

- *Buy-to-let landlords make use of £640 million in short-term secured loans over last 12 months*
- *Total gross bridging lending for all purposes reaches £1.79 billion in year to August 2013*
- *In July and August, gross bridging lending totals £364 million*

UK landlords made use of £640 million in short-term secured loans over the twelve months to 1st September, according to the latest West One Bridging Index.

Over July and August, bridging loans for buy-to-let purposes totalled £194 million in gross advances. This represents a record high, at an estimated 36% of total lending.

Bridging finance is often the only funding choice available for landlords wishing to renovate or convert properties for residential use, and represents a vital opportunity to increase the supply of quality housing onto the UK property market.

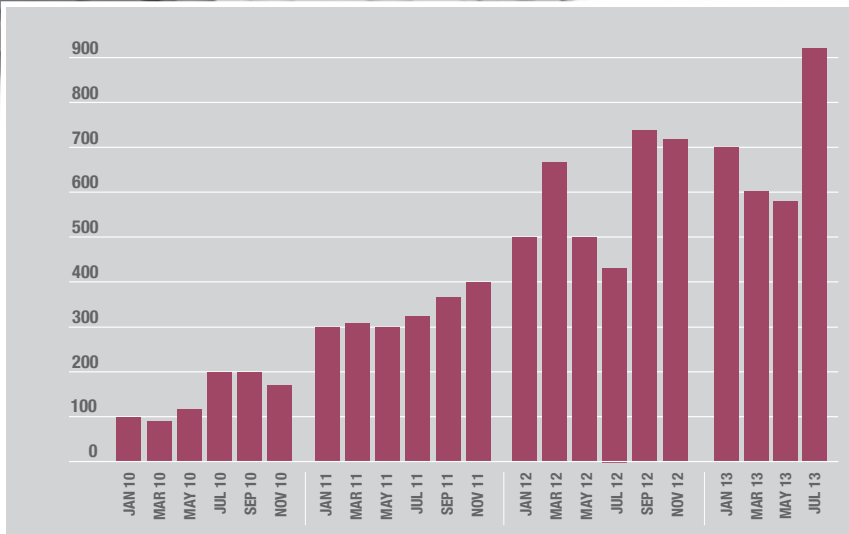
Duncan Kreeger, director at West One Loans commented: *“Landlords don’t just need mortgages. To expand portfolios, landlords are increasingly converting properties from other uses or from a dilapidated state. That’s vital for a growing rental market and it’s a huge economic opportunity. But this type of lending is not supported by most mortgage lenders. There’s a serious gap in the financial system.*

“To expand portfolios, landlords are increasingly converting properties from other uses or from a dilapidated state”

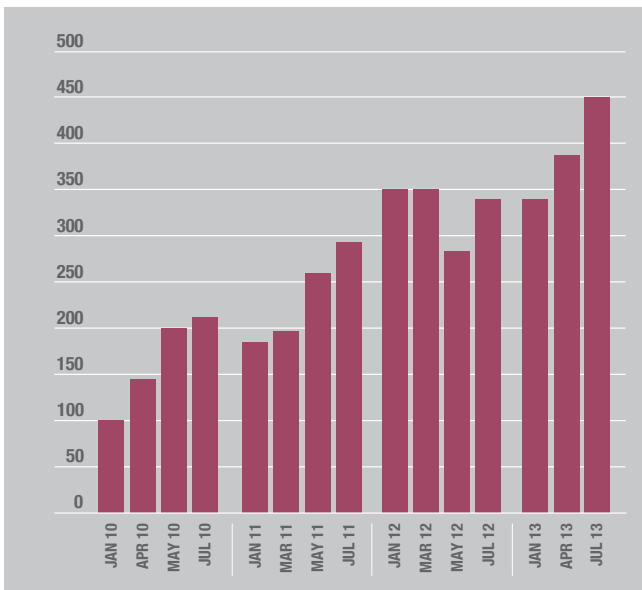
The UK bridging industry is on track to provide borrowers with over £2 billion in short-term secured finance by the end of 2013, according to the latest West One Bridging Index

Buy-to-let Bridging Finance at Record High





● Gross Lending (3 month moving average)



● Number of Loans (3 month moving average)

“The trouble is that standard mortgages were never really set up for that sort of loan, and the financial crisis has made lending criteria even stricter. For example, it’s practically impossible to get a high street mortgage on an ex-office – or a flat with no bathroom.”

“Working alongside mainstream finance, short-term, secured loans increasingly bridge that gap. There are more and more landlords who want to grow their portfolios in more intelligent ways. Most vitally, this can actually expand the stock of available properties.”

Total Gross Bridging Lending

Over the twelve months to August, industry gross bridging lending was £1.79 billion, after growth of 2.1% in the two month’s since June. Compared to the previous twelve months, to August 2012, this represents annual growth of 26%.

“Over the twelve months to August, industry gross bridging lending was £1.79 billion”

In the two month period from 1st July to 31st August, industry gross bridging lending was £364 million, or an annualised rate of £2.19 billion. This bi-monthly figure has shown annual growth of 37%.

Duncan Kreeger, director at West One Loans comments: *“As the economy builds some much-needed muscle, small businesses, landlords and developers are feeling a real imperative to get things done. This industry isn’t a substitute for mainstream mortgage lending, it’s something entirely different. Short-term finance is designed to get a project to completion – such as a vital business investment, or a valuable property in need of renovation.*

“Alongside mainstream finance, that’s opening up opportunities that wouldn’t be possible otherwise. We’re seeing record demand from all sorts of borrowers, and expect that to continue for the rest of this year and into the foreseeable future.”

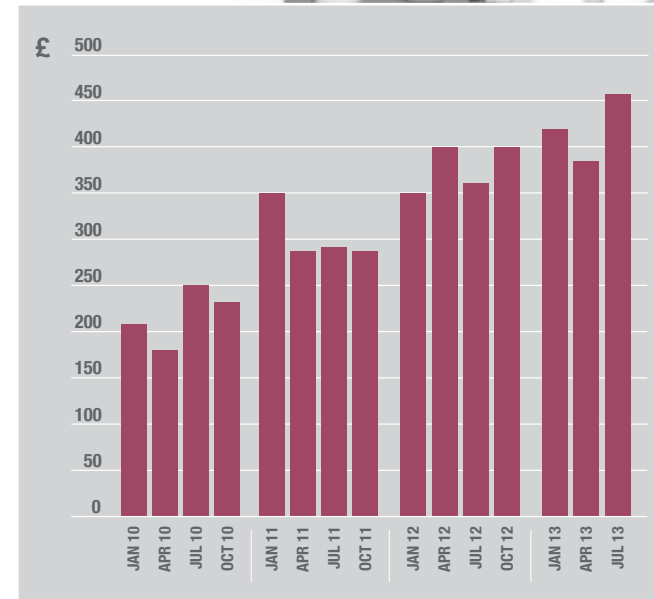
“Short-term finance is designed to get a project to completion”

Trends in the bridging industry

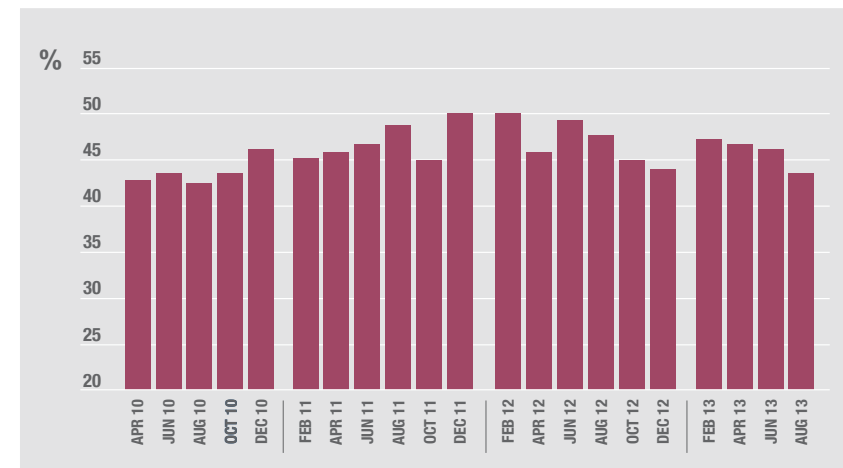
Gross lending is higher partly because of larger loans, and partly due to an increased volume of loans advanced. Loan volumes in July and August grew by 7.3% compared to the previous two months. This brings the number of loans advanced by the industry to a record high, and takes annual volumes growth to 13.9%.

Meanwhile, the size of the average bridging loan was £450,199 over July and August, up from £408,214 in the previous two months.

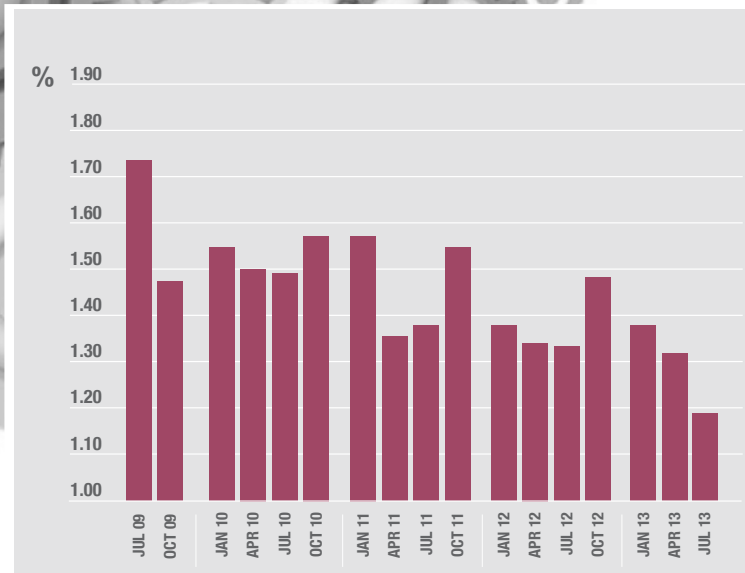
Duncan Kreeger comments: *“Across the UK, economic ambition has been in short supply for the last few years. And now in every section of business – particularly the property market – things are picking up.*



● Average Loan Size



● Loan to Value 1st Charge



● Interest Rate (monthly)



● Interest Rate (showing 10 year zero coupon gift yield)

“The bridging industry has always been more ambitious and flexible than standard mortgage lending, but larger projects are a symbol of the serious upturn underway.”

Loan-to-value ratios have fallen over the last two months. The average loan ratio in July and August was 44.3%, compared to 46.3% over May and June.

On an annual basis, loan ratios are also lower. Over the last twelve months, LTV ratios have averaged 45.6%, down slightly from the preceding twelve months to August 2012, when LTVs averaged 48.3%.

Duncan Kreeger continues: *“We’re backing expansion, without over-leveraging the available capital.”*

“Credit-worthy borrowers have always been vital to the success of the bridging industry, and solid security is always central to a well-designed product.”

“Lower loan ratios are a sign that bridging is expanding in a sustainable way. Record lending levels are on the back of even more solid capital than before. It’s another sign that the industry is maturing.”

Bridging interest rates

Interest rates in July and August were marginally lower, averaging 1.18%, after 1.19% in the previous two months. An annual comparison also shows a trend towards more competitive rates – down to 1.25% in the twelve months to August 2012, compared to 1.40% in the preceding year.

Mark Abrahams, director at West One Loans, explains:

“Lower rates are making these loans suitable for a wider variety of projects. That’s great news for everyone involved.”



“Competition is the main driver for lower rates within the industry, and that reflects the growing variety of lenders and funding channels. Overall that’s good news for borrowers – but it’s also good news for private investors who can now choose from a greater variety of bridging investments than ever before.”

Returns for investors in the bridging industry remain several times higher than those available from traditional ten year government bonds. This is typical of the comparison with other asset classes, such as alternative equity investments.

Mark Abrahams comments: *“Interest rates are going to rise sooner or later, and that might help returns on cash investments pick up a few basis points in coming months. But gilt yields are still a fraction of inflation – and after tax a real return on cash is even less plausible than ever before.*

“There are plenty of different ways to fund bridging loans – but we find the way that best fits the market is when savvy private investors can pick the projects they’re most interested in themselves. That personal approach is something we extend to brokers and borrowers, but on the other side of the deal too, a flexible service for investors keeps a dynamic form of funding as bespoke as possible for everyone involved.

Notes for Editors:

Directors Duncan Kreeger and Mark Abrahams are available for interview and comment on a variety of industry-related topics. Please get in touch for more information.

• Adam Kirby, The Wriglesworth Consultancy
020 7427 1440

• Andy Mossack, Marketing Director
West One Loans, 0333 1234 556

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.

About West One Loans

West One Loans is a specialist provider of short term bridging finance for residential and commercial properties. Established in 2005, the company is now one of the biggest privately funded lenders in the UK, having completed deals in excess of £150 million to date.

The company is authorised and regulated by the FSA for unregulated collective investment schemes, a founder member of the Association of Bridging Professionals, patron of the National Association of Commercial Finance Brokers and member of the Association of Short Term Lenders.

Company registration number: 5385677

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The West One Bridging Index was launched in 2011.

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

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