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Bridging finance secured for large-scale Yorkshire developments

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Short-term loans becoming increasingly popular among larger borrowers

CGI of the mixed-use scheme near Leeds

- **What** Hampshire Trust Bank has provided two bridging loans of £25m and £10m to borrowers in Yorkshire
- **Why** The loans support the development of a £500m mixed-use development project and luxury shopping outlet
- **What next** Bridging lenders are welcoming increased interest from larger borrowers

Hampshire Trust Bank has underwritten two loans with a combined value of £35m that underline the increased uptake of bridging finance among larger borrowers, *Green Street News* can reveal.

The specialist lender provided a £25m bridging loan to Commercial Estates Group against the Kirkstall Forge site near Leeds, which has a £500m gross development value (GDV). The debt consolidation bridge will help progress the scheme, which will ultimately provide over 1,400 homes, offices, hospitality and leisure venues, as well as a nursery and transport infrastructure.

The challenger bank also provided the developers of Scotch Corner Designer Village, a 250,000 designer shopping outlet in Yorkshire, with a £10m land bridging loan. The project, which has a GDV of £200m, is currently 70% prelet to major international retailers and in the process of obtaining development finance.

The new loans show how bridging is becoming more popular among larger developers, says LEXI Finance, which advised on the transactions.

“Bridging is also becoming more acceptable to the bigger players in the market, where previously it was more the preserve of the SMEs,” said Sam Le Pard, director at LEXI Finance.

“We now see alternative lenders and private equity houses with debt teams offering 12 to 18 month terms for higher returns where previously two years was the minimum. Likewise, larger sponsors are more open to the use of bridging to solve a problem or facilitate a deal. This is a reflection of the continued rise of the alternative lender taking more market share away from high street banks.”

The luxury retail scheme being developed by Scotch Corner Designer Village

Le Pard also said borrowers were turning to bridging when loans reach their maturities and prove challenging to refinance.

“In 2023, we bridged several commercial assets that had unfortunately come to the point of refinance when yields had tanked and finance costs had rocketed, making term lending impossible. Similarly, in January, we structured a £19m loan for a residential developer to enable them the time to sell their unsold stock.”

This year, there has also been an uptick in demand for finance from developers in London seeking planning permission for student accommodation and co-living schemes, as well as brown-to-green office projects.

Land loans are becoming popular again, after a retrenchment in 2023.

LEXI Finance
48 Warwick St,
London, W1B 5AW

T. +44 (0)2081 383 284
E. hello@lexifinance.com

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“We’re now seeing lenders up to 60% LTV for loans secured against land where the residual land value (RLV) is higher than the existing use value of current buildings. This demonstrates a higher tolerance to risk as RLVs are notoriously impacted disproportionately from a range of inputs. This also shows bridging lenders think we’ve hit bottom and it’s safe to lend again,” Le Pard added.

Read the article here.

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