

# Undervaluations of property put banks off lending

PROBLEMS in accepting commercial premises as security for loans to small and medium businesses are a major cause of the lending crisis, an expert claims.

The average interest rate of secured loans in July was 4.5 per cent, compared with the 11.8 per cent interest on unsecured loans, illustrating how much value the banks place on security when making decisions on small business lending.

Property as a whole is the security of choice for most banks and is provided by 74 per cent of small businesses to win a lower rate of interest, according to a survey by the Forum of Private Business. Of those, 44 per cent were asked to put up their business premises.

Andrew Bacon, co-founder of property information website [leaseholdersunited.com](http://leaseholdersunited.com) and a property adviser for the FPB, says: 'The lack of transparency has left valuers with inadequate market data that, given the current economic conditions, will make them more pessimistic, resulting in lower valuations on commercial properties.'

'This means that many banks will subsequently have a limited appetite and ability to lend to businesses.'

The owner of a small automotive business in Glasgow tells the FPB that undervaluation for security purposes is as much as 100 per cent, citing a security value of £75,000 for his own com-

mmercial property, compared with a market value of £150,000 for identical properties.

The situation is nothing new. In 2005, the Office of the Deputy Prime Minister called on the property industry to make the market more transparent, primarily to help small businesses.

One solution proposed by [LeaseholdersUnited](http://LeaseholdersUnited) involves the use of online communities for the sharing of rental and market data, enabling businesses to negotiate better deals and allowing property valuers to support security valuations with good evidence.

'This will enable businesses to create the transparency that is needed to firm up property valuations quickly and easily,' adds Bacon.

- KATIE TAYLOR

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**A NEW Health for Work advice line has been launched to help small and medium-sized business owners and managers deal with employee absence through illness.**

Developed by the NHS, the free service will provide expert advice and support.

David Frost, director general of the British Chambers of Commerce, which is helping to launch the advice line, says: 'While most firms offer some level of