

A Guide to Bridging Finance

Commercial bridging finance is a loan or short-term mortgage, usually for a period of 12 months or less, which may be used towards the purchase of a property, to consolidate debts or to resolve a temporary cash flow situation within a commercially operated business. The bridging finance or short-term commercial mortgage can be secured against the open-market value of the property, not necessarily the purchase price.

Because the bridging loan is usually short-term, interest is typically repaid each month with the principle loan amount repaid to the lender when the property is sold or refinanced. Depending on the circumstances, Lenders may agree to roll-up interest payments until such as time as the whole bridging finance is repaid.

Bridging Loans can be used for the following purposes:

Property Development:

For financing property developments which may, or may not, include the purchase of the site. Bridging loans can enable the developer to purchase additional property or land without the need to resort to selling existing property or assets. In cases where property is bought and then immediately sold on again at a profit, the only outlay would be the interest paid on the short-term bridging finance.

Auction Purchase:

Funds are often needed within 28 days of the auction. Bridging finance can provide fast funds to complete the transaction very quickly.

Self-Build projects:

For financing self-build projects: It can take several months to complete a residential or commercial self-build project. With structured bridging finance, money can be released at stages as and when it is needed for example, to purchase additional materials or cover the cost of additional labour.

Liquidity Bridging:

Bridging finance can be a way of extracting cash from property assets very quickly on a short term basis, for example for businesses under temporary cash-flow or time pressure to complete a deal. This type of Bridging Finance can be arranged in days not weeks.

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The FCA does not regulate some Buy to Let Mortgages, Commercial Mortgages, Bridging Finance and Property Development Finance.