



NAVIGATING UNCERTAINTY: A REVIEW OF 2018 AND FORECASTS FOR 2019



Navigating uncertainty: A review of 2018 and forecasts for 2019

As anticipated, 2018 proved to be another eventful year for the property and specialist finance markets. Brexit dominated current affairs, with negotiations between the UK and EU consuming public discourse and influencing the way investors planned their financial strategies. And while significant questions remain regarding the way Brexit will be managed come 29 March 2019, the last 12 months have demonstrated an underlying willingness from investors to seek out real estate opportunities, be it in the commercial or residential sectors.

Reviewing how 2018 unfolded, this report summarises the key trends that defined the property sector and impacted investors; Market Financial Solutions has drawn on the standout findings from its investor-facing research, offering insight into how this year's major events have affected brokers and borrowers. Our team of expert underwriters have also offered their forecasts for 2019, ensuring that UK investors are aware of the key trends likely to affect their financial plans.

Real estate remains a leading asset class in 2018

At the beginning of 2018, UK property investors faced a unique economic landscape. Politically, the Conservative-led minority Government found itself under intense scrutiny, with industry commentators questioning whether it would be able to effectively lead Brexit negotiations.

The explosive rise of new asset classes such as cryptocurrencies also offered new, albeit more volatile, ventures for investors seeking new opportunities. However, the historical performance of property as an asset able to weather periods of political uncertainty and market shocks has made it a popular investment destination for both buy-to-let investors and prospective homeowners. This remained the case in 2018.

Despite the rise of alternative investment opportunities such as equity crowdfunding and cryptocurrencies, Market Financial Solutions found that investors were still rallying to traditional asset classes. Based on [a survey conducted at the beginning of the year](#), we discovered that 53% of UK investors were directing their capital into traditional options over the course of 2018, with 63% regarding property as a safe and secure asset. Perhaps most revealing, the overwhelming number of investors were not deterred by the potential impact of Brexit on their financial strategy – 77% said the EU referendum had not changed where they put their money.

The positive investor sentiment projected by Market Financial Solutions at the beginning of the year was matched by the steady increase in house prices across the country. Nationwide's latest House Price Index revealed that the average house price had risen by almost 2% in the 12 months to November 2018.

It was also impressive to see surging interest in residential and commercial real estate outside of London. The West Midlands was one of the UK's standout markets, and in response, Market Financial Solutions was proud to expand its lending services to this region to ensure brokers and borrowers can access bridging loans when seeking to complete real estate purchases in the Midlands. Based on current trends, this part of the country is set to experience further growth in 2019.

More UK property buyers turn to alternative finance

The steady increase in property price has not, of course, primarily been driven by investors' positive sentiment towards bricks and mortar as an asset class. Much more important is the continuing lack of supply versus consistently high demand among those looking to get on or move up the property ladder. This has meant that buying a property remains an extremely competitive process.

The competitiveness of the market – with many rival buyers fighting over the same house or flat – has meant that there is a greater chance of purchasers and sellers becoming stuck in a delayed or broken property chain. In Q1 2018, the number of house sales falling through before completion reached 38.8% – the highest it has been in over a decade.

Of all the reasons contributing to a property deal collapsing, [a study by Market Financial Solutions](#) found that 31% of UK adults who have had an offer accepted on a property in the last ten years had experienced a deal falling through before completion. Of those, 33% said they encountered problems due to delays from the bank providing their mortgage. A further 16% of buyers said that their purchase fell through because, despite having a mortgage in principle, the lender later rescinded the agreement. The research also revealed that gazumping remains a major contributing factor for buyers, with 39% stating that they have seen a deal fall through due to the seller accepting a better offer from another buyer.

Access to finance remains a key obstacle for property buyers, made more complicated by the stringent lending measures applied by mainstream lenders, which can ultimately result in a property deal collapsing. In response, Market Financial Solutions this year saw a noticeable market shift in the number of people taking advantage of the alternative finance industry – currently worth over £6.2 billion.

According to [a survey commissioned by Market Financial Solutions](#), nearly one in five (19%) UK homebuyers from the past decade said they had used a form of alternative finance, ranging from crowdfunding to mezzanine finance and unregulated loans. Moreover, one in nine (13%) said they had used a bridging loan – this number increased to 21% for those who own two or more residential properties.

Evidently, to navigate the competitive property market, ensuring they have fast access to finance is vital for buyers keen to move towards completion quickly without risking the acquisition falling through. To this end, more real estate buyers are now using alternative finance such as bridging loans, instead of relying on the more time-consuming mortgage approval process.

Another missed year of opportunities for Government reforms

The imbalance between housing supply and demand is one of the biggest challenges facing the UK, and this year, the Government was particularly vocal in its desires to increase the country's accessibility to residential real estate. Historically, attempts to resolve the housing crisis have been undermined by a lack of policy cohesion; unfortunately, 2018 proved no different with housing policy reforms overshadowed by all things Brexit.

According to current estimates, the Government must provide a minimum of 300,000 new homes a year to effectively satisfy market demand. And while it appears that Westminster is determined to meet this target – the Prime Minister in September pledged £2 billion in new funding towards the construction of affordable new-builds – it remains to be seen whether this target is attainable. Indeed, a survey earlier in the year revealed that only 12% of surveyors think the Government can reach its goal of 300,000 new homes a year.

This year, we also witnessed the appointment of two new Housing Ministers. Dominic Raab MP was appointed to the role in January 2018 as part of a political reshuffle; however, he was then promoted to Brexit Secretary following the resignation of David Davis MP, which resulted in Kit Malthouse MP being named the new Housing Minister – the 17th person to hold this office in two decades and eighth in as many years. The Government was subsequently criticised by property commentators for its ‘merry-go-round’ of ministers, which has so far undermined the cohesion and clarity of the country’s housing policy.

Reforms are required to address the housing crisis and ensure people across the UK have the opportunity to purchase property. Indeed, [Market Financial Solutions surveyed more than 2,000 UK adults](#) earlier this year to discover which reforms the population were most keen to see introduced in the housing space. The research revealed that 55% of Britons support the introduction of new laws to prevent gazumping, while 46% would like to see a removal of inheritance tax on property assets.

Ultimately, while undoubtedly attractive to investors and consistently competitive for buyers, the UK’s residential property market is facing a number of important challenges affecting both renters and homeowners, and many of these were not addressed in 2018. For this reason, there is a need for the Government to place housing higher up on its political agenda over the coming 12 months; changing housing ministers and failing to come up with creative ideas to improve the supply of residential properties risks exacerbating problems further.

A record-breaking year for MFS

Down the road from Westminster, Mayfair-based Market Financial Solutions has proudly gone from strength-to-strength over the past 12 months. As a bridging lender supporting the financial strategies of private clients as well as brokers, 2018 proved to be another record-breaking year for the company, with expansion both in the UK and internationally.

Having established itself as one of the UK’s leading bridging lenders over the past 10 years, we were proud to announce [the launch of a new office and subsidiary company in Singapore](#) – Market Bridge Solutions (MBS). This exciting development came in response to growing borrower appetite in Singapore and Southeast Asia for alternative funding sources outside of traditional mainstream lenders, making Market Financial Solutions the first UK bridging lender to expand into Asia.

Supporting property acquisitions in the UK, 2018 was also a busy time for our team of expert underwriters. As well as our growth into the Midlands, the company worked on many successful projects across London and the South East.

Responding to the demands for our tailored bridging loans, Market Financial Solutions was on hand to provide specialist finance to our network of clients and brokers. One of the year's highlights included the completion of a [£5.2 million bridging loan](#) for an offshore client, reflecting our expertise in working with international, high net worth investors seeking to take advantage of the UK's real estate opportunities.

Market Financial Solutions sees 2019 as another year of opportunity and growth for UK investors, and while Brexit will no doubt dominate the opening months, there is a real need for brokers and borrowers to ensure they are well placed to pursue new investments when they arise. After all, the two years since the EU referendum has demonstrated that the property market remains resilient and investors are still keen to purchase bricks and mortar here in the UK. As such, Market Financial Solutions will be ready to ensure its clients and brokers are able to access fast, bespoke bridging loans without delay.

To find out how bridging finance can support your property investment strategy in 2019, [click here](#) to download your exclusive copy of our brand-new lending guide.





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