

Progress for development finance

In a bid to find out what exactly is happening in the development finance market, Bridging & Commercial has consulted an expert in property development, Nick Warren of specialist lender Regentsmead, to reveal where the market is heading this year:

The financial meltdown which engulfed the global economy from 2007-2009 resulted in developers being unable to secure finance from the traditional high street banks that they had worked with for many years. This led to a substantial number of brokers being left without a viable business due to the lack of funding available to meet their client's financial requirements.

Whilst the number of developments is considerably down over the last two and half years compared to the boom years of 2001-2007, there are signs that confidence is returning, which is encouraging developers to dip their toe back into the market.

Developers desperate in their bid to continue developing are approaching brokers who in turn make contact with specialist lenders. These lenders have helped numerous brokers and their respective developer clients to secure funding for forthcoming projects and are still very much open for business.

Whilst access to residential development funding has been challenging since 2007 it is still possible and those brokers who are tenacious have been able to place deals even in the most difficult of financial climates.

Mark Sarratt of Property & Commercial Finance Limited confirmed: "Specialist lenders are now actively seeking to fund new projects whilst other lenders are tentatively returning to the market on a very cautious basis. Brokers need to understand that lenders are more interested in funding houses rather than flats in established residential locations."

The application process for funding a residential development is now more detailed, with development finance providers usually having to obtain more information on a new proposal. However, the broker's role can often just be to provide the initial introduction, which is then used as the foundations in assessing the viability of the scheme.

The key consideration that any brokers should be focusing on is that when confidence returns to the market lenders are going to have to review their criteria to take account of this.

Brokers presently should be maintaining any relationships they have with lenders they have worked with and forging new ones with those they haven't.

Finally, the property market has always been cyclical and irrespective of the state of the economy people still need new homes and will undoubtedly be relying more heavily on the services of knowledgeable commercial brokers to assist them with arranging development finance.

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