

## UK commercial property lending to swell from £90bn in 2023 to £118bn in 2028

- Total commercial lending to increase from £90bn in 2023 to £118bn in 2028
- Report from property lender Together shows 23% of respondents will diversify portfolios this year to mitigate falling yields and revenues
- Economist Rob Thomas outlines the scale of opportunity across Bridging, BTL, Commercial and Development Finance

### Commercial lending set to rise by 32% in next five years

While the turbulence evident across interest rates throughout 2023 has eased, debt and the cost of borrowing continues to be at peak levels – with a third of property developers, landlords and investors citing inflation (30%) and high interest/mortgage rates (27%) as the biggest challenge to plans this year.

However, there are clear signs the commercial property market is adjusting to this high interest rate environment. According to Together's new report, ***Opportunities and Outlook; the future of commercial property***, a major part of this adjustment is via the bullish appetite of commercial developers, investors and landlords either exiting or diversifying portfolios to mitigate falling yields and revenues.

Among all respondents, almost a quarter (23%) said student housing offered the most appealing property investment opportunity over the next 12 months. This was followed by housing developments (21%) and luxury residential properties at 19%.

While 29% of property investors surveyed are aware falling property values may make securing lending difficult this year – it's not preventing the majority from capitalising on emerging growth sectors. Nearly one in five (18%) of property investors surveyed are most excited to pursue retail projects this year, followed by housing developments (17%) and student accommodation at 16%.

For all respondents, office space (17%), hotels (15%) and industrial or manufacturing sites (13%) trigger the most hesitancy when considering potential commercial market opportunities this year. A further 44% are planning to de-risk and shrink their property portfolio over the next 12 months. Around half of those who are planning this (48%) will do this in the next three to six months, with about a quarter (23%) planning on doing it sooner.

While long-standing funding barriers and high interest rates continue to block access to the market for some - with 22% of all respondents not confident<sup>1</sup> about being able to access additional finance if they needed to - Together's report makes evident the scale of the opportunity across the UK for property entrepreneurs.

Indeed, with an outlook on the commercial sector for the next three to five years, from economist Rob Thomas; the total secured commercial lending is predicted to rise by 32% from an estimated £90bn in 2023 to £118bn in 2028.

### Over half of UK commercial market leans on specialist finance to pursue plans

52% of commercial landlords, investors and developers surveyed feel specialist lenders are best equipped to deal with their particular lending needs. This comes as over two thirds (69%) of respondents anticipate the amount they must borrow to support their investment strategy will rise in the next 12 months<sup>2</sup>.

Demand is apparent with 23% of all respondents feeling the commercial market is only improving and there are far more opportunities, 18% saying the opportunity to generate more money is high and 16% that purchase prices have reduced allowing them to snap up deals and new opportunities.

**Chris Baguley, Group Channel Development Director at Together, commented:** *“As we look at the UK commercial property landscape, the scope and diversity of the opportunities is impressive. Whether its student housing, housing/residential development or repurposing retail and other larger sites, the next few years are going to provide significant growth for the UK commercial property market. The optimism of the sector, combined with the economic recovery, mean those investors that are well poised with the right finance support will ultimately be in the best position to capitalise on these opportunities.”*

**Rob Thomas, Economist and Principal Researcher at the Intermediary Mortgage Lenders Association (IMLA) said:** *“In the short term, while inflation is coming back under control, the higher interest rate environment will take some adjustment for commercial property businesses, landlords and developers– including de-risking portfolios and diversifying into new growth sectors.*

*“However, for those looking for growth in the medium to longer term there are opportunities across the sector this year onwards. And the insight on the ground is that the sector is in rude health. The research we’ve undertaken shows that, while some property professionals are scaling back or exiting the market, the majority are committed to developing their portfolios and many are even taking advantage of the temporary reduction in property prices to expand. When looked at in the round, the scale of the opportunity across the is significant. To put it in perspective, total secured commercial lending is predicted to rise by 32% from an estimated £90bn in 2023 to £118bn in 2028.”*

**See here for further insights from Together’s report, ‘Opportunities and Outlook; the future of commercial property.’**

**ENDS**

**Notes to editors:**

## **Methodology**

Research commissioned by Together and conducted by Censuswide research between 4 October and 13 October 2023 among 500 UK respondents (aged 18+) who have taken out a commercial mortgage product in the past - with at least 4 properties in their portfolio. Censuswide abides by and employs members of the Market Research Society and follows the MRS code of conduct which is based on the ESOMAR principles.

<sup>1</sup>‘Not at all confident’ and ‘Not very confident’ answers combined.

<sup>2</sup>‘Yes, significantly’ and ‘Yes, somewhat’ answers combined.

**About Together:**



Together has been delivering specialist secured lending for 50 years, using its wealth of expertise and industry knowledge to consider individual circumstances to find a way to help its customers. All applications are considered on their merits and the commercial product range includes residential mortgages, short-term finance, buy-to-let, commercial and semi-commercial mortgages and loans, auction finance and development funding throughout mainland UK.

Based in Cheadle, Cheshire, the company employs more than 750 colleagues and has a loan book of £6.6billion. For more information go to <https://togethermoney.com/>

**About Rob Thomas:**

Rob Thomas is a leading UK expert in mortgage and housing research. He was an economist at the Bank of England, a financial analyst at UBS and he initiated the European mortgage finance agency project.

He developed the blueprint for the NewBuy mortgage scheme and Deposit Unlock. He now writes the research for the Intermediary Mortgage Lenders Association (IMLA) as well as undertaking a number of special projects in the mortgage market in the UK and abroad.