

## Propifi Capital Ltd – Marketing Brief – Outlook Post Pandemic

### Introduction

Our business covers lending to property developers throughout the UK. At present, development and construction (and therefore activities associated with that, such as ours) are deemed to be essential and are classed as key working.

The long term housing shortfall is currently estimated to be around 1.2m units (BBC 23.2.20) and the gap is rising, particularly at the affordable/social housing end of the market. The second half of 2020, post the first lockdown, saw house prices increase by more than 5%. Our business is primarily focused on the social housing part of the market, where the government is desperate to increase the housing stock. This suits our business as we have more assured exits from our loans than in the purely speculative parts of the housing market. For further information, see <https://commonslibrary.parliament.uk/research-briefings/cbp-7671/>

### UK Economic Forecasts

The UK economy is expected to "recover rapidly" in 2021, with a successful vaccination programme supporting a "material recovery in household spending". Andrew Bailey, the governor of the Bank of England, described the vaccine rollout as "excellent news" that would speed up a return to normal life.

GDP is expected to shrink by around 4% in the current first quarter, holding back Britain's recovery from the coronavirus crisis, as a result of latest lockdown measures.

But the quarterly monetary policy report suggests a sunnier outlook for much of the rest of the year.

"GDP is projected to recover rapidly towards pre-COVID levels over 2021, as the vaccination programme is assumed to lead to an easing of COVID-related restrictions and people's health concerns," it said.

For 2022, the Bank predicts growth of 7.25%, up from a previously forecast 6.25%.

A number of quoted house builders have announced trading updates which indicate strong sales for new homes through to the end of this year.

### UK Government & Housing Policy

The UK government view the housing sector as a key pillar of their agenda after winning the General Election in 2019. They now see this aiding the economic recovery post pandemic.

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They have tinkered with a number of schemes lately, for example:

## Help To Buy

More than 270,000 buyers - of which 82% are first-time buyers - have taken advantage of the help to buy equity loan scheme, and its popularity has soared over time. In the last quarter of 2018 it accounted for over 60 per cent of all new home purchases. To date it has been available for existing homeowners as well as first-time buyers, but from 2021 only first-time buyers will be able to use it.

Housing Secretary Robert Jenrick MP said “Alongside First Homes, Shared Ownership and our £12bn investment in affordable housing, our new Help to Buy scheme will help thousands more families take their first step into a home of their own.”

The Help-to-Buy scheme will stop altogether in March 2023 unless the government extends it. However, the housing secretary, Robert Jenrick, has said that 'all options are on the table' when it comes to extending the scheme, but no decision has been made as yet.

## Conclusion

We expect a particularly strong recovery at the social housing end of the market. It appears the pandemic has hit the more impoverished segments of the population hardest and the government will be seeking quick answers to remedy this. Our prospect companies are working in areas which have suffered from poor housing for decades and have ample evidence from local authorities and housing associations to prove the shortfalls, such as in Liverpool for example. These companies are looking for brownfield sites where there is a presumption of planning approval if a shortfall in housing can be demonstrated. This should allow them to turn around sites in 3-6 months, ready for construction to commence. Institutional investors are prepared to pay high prices for assured rental yields once they can see a project is secured and under way. All the developer needs is finance to get them to that point; That is where Propifi Capital fills the gap.

Unlike the last downturn, following the global financial crisis of 2007-8, this is not an economically induced recession with systematic financial issues at its core. We have a UK government ready and able to provide any necessary liquidity to restart businesses so a faster recovery should be possible, as outlined in the latest Bank of England forecast.

The government have already demonstrated their willingness to help business through the Coronavirus – Business Interruption Loan Scheme. However the opportunities made available from this recession can only be taken advantage of with readily available cash. UK bridging companies can take advantage of this as they can act so much faster than the UK banking system. The UK bridging industry expects to be particularly active over the next 24-36 months while opportunities resulting from the pandemic become available.

We are open for business and continue to work despite the pandemic and associated restrictions. Our sector is buoyant and we hope that, as the vaccine is rolled out in the UK and the transmission of the virus comes under control to allow an easing of restrictions, we can only increase our participation in this important area.

**Euan McAlpine - Chairman**

Propifi Capital

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