



BESPOKE BRIDGING LOANS
MADE SIMPLE

**UNLOCKING PROPERTY
INVESTMENT
OPPORTUNITIES:
A SNAPSHOT OF UK
PROPERTY INVESTORS**

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UNLOCKING PROPERTY INVESTMENT OPPORTUNITIES: A REPORT FROM MFS

Since the introduction of social distancing measures in response to the pandemic, the behaviours of businesses, investors and consumers have changed dramatically. Even as the country slowly transitions out of lockdown, the uncertainty surrounding the pandemic has made many people naturally hesitant when it comes to making significant financial decisions.

To instil confidence back into the economy, Chancellor Rishi Sunak has announced a series of measures that temporarily reduce certain financial liabilities, while at the same time encouraging investment and spending. A standout policy is the introduction of a **Stamp Duty Land Tax (SDLT) holiday**, applicable to the first £500,000 of all property sales that take place in England and Northern Ireland. What makes this temporary tax exemption particularly attractive is the fact it applies to international buyers as well as UK residents.

For more information on the SDLT holiday, be sure to download our report “Transitioning out of lockdown: Preparing for the new normal” [here](#).

So far, it looks as though the SDLT holiday is having the desired effects. **House prices are rising, transaction levels are increasing, and estate agencies have recorded a spike in enquiries** since the introduction of the holiday on 8th July 2020. However, while there undoubtedly many reasons for optimism within the UK property market, there remain many challenges for both homebuyers and homeowners as a result of COVID-19.

As a leading bridging lender specialising in the delivery of tailored, specialist finance, Market Financial Solutions (MFS) has been working closely with property buyers and their brokers to ensure transactions can be completed quickly. Demand for our services has increased significantly in recent months, with homebuyers seeking lenders able and willing to deploy loans in a fast and effective manner. This is due to the complications and delays homebuyers are facing when dealing with a mortgage provider.

To uncover the full extent of this issue, **MFS has surveyed over 1,200 UK homeowners and buyers** to uncover the challenges they are facing within the property market at present. This report reviews the findings of this independent study and outlines what can be done to ensure more buyers are in a position to confidently complete on their next property transaction.



A REVIEW OF THE KEY FINDINGS

MFS surveyed 1,262 UK homeowners and homebuyers. Of those, more than **200 have bought a house in 2020**, while **over 300** are **currently on the hunt** for a property.



52% of current homeowners want to take advantage of the stamp duty holiday to purchase a new property, but are concerned about their ability to get a mortgage



Following the introduction of the stamp duty holiday:

32% of prospective homebuyers have been denied a mortgage

45% have been gazumped



43% of people who have bought or tried to buy a property in 2020 have encountered significant delays or complications when applying for a mortgage from a bank



36% of UK adults planning to buy a property in the next year are likely to consider alternative finance options like bridging loans



THE PROPERTY MARKET IS BOOMING

Before delving further into the research findings, it is important to assess the state of the UK property market at present.

The real estate market is a key part of the Government's economic recovery strategy. By encouraging buyers and sellers to return to the market, Chancellor Rishi Sunak is hoping for a consistent and sustainable rise in house prices and transactions. The reason for this is simple – rising house prices are generally shown to encourage consumer spending and lead to higher economic growth.

The SDLT holiday has been in place for over two months and has already resulted in surging demand for real estate. House prices are now at record highs, with Halifax's House Price Index for August revealing a 5.2% annual increase. This is a remarkable gain and something that has been recorded in similar house price indices.

August House Price Indices

	MONTHLY CHANGE	ANNUAL CHANGE
HALIFAX	+ 1.6%	+ 5.2%
NATIONWIDE	+ 2.0%	+ 3.7%
RIGHTMOVE	- 0.20%	+ 4.6%

The SDLT holiday has been well-received by the market. As shown by the indices, it has provided the impetus for buyers to take advantage of real estate opportunities ranging from buy-to-let investments in the North of England to prime property investment in London.



IS EVERYONE WILLING AND ABLE TO TAKE ADVANTAGE OF THE SDLT HOLIDAY?



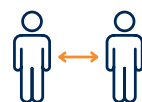
While the SDLT holiday is driving house prices higher, buyers who want to take advantage of the tax relief are facing significant complications when dealing with their mortgage providers. These mainstream lenders have shown notable restraint in their attempts to adapt to the COVID-19 environment. The majority retreated from the market during the lockdown, freezing applications and reducing the number of products on offer.

Mortgage providers are slowly returning, yet their desire to reduce their risk exposure has drastically affected their quality of service. According to analysis from Moneyfacts, in March 2020 a homebuyer able to offer 10% deposit could have chosen from 779 mortgage products; by September the choice had fallen to around 60. MFS' survey showed just how detrimental an impact this trend is having on the wider market



Following the introduction of the holiday on 8th July 2020, 32% of prospective homebuyers said they have been denied a mortgage, according to our research. A further 43% said they have been gazumped on a property in the past three months. These are concerning results, highlighting the competitive nature of the market and the need to act confidently and quickly to effectively complete on a transaction.

Looking further into this issue, we found that almost half (46%) of people who have bought a property in 2020 encountered significant delays or complications when applying for a mortgage from a bank. Almost two-fifths (38%) of current house-hunters said the same thing.



In times of uncertainty, buyers and brokers are in need of lenders that are in a position to support their deal and work collaboratively with them so deadlines are met. This is something that is clearly being overlooked by many mortgage providers at the moment.

MORTGAGE PROVIDERS FACE A CONFIDENCE CRISIS

The findings from the MFS survey show that the SDLT holiday might only have a limited effect over the coming months due to the reservations of traditional lenders. There is clear buyer demand for real estate, yet the complications that arise when dealing with mortgage providers is evidently hindering transactions.

Notably, **over half (52%) of current UK homeowners want to take advantage of the SDLT holiday but are concerned about their ability to get a mortgage.** To ensure momentum can be maintained, banks need to actively work with prospective borrowers and provide them with assurances so they can move ahead with a property purchase. Failing this, the full potential of the SDLT holiday will not be realised; the lack of lending could also stall transaction numbers and house price growth in the coming months.

UNDERSTANDING ALL THE FINANCE OPTIONS AVAILABLE

For property buyers, there is a need to understand all of the finance options available in the UK. This is even more true when it comes to brokers and intermediaries – these are the experts that guide many property buyers seeking the finance for a purchase.

Positively, given the complications and delays being faced when dealing with mortgage providers, we are seeing a clear willingness from buyers to consider specialist finance solutions, like bridging loans. Indeed, more than a third (36%) of UK adults planning to buy a property in the next year told MFS they are likely to consider alternative finance options like bridging loans. This figure rises to 46% for those who own multiple residential properties.

The notable appetite for bridging loans makes sense. Not only are they a fast form of finance, bridging loans are also tailored to meet the individual demands of each case. This bespoke approach means that bridging lenders are naturally transparent and collaborative; they are able to come up with creative solutions to complex issues most mortgage providers would not be able to do.

Having listened to the concerns of homebuyers and property investors, MFS is playing its part. We have launched a £60 million COVID-19 recovery fund available to all those considering a residential or commercial property investment in 2020. The funding will be deployed as individual bridging loans, with our aim being to issue these loans within days of an application being received.

We are committed to supporting buyers during this important period of recovery. Doing so means that intermediaries, brokers and homebuyers who have been let down by big banks have viable alternative options.

Paresh Raja, CEO of MFS

“The Stamp Duty holiday has already had a positive effect on the UK property market, sparking much more activity among buyers and sellers. However, today’s research shows that many prospective homebuyers are unable to take advantage of this initiative.

“Frustratingly, this is often due to the challenges of securing a mortgage, which are beyond buyers’ control. Many banks are trading carefully and, as a result, applications are taking longer to process and there is a higher chance of an application being rejected. This is putting property chains at risk of collapsing.

“At this point in time, it is important that lenders keep lending – they must ensure buyers have access to the finance needed to complete on a purchase. Failing this, the Stamp Duty holiday will only have a limited effect.

“Importantly, our research shows that buyers are looking to alternative finance products such as bridging loans. This mirrors an increase in demand we have seen from property investors and brokers over recent months – with banks reluctant to lend, bridging loan providers are on hand to meet people’s short-term finance needs. I expect this trend to continue throughout the coming 12 months.”





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