

- *Growth in bridging lending accelerates to 24% per year, up from 18% before new MMR rules*
- *Annual gross lending reaches record £2.17 billion, with £470 million lent in just last two months*
- *Growth is powered by rising numbers of loans, as loan volumes rise 28% year-on-year*
- *Borrowers see interest rates close to historic lows, averaging 1.14% over last two months*

Since the enforcement of new rules on mainstream mortgage lenders, the bridging industry has witnessed a rapid acceleration in its pace of growth, according to the latest West One Bridging Index.

Growth in annual gross lending now stands at 24%, over the twelve months ending 1st July 2014.

This compares with an 18% year-on-year expansion seen just two months ago, for the year ending 1st May – or just before new rules, introduced on 26th April, started to significantly affect the mainstream mortgage market.


Since then bridging loans have rapidly supplied £470m in gross lending, within the space of the last two months ending 1st July.

Due to this acceleration, industry gross bridging lending now stands at £2.17bn per year, for the twelve months ending July – a new all-time record high. Moreover, if the latest rate of growth continues, the UK short-term secured lending industry could be worth £2.8bn per annum by the end of 2014.



*Mortgage
market review
drives new
growth spurt
for
Bridging
Industry*





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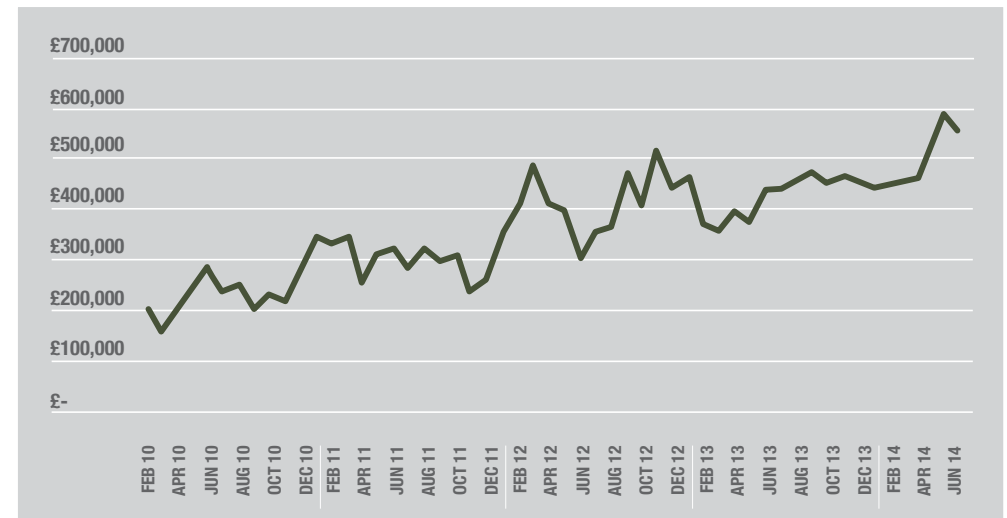
● Gross Bridging Lending (£ billions)

Duncan Kreeger, director of West One Loans, says: *“Bridging is firing on all cylinders. And this is down to a number of positive factors all coming into alignment over the past few months.”*

“Thanks to the constructive approach of the financial regulators, the new MMR affordability assessments don’t apply to most bridging loans. Due to the nature of short-term secured finance, the loan term is almost always less than a year and interest is often rolled up.”

“By contrast, post-MMR delays in the mainstream market have crept into many areas of buy-to-let and commercial lending. So many property investors are now more actively choosing to bypass the usual lenders from the start – as the high street is forced to focus its attention on simpler cases.”

“This is combining with a growing awareness about what bridging finance can get done – thanks in no small part to the growing expertise of specialist brokers. As the variety of borrowers grows in line with the sheer numbers of inquiries, we don’t expect this acceleration to reverse any time soon.”



● Average Bridging Loan Size





Trends in the Bridging Industry

The most recent spurt of growth in the bridging market is being driven by progress in both the size and number of loans being written.

The average loan size now averages £475,500 over the twelve months to 1st July, a 14.8% improvement on the previous twelve months, when the average loans was for £414,000.

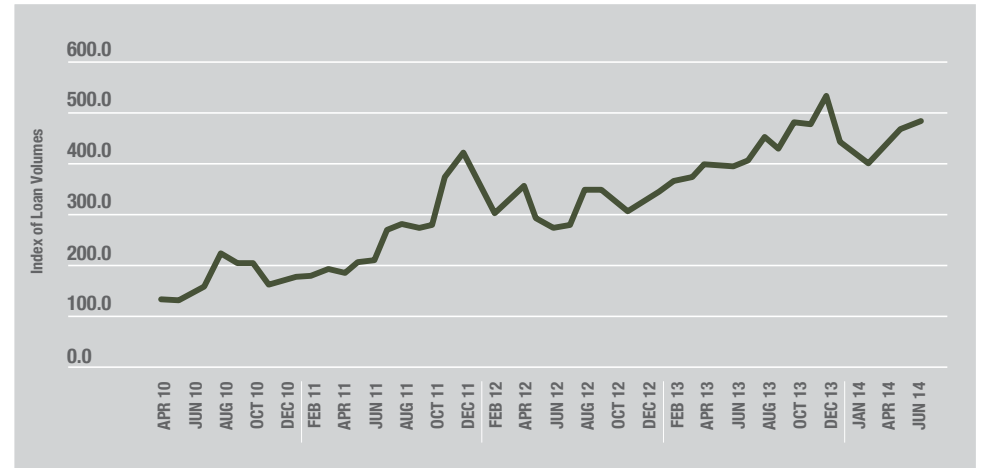
Greater loan volumes have been even more significant, with a 28.2% improvement over the last twelve months.

This is driven in particular by a 13.5% increase in loan volumes on a bimonthly basis – the two months from 1st May to 1st July, compared to the two months before the Mortgage Market Review.

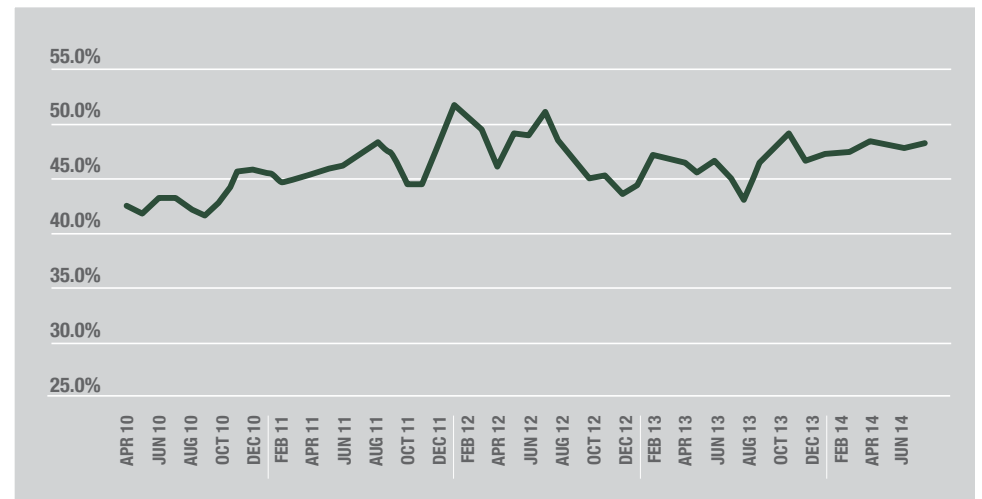
Duncan Kreeger adds: *“Property prices are rising, creating both an opportunity for investors – and a challenge for those in need of affordable homes or workplaces.”*

“Bridging lenders are responding with the finance that can help ease the squeeze on supply, in loan sizes that are more than keeping up with the property market – and in volumes that will make a real difference.”

“As wider economic conditions becoming more hospitable, the bridging market has already proved it can perform well in good climates as well as bad.”



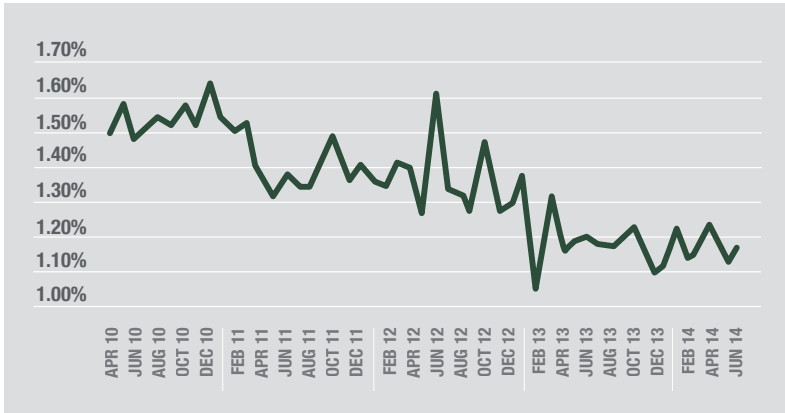
● Index of Loan Volumes (3 Month Moving Average)



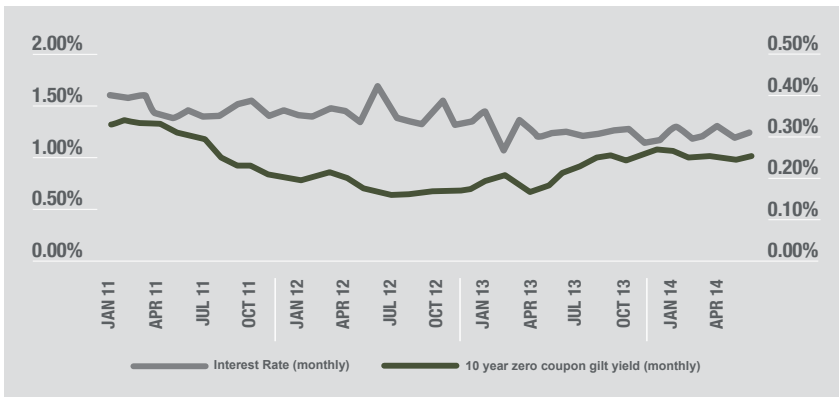
● LTV 1st Charge



“The bridging market has already proved it can perform well in good climates as well as bad.”



● Interest Rate (monthly)



● Interest Rate (monthly) showing 10 year zero coupon gilt yield (monthly)

Loan to value ratios

Average loan to value ratios have increased to a twelve month average of 47.3%, up considerably from the low of 46.5% witnessed over the previous twelve months, ending 1st July 2013.

Duncan Kreeger comments: *“It’s encouraging for the industry’s future growth prospects that even as volumes and loan sizes are both growing rapidly, loan-to-value ratios remain restrained.”*

“Lenders, with help from expert brokers, are lending only to credit-worthy borrowers. And even after the current acceleration, amongst all the industry players there is a sense that lenders have even more capacity.”

“But maintaining a note of caution is sensible, and bridging lenders and borrowers alike will be able to keep making extraordinary progress without resorting to higher LTVs.”

“It’s encouraging for the industry’s future growth prospects that even as volumes and loan sizes are both growing rapidly”

Bridging Interest Rates

Bridging interest rates have averaged 1.17%, over the year to 1st July 2014. This is down by ten basis points from the previous 12 month period, when this stood at 1.27%.

Most recently, on a bi-monthly basis rates have fallen to just 1.14% over the two months ending 1st July.

This compares to 1.19% over the two months to 1st May, and is only three basis points above the record low of 1.11% set in the final two months of 2013,



Despite these recent falls in market rates, bridging loans also remain an attractive proposition to investors, with a current monthly spread of 0.93% from 10-year Government bonds, which currently offer a yield of just 0.24% per month.

Duncan Kreeger concludes: *“Bridging loans are not just helping in greater numbers of cases – they are doing so more cheaply and efficiently.”*

“Meanwhile, when you consider the fact that bridging LTVs remain far more modest than those extended by most large banks, it’s plain to see why the soundness of the bridging industry is still of increasing interest to private investors.”

Notes for Editors:

Director Duncan Kreeger is available for interview and comment on a variety of industry-related topics. Please get in touch for more information.

Please get in touch for more information.

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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.

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 short-term secured lenders in the UK, having completed deals in excess of £350 million to date.

The company is authorised and regulated by the FCA 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

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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