

Blackfinch
Q1 Trading Activity

Lyell

Property Development Lending



Lyell's property development loans are diversified across locations and sectors, and are a mix of new builds and conversions. We lend to experienced developers with a solid track record, a defined exit plan and where there's alignment with our environmental, social and governance (ESG) policy. Our specialist property and legal teams source, appraise and conduct due diligence on each loan.

Investment Highlights

As government restrictions have eased, the property sector has responded strongly, with residential house prices growing 7.1% in the year to April (Nationwide), well in excess of pre-Covid levels and continuing an upward trend. The continued recognition of the construction and wider property market as key sectors of the economy has allowed for all construction sites Lyell funds to remain open across the quarter, with operations enabled by appropriate social distancing and safety measures.

During the quarter 65 new opportunities were appraised, with a net worth of £252m (Jan - Mar) and three new loans completed. The first loan comprised completing the construction of a residential development of 20 units in Rackheath that will provide 7 affordable housing units to the local authority to assist in alleviating demand in the community. The second new loan was a residential development in the popular town of Bradford-on-Avon, regenerating a disused home into 5 terraced houses; built to a high specification and modern energy efficiency with views over the nearby canal. The third loan provides funding for a residential development on the outskirts of Birmingham, providing crucial homes for the local community. The funds will be used to allow ground clearance and initial site preparation work to commence in readiness for construction.

Furthermore, continued fiscal stimuli packages and strong consumer demand driven by low interest rates and the stamp duty holiday have encouraged activity in the property market, with house viewings, moves, sales and valuations increasing transaction volumes and continuing to drive house price growth. This is key for some of our loans at the refinancing or sales stage which provides our loan exit.

During 2020 and 2021, Lyell has been gradually building general and specific provisions into its share price to reflect the more difficult trading circumstances faced in the property and lending markets. The rate of new provisioning was

increased significantly in November and December but has been reduced to more gradually accrue since January such that the overall provision is now 4.2% of overall lending in Lyell as at the end of April. Not only does this reflect the impact of a more difficult market but it builds prudence into the share price so that if there is any bad debt it does not negatively impact the share price and volatility will be lower as a result.

Outlook

As restrictions have eased, Lyell has been able to re-implement its standard lending criteria for residential and low-risk loans, reflecting improved sentiment and demand in the market. Deals are carefully appraised and assessed from a risk and performance perspective across a range of regions and sectors to ensure the loan book remains well diversified as well as in accordance with our current view of the wider residential and commercial property market. New deal flow has come in consistently throughout the last 15 months but we are now seeing more traction from developers and an increased eagerness to start new development projects.

IMPORTANT INFORMATION

Blackfinch Investments Limited (Blackfinch) is authorised and regulated by the Financial Conduct Authority. Registered address: 1350-1360 Montpellier Court, Gloucester Business Park, Gloucester, GL3 4AH. Registered in England and Wales company number 02705948.
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