



Broker Barometer

(July 2021)

**Proudly
different.**

Foreword

Broker confidence in Property Investment Market goes from strength to strength

Shawbrook's latest Broker Barometer looks at the key challenges facing intermediaries and reveals confidence in the market for the remainder of 2021.



Emma Cox
Sales Director,
Property Finance Division,
Shawbrook Bank

Brokers predict a strong H2, backed by business growth

As restrictions continue to ease and normality returns, so does confidence in the property investment market amongst our broker community. In fact, 82% of commercial brokers and 87% of second charge brokers are confident in the lending environment when thinking ahead to the remainder of this year. This is a significant increase since the end of 2020, when 67% of commercial brokers and just 30% of second charge brokers showed a vote of confidence in the future of the market.

This heightened level of confidence could be linked to an increase in business volumes since the beginning of 2021, with 67% of brokers seeing an increase, of which 50% reported a rise of 20% or more.

Bridging leads the way as sector most expected to grow this year

More than a quarter (26%) of commercial brokers believe that bridging is best positioned to benefit from the current strength of the property market. This is perhaps no surprise when you look at the considerable rate of growth bridging has seen in recent years, with more and more investors seeing the opportunities this type of finance can provide to maximise their return on investment.

Semi-commercial was the second most likely area to grow with 24% of commercial brokers predicting strong growth, followed closely by buy-to-Let at 23%.

Valuation issues and lending restrictions remain top concerns

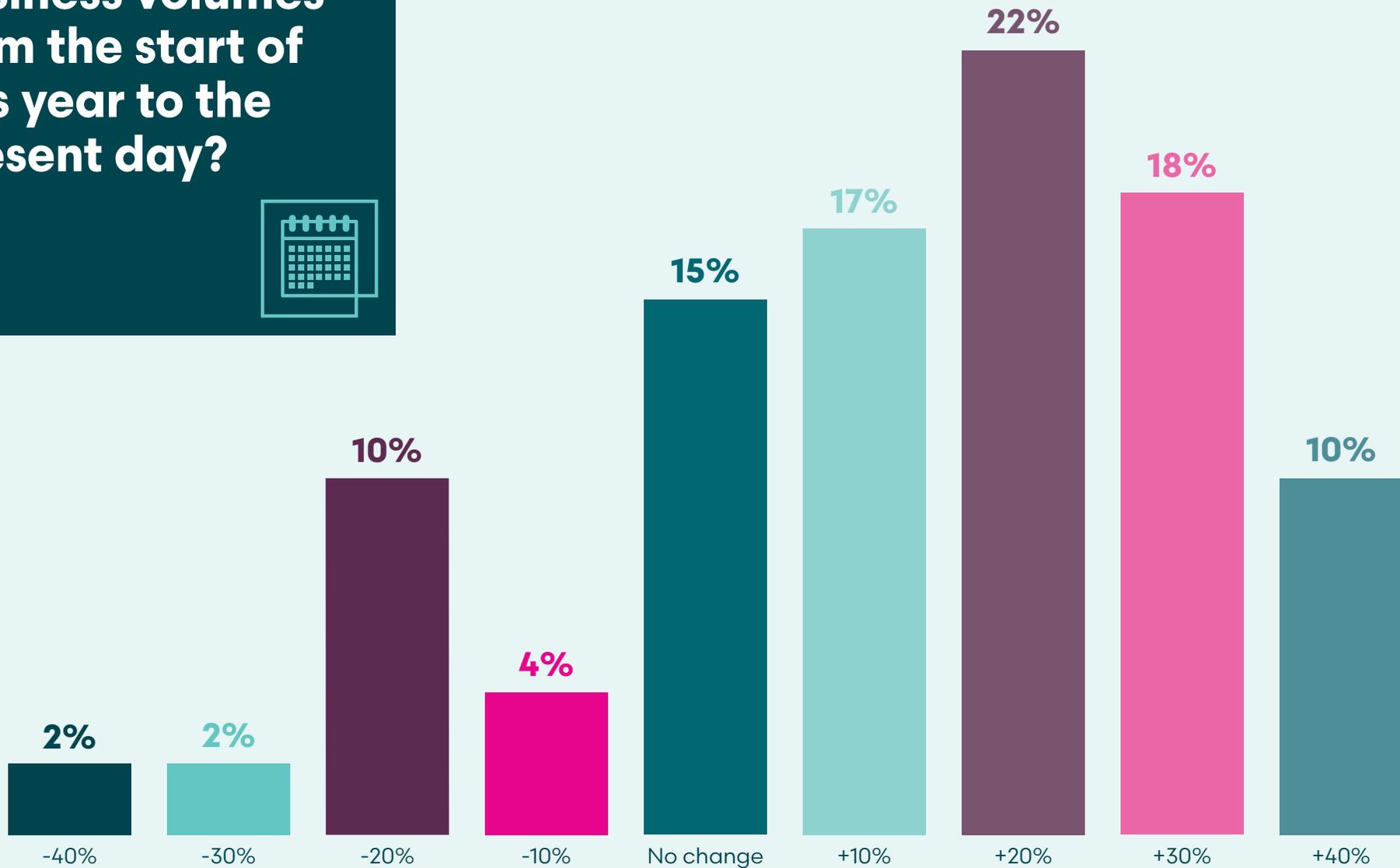
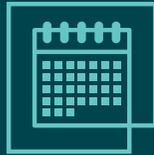
Despite the optimistic outlook, there are some clear concerns that remain. 'Valuation issues' and 'lending restrictions' were once again voted the top two challenges facing both commercial and second charge brokers. This indicates that while it's great to see such a positive picture, it is as important as ever that lenders continue to do all they can to support their broker partners with these challenges. At Shawbrook, in the past six months, we have expanded our AVM criteria, giving more customers access to a more efficient valuation process. Alongside this, we widened our valuation panel by introducing a dedicated panel for Bridging cases. On the issue of 'lending restrictions', we've continuously reviewed our transparent Lending Criteria to support the market as best we can throughout what has been a difficult 16 months. For example, we recently updated our Second Charge criteria to clarify that we will consider various types of income from our customers, such as commission and overtime.

We are committed to continuously evolving our product proposition and supporting platforms, helping to meet the ever-changing needs of the market, and supporting brokers and their clients as they seek to capitalise on the opportunities that are out there.

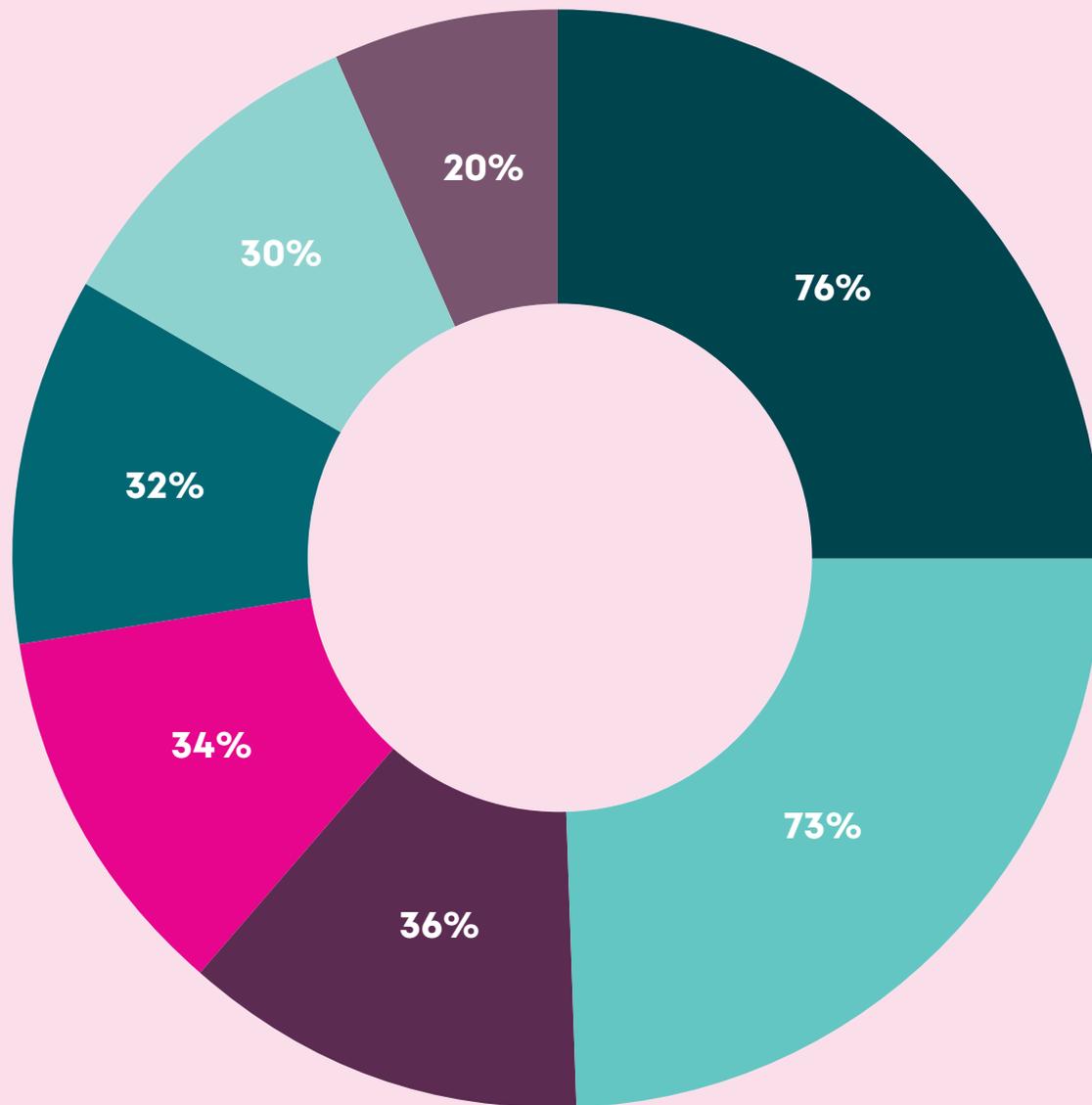


BTL, Bridging & Commercial

How would you compare business volumes from the start of this year to the present day?



What do you anticipate as the three biggest challenges to face your business for the rest of this year?



- Valuation issues
- Lending restrictions
- Client window shopping
- Transactions being put on hold
- Product availability
- Reduction in demand post stamp-duty changes
- Other

The lending environment

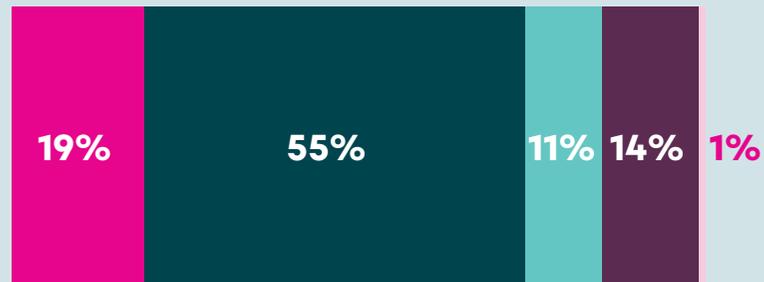


- Very confident
- Fairly confident
- Indifferent
- Fairly concerned
- Very concerned

The UK economy



Business growth



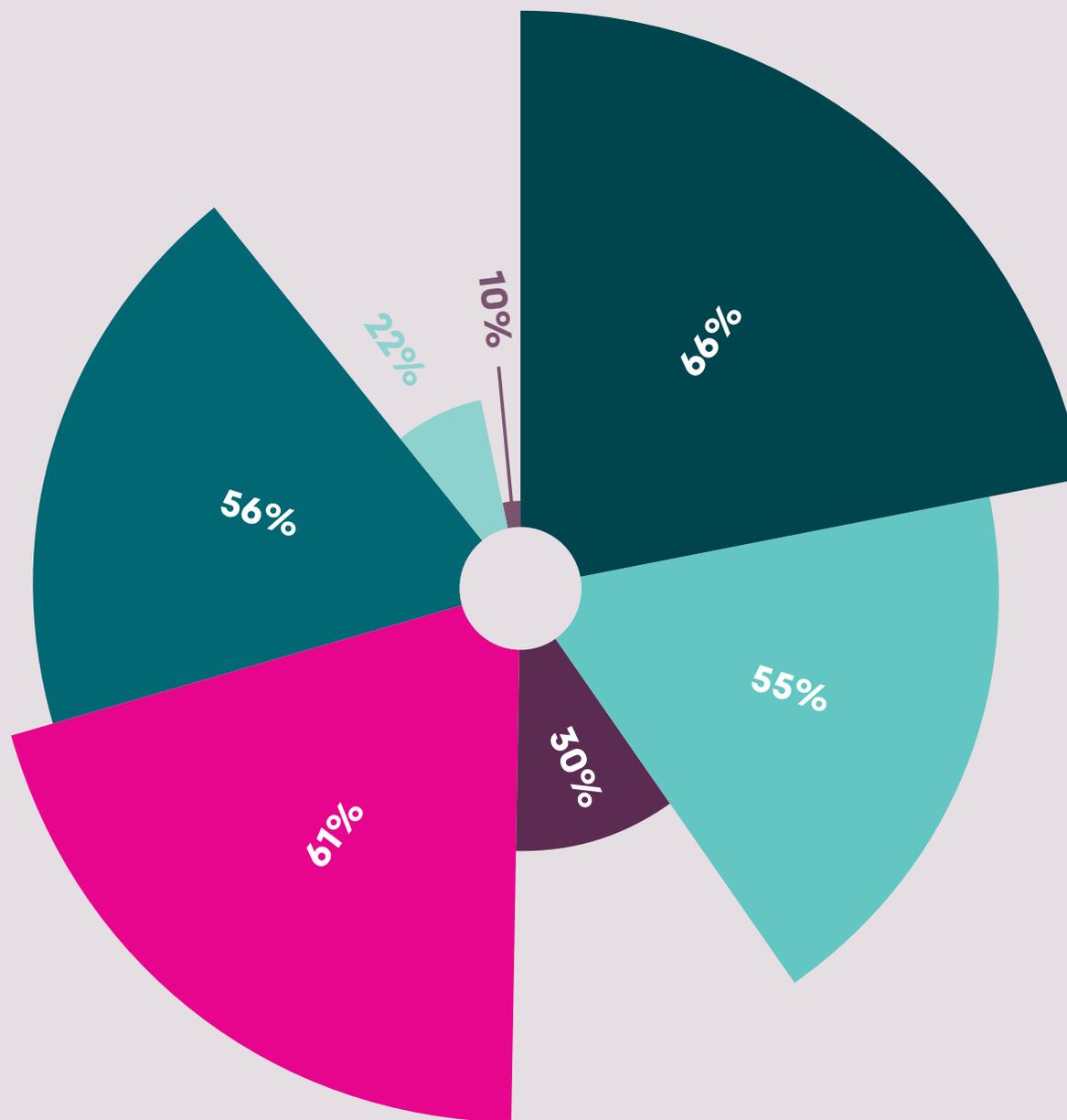
Thinking ahead to the remainder of 2021, how confident are you about the following?

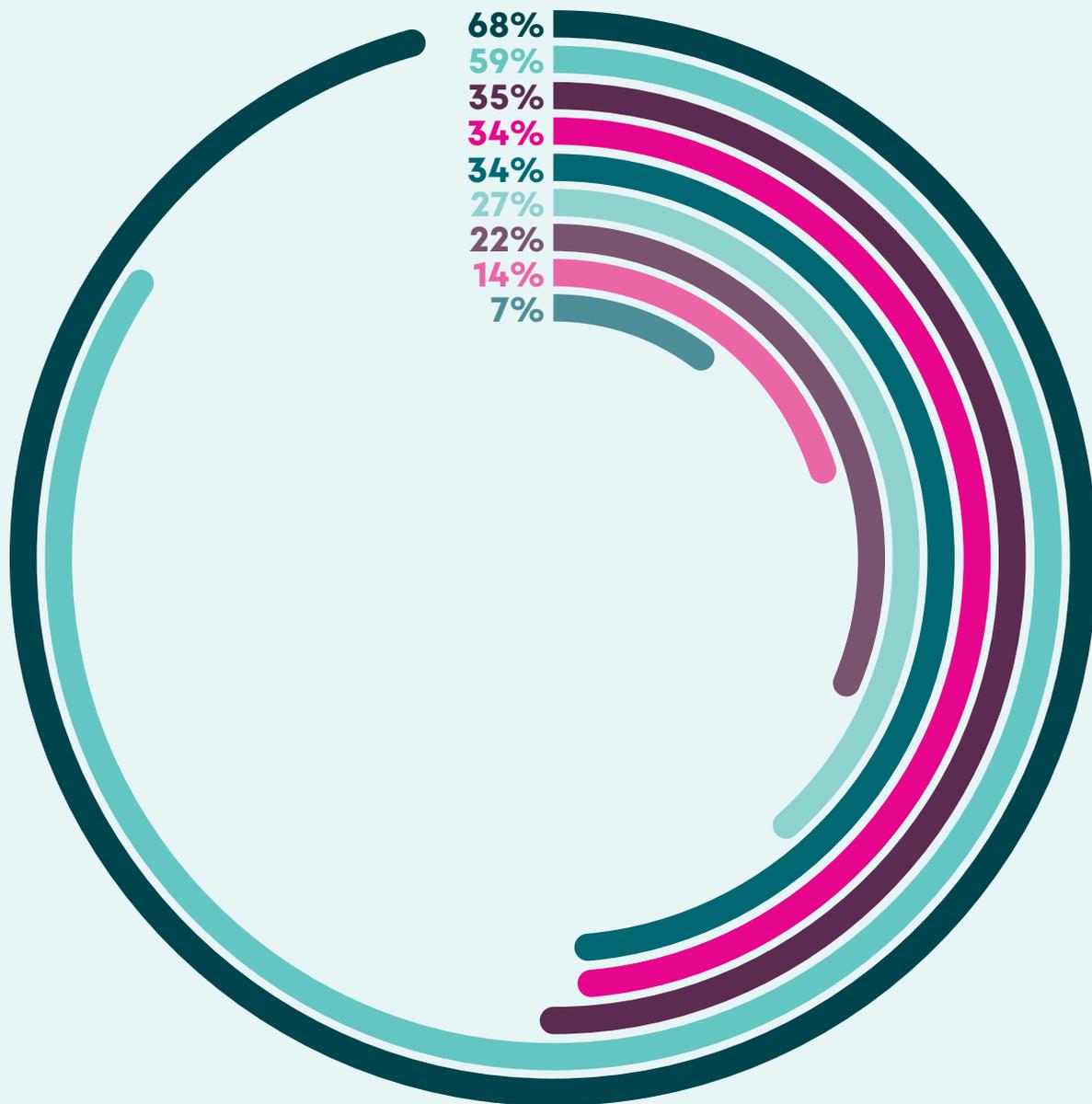


What do you anticipate as the three biggest operational challenges to face your business for the rest of this year?



- Navigating the product landscape
- Retaining competitive advantage
- Digital adoption
- Growing the business
- Lead generation
- Transitioning back to working in an office
- Other





- Valuation issues
- Financial challenges (personal finances)
- Tenant arrears
- Interest rates
- Job certainty
- Falling property prices
- Securing tenants
- Additional licensing
- Other

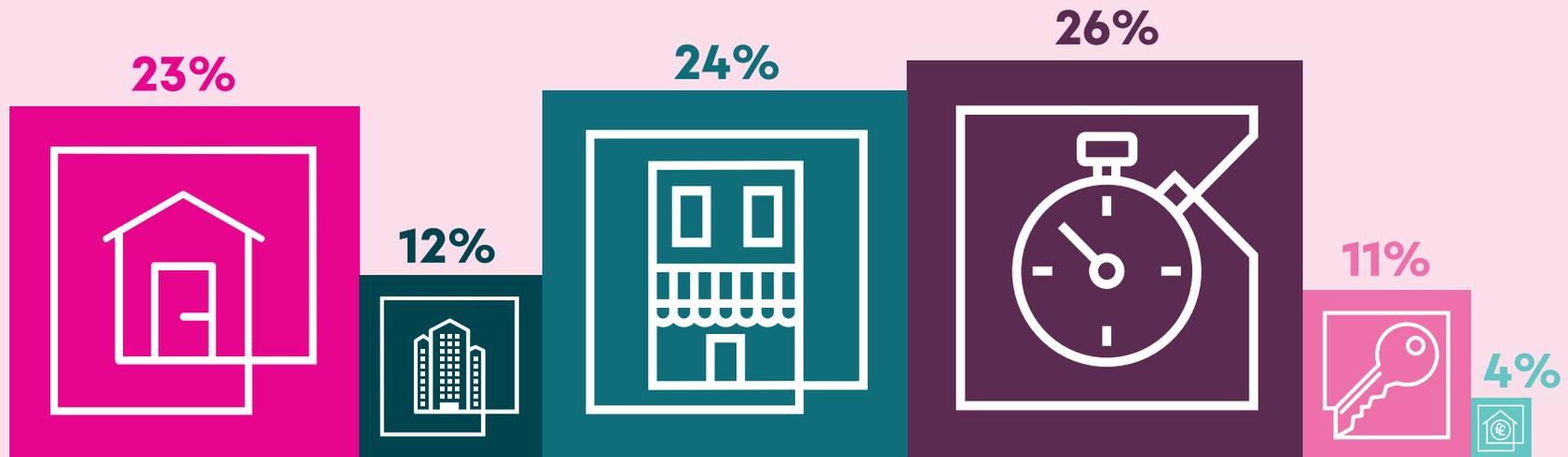
What do you anticipate as the three biggest challenges to face your clients for the rest of this year?



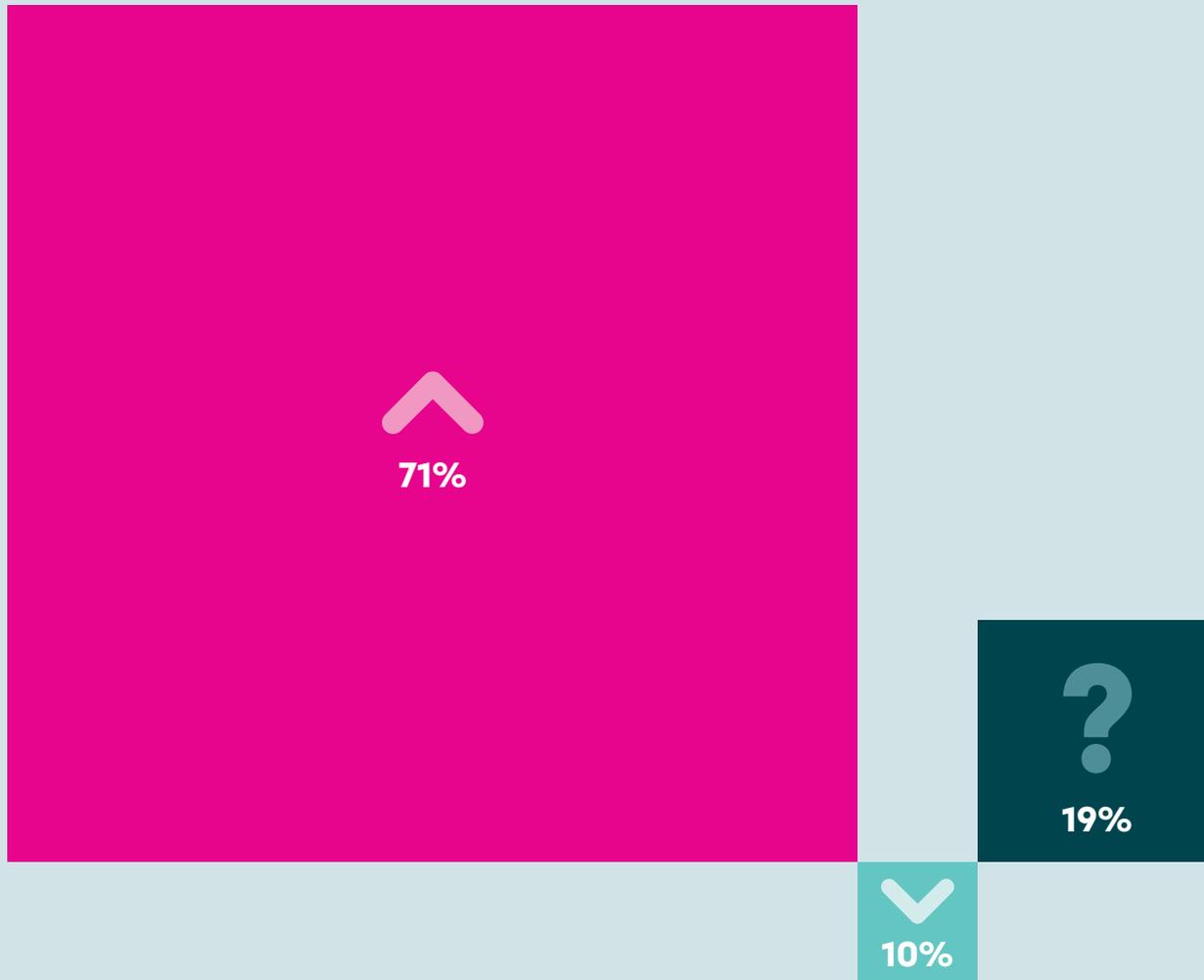
Which area of the property market do you think will experience the strongest growth in the second half of 2021?



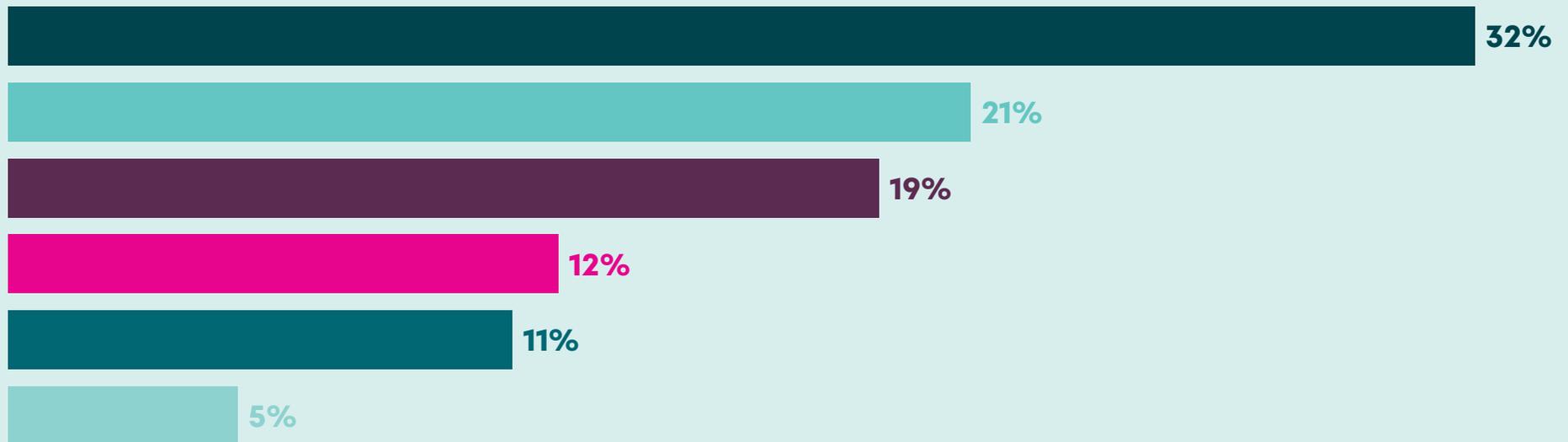
- Buy-to-Let
- Commercial Investment
- Semi-commercial Investment
- Bridging
- Residential
- Second Charge Mortgages



Do you think it is likely that investors will look to increase or reduce their property portfolio in 2021?



- Increase
- Decrease
- Don't know



- Transactions not completing by the deadline
- Falling property prices
- Reduced investment in the market
- No real impact
- Backlog of work
- Rising property prices

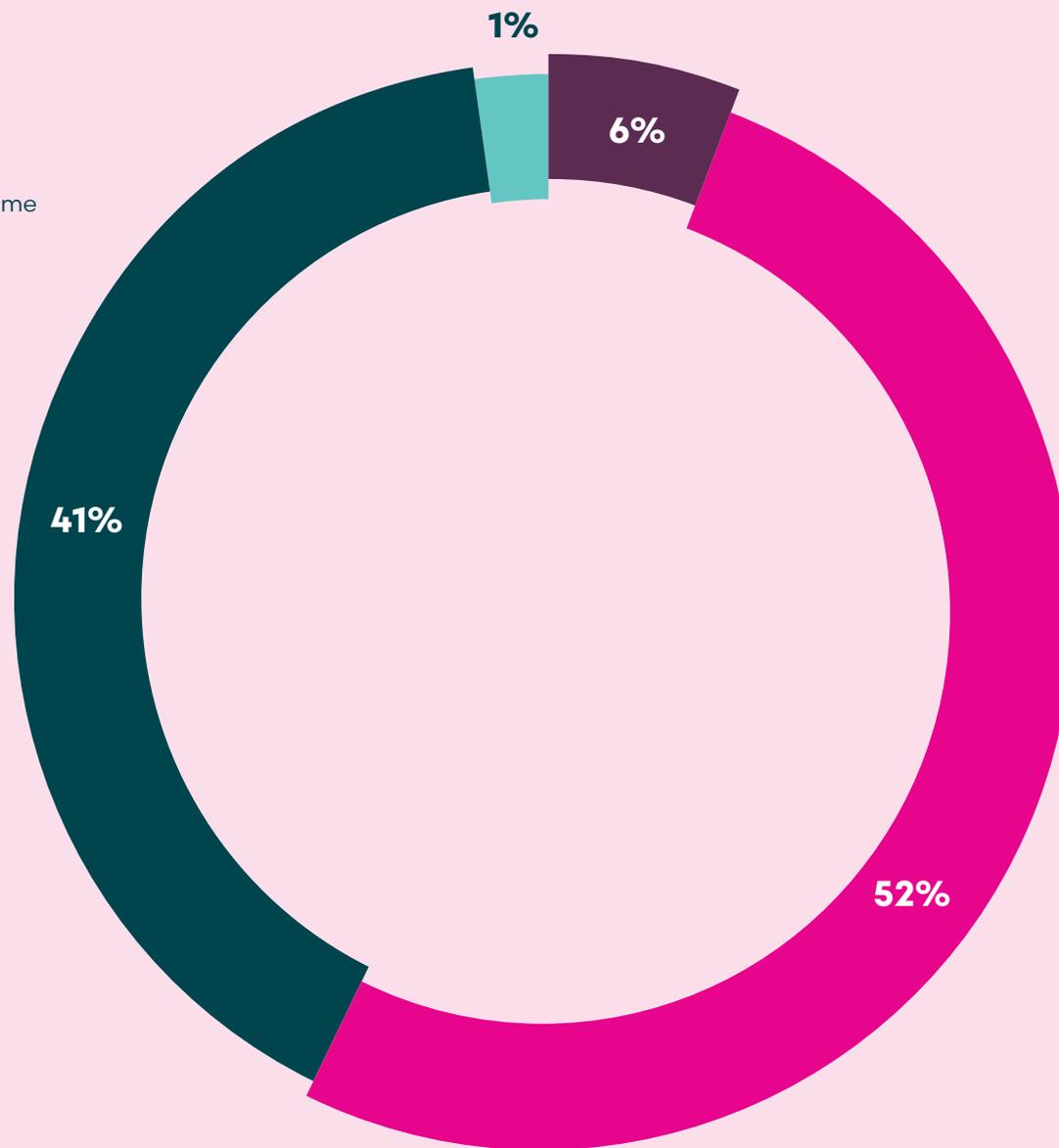
What do you anticipate as the biggest impact of Stamp Duty Holiday ending?



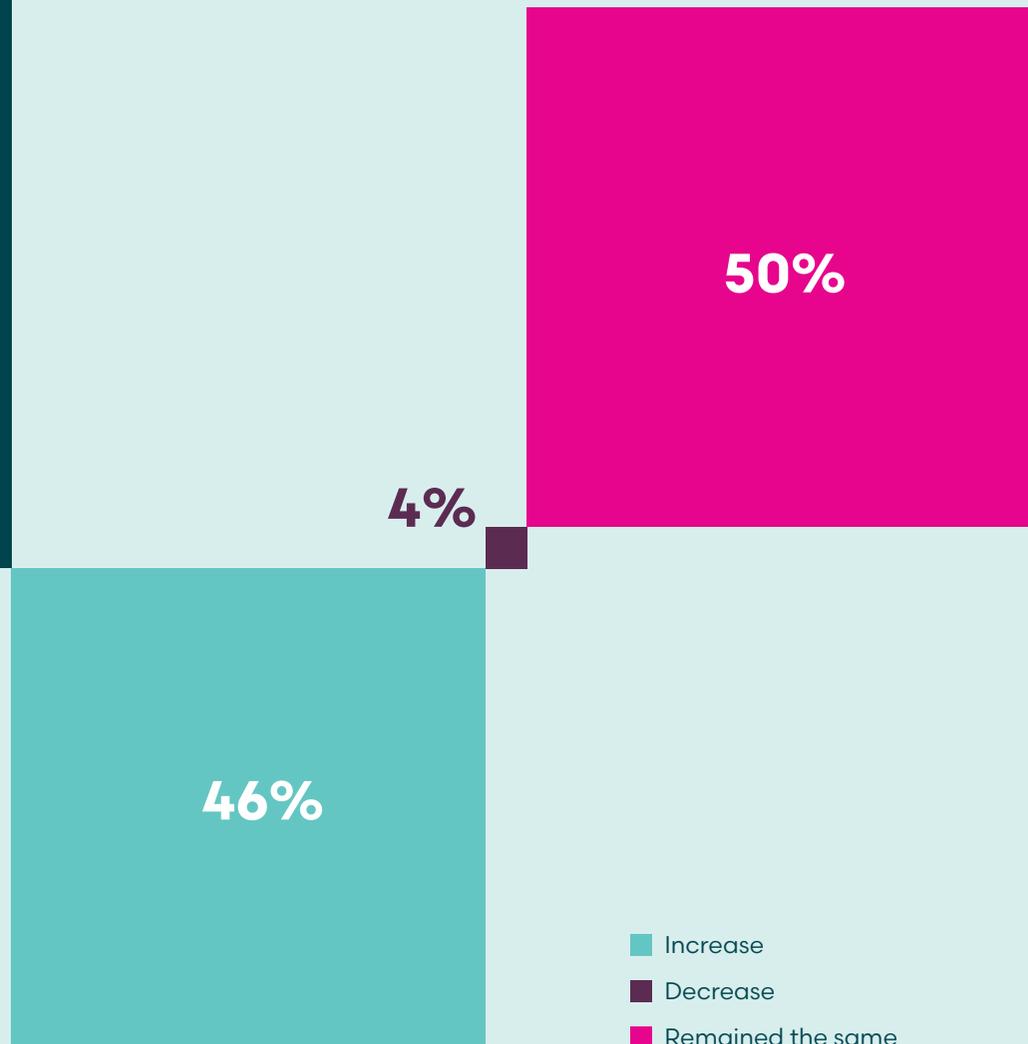
Have your clients seen their expected rent fall during the pandemic?

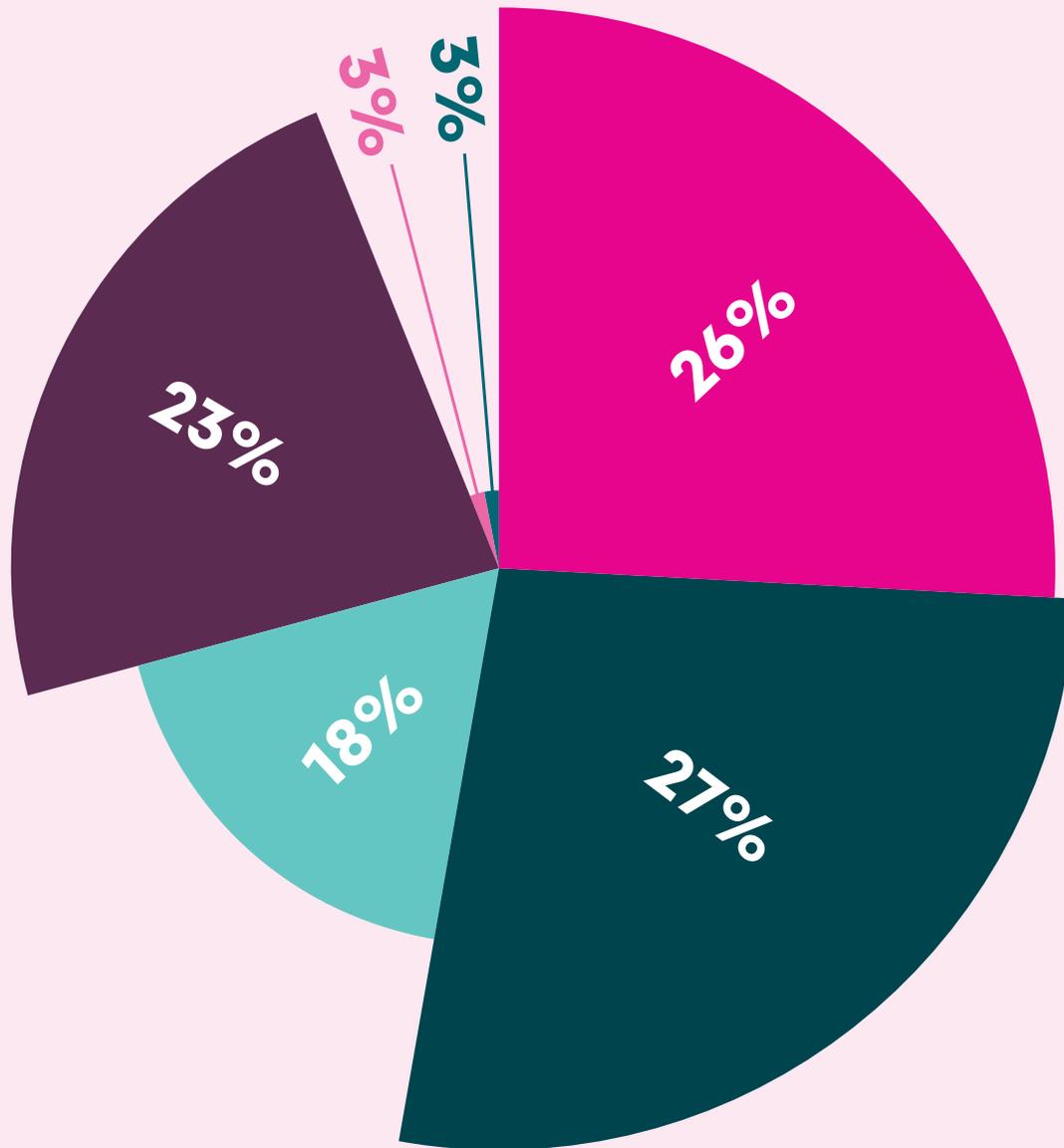


- Many have experienced a fall in rental income
- Some have experienced a fall in rental income
- None that I am aware of have experienced a fall in rental income
- I don't know



Have you seen an increase in demand from clients looking to fund home refurbishment projects in the past 6 months?



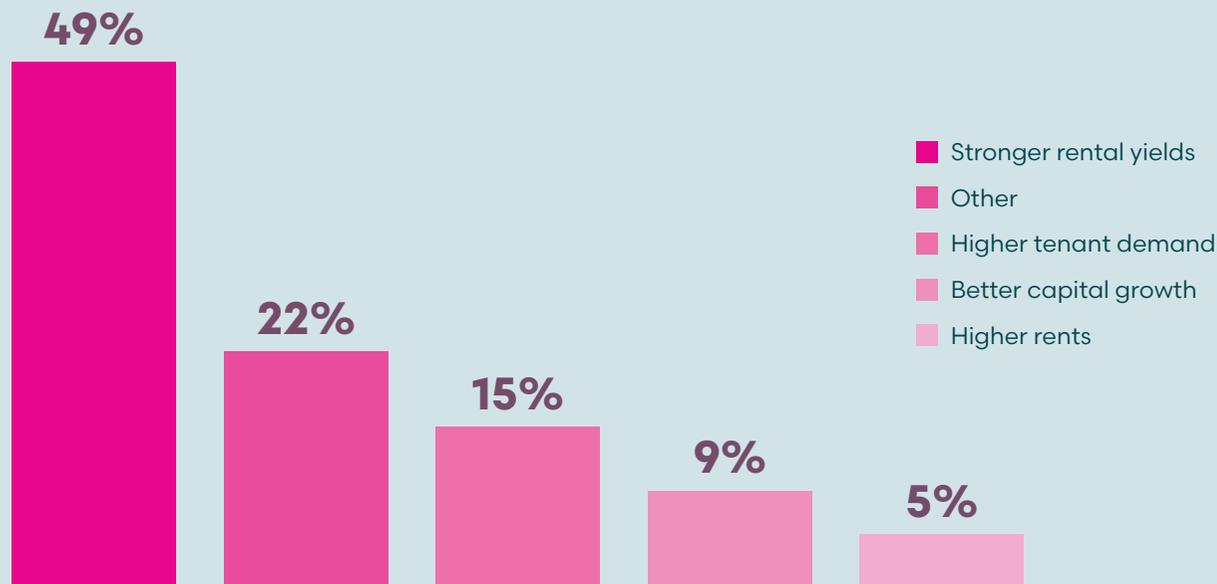
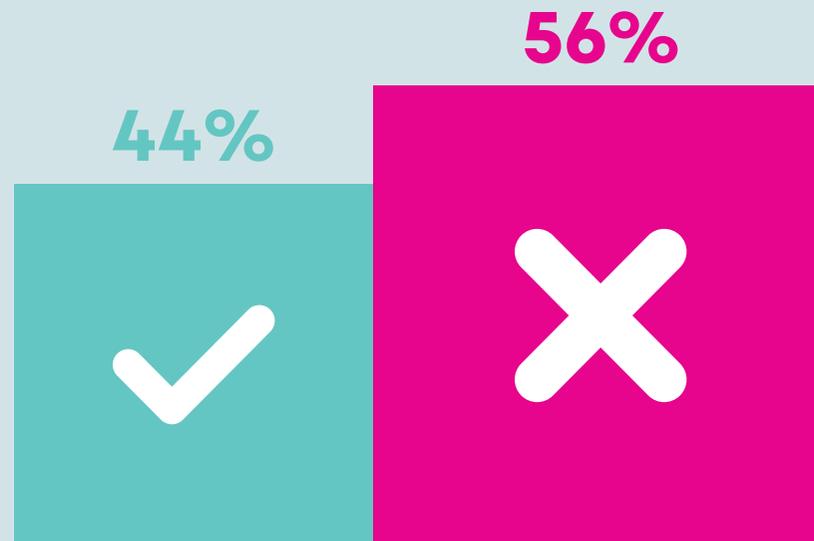


- Redecorate including to fit new kitchen or bathroom
- Increase space - e.g. build an extension or loft conversion
- Heavy refurbishment - commercial to residential
- Heavy refurbishment - HMO conversion
- N/A
- Other

What is the most common use you see for refurbishment finance?



Over the last six months have you noticed a change in the residential properties that your clients are looking to buy in terms of location?



If yes, what do you think is the main reason behind this?



Over the last six months have you noticed a change in the residential properties that your clients are looking to buy in terms of the type of property?



44%



56%



42%

19%

15%

14%

10%

- Stronger rental yields
- Better capital growth
- Higher tenant demand
- Other
- Higher rents

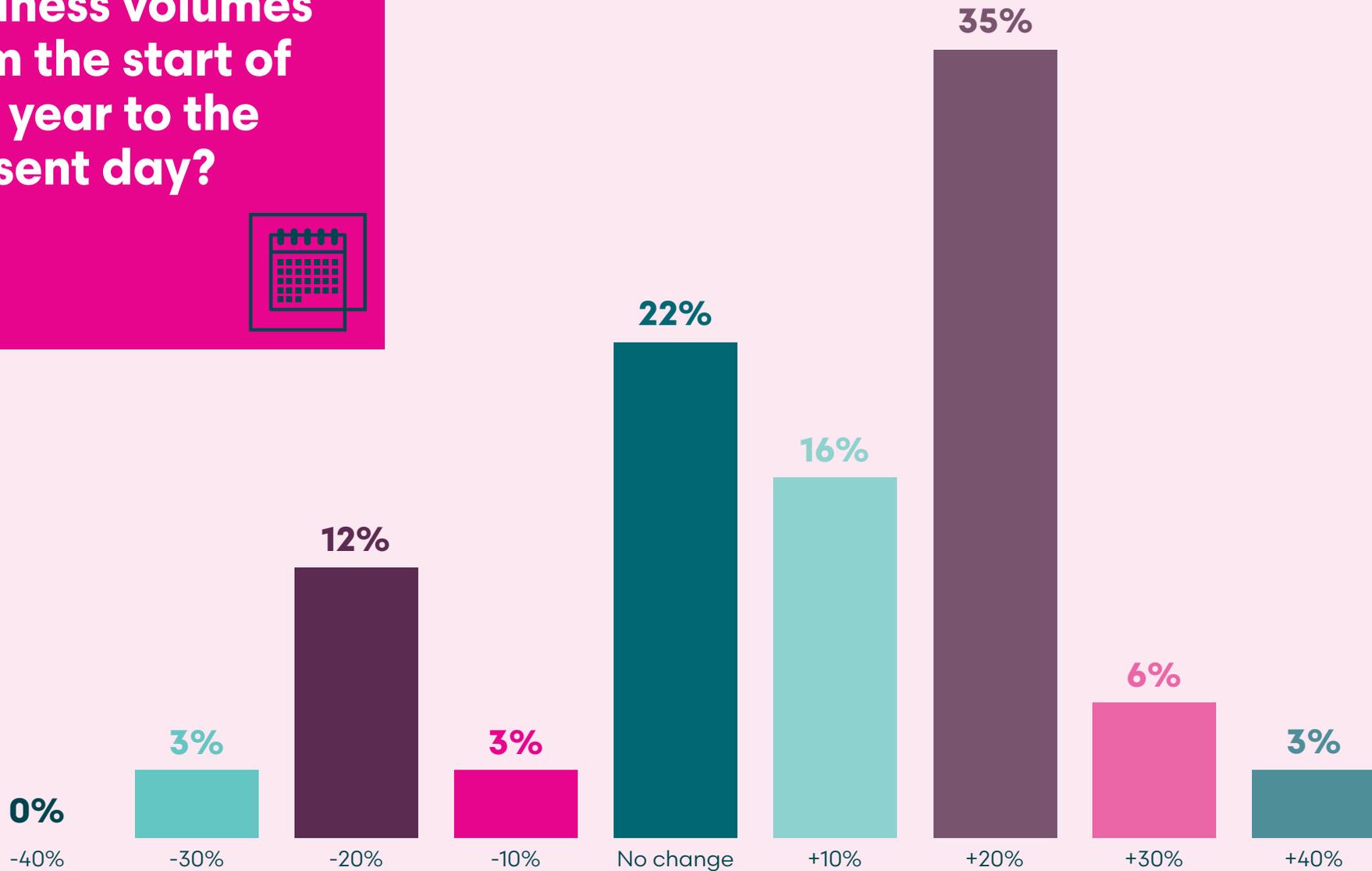
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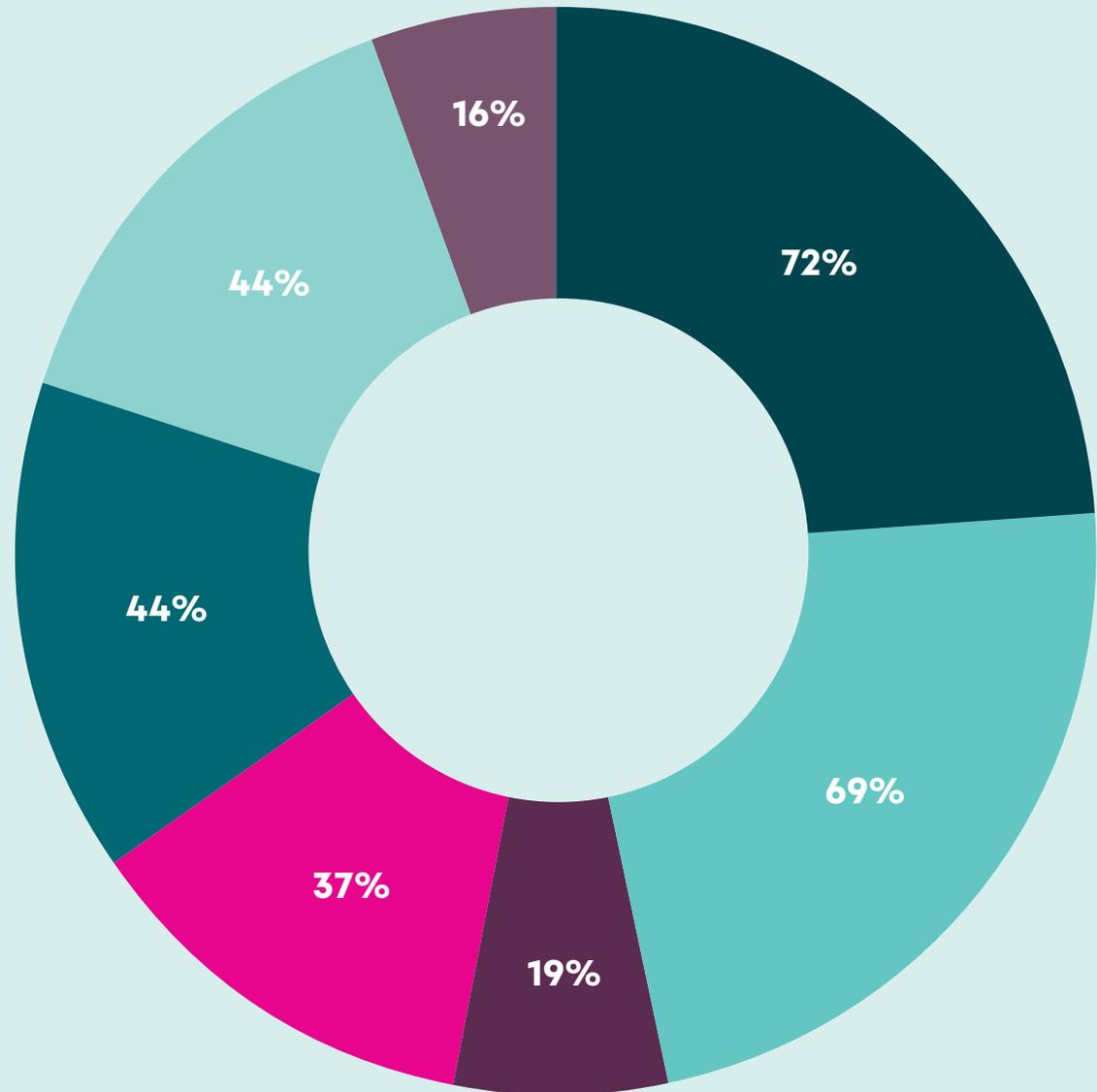


Second charge

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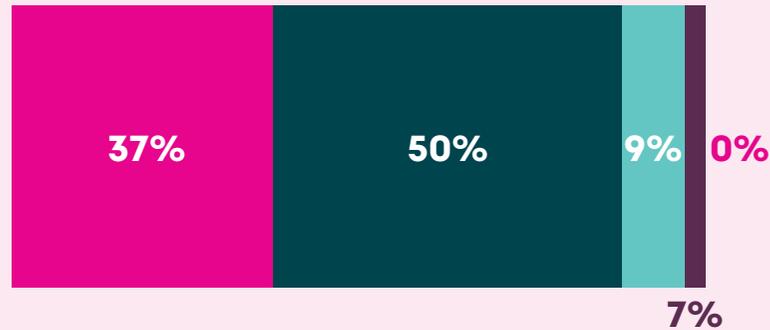
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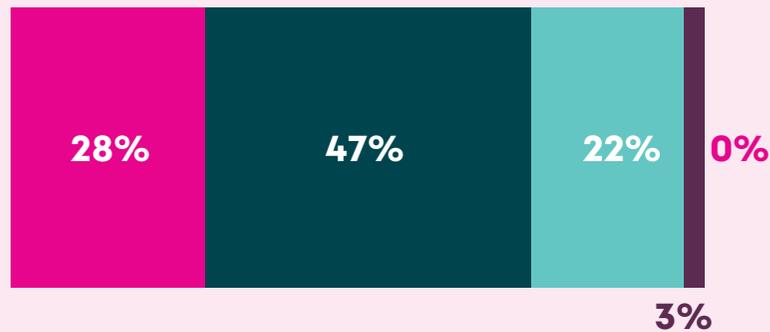


The lending environment

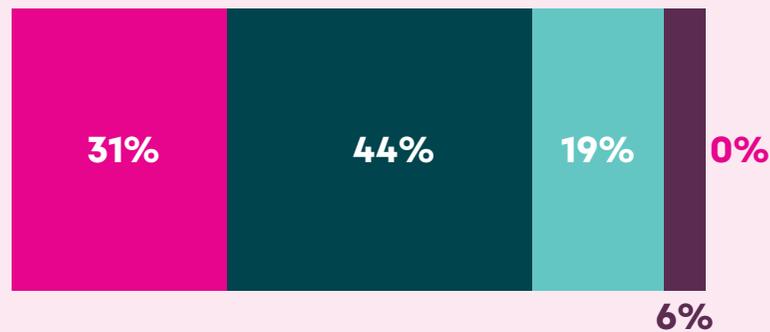


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The UK economy



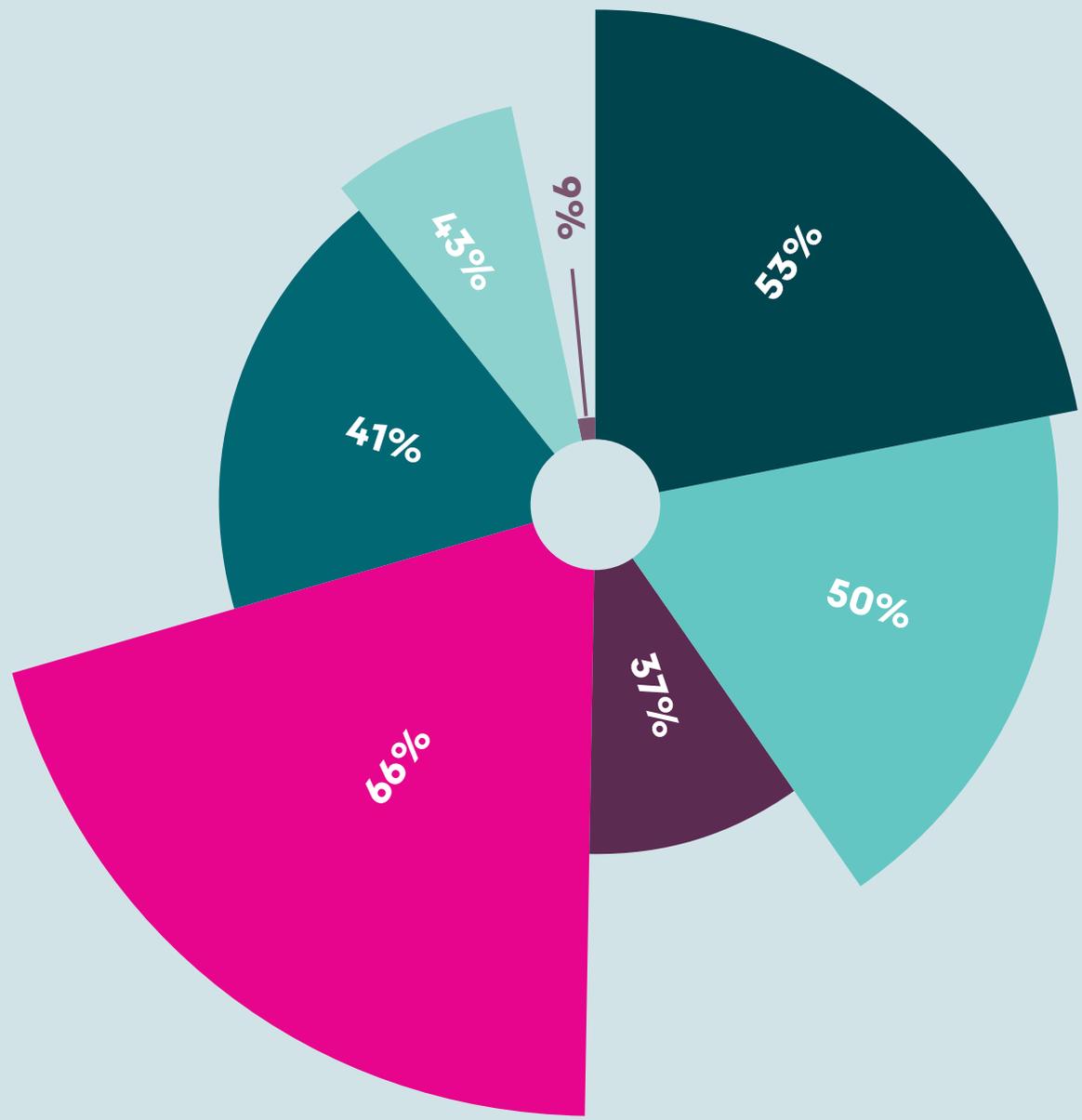
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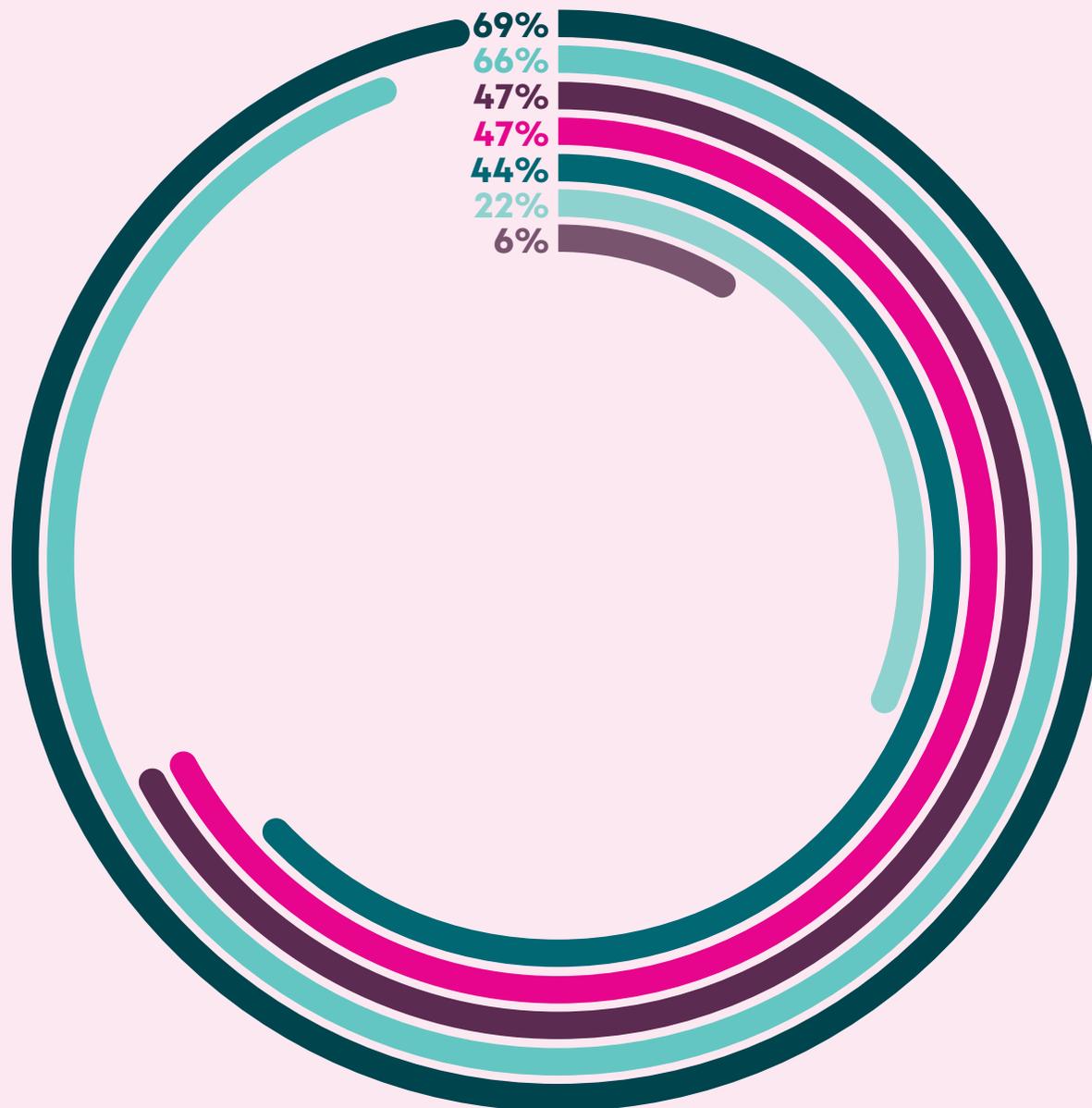


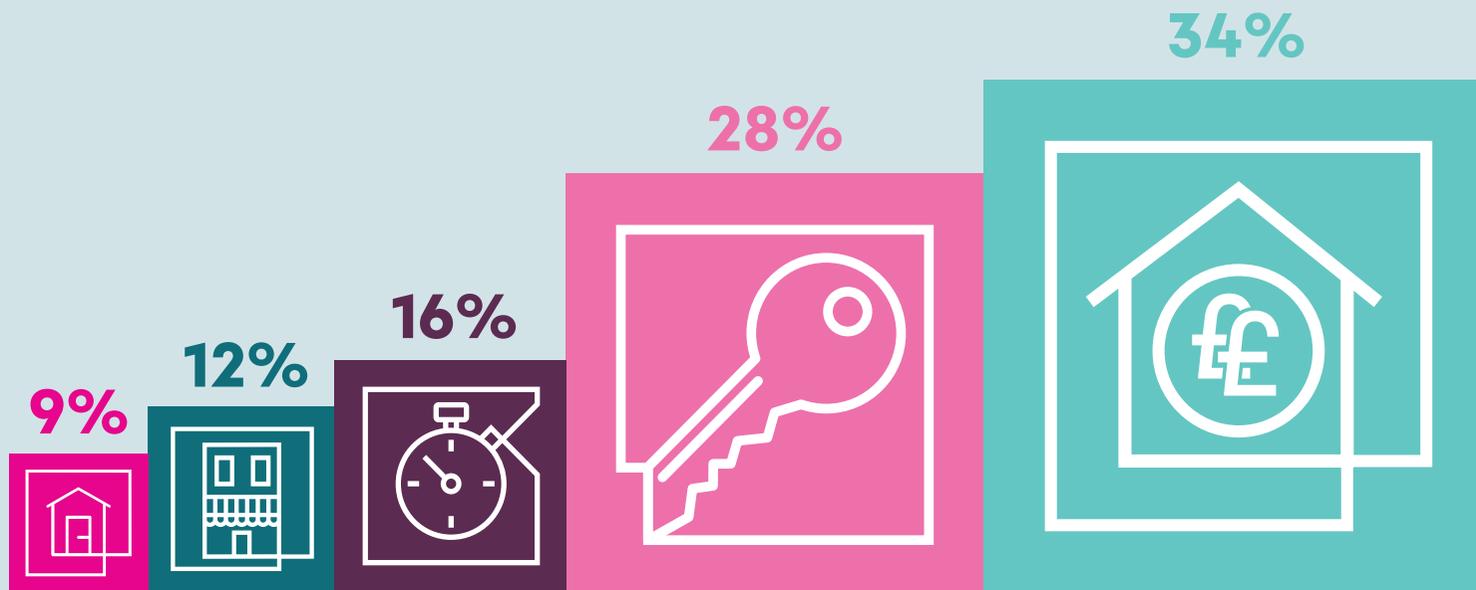
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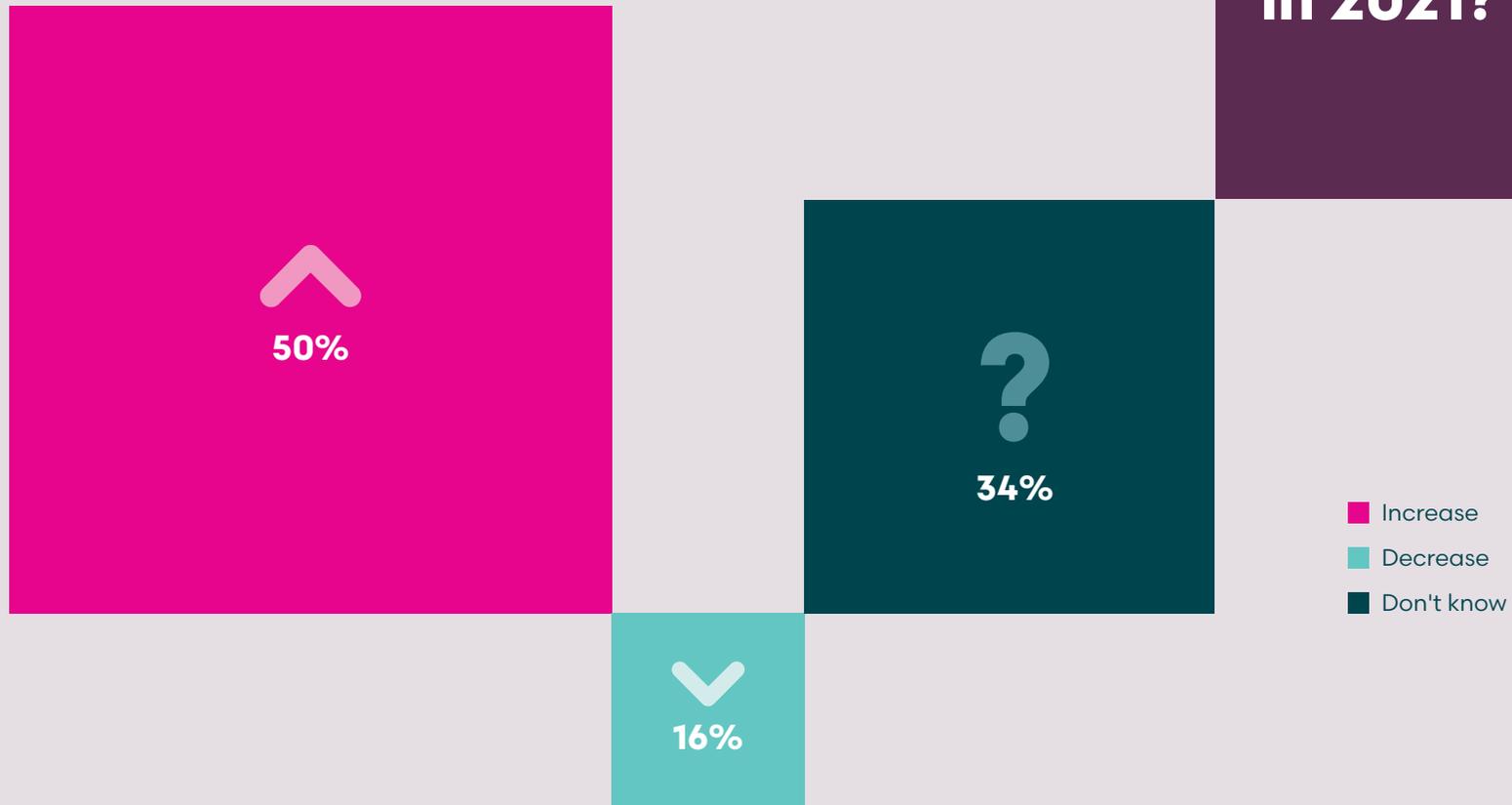


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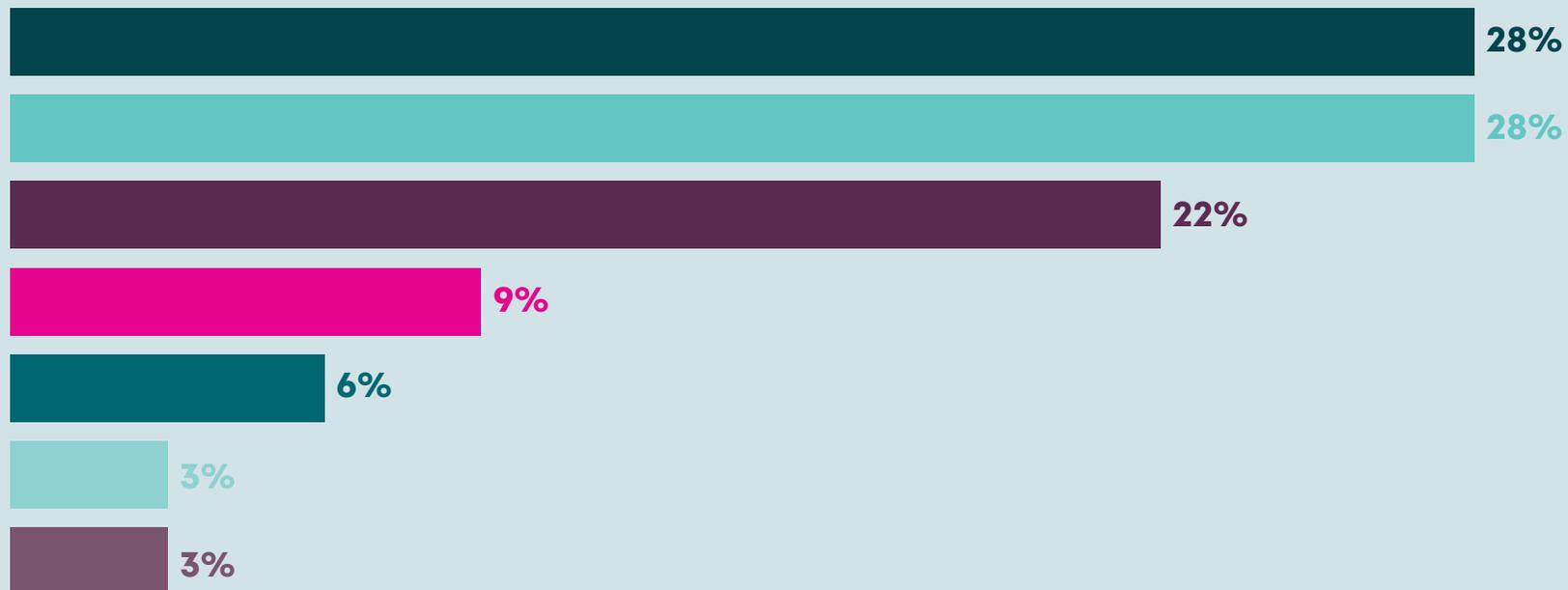
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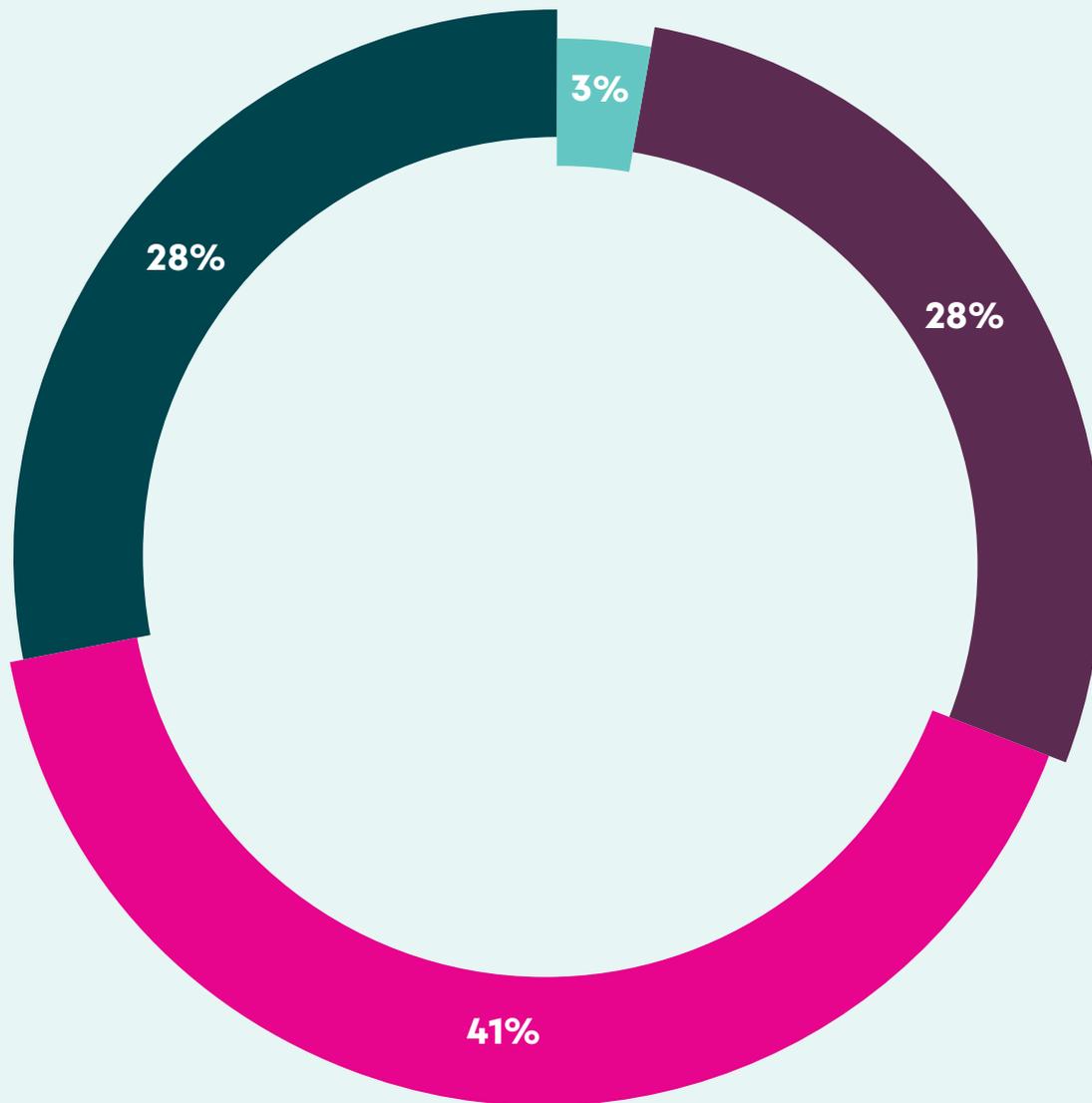


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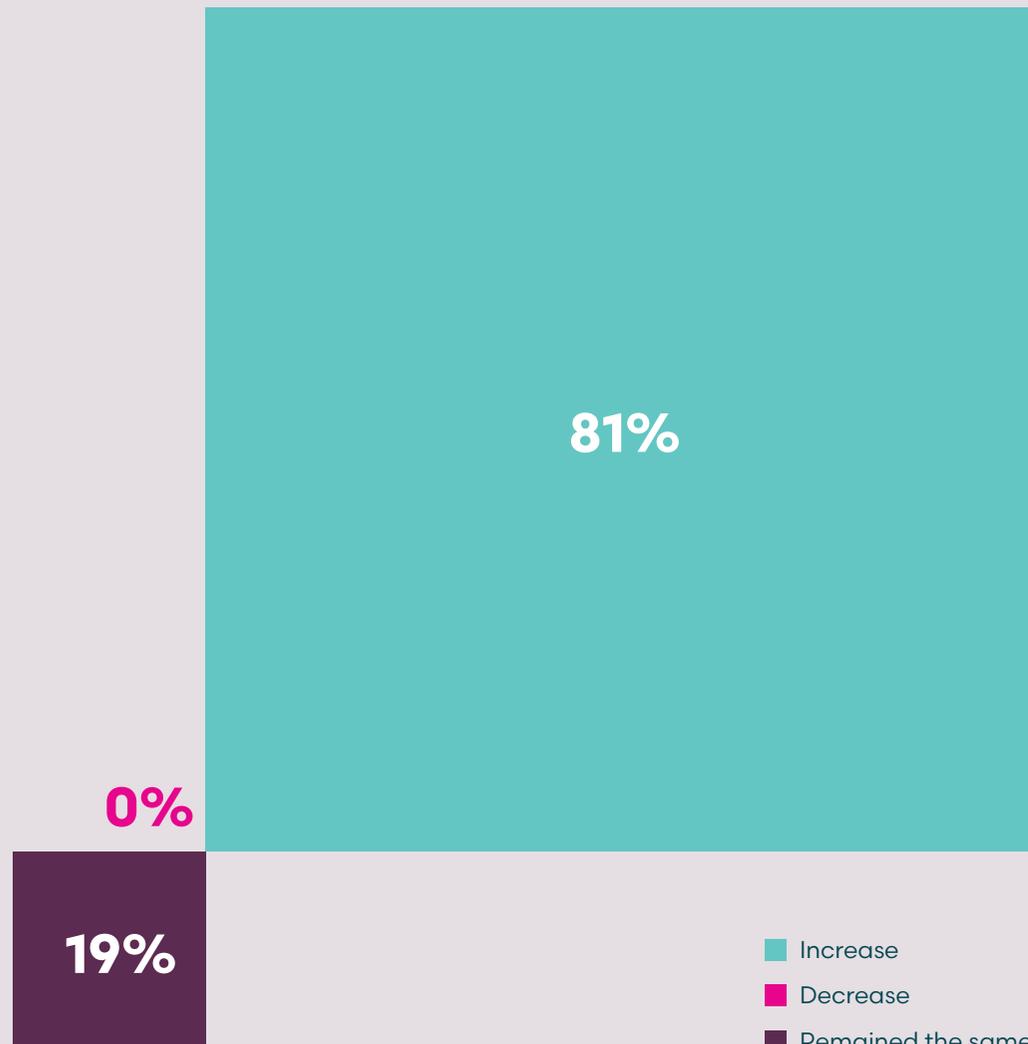


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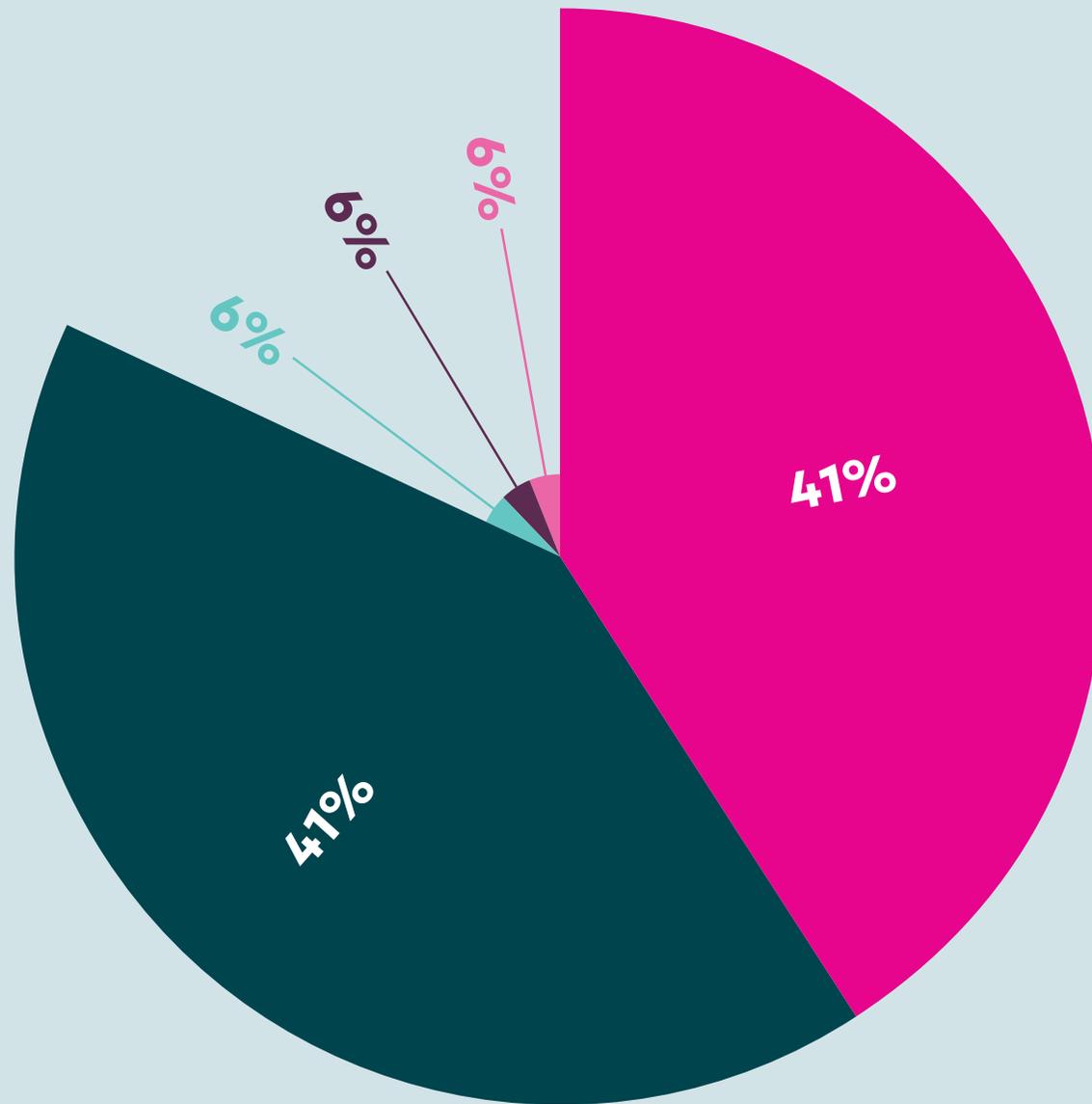
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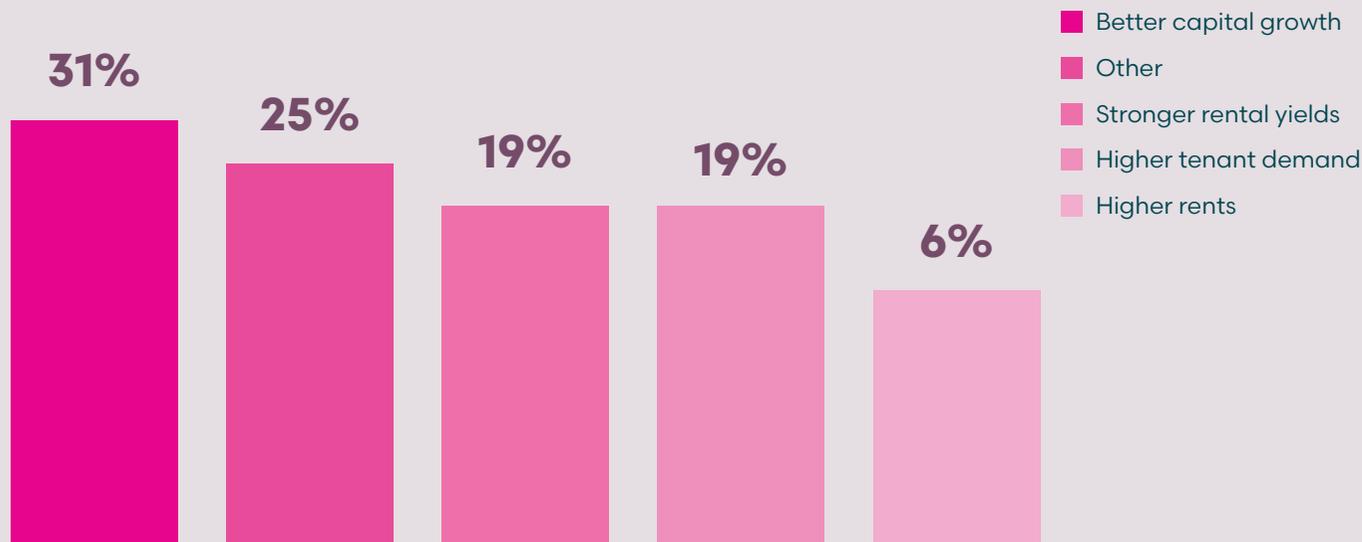
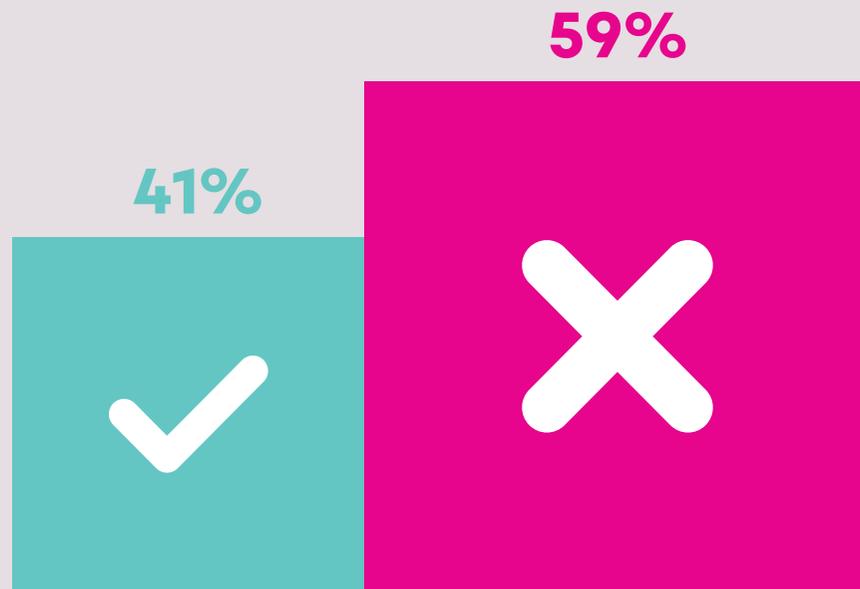


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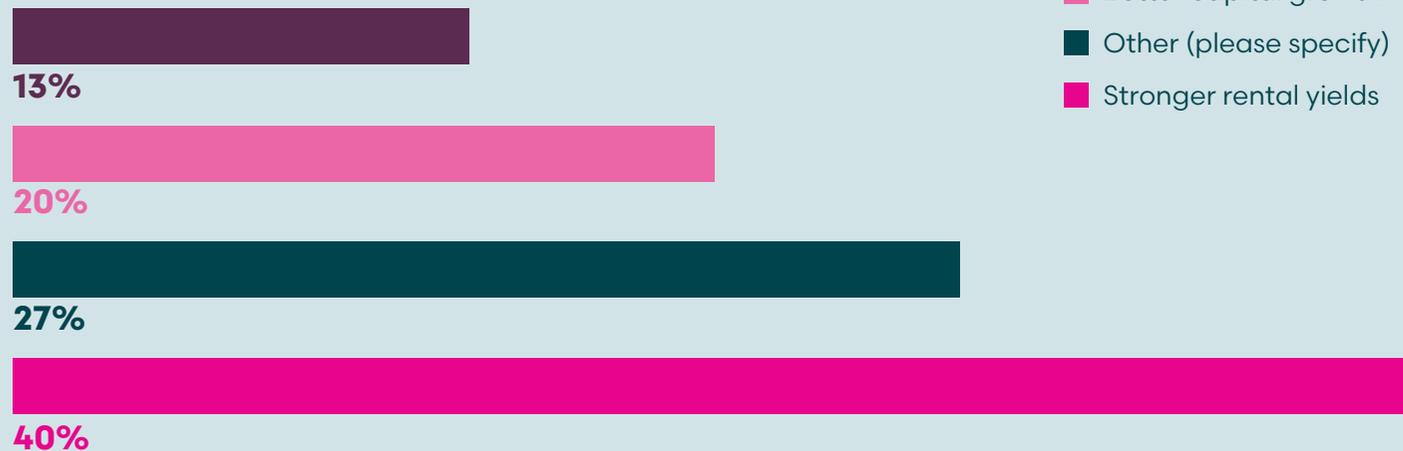
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34%



66%



- Higher rents
- Better capital growth
- Other (please specify)
- Stronger rental yields

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