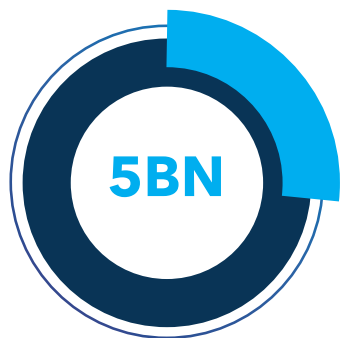


BRIDGING SECTOR BREAKS £5BN



**GROSS
BRIDGING
LENDING
INCREASES**



BRIDGING SECTOR BREAKS £5BN

- **GROSS ANNUALISED BRIDGING LENDING REACHED £5.0BN BY THE END OF 2017**
- **PERFORMANCE IN THE SECTOR WELL AHEAD OF THE WIDER PROPERTY AND MORTGAGE MARKETS**
- **HIGHER VOLUME OF SMALLER TRANSACTIONS CONTINUING AS INVESTORS LOOK TO REGIONS FOR RETURNS**

This edition of the [West One Bridging Index](#) shows that gross annual bridging lending broke **£5bn** by the end of 2017, capping a strong year for the sector.

The UK's bridging sector finished a strong 2017 with a powerful final quarter's performance, yielding a new high of **£5.0bn** according to findings from West One's Bridging Index. The year-end edition of the quarterly report revealed that gross annualised lending continued its upward trajectory from **£4.7bn** in Q3 to grow **6%**, and be **24%** above the same period in 2016.

The findings from this iteration of the Bridging Index provide further evidence that the bridging sector has had a robust 2017, in spite of a comparatively flat wider housing market and the first interest rate rise in 10 years. Indeed ASTL members lent over £1bn in the quarter during which

the Bank of England implemented the **+0.25%** change in their base rate.

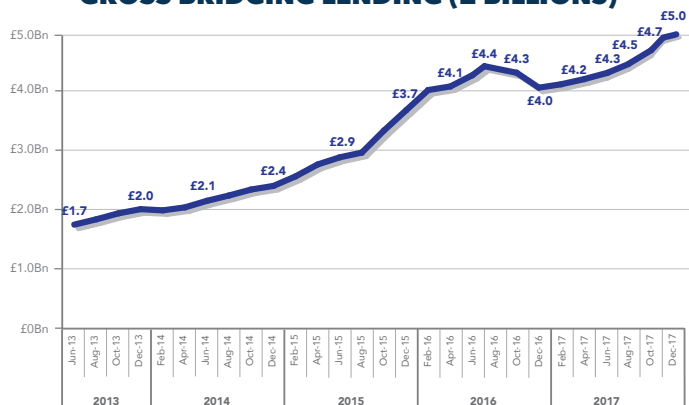
The higher volume of smaller-sized transactions that characterised the latter part of 2017 has continued through to the end of the year, as property investors look regionally for their returns.

TRENDS IN THE BRIDGING MARKET

Higher volumes of smaller transaction sizes have persisted throughout the second half of 2017. Average loan sizes remained between **£600,000** and **£800,000** in the quarter and confirming a longer-run average trending to below **£800,000**. Transaction volumes continue to be strong, however, resulting in total lending surging in the 4th quarter.

As discussed in previous editions, greater buoyancy in property markets outside London and the South East are offering property investors better rental yields and even some opportunities for capital appreciation at a time when the capital city is offering neither. With average property prices in London around **£500,000** compared with regional averages often under half that number, inevitably sizes of loans secured on these properties will be lower. This appears to be a significant driver of this trend.

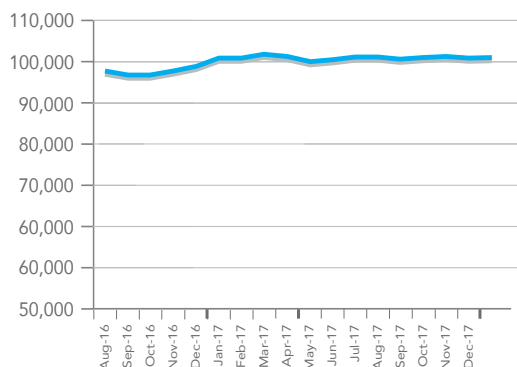
GROSS BRIDGING LENDING (£ BILLIONS)



WIDER PROPERTY MARKET ANALYSIS

HMRC property transactions data show that 2017 was a flat year for the residential property market in aggregate. Growth from **1,067,100** transactions in 2013 to **1,230,130** by 2016 has been followed by a **(0.5%)** flattening to **1,224,570** transactions in 2017. Non-residential has shown continued growth, albeit at **10%** of the volume, from **104,510** in 2013 to **124,810** in 2016 and **127,990** last year.

**HMRC SEASONALLY-ADJUSTED
RESIDENTIAL PROPERTY TRANSACTIONS**

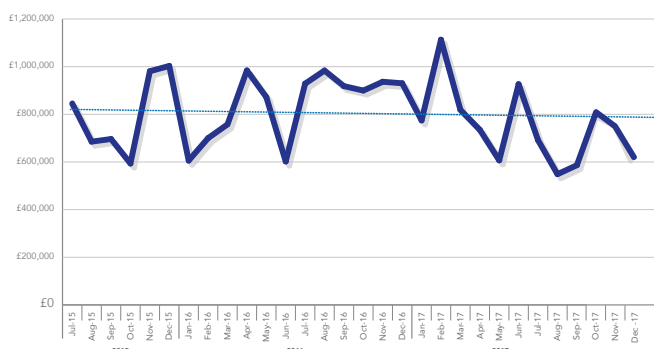


For bridging, healthy transactions are critical for successful exits where the strategy is sale. A volume of transactions sustained above **100,000** per month is therefore a positive for the industry. Nevertheless, the market activity has undoubtedly been blunted as a result of Brexit uncertainty and softness in London and the South East. That has not succeeded in restraining the buoyancy of bridging, however.

RICS member survey data have also painted a subdued, though not disastrous picture of the residential market, with the key index of price expectations hovering close to neutrality for much of H2. Yet bridging has maintained its positive momentum. In part, this is because bridging can help opportunistic investors – either to snap up properties that are being placed on the market ‘to sell’, or to extend their sales window to ensure properties sell at a level that can provide sufficient returns on their investments.

Looking forward, modest but positive house price growth remains likely, albeit with regional hot spots. That is a simple function of supply and demand in the housing sector. In the short-term, reductions in supply are maintaining prices even with somewhat weaker demand. For example, RICS members in the South West of England have reported acute shortages of properties coming to market. >>

AVERAGE BRIDGING LOAN SIZE



MARIE GRUNDY, SALES DIRECTOR OF WEST ONE LOANS, COMMENTS:

“2017 has proven to be a strong year for bridging finance, with a clear return to form after the post-Referendum turbulence this time last year. Seeing further robust new business performance in a quarter that includes the typically-quieter summer holiday period is very encouraging. The wider property and property finance markets have flattened against continued political uncertainty due to slow progress negotiating Brexit, and the prospect of interest base rate rises finally arriving. This new market high therefore reflects the underlying strength of bridging.

At West One, we’ve seen robust growth in our bridging this year, to reach around **£450m** of total lending and experiencing monthly lending records exceeding **£60m**. As we discussed in Q2, a major driver for that continued growth is demand from property professionals for smaller projects that are better suited to bridging funding than to full-blown development finance. We believe there is still that slack in the market and expect that the bridging market will continue to this pattern of solid growth, despite some slowing in the housing market. With pockets of growth outside London and the South East, we anticipate seeing more of that growth regionally.”

>> In the longer-term, Government has made clear since February 2017’s *Fixing our Broken Property Market white paper*, that significantly more homes need to be built to relieve supply constraints. Even with possible changes in demand as a result of Brexit, a housing shortfall is likely to persist for some years in the future.

One particular growth opportunity for bridging in 2018 and beyond, is then providing funding for SME developers to help meet that new home supply challenge. Government has highlighted the challenges that SMEs have in securing funding for their small development projects and SME research suggests that this is the biggest single challenge for small developers.

Bridging is already filling some of this gap, as major renovations and conversion work of under **£1m** is bread and butter for quasi-development bridging funding. Moreover, bridging finance can prelude full-blown development finance when planning permission is yet to be granted, allowing SMEs to acquire sites before they qualify for development draw-downs.

Bridging lenders are therefore well-placed to support the SME developer community and indeed West One is launching development finance for small projects between **£500,000** and **£7,500,000** to take advantage of the interplay between bridging and development finance in the SME sector.

BRIDGING INTEREST RATES

Interest rates in Q4 remained stable at **1%** per month, in spite of the Bank of England's base rate rise on 2nd November. Not only had the market already begun to factor this shift in during Q3, but also healthy competition in the sector has continued, thereby holding rates steady.

This competitive intensity has been maintained by continued interest from new entrants, while well-funded players in the market have been able to maintain attractive rates. In turn, that has meant good value for borrowers, resulting in such a vibrant performance for the sector in Q4.



INTEREST RATE
1.00%

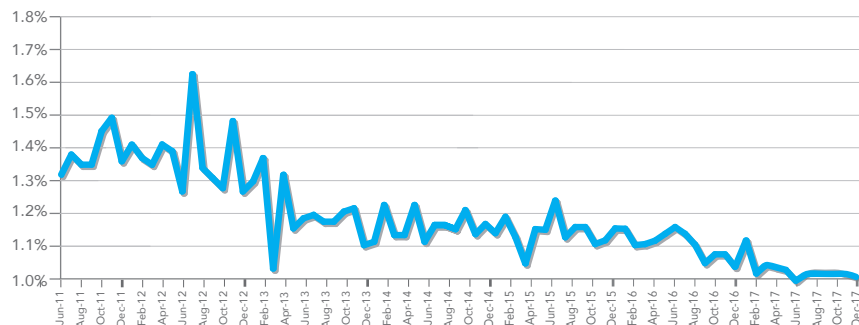
DANNY WATERS, CHIEF EXECUTIVE OF ENRA GROUP CONCLUDES:

“The bridging sector has performed excellently in 2017, despite the backdrop of concern around the progress of Brexit negotiations, sluggish economic indicators and interest rate rises. Whilst a few lenders have notably taken 2017 as the time to exit bridging, we are generally seeing more competition in the sector, which both drives innovation and keeps pricing attractive for customers. That continuing adaptation to conditions and to borrowers' needs has been a key strength for the sector in the decade since the financial crisis. Providing the flexible funding options that property professionals need, especially small developers, is the key to bridging continuing its growth trajectory, however the Brexit negotiations and the wider economy progress.”

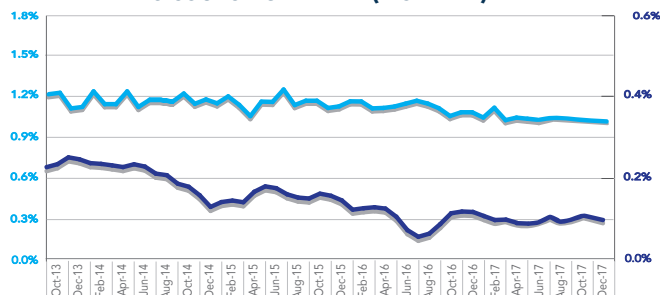


GILT YIELDS AT
0.11%

INTEREST RATE (MONTHLY)



**INTEREST RATE (MONTHLY) VS 10 YEAR
ZERO COUPON GILT YIELD (MONTHLY)**



ABOUT BRIDGING INDEX METHODOLOGY

West One analyses detailed data based on their own Management Information and industry sources to create the index. In some cases, where stated, three-month moving averages are employed to help reveal trends more clearly.

In May 2013, the West One Loans Bridging Index was recognised by [Wikipedia](#) as a key measurement tool of the UK Bridging industry.

The commentary provided in this piece are opinions only and should not be depended on as financial advice.

ABOUT WEST ONE LOANS

West One Loans is a specialist provider of short-term **bridging finance** for residential and commercial properties. Established in 2007, the group is now one of the biggest privately funded short-term secured lenders in the UK, having completed deals in excess of £2.5bn to date.

In 2017, West One diversified into a wider range of specialist lending, with the launch of longer-term second charge mortgage lending, followed by development finance in quarter 1 2018.

West One Loan Ltd is a member of the Association of Short Term Lenders (ASTL), Partner of the Financial Intermediary and Broker Association (FIBA) and a Patron of the National Association of Commercial Finance Brokers (NACFB).

West One Loans would be grateful for any hyperlinks you could provide. For ease, we've provided these links: [West One Loans short-term loans](#) or, preferably, [bridging lender](#) which you can copy and paste directly into the articles.

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NOTES FOR EDITORS

Marie Grundy, Sales Director at West One is available for interview and comment on a variety of industry-related topics. Please get in touch for more information.

For further information, please contact:

CHRIS ROGERS
HEAD OF MARKETING
020 8731 5333

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