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FRP Real Estate Advisory Funding Report
January - June 2026

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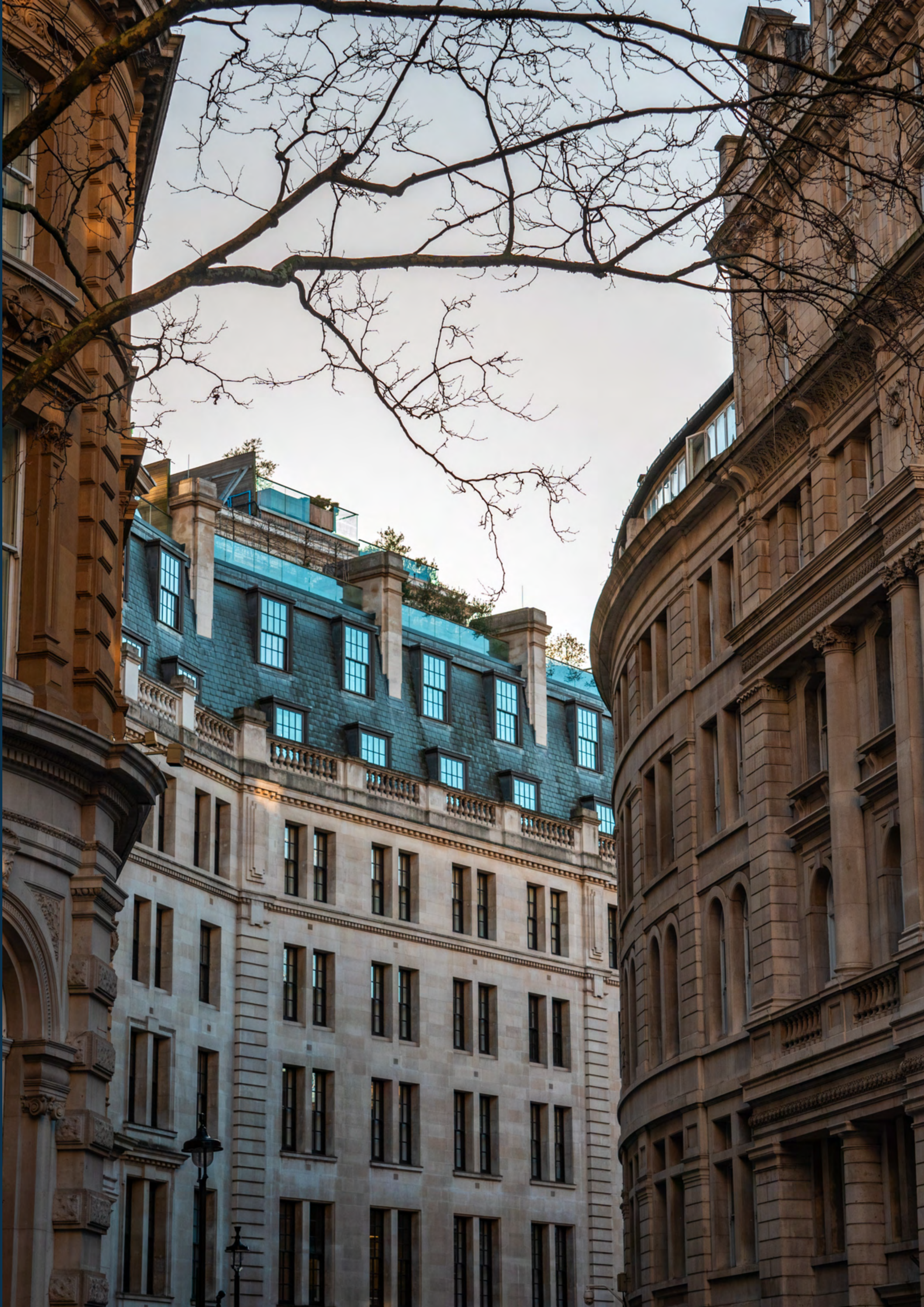

Foreword

"The banks are back, at every level of the market. That single fact has shaped almost everything else about the first half of this year."

Andrew Robinson
Partner

The headline figures for the first six months of 2026 – £244.7m of lending across 105 transactions – sit around 12% below the second half of last year, with deal count broadly flat. Read on their own, they suggest a quieter period. Read alongside what actually happened in the market, they describe something rather more interesting: a period in which the structure of real estate lending shifted materially, even as the volume of it eased.

The most significant change has been the return of the banks. Deposit-taking lenders are deploying again, and they are doing it at every level of the market. At the institutional end, names that withdrew from UK commercial real estate several years ago have come back and are pricing keenly – margins of around 1.6% for the right client and the right asset. They are cherry-picking, undoubtedly. But for borrowers who fit that profile, the quality and the cost of the senior debt now available are as good as we have seen in a long time. The mid-tier clearers are moving hard into the same commercial space while still holding their margins, and further down the challenger banks are gaining ground quickly.

The challengers are winning in a different way. They are never going to compete with the largest institutions on price, so they are competing on the journey instead: bridging a client into an asset, funding the works or the repositioning, then retaining them on a commercial term product at the end of it. It is a more considered way to build a relationship, and it is working. Between them, that whole banking cohort is putting real money back into the market – and doing so just as the wall of refinancing is upon us.

That appetite shows in our own numbers. Refinancing rose from 46% to 58% of the work we arranged, while purchases fell from 40% to 28%. Balance sheet lenders have been increasing leverage, trimming margins and taking a more flexible view on interest cover, and that combination has released a great deal of business that had been sitting still. Senior debt still accounts for 94% of what we placed; this has been a period of accessing better terms rather than reaching for more complex structures.

The second theme is the retreat from sale risk. Residential remains our largest asset class at £133m, but a substantial share of that is investment rather than development: schemes built to sell, now being held and exited into buy-to-let and portfolio facilities instead. Lenders have followed exactly the same logic. Products are being reshaped around retention and transition – Bridge-to-Let, development facilities with retention lines, two-to-five-year money against an operating asset. The underwriting question has quietly changed from "how does this sell?" to "what does this earn?"

Where lenders have held the line is on quality and location. Our purpose-built student accommodation lending rose to £33.8m, driven by prime schemes next to Russell Group universities. That flight to quality runs through everything we saw this half, across office, student and development alike.

Finally, and most tellingly, 70% of our completions came from existing clients, and we placed those 105 transactions across 65 different lenders – up from 52. Both numbers say the same thing. This is a market in which almost nothing is a rate-card exercise; every deal has to be argued, structured and matched to the right funder, and clients are leaning on their advisers to do it. It is one of the hardest markets I have worked in. It is also one of the deepest, in terms of the liquidity and the choice available to borrowers who know where to look.

Outlook

“Liquidity is strong and the demand to borrow is strong. The art of advisory right now is bringing the two together – and executing.”

Edward Horn-Smith
Partner

I expect our opportunity over the remainder of 2026 to come from two directions. The first is refinancing. Liquidity within balance sheet lending is high, and it is being expressed as higher loan-to-values and cheaper margins rather than as a broader credit box – which suits the many good assets currently sitting on legacy terms. The second is acquisition finance for assets trading at a perceived discount, with some element of distress attached. Those two strands should account for the bulk of what we write between now and the end of the year.

We are seeing institutional owners cut losses rather than continue to hold: one office transaction we are currently working on is being acquired at close to half what the vendor paid seven years ago. The pattern behind it matters more than any individual deal. Funds that piled into assets in the two years after Covid are now reaching the end of five-to-seven-year cycles, and their decision is no longer about the end of a fixed rate – it is about whether to realise a loss and recycle capital, or go again. Private investors are still resisting those levels. The funds, in many cases, have stopped resisting, and that is what is setting the market price.

Which brings me to valuations, which I think will be our biggest nemesis in the coming months. Valuations are built on comparables, and for a long period there simply weren't any: everybody held on. The discounted sales of the last nine months have now given the market its evidence, and that evidence is feeding straight into reports. At the same time, several of the larger firms are managing live professional indemnity claims, which has produced a visible internal shift towards caution. Expect valuations to come in conservatively and expect that to be the point at which transactions are won or lost.

Development finance is where the friction is greatest. Most developers who come to us for build cost funding already own their land, and, in many instances, at current numbers, land plus build cost is running at roughly the same level as the completed sale value. They are not building for profit any more; they are building to get their money back. Persuading a lender to underwrite that is genuinely difficult, because on a traditional loan-to-cost and loan-to-gross development value test – where the lender takes the lower of the two – long-held land is effectively valued at nil. The interesting development is that new capital is entering the UK specifically to price this differently, lending against GDV rather than cost, and backing sponsor quality rather than the arithmetic of a historic land purchase.

For clients holding sites they cannot make work on conventional terms, that is a genuine unlock – and it is precisely the sort of option that only surfaces if you are talking to the whole market rather than a panel of it.

Student housing will remain difficult and should be judged scheme by scheme. The international student market, particularly from China, has contracted sharply, universities are financially constrained, and government interest in apprenticeship routes adds another question over long-run demand. More broadly, we expect to see continued transition of use – sites consented for residential moving to student, then to co-living, then to something else again. Every one of those pivots carries holding costs, planning costs and a funding requirement, and lenders are becoming noticeably more willing to underwrite change of use as a result.

The obvious caveats are macro. The escalating situation in Iran has a direct read-through to the cost of money, and, domestically, I believe, the new Prime Minister and an Autumn Budget mean a number of decisions will be deferred until people can see what is coming. Timing execution is harder than it has been for some time. What I am confident about is the direction of liquidity: the banks are reporting record profits and that willingness to lend is not about to reverse.

In summary, the outlook for the rest of 2026 looks as follows. Strong liquidity continues. Demand to borrow from clients, investors and developers continues. The real art of advisory in this market is bringing those two things together and then executing – finding the right partner for each transaction, structuring it properly, and getting it over the line. That is what our clients are increasingly leaning on us for, and with the wider FRP platform now behind us, it is a job we are better equipped to do than at any point in the last 18 years.

Overview

£245m

Total lending

105

Number of deals

30%/70%

New vs existing clients

65

Lenders used

Lending of £244.7m across 105 transactions represents a reduction of c.12% on the second half of 2025, with deal count broadly flat. The more telling movement is in the lender base, which widened from 52 to 65 – roughly one lender for every 1.6 transactions, against one for every two previously. That dispersion is characteristic of a market in which very little is placed on standard terms and each transaction has to be matched to the right funder. Existing clients accounted for 70% of completions (up from 50%), reflecting the weight borrowers are placing on continuity of advice.

Detail

Asset types – by £value of lending

Asset type	H2 2025	H1 2026
Residential	£127m	£133m
Office	£69m	£49.7m
Healthcare	£29m	£1.2m
PBSA	£21m	£33.8m
Retail	£16m	£12m
Hotels	£8m	£0.8m
Industrial	£3m	£9.3m
Land	£3m	£4.1m
Marine	£2m	£0.6m

Residential remains the dominant category at £133m, though a significant proportion of that is investment rather than development: completed schemes retained and refinanced into buy-to-let and portfolio facilities rather than sold. Office stepped down, from £69m to £49.7m and healthcare fell sharply, from £29m to £1.2m. PBSA rose from £21m to £33.8m on the back of two prime schemes – consistent with our expectation that delayed larger transactions would complete by mid-year, and with a sector in which lender appetite is now concentrated almost entirely on location and covenant quality.

Loan types

Loan type	% of deals	Total value	Val %
Bridging	33.3%	£78.3m	32.0%
Residential mortgage	21.0%	£10.6m	4.3%
Buy-to-Let	17.1%	£39.4m	16.1%
Development	14.3%	£56.5m	23.1%
Commercial	10.5%	£32.2m	13.2%
VAT	1.9%	£1.2m	0.5%
Marine	1.0%	£0.6m	0.2%
Self-build	1.0%	£25.8m	10.6%

Bridging remains the largest category on both measures, at a third of transactions by volume (33.3%) and by value (32.0%). The divergence between the two columns is instructive. Residential mortgages account for 21.0% of transactions but only 4.3% of value, reflecting a high number of smaller facilities, while development represents 14.3% of deals and 23.1% of value; a single large self-build facility accounts for 10.6% of value from one transaction. Underlying the bridging figure is a change in how the product is being used – increasingly as medium-term money secured against an operating asset, rather than as a sale-dependent exit.

Finance type – by % of deals

Metric	H2 2025	H1 2026
Senior	98%	94%
Mezzanine and equity	2%	6%

Loan purpose – by % of deals

Metric	H2 2025	H1 2026
Refinance	46%	58%
Purchase	40%	28%
Equity release	14%	14%

Refinancing rose from 46% to 58% of transactions while purchases fell from 40% to 28%, with equity release unchanged at 14%. The shift reflects two things: borrowers holding assets rather than selling into a subdued sales market, and balance sheet lenders competing hard enough on leverage and margin to release refinancing that had been sitting still. We expect the balance to move back toward acquisition over the second half, as discounted stock reaches the market and vendors – particularly funds reaching the end of their investment cycles – accept current pricing.

Location

London remains the single largest market by value at £123m, broadly level with H2 2025 (£119m). The most notable H1 movements are South West (£14m to £36.4m) and Wales (£300k to £21.4m), both up sharply, against material falls in South East (£78m to £24.4m) and Midlands (£53m to £14.7m).

Location breakdown

Location	% of deals	H1 2026
London	40.0%	£123m
South West	14.3%	£36.4m
South East	21.9%	£24.4m
Wales	1.9%	£21.4m
International (France)	1.9%	£14.9m
Midlands	11.4%	£14.7m
North West	4.8%	£4.7m
North East	1.9%	£4.3m
Scotland	1.0%	£0.5m
East	1.0%	£0.4m

While this report discusses real estate market activity for the calendar six months to 30 June 2026, it should be noted that FRP's financial year is the 12 months to 30 April.

Insight

Evolving borrower demand is reshaping UK bridging

By Duncan Kreeger, CEO and founder, TAB

TAB.

The bridging market has begun to cool after several years of rapid expansion. Bridging & Development Lenders Association data for Q1 2026 shows completions of £1.8 billion, down from £2.5 billion in the final quarter of 2025, and average loan-to-values have eased below 57%. That reads to us as a market finding a more sustainable level rather than one in retreat. The more meaningful change is in what borrowers are using bridging for. Demand for heavy refurbishment products has dropped markedly and fewer loans are being written to repair broken chains. Increasingly, bridging is being used to secure time-sensitive opportunities.

That shift has made execution certainty the primary differentiator. Introducers are looking for lenders who will interrogate a security properly, test the commercial logic, confirm a realistic exit and then decide quickly once due diligence is complete. Speed on its own is no longer the point; speed with conviction behind it is.

At the same time, investors are moving beyond straightforward residential opportunities in search of stronger yields, and those transactions frequently fall outside standard credit policy. They call for underwriters who can assess the full picture – asset specifics, income potential and exit viability – rather than working down a checklist. Brokers have responded by bringing us a steadier flow of complex cases that need commercial judgement, and that has supported our origination throughout the first half.

TAB has grown into that environment. Our active loan book passed £260 million in April and total lending across the business has now surpassed £800 million. Bridging demand held up well across the first six months, while our commercial mortgage proposition has gained ground. The traditional boundary between short-term bridging and longer-term commercial lending has continued to blur, because borrowers want the same speed and flexibility whatever the facility is called. Our product development has followed that logic: more semi-commercial solutions for stepping-stone and mixed-use acquisition strategies, and commercial mortgages delivered at bridging speed.

We expect the second half of 2026 to remain steady. Gradual easing from the current 3.75% base rate should support transaction volumes, and stronger price momentum across regional cities, particularly in the North and Midlands, may provide an additional tailwind. Competition will stay intense. The lenders and brokers who deliver the strongest results will be those combining genuine market expertise with decisive underwriting and products built around how investors are actually behaving.

Buy-to-let lending in 2026

By Alex King, Executive Director, Lendco

The first half of 2026 has shown that the buy-to-let market continues to adapt rather than retreat. While landlords have remained cautious, professional investors are still finding opportunities, supported by strong rental demand and a long-term view of the sector. We've seen many borrowers shift their focus towards strengthening existing portfolios through refinancing or improving asset performance, rather than expanding at pace. That reflects a more considered approach to investing, rather than any loss of confidence in the market itself.

At Lendco, that has translated into sustained demand from experienced landlords who need a lender that can deal with more complex cases. Speed remains important, but brokers are placing just as much value on consistency and certainty. Whether it's a multi-unit block, a house in multiple occupation or a property requiring refurbishment, borrowers want confidence that a lender will understand the transaction and see it through.

We've also seen a shift in how landlords think about finance. The conversation isn't centred solely on rates but about choosing products that support an investment strategy from start to finish. That's one reason Bridge-to-Let has continued to gain momentum, allowing borrowers to acquire, improve and refinance a property with one lending partner, while reducing friction throughout the process.

The events surrounding the high-profile collapse of an industry lender inevitably became one of the defining moments of the first half of the year. While its collapse created understandable uncertainty across the specialist lending market, it also reinforced the importance of strong governance and sustainable funding. Brokers have become more focused on who sits behind a lender, not just the products they offer. Firms with established governance, disciplined underwriting and resilient funding structures were able to continue lending with confidence, providing much-needed stability during a period of heightened scrutiny.

Looking ahead, we're optimistic about the second half of 2026. Demand for rental property continues to outstrip supply, and experienced landlords remain committed to growing and improving their portfolios. We expect brokers to place even greater emphasis on lender reliability, while innovation will continue to improve the customer journey. For Lendco, the focus remains unchanged: combining pragmatic underwriting with dependable funding and delivering the certainty that brokers and borrowers need, whatever the market conditions.

Insight

Backing SME developers through a complex market

By Neal Moy, Managing Director, Paragon Development Finance

The development finance market remained active during the first half of 2026, despite a complex operating environment for housebuilders. Global instability has continued to affect energy markets, inflation and build cost assumptions, while developers also navigate a growing regulatory burden, ranging from the incoming Building Safety Levy to evolving sustainability requirements such as the Future Homes Standard. As a result, funders are increasing diligence with a laser focus on contingency, risk and the resilience of developers and schemes.

Despite these challenges, Paragon's appetite for the market remains strong, and the division surpassed £4bn in lending earlier this year, having launched in 2018. We continue to support SME developers who can evidence a clear understanding of local demand, realistic pricing and a strong delivery track record. That discipline has maintained the resilience of our development finance portfolio, allowing us to grow in areas where we see sustained long-term demand. In the North of England, for example, the proportion of schemes financed by Paragon has increased by more than 50% year-on-year.

One of the clearest shifts we are seeing is towards schemes that respond to specific demographic and local housing needs. Family build-to-rent housing in undersupplied locations, urban regeneration projects and specialist accommodation, including later living and care homes, remain attractive where the fundamentals are strong. More than half of our loans are with repeat customers, which reflects the value we place on experience, local knowledge and proven delivery capability in the current climate.

Environmental performance is also increasingly central to our lending priorities. Rising energy costs, regulation and buyer expectations mean developers are placing greater emphasis on Energy Performance Certificate ratings, modern construction methods and green technologies. Through our Green Homes Initiative, we offer a 50% reduction on loan exit fees to developers delivering schemes where at least 80% of units achieve an EPC A rating, and so far we have pledged £400 million in lending to support greener housing schemes.

Looking ahead, we expect to maintain demand from experienced developers through the rest of 2026 and into 2027. The direction of travel for planning policy reform has been positive in recent years; the challenge is implementing these measures at pace. If the new government can ease planning bottlenecks and reduce the tax and regulatory burden on SME developers, lenders will have greater confidence to commit capital for much-needed schemes. Despite ongoing external pressures, the UK's housing shortage remains acute, and SME developers have an important role to play in helping the government achieve its housing and economic growth ambitions.

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