extended

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

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

Report Price: £995.00 | \$1343.55 | €1119.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

The Market – Key Takeaways

- Bridging grows again but must navigate defaulting challenge over the rest of 2020
- Development loans now dominant as commercial loans hit by changing environment
- Aggregated loan balances forecast to rise by 40% to 2025 although slower growth expected to 2023

Market Size

- Bridging grows again but must navigate defaulting challenge over the rest of 2020
 - Figure 10: UK bridging loans market value, in aggregated loan balances, 2016-20, (£ billion)
- Most recent industry data suggests market has stalled but rebound expected by year end

Market Segmentation

- Development loans now dominant as commercial loans hit by changing environment
 - Figure 11: UK bridging loans market value segmentation, in aggregated loan balances, by sector, 2016-20, (£ billion)
- Loan purpose
 - Figure 12: UK bridging loans market value segmentation, by loan purpose and in aggregated loan balances, 2019 and 2020, (% of bridging loans)

Market Forecast

- Short-, medium- and long-term impact on the industry
 - Figure 13: Expected impact of COVID-19 on Bridging Loans, short, medium, and long-term, 17 September 2020
- Lockdown
- Re-emergence
- Recovery
- Market drivers and assumptions
 - Figure 14: Key drivers affecting Mintel's market forecast, 2015-2024, (in % annual change, % rate, and £ million) – (prepared on 17 September 2020)
- Learnings from the last recession
 - Figure 15: Industry performance following the last recession, 2010-2015, (£ billion)
- Aggregated loan balances forecast to rise by 40% to 2025 although slower growth expected to 2023
 - Figure 16: Forecast UK bridging loans market value, in aggregated loan balances, 2021-25, (£ billion)
- Short-term boom in property market not expected to last but bridging opportunities still expected to emerge
 - Figure 17: Forecast UK bridging loans market value segmentation, in aggregated loan balances, by sector, 2021-25, (£ billion)

The Impact of the Economy

- Annual GDP growth falls to decade low in 2019 and is expected to significantly decline in 2020 due to large economic shutdown
 - Figure 18: Annual GDP growth rate, 2015-20*, (%)
- Bank rate set at a record low of 0.1%
 - Figure 19: Bank rate, 2008-20, by date of adjustment, (%)

Market Trends

- Commercial property sector in a downturn whilst residential sector offers some short-term hope
 - Figure 20: Halifax and Nationwide House Price Index, by annual change per quarter, Q1 2012-Q2 2020, (%)
- Tightening mainstream mortgage lending criteria drives bridging to highest ever share of total mortgage lending
 - Figure 21: ASTL gross mortgage lending estimates, 2016-2020, (£ million and %)

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300
 APAC +61 (0) 2 8284 8100 |
EMAIL: reports@mintel.com

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

Report Price: £995.00 | \$1343.55 | €1119.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Online aggregators are becoming a growing source of funding

Other trends

Regulated and unregulated loans

Average LTVs and split between first and second charge loans

Average interest rate

Average loan term

Market Drivers

Quicker property transaction completion times, Stamp Duty changes and rising house prices boost lender appeal ...

Property transaction completion times

Stamp Duty changes

House prices

Residential property transactions

Figure 22: Number of residential property transactions, 2015-16 to 2019-20, (seasonally adjusted)

Non-residential property transactions

Figure 23: Number of non-residential property transactions, 2015-16 to 2019-20, (seasonally adjusted)

... With mortgage brokers being urged to diversify in the wake of the pandemic

Significant increase in insolvencies expected by year end as government measures end meaning lenders must be prepared for greater default risk

Figure 24: Company insolvencies in England and Wales, 2015-19, (number)

Companies and Brands – Key Takeaways

Fintech company extends ID passporting to bridging

Hope Capital unveils customisable bridging products

Industry Structure

Industry development

Fintech company extends ID passporting to bridging

Major industry movements

Lender overview

Figure 25: Bridging lenders' activity and product detail, by lender, 2020/21

Competitive Strategies

Masthaven launches online broker portal for lending

Hope Capital unveils customisable bridging products

Digital and remote loan application checks implemented by many lenders

Company Profiles

Aspen Bridging

Recent company activity

Financial information

Figure 26: Financial analysis of Aspen Bridging Limited, 2018-20, (£ 000)

Oaksix Holdings Limited (formerly Fortwell Capital)

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

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

Report Price: £995.00 | \$1343.55 | €1119.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Recent company activity

Financial information

Figure 27: Financial analysis of Oaksix Holdings Limited (formerly Fortwell Capital), 2015-19, (£ 000)

Octopus Real Estate (formerly Octopus Property)

Recent company activity

Financial information

Figure 28: Financial analysis of Bridgeco Ltd, 2013-17, (£ 000)

Figure 29: Financial analysis of Fern Trading Ltd, 2015-19, (£ million)

Figure 30: Financial analysis of Nino Limited, 2015-19, (£ 000)

Figure 31: Financial Analysis of Octopus Co-Lend Limited, 2016*-2019, (£000)

Figure 32: Financial Analysis of Octopus Healthcare Development Limited, 2015*-2019, (£000)

Figure 33: Financial Analysis of Octopus Investments Limited, 2015-2019, (£000)

Shawbrook Bank

Recent company activity

Financial information

Figure 34: Financial analysis of Shawbrook, 2015-19, (£ million)

Together Commercial Finance

Recent company activity

Financial information

Figure 35: Financial analysis of Together Commercial Lending, 2015-19, (£ 000)

United Trust Bank

Recent company activity

Financial information

Figure 36: Financial analysis of United Trust Bank, 2015-19, (£ 000)

West One Loans

Recent company activity

Financial information

Figure 37: Financial analysis of West One Loan, 2015-19, (£ 000)

The Consumer – Key Takeaways

A fifth of business owners have sought finance in the last year

Grants most commonly used whilst 30% would consider bridging

Lower arrangement fees remain most attractive to business

Equipment purchase and improving cash flow represent most common uses of loan

Last Finance Use

A fifth of business owners have sought finance in the last year

Figure 38: Last finance use, July 2020, (% of respondents)

Non-bank Lending Use

Grants most commonly used whilst 30% would consider bridging

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

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

Report Price: £995.00 | \$1343.55 | €1119.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 39: Non-bank lending use, July 2020, (% of respondents)

Attractive Lending Factors

Lower arrangement fees remains most attractive to business

Figure 40: Attractive lending factors, July 2020, (% of respondents)

Loan Purpose

Equipment purchase and improving cash flow represent most common uses of loan

Figure 41: Purpose of loan, July 2020, (% of respondents)

Appendix – Data Sources, Abbreviations and Supporting Information

Abbreviations

Methodology

Further Sources and Contacts

Trade associations

Association of Short Term Lenders

Financial Intermediary & Broker Association (FIBA)

National Association of Commercial Finance Brokers

Trade magazines

Bridging & Commercial

Business Matters

Commercial Reporter

Loans Insider

Mortgage Finance Gazette

Mortgage Introducer

Mortgage Strategy

Trade events

Financial Services Expo London 2020 TBC

NACFB Commercial Finance Expo 2021

The Finance Professional Show

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com