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Are SME developers swapping banks for alternative lenders?

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MIKE BRISTOW | NARINDER KHATTOARE | PROPTECH UK PROPTECH ASSOCIATION

Property developers are increasingly turning to alternative lenders for funding rather than banks, industry stakeholders have claimed.



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During a roundtable hosted by the UK PropTech Association earlier this month, several property experts discussed how technology is helping small- and medium-sized enterprise (SME) developers access alternative funding for their projects.

It was suggested that SME property developers would be willing to pay a higher price for funding from alternative sources such as peer-to-peer lenders, as a compromise for not having to deal directly with banks.

“It is correct about SME developers willing to pay a higher price,” said Narinder Khattoare, chief executive of Kuflink.

Read more: [CrowdProperty’s oversubscribed fundraise to fuel “rapid” growth](#)

“Its a similar stance on bridging loans too, brokers prefer to work with alternative lenders in this space due to the flexibility and speed of transactions.”

Khattoare claimed that more SME developers have been seeking out alternative financing as most high street banks have been absent in this space.

“In most cases, the banks just don’t have the appetite as they want to see how the market progresses,” he added.

Mike Bristow – who was present at the roundtable – pointed out that banks have turned their backs on SME property developers, paving the way for alternative lenders to show the quality of their services.

“We’re a lender of first resort and price competitive for the best projects, who come to us because of superior speed, service and expertise,” he said.

Read more: [P2P property: Rolling with the punches](#)

“Major banks have largely walked away from SME residential property developers since the global financial crisis for many reasons and our customer-centric proposition is far better, built entirely around SME developers’ needs.”

There has been growing evidence that property developers are starting to embrace alternative lenders in recent months.

Earlier this year, Stuart Law, chief executive of Asset Capital, said that his platform had received **hundreds of millions of pounds worth of loan applications** from SME housebuilders over the space of just a few months, “demonstrating that they are primed and ready to progress schemes”.

Kuflink’s Khattoare has also seen a rise in the number of SME property developers applying for P2P loans.

“We’ve seen a masse influx of SME developers come our way,” he said. “They like the way we work and the flexibility and direct contact we provide to them – even legals are usually completed in quick time for them to get on with the developments!”

According to the UK PropTech Association, the UK’s affordable housing stock deficit requires that 300,000 homes a year be built to keep up with demand, but only 200,000 are being built at present.

And according to the Home Builders Federation, today’s SME residential developers account for just 12 per cent of the UK’s housing stock, down from 40 per cent in the 1980s, suggesting.

“Without SME developers, the UK will struggle to reach its targets,” the Association stated.

Read more: [P2P is vital to the nation's "build, build, build" recovery](#)

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