

An aerial photograph of a city, likely London, showing a dense residential area in the foreground and a city skyline in the distance. A large, white, stylized graphic element, resembling a large letter 'M' or a similar shape, is overlaid on the image. The text is centered within this graphic.

HOW ARE UK PROPERTY BUYERS FINANCING THEIR PURCHASES?



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Of all the asset classes currently available to UK investors, real estate has remained a leading destination for those seeking safe and secure returns over recent decades. Property's attractiveness stems from its strong historical performance and resilience in the face of economic shocks or volatile market conditions. Since August 2008, the average price of a UK home has [increased](#) from just over £176,000 to an impressive £228,385 ten years later. Notably, this growth comes amidst the global financial crisis and, more recently, the Brexit announcement.

While market preference for UK property remains consistently strong, the typical avenues of financing real estate purchases have changed significantly. The imposition of more stringent lending measures by traditional lenders in the years following the global financial crisis that took hold in 2008 have made it difficult for some borrowers and businesses to access capital. High street banks became much more risk averse, and the process of acquiring a loan – or more specifically, a mortgage – has become arduous and time-consuming for many people.

In response, the rise of alternative finance products such as bridging loans means that UK adults looking to invest in property now have access to flexible finance options tailored to their individual needs. Figures released by the Association of Short Term Lenders (ASTL) revealed just how significant the rise in market demand for specialist finance has been in recent years – the total value of bridging loans issued in Q4 2017 [exceeded £1 billion](#).

Taking into account the full range of traditional and alternative finance products currently available to UK property buyers, Market Financial Solutions has sought to uncover just how they truly are financing their real estate purchases, and the factors influencing their decisions. Having surveyed a nationally-representative sample of more than 2,000 UK adults, the research reveals the most popular sources of finance for those Britons who have purchased a home since 2007.

A summary of the key research statistics

Market Financial Solutions surveyed a nationally representative sample of 2,000 UK adults to uncover how the country is financing their property investments, and the factors influencing their decision. It found:

- 42% of all people who have purchased a UK residential property since 2007 were cash buyers, 52% used a mortgage or re-mortgaged to finance their property purchase
- Nearly one in five (19%) used a form of alternative finance such as crowdfunding, mezzanine finance or unregulated loans; this number jumps up to 29% for those aged 18 to 34
- 13% of homebuyers said they used a bridging loan
- When asked about the factors influencing their decision, 37% of homebuyers said they relied on a broker to recommend different financial products available to them. However:
- 46% stated they did not have enough knowledge or confidence in finance options other than mortgages to consider using them
- 49% did not have a strong enough understanding of bridging loans or the situations in which they can be used
- 24% were open to other financial products but feared they would lose out on their property purchase if they delayed their choice of credit

Financing a property purchase

UK house prices have been rising at a considerable rate over the past decade. This is primarily due to strong market demand for residential real estate. And with demand surpassing supply, the UK property market has become fiercely competitive as foreign and domestic buyers seek to take advantage of the investment opportunities on offer. Brexit has done little to deter this investor sentiment towards bricks and mortar – **a study by MFS at the beginning of the year found that over half of investors would rather invest in traditional asset classes such as property in 2018 than newer assets like cryptocurrencies.**

In such a competitive, popular marketplace access to capital without delays is vital in determining whether a real estate purchaser is successful in completing on potential acquisitions. So MFS asked a nationally representative sample of UK homeowners how they have financed their property investments; the survey found that **42% of homeowners identified as cash buyers – this number jumped to 73% for those over 55 years of age.** However, over half (52%) of the respondents said they had used a mortgage or re-mortgage to fund a property, either entirely or in part.

Buyers turn to alternative finance

Taking into account the rise of the UK's alternative finance industry – currently worth over £4.6 billion – the research also revealed a noticeable uptake in products outside of mainstream loans. **Nearly one in five (19%) homebuyers from the past decade said they had used a form of alternative finance, ranging from crowdfunding to mezzanine finance and unregulated loans,** with this figure rising to 29% among respondents aged between 18 and 34.

The findings from the research also show the underlying popularity of bridging loans for those seeking to invest in a property outside of their primary residence, such as a buy-to-let. **More than one in nine (13%) of homebuyers said they had used a bridging loan – this number increased to 21% for those who own two or more residential properties.**

For homeowners seeking to complete on a property acquisition, these short-term loans can offer an existing property as security and apply for bridging finance against the asset. In doing so, the prospective buyer will then have immediate access to the finance needed to complete on the acquisition of the property without unnecessary delays. Bridging loans can be issued in a matter of days, rather than mortgages which can take weeks. As such, bridging loans enable the buyer to act confidently and quickly, thereby reducing the risk of being stuck in a property chain or having a property deal collapse at the vital closing stages.

Taking advantage of specialist finance loans

While MFS' research revealed a notable uptake in the number of buyers looking to alternative finance, a significant proportion of UK buyers admitted that they did not have the comprehensive knowledge required to consider other types of finance beyond the traditional mortgage.

Reflecting the competitive nature of the country's property market, **nearly a quarter (24%) of buyers said they would have liked to have considered other financial products but feared they would lose out on their property purchase if they delayed their credit decision.** This figure increased to 37% for millennials. When delving into the awareness of specific alternative finance products, nearly half (49%) of respondents admitted they did not have a strong enough understanding of bridging loans or the situations in which they can be used. Interestingly, the research also showed that over one in three (36%) Britons who own two or more properties did not have an adequate grasp on how bridging loans worked.

Despite a general lack of awareness of bridging and alternatives, MFS' research has revealed a willingness from UK homebuyers to consider all the finance options available to them when making a property purchase. Over two in five (41%) admitted that they would like to have had a better understanding of all the credit and finance options available to them when buying a property, so they could have considered a broader range of alternatives.

Generating greater market awareness of the financial products that can be used to buy a property is evidently needed. This is particularly true when it comes to those UK adults who own two or more homes – specialist finance loans are ideally positioned for those investors seeking to release funds from their existing property assets.

How to take advantage of future property investment opportunities

Mortgages have long been the go-to method for financing a house purchase in the UK. Yet the MFS research has revealed that, over the past decade, buyers have begun exploring different options that might be faster, more flexible or better suited to their needs. Yet, despite this trend, there is still a noticeable lack of understanding about the alternative finance products that currently exist on the market.

Now is the opportune time to address this issue. The Bank of England's recent decision to raise interest rates, coupled with the looming uncertainty surrounding Brexit, is likely to make high street banks more risk averse when it comes to reviewing and approving mortgage applications. This could significantly reduce a buyer's ability to acquire the funds to complete on property transaction.

From crowdfunding platforms to raise a deposit, through to bridging loans to buy a property at auction, prospective homebuyers need to be aware of the many opportunities now accessible for those needing capital. Moreover, the competitive nature of the UK property market makes this incredibly important – those not in a position to act on a property investment opportunity will often risk missing out to a rival buyer with the funds ready to complete on a purchase.

Government and industry bodies need to be proactive in their efforts to increase buyer awareness of all the financial products available to UK adults. Failing this, there is a risk that buyers will become stuck in protracted property chains or acquire a form of finance that is not suited to their needs.

Market Financial Solutions has over a decade's worth of experience ensuring its borrowers are ideally positioned to take advantage of real estate opportunities as soon as they arise. Looking to the coming months and years, MFS will be on hand to provide its borrowers with the advice and finance they need to quickly and confidently pursue their property goals.



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