

Help-to-Buy *eclipsed* by *Bridging* *Finance*



- *Help to Buy provides less than half the funding for new homes as bridging in same period*
- *Government equity loans of £941 million compare to £2.38 billion in property bridging loans*
- *Follows 32% growth in number of completed bridging loans over course of twelve months*

Help to Buy has provided less than half the funding for new homes in its first fourteen months than alternative finance, according to the latest West One Bridging Index.

The UK government has so far delivered equity loans worth £941 million for the supply of new homes via the first phase of Help to Buy, since the scheme's debut in April 2013.

However, over the same fourteen month period, gross lending via the bridging loan industry has totalled £2.38 billion.

Duncan Kreeger, director of West One Loans, comments: *“New homes are the fundamental fuel of a healthy property market – so the government and Bank of England are right to highlight the dangerous squeeze in the supply of property.*

“But there are other ways to supply new homes. We need to make far better use of the buildings we already have.

“New homes are the fundamental fuel of a healthy property market”

“The bridging industry is still making hay – and the sun looks set to keep shining”

“Help to Buy has a critical role to play in kick-starting brand new building sites – yet ground-up development is only one part of the finance that property professionals need in order to supply raging demand.

“Thousands of under-loved and under-occupied properties are still left waiting for refurbishment or conversion. Property developers and potential landlords just need the right sort of finance to get these empty offices or dilapidated blocks of flats to a decent standard and on the market. Flexibility is king – and government schemes can only do so much.”

Annual Gross Bridging Lending

Over the twelve months ending 1st May, the bridging industry provided annual gross lending of £2.06 billion. This represents growth of 17.9% compared to the previous twelve months.

Recently, this growth appears to have moderated. Lending has grown at an average rate of 0.8% per month since 1st March – when industry gross lending totalled £2.02 billion.

If this latest expansion continues for a full twelve months it would represent an annualised rate of growth of 10.0%.



Cumulative Gross Lending Since April 2013 (£ millions)



Average Gross Bridging Lending (£ billions)



● Average Bridging Loan Size



● Index of Loan Volumes (3 Month Moving Average)

Duncan Kreeger continues: *“The bridging industry is still making hay – and the sun looks set to keep shining.*

“Meteoric expansion in recent years is only the start of a new era. This reinvigorated industry has built a solid foundation for further growth.

“Certainly, as with all industries, such transformational progress must gradually steady. And bridging is already maturing, consolidating its enormous expansion.

“Bridging is not suffering from any of the latest challenges afflicting the mainstream mortgage market. While the high street gets the jitters as incomes struggle to keep up with house prices, the best bridging lenders are in the business of solving this problem. Our loans always aim to add value to property by actually increasing capacity in the right places. It’s a system that grows the pool of winnings, rather than just splitting the wealth of property in a different way.”

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Trends in the Bridging Industry

Bridging loans are growing in terms of both size and number. The average loan size now averages £457,000 over the twelve months to 1st May. This is 10.7% larger than the average loan in the previous twelve months (£404,000).

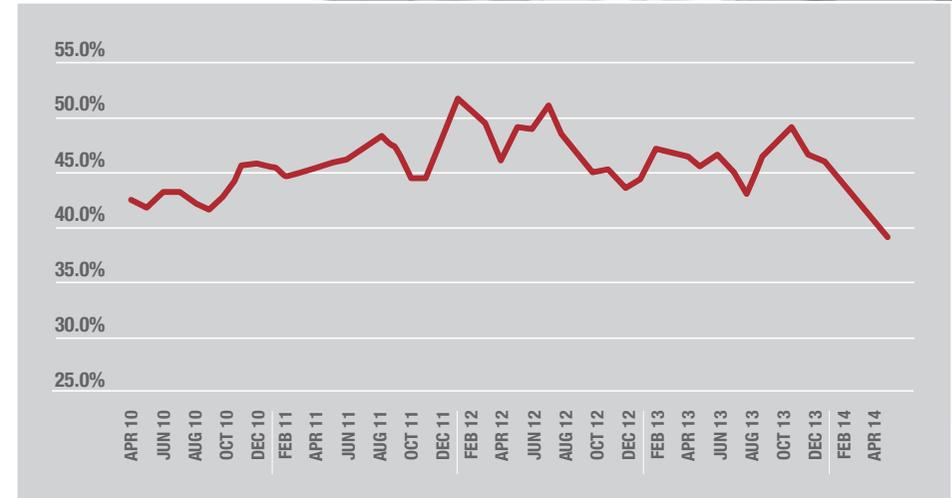
However the most significant growth in overall lending by value has been driven by increased volumes. In the last twelve months the volume of completed bridging loans has expanded by a third (32.4%).

This is despite a slight seasonal dip in volumes over the two months ending 1st May; with 4.1% fewer completed loans than in the previous two months.

Duncan Kreeger comments: *“Brokers want lenders who can help with any size of loan – just like they want lenders who can help in any corner of the UK or with any type of property. At West One we pride ourselves on funding an increasing number of multi-million pound deals every week.*

“But as we’re seeing across the whole industry, growth is solid because it’s coming from so many different sources. Gross bridging lending is set to continue to climb for the rest of year and into 2015. Partly that will be thanks to bigger loans – and partly thanks to sheer volumes.”

“Brokers want lenders who can help with any size of loan”



● LTV 1st Charge

Bridging LTVs at record low

Loan to value ratios across the bridging industry have reached the lowest point on record, after a prolonged and consistent drop since the end of 2013.

In the last twelve months bridging LTVs have averaged 45.3%, down from 46.9% in the twelve months to 1st May 2013.

Most recently, in just the last two months, LTVs have averaged only 41.0% – sharply down from LTVs of 45.2% in the previous two month period to 1st March.

Duncan Kreeger concludes: *“As prices pick up, we’re able to lend more cheaply against the very same property – and potentially more ambitiously.*

“But LTVs are falling across the board. Bridging is now more stable than ever before – while the industry is lending record amounts. This leaves plenty of capacity for even higher gross lending later this year.

“Unlike mainstream finance, bridging lenders are not overstretching themselves in any way. Alongside our property partners we have real solutions to Britain’s lack of housing – and rising prices are only helping us to tackle this one issue at the heart of fears about the property market.”

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.

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Notes on Help to Buy comparison:

Official statistics on the Help to Buy Equity Loan Scheme: [Click here to download](#)

Note: In addition to this first phase of Help to Buy compared here, the UK government has also supported the property market through the Help to Buy Mortgage Guarantee scheme or “Help to Buy 2”. However, this is not focused exclusively on increasing the supply of homes.

For context, implicit government support via this second phase comes to £153 million, according to the latest official figures. This represents approximately 16% of the value of direct government support through Help to Buy 1, i.e. this would not dramatically alter the comparison above if it were included.

Further information on Help to Buy Mortgage Guarantee Scheme: [Click here to download](#)

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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