

# Bridging Loans

## Strategy

Bridging loans are designed to 'bridge' the gap between buying a new property and selling an existing one. Bridging Finance seeks to take advantage of the ongoing difficult conditions in the lending market. Capital is provided to the property market on a short-term basis and is always secured against a charge on property assets. We also seek business owners who need access to short-term capital and pledge their property as security for the transaction.

## Security

A bridging partnership only lends where we can take a charge over an asset owned by the borrower. The lending terms are not extended and full repayment at the end of the term is demanded. All fees, including the interest, are typically deducted up front from the amount of the loan which reduces credit risk.

## Key considerations

The independent property valuation, the security, the location of the property, due diligence on the borrower, the charge over the property, the insurance on the property, the exit strategy, comparable sales evidence and confirmation of the sales agent.

## Case study

### Sky Delta Partnership

The Sky Delta Partnership is a joint venture between Stellar and Sky Bridging Limited, directed by Jason Kavanagh. The partnership focuses on providing bridging loans secured against mainstream properties such as Buy to Lets or standard houses that require minor refurbishments, rather than commercial spaces.

In each case Sky Bridging present lending opportunities to Stellar that meet predefined criteria. Each deal is appraised by Stellar's investment team, and no capital is committed unless the deal is approved by Stellar. A cautious approach is taken with a focus on the quality of deals rather than the quantity or speed of capital deployment.

To date seven loans have been committed to in the partnership with c.50% of the agreed capital commitment funded to date. Two loans have redeemed, with one accruing full default interest having exceeded the original term.

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