

MFS END OF YEAR REPORT



2020: A YEAR OF CHALLENGES AND ACHIEVEMENTS



There is no denying that 2020 has been one of the most eventful, unpredictable years in recent history. It will be remembered as a time when a virus first discovered in China would eventually bring the globe to a standstill.

On top of this, this year also bore witness to a US presidential election marred in controversy, not to mention the ongoing challenge of Brexit, which is scheduled to materialise at the end of the year. As of New Year's Day, the UK will be outside the legislative framework and single market of the European Union (EU).

While the UK has been profoundly affected by these events, it is important not to let their negative impact overshadow the positive news stories and developments that have occurred throughout 2020. COVID-19 has forever transformed the way certain businesses and sectors operate, bringing about changes that could, in the long-term, support growth and far more efficient ways of working. This has certainly been the case for the property sector.

When the UK Government announced the first national lockdown on 23 March 2020, the property market ground to a halt. Lenders, surveyors, conveyancers, estate agencies and brokers were naturally worried about the lasting impact social distancing could have on demand for residential and commercial real estate.

Importantly, the Government was quick to realise the fundamental role of the property market in supporting the country's economic recovery from the virus. In early May, it was announced that people could once again move home. This was followed, in July, by the announcement of the Stamp Duty Land Tax (SDLT) holiday, which has sparked a wave of transactional activity and house price growth; the levels of which have not been seen since the EU referendum in June 2016.

Having worked closely with investors, brokers and businesses, it is clear to us at Market Financial Solutions (MFS) that property should be seen as a success story of 2020. The performance, creativity and willingness to adapt to the "new normal" across the industry has been inspirational. The specialist finance market has also been a standout performer.

This report celebrates the achievements of the real estate sector, the bridging industry and MFS. It provides an overview of our key milestones as well as highlighting the importance of specialist finance in supporting property transactions.

A RECORD-BREAKING YEAR FOR PROPERTY



Given the widespread uncertainty, 2020 has been an impressive year for the property market.

In January, buyer demand was strong as a result of Boris Johnson's victory in the December 2019 General Election. The Prime Minister's commitment to resolve Brexit brought about hope that the saga would soon pass. While transactions naturally came to a standstill during the first lockdown, the property market has again been going from strength to strength since the announcement of the SDLT holiday.

This is reflected by the record house price growth noted by the industry's leading house price indicators.

House price growth in the year to November 2020	
Halifax	+7.6%
Nationwide	+6.5%
Rightmove	+5.5%

"The stamp duty holiday is undoubtedly having a positive effect on the UK property market, with demand soaring and this, in turn, triggering impressive house price growth in the second half of 2020. However, the challenge facing investors is not so much finding potential properties to buy; but rather organising the finance needed to complete on these transactions.

Research by MFS in September revealed that 52% of existing homeowners want to take advantage of the holiday but are concerned about their ability to get a mortgage. With the holiday due to expire on 31st March 2021, there is a risk that prospective buyers could miss out on the tax exemption as a result of delays from mortgage providers.

For this reason, it makes sense for buyers and brokers to consult with lenders that have access to in-house credit lines, and which are able to deploy loans quickly."



Paresh Raja,
CEO of Market Financial Solutions

MFS' COMPANY HIGHLIGHTS FOR 2020

Established in 2006, MFS have been a leading figure of the UK's specialist finance sector. During this time, we have faced numerous challenging periods, such as the global financial crisis of 2008, and the fallout from the Brexit vote four and a half years ago. As a result, MFS have been able to hone its craft to ensure the business can quickly adapt to changing circumstances, all the while ensuring clients and brokers have access to bespoke bridging loans.

At our core, we are focused on the needs of our clients and brokers. As these needs change, so do our ways of working and the loans we offer.

This is proving extremely important. Throughout the year, mainstream lenders have reduced the number of financial products on offer. What's more, there are reports that mortgages are taking longer to deploy, placing property transactions at risk of collapsing. In 2020, many brokers have come to MFS citing such an issue. Importantly, our team of dedicated underwriters and business development managers are expertly placed to handle such situations.

2020 has been a busy year for MFS, full of new initiatives, creative thinking and record-breaking achievements. These are highlighted below:

April

- MFS deploys 13 bridging loans at the height of the first national lockdown.

June

- MFS launches a new CRM system, meaning all enquiries can be handled online while the team works remotely.

July

- MFS launches new rates and 75% LTV loans to support buyer demand.
- MFS announces £30 million worth of bridging loans deployed during the first national lockdown.

August

- A £60 million COVID-19 recovery fund is launched by MFS to support residential and commercial property transactions, ensuring loans can be deployed without delay.

October

- MFS welcomes Andy Reid as new Head of Sales.

November

- MFS announces partnership with Vanquish Business Services.
- MFS records strongest November on record, deploying £45 million worth of bridging loans.

December

- MFS announces it will be lead sponsor of FIBA's 2021 conference.

MFS' CEO, Paresh Raja, and Executive Director, Tiba Raja, have also been called upon by national and trade press journalists to offer their expertise on the property and specialist finance markets. Over the course of 2020, they have featured in titles including Yahoo Finance, The Times, The Independent, Mail on Sunday and The Financial Times.

AN OUTLOOK FOR 2021



The UK has become one of the first countries to begin rolling out a COVID-19 vaccine. This is positive news and could symbolise the beginning of the end of the pandemic. However, we also need to be realistic about the obstacles that lie on the horizon; social distancing measures are likely to be in place well into 2021, and there are concerns over the long-term economic impact of the pandemic on the UK.

Nevertheless, Q1 2021 looks set to be a busy time for the UK property market. The opening months of the year could be an ideal opportunity for buyers to take advantage of the stamp duty holiday, which currently expires on 31 March 2021, although talks for extending the momentum are gathering pace.

Furthermore, as of the 2021-22 financial year, an additional SDLT surcharge will be introduced for non-UK residents that buy UK property. Again, this could lead to a surge in activity, as international investors seek to conclude on property deals before the new tax arrives.

“Buyers have a window of opportunity at the moment – the stamp duty holiday offers savings of up to £15,000 for sales in England and Northern Ireland. And there are still significant discounts on offer, for first-time buyers through to buy-to-let investors.

Despite the success of the holiday, it is not known whether the government will extend the deadline. Chancellor Rishi Sunak is looking for ways to address the public debt that has built up over the course of the year through COVID relief packages – spending cuts have already been announced, and tax hikes look to be around the corner.

Looking ahead to 2021, there is a good case to be optimistic about the future. Having seen the specialist finance market confront the challenges posed by COVID-19 in 2020, I have every confidence we will continue to see new innovations and exciting advancements. This year has shown that even in the face of adversity, lenders like MFS can adapt to new circumstances – all the while maintaining the same high level of service borrowers and brokers readily enjoy.”



Paresh Raja,
CEO of Market Financial Solutions

AN OUTLOOK FOR 2021 (CONTINUED)



Looking forward to the year ahead, one thing is certain: MFS will remain committed to the brokers, property investors and homebuyers it works with.

Our COVID-19 recovery fund initially launched in August will continue in 2021. As part of this fund, we have topped up our credit lines and made £60 million available for new transactions to take place. By giving the market access to bespoke loans, our aim is to ensure buyers can act with confidence and quickly complete on transactions without the fear of a sudden rate hike or unforeseen delays.

If you, or your clients are planning to complete on a property transaction in the coming months, be sure to get in touch today to arrange an appointment with a member of the MFS team.

While 2021 will be another testing period, MFS will be on hand to help clients, giving them the guidance and support needed through specialist finance loans.

We look forward to speaking with you all in the new year.



This report is dedicated to the memory of Benson Hersch, who sadly passed away in December 2020. Benson was the CEO of the Association of Short-Term Lenders between 2012 and 2019 and was responsible for the introduction of the high industry standards that now define the specialist finance market. His insight, leadership and guidance will be sorely missed.



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