

Which sectors will debt providers be backing in 2024?

By Daniel Austin Mon 18 December 2023

Editor: While the lead-up to the autumn election will perhaps hinder progress, we are likely to see a boost in productivity in Q4 alongside a fall in interest rates.

It is hoped that any new government can address issues at a local planning level to boost construction and help us build our way out of the downturn. Labour's big plans for social housing could help address this issue.

The UK continues to face a shortage of housing infrastructure, which will continue to support property prices, despite the higher costs of borrowing. There is both the opportunity and liquidity within the build-to-rent, private rented sector, purpose-built student accommodation and co-living spaces, which will continue to see growth from a rise in demand that build rates can't match.

We will be looking to serve the needs of developers operating in those sectors with flexible loan terms such as no interest coverage ratio, which has been a difficult restriction for those with built stock looking to exit or refinance.

I also expect to see exciting opportunities in life sciences. It remains a nascent sector in the UK but its appeal is broadening based on ageing demographics, increased healthcare spending, the advances of robotics and artificial intelligence and a research and development revolution that is fuelling lab-space demand from numerous small start-ups rather than big pharma.

I anticipate we will see more residential opportunities than others but there are still strong prospects in sectors such as offices, retail, logistics and leisure where requirements are evolving, and those able to address market demand will have a credible offering.

The low-interest-rate environment encouraged property investment purely for yield on cash. I think it is now more crucial to know the sector and back high-quality schemes in the right location. For us, location and quality are now more important than yield on debt or cost and as a flexible lender we can use this formula to back the best sites in the best locations with well-capitalised sponsors who understand their product.

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