Some **bridging finance** lenders have chosen to exit the UK bridging loan arena completely whilst others have chosen to drastically reduce their criteria in the hope the coronavirus world event gradually disappears in the coming weeks.

Bridging lending criteria are being tightened In recent times most bridging finance lenders have been prepared to lend up to 75% of the value of a bridge to exit property **development finance** required by property developers. There were even a couple of family offices lending up to 80%of the required loan if the risk to their lending profile was not deemed too risk averse and the development was located in a favourable area. Areas such as London or the surrounding counties have been viewed favourably in the past. Fewer lenders presently are prepared to do so now as fears grow of falling property prices and a stalling market.

Increased Lending Margins Whilst landlords were expecting a lower Bank of England base rate will lead to lower mortgage rates this is not always proving to be the case. Bank and non bank lenders concerned about the increased risk of tenants defaulting on rents and falling property prices may well choose to widen their margins and increase the cost of borrowing. Some bank lenders have increased rates despite the 0.65% fall in base rate where margins as a result have increased by about 1%. Some non bank lenders have pulled from the market altogether to keep their powder dry for what could be a subsequent and swift drop in the residential and commercial sectors of the UK property market.

Comment Gerard Ward, Platinum Global Bridging Finances chief executive, said: “The competitive and attractive bridging finance and **commercial finance** market appears to be going into a potential slump depending on how long the impact of the coronavirus affects the market. “Landlords are finding that their borrowing options have reduced as lenders respond to this new record low base rate environment and fears of falling house prices by withdrawing entire product ranges. They were hoping for an interest rate cut so this must have come as a great shock. “We have clients mid-way through a bridging loan application only to find the lender has informed us the bridging loan product is withdrawn before they can reach completion and access the release of funds. Another case our client was expecting 100% lending on a property development loan only to be told they can only receive 80% days before completing and drawing down funds on the loan. They luckily had spare funds in reserve so the case was able to complete as planned. “We can well imagine the difficulties lenders are facing when it comes to valuing properties and properly pricing risk as some valuers are not allowed out of their homes let alone onto

the sites to perform the much needed valuation. We are hoping they will continue to support property developers, especially those who were moving successfully through the bridging, development or commercial application process and would otherwise have expected to be shortly in receipt of a loan. “We are also urging large banks and non bank lenders to stand by the announcement made by the UK Government to provide and ensure payment holidays to landlords are adhered to. They will also need to ensure the payment of wages for people employed not allowed into work so they can pay their mortgages. The UK property market is still in need of new houses and has a drastic shortage of properties of existing housing stock to match the growth in population. This is a time when all facets of the UK property market need help from the UK Government”

We are still assessing the outcome on the **mezzanine finance** arena and **senior loans lending** market though its pretty early to make assumptions for sure. Only time will tell how the current financial markets respond to the virus and if they will return to previous stock market levels.