

# 2019 BEGINS WITH STRONG FIRST QUARTER



**GROSS BRIDGING LENDING INCREASES**



# HIGHEST COMPLETION LEVELS

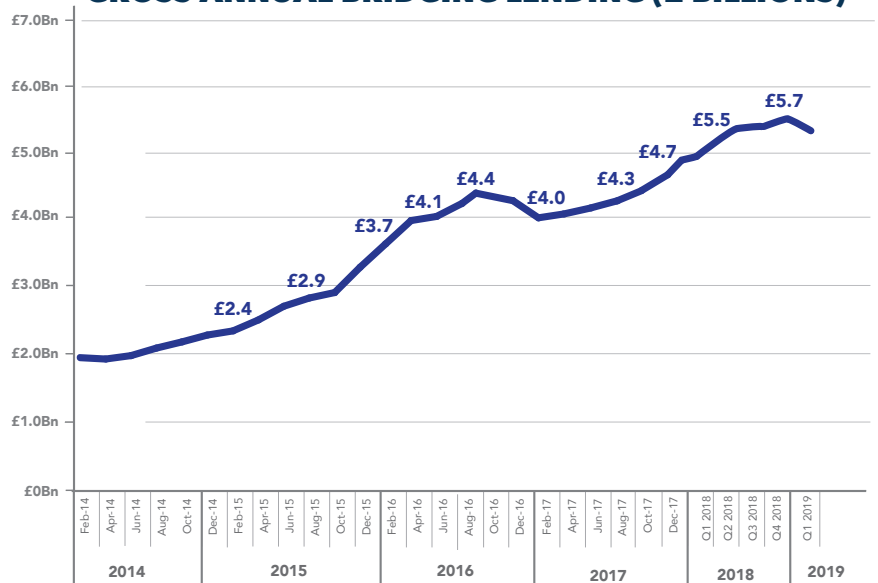
- GROSS ANNUALISED BRIDGING LENDING REACHED £5.5BN FOR Q1 2019
- NEW PRODUCT DEVELOPMENT MAINTAINS COMPETITIVE MARKETPLACE
- AVERAGE LOAN SIZE INCREASED BY 11%

This edition of the West One Bridging Index shows that gross annual bridging lending reached £5.5bn for the first quarter of 2019 – a slight decrease on the previous quarter, but with indications showing the highest average loan sizes since Q1 2017, it is an overall positive start to the year.

The UK's bridging sector finished a strong 2018 with a powerful final quarter's performance that yielded a new high of £5.7bn gross lending during the year – and maintaining that growth trajectory was always going to be a challenge for Q1.

Although the first three months of 2019 delivered a modest fall against that record-breaking quarter – with gross annualised lending down 2.6% to £5.5bn - our estimates show that average loan size increased 11% through the quarter, compared to Q4 2018 (the highest performing quarter of last year).

**GROSS ANNUAL BRIDGING LENDING (£ BILLIONS)**



## TRENDS IN THE BRIDGING MARKET

There has been plenty of discussion in the media during Q1 about business models of bridging lenders - and the stability of their funding lines – no doubt due to the widely reported fate of Amicus and a few other high-profile lenders who eventually left the market.

This reduced competition could have had the potential to drive prices up, but in fact the competitive intensity of the market has been maintained.

This is, in part, due to the wealth of new bridging products that have entered the market.

With a relatively static property transaction market (further details below), and – more importantly – house prices being static or showing minimal growth, property developers are increasingly keen to hold out for the ‘right’ price. To aid this, bridging lenders are creating new ‘development exit’ loans to help builders transition from repaying their development facility, to obtaining the sales value they want to achieve.

We’re also seeing increasing demand from borrowers for ‘Bridge-to-Let’ products. Savvy landlords are looking for other ways to achieve high returns in the face of tax relief changes and affordability stress tests. Landlords and developers are seeking out distressed and derelict properties that are in need of repair and - using Bridge-to-Let - bringing them up to standard and adding them to their rental portfolio.

All this means that the options available to borrowers are increasing, contributing to this vibrant marketplace.

### WIDER PROPERTY MARKET ANALYSIS

HMRC data shows that the first quarter of 2019 was stable for seasonally adjusted residential property transactions – hovering just above 100,000 per month throughout. In March 2019 there was a 1.4% increase on February – and when we compare to the same month in 2018, this was a 6.8% increase, too.

Seasonally adjusted non-residential transactions have risen for the second consecutive month in March 2019. The adjusted count of non-residential property transactions increased by 8.9% between February 2019 and March 2019 and is 9.7% higher than March 2018.

These positive movements are essential for the bridging

sector, with transactions being critical for successful exits where the strategy is sale. A consistent volume of transactions sustained above 100,000 per month for the residential market is therefore a positive for the industry.

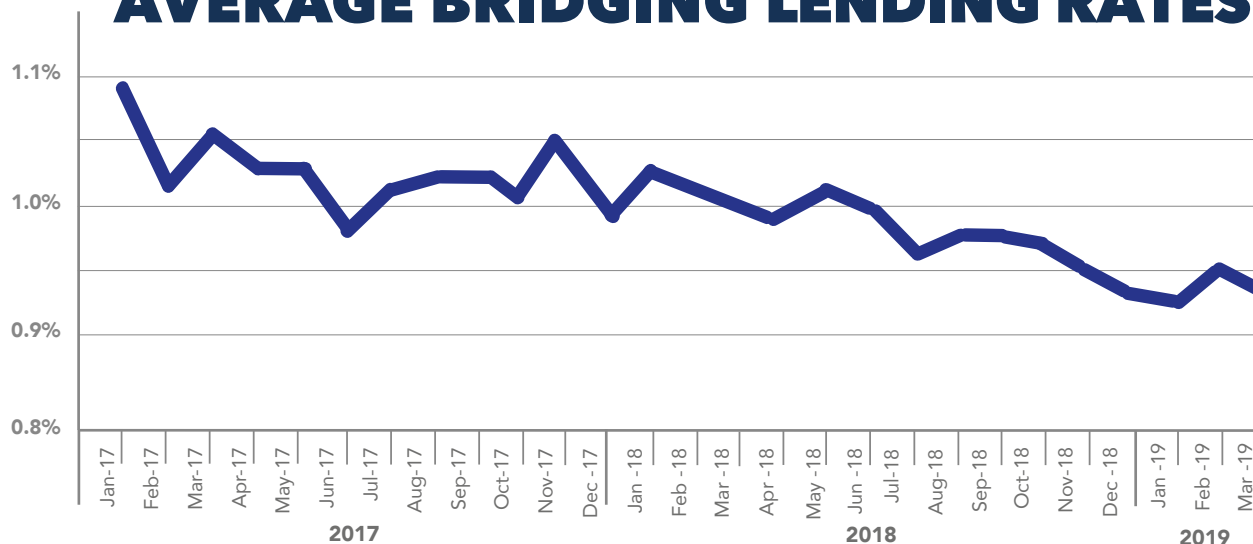
With commercial property outperforming the residential market (in terms of percentage growth) and seeing steady seasonally adjusted transaction numbers of over 10,000 per month for (bar a small dip in January 2019) for over a year – this should create the solid foundation bridging needs to maintain the high performance we’ve seen over the last years.

Nevertheless, relatively speaking, the property market continues to be muted by the ongoing Brexit uncertainty, and RICS market survey data paints a rather subdued picture of the residential market.

In their March survey, they reported “a net balance of -27%” in new buyer enquiries, which was the eighth successive negative monthly reading. Respondents were also pessimistic about near term sales volumes, with expectations that they will dwindle through to July at the very least. Lastly, RICS members also reported an ongoing decline in new instructions being listed for sale, noting that the supply indicator has “now become progressively weaker in each of the past four surveys”.

That has not succeeded in restraining the buoyancy of bridging, however. We believe it has maintained its positive momentum due to the fact bridging can help opportunistic investors – whether that’s to take advantage of properties that are being placed on the market ‘to sell’, or to extend their sales window to ensure they sell at their desired level.

## AVERAGE BRIDGING LENDING RATES



# BRIDGING INTEREST RATES

Our data shows that bridging finance interest rates have fallen to among their lowest levels – with a Q1 average of 0.95% per month - and a number of factors are contributing to this.

Firstly, we've seen a stable Bank of England base rate for over two quarters, with many in the market predicting that the Bank is unlikely to raise interest rates again before the end of 2019. Some commentators rate the chance of a fall as high as an increase, but still we know that any movement really depends on the Brexit deal that the UK government secure.

Secondly, and as previously noted, the competitive intensity of the market has been maintained - despite some high-profile lenders leaving the market in the early part of 2019 – through clever product development in 'development exit' and 'Bridge-to-Let' solutions.

Thirdly, there is continued interest in the sector from new entrants, and well-funded players in the market have been able to maintain attractive rates.

Lastly, the fall in rates is also driven by the increase in regulated bridging that is priced at a lower rate of interest.

This has meant good value for borrowers, resulting in the continuing interest and performance of the sector.

## STEPHEN WASSERMAN MANAGING DIRECTOR, WEST ONE LOANS:

“At West One, we've seen robust growth in our bridging service this year, which includes completing one of our largest loans.

*We provided a £20m first charge bridging facility against a high value site in a prime London location.*

*We were able to complete the deal in just 18 working days; thanks to the quality of the deal, our ongoing relationship with the client and the slick service of our Premier Loan Team.*

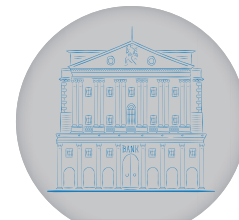
*The bespoke service they provide for our high net worth clients with more complex borrowing needs is second to none.*

*It is positive to see the average loan size increase, too. With the ASTL reporting a record number of applications among their membership, it's clear that bridging finance is still very much on an upward trajectory.”*



## INTEREST RATE

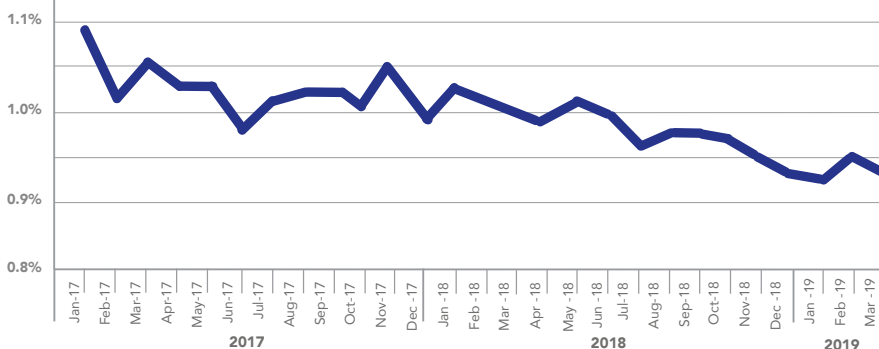
# 0.94%



## GILT YIELDS AT

# 0.10%

## AVERAGE BRIDGING LENDING RATES



## 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 2005, the group is now one of the biggest privately funded short-term secured lenders in the UK, having completed deals in excess of £2bn to date.

West One Loan Ltd is a founder member of the Association of Bridging Professionals the Association of Short Term Lenders.

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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West One Loan Ltd is registered in England and Wales. Company Number: 05385677. West One Capital is an unregulated subsidiary of West One Loan Ltd, and is registered as a limited company in England and Wales. Company Number: 08880521. Registered Office Address: 3rd Floor, Premiere House, Elstree Way, Borehamwood, Hertfordshire. WD6 1JH.

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