

# Agricultural property loans for development and beekeeping

At UK Agricultural Finance we are often asked to provide funding for agricultural property loans. This can include repairing or redeveloping existing buildings or creating a new development on farmland. One such case involved a small development of residential properties. What made this project slightly different was the passion of the borrowers to also improve the ecology of the site, including the introduction of bee hives for honey production and planting to support the bees.

This particular project was located near our head offices in East Anglia. This meant we were able to complete an on-site farm visit much earlier in the process than normal. By doing this, we were able to take the time to fully understand the goals of the borrowers and to assess their credibility. All of which helped to ensure we could offer a loan that was appropriate for them and offered us good security.

## What was the borrowers' situation for this agricultural property loan?

The borrowers were a young couple who had recently acquired a small farm property which included 5 acres of land, stables, a piggery, a chicken shed and various other agricultural buildings. The couple required an agricultural property loan to be able to develop the site into three residential dwellings, one of which would become their family home.

In addition to this, the couple were very ecologically minded and one of them had recently completed a beekeeping qualification, so they also wished to add bee hives to the site. The bee hives would provide a small residual income from the honey but would also benefit the ecology of the site and surrounding area. To support the bees, the couple were prepared to improve the remaining land with suitable pollinator planting that would further improve the biodiversity of the site.

We were able to establish that this young couple were high-quality borrowers who had good credibility and clear business acumen. They had been very entrepreneurial in securing the necessary permissions for the development which included Class Q for the conversions of agricultural buildings into residential properties, and Class R for an

interim change of use from agriculture to flexible business use; in this case mostly for storage purposes.

## **Why were the borrowers unable to use traditional lenders?**

As this was an agricultural property that was being redeveloped from existing agricultural buildings, the permissions required made it too complex for a normal development loan. However, at UK Agricultural Finance, we have many years of experience in this sector and were able to understand the individual and combined values of each agricultural building before and after development. We were also well versed in the various permissions and development rights required to successfully execute a project of this type and scale.

UK Agricultural Finance was selected as it took the time to understand the project and appreciate our borrowers' credibility. We were able to see the project for what it was: a very valuable opportunity on the edge of the commuter belt that could be developed to provide the borrowers with their own home, an income and improve the local ecology.

## **What type of agricultural property loan were we able to offer?**

For this project we were able to offer a term loan of 72 months for the value of £100,000. A term loan was used as the project was likely to take some time to complete due to the nature of planning permissions, particularly in complex cases involving Class Q and similar permissions.

Additionally, many of our borrowers have an exit strategy based around refinancing to traditional lenders. However, this couple wanted to maintain flexibility in the exit strategy with multiple potential outcomes. Giving them the extra time of a term loan allowed them to decide between selling one of the developed buildings, or securing a buy-to-let mortgage on one or more of the properties. With these options they could choose a route that best suited them and the property market trends at the time.

The land and property already on the site provided adequate security for a £100,000 agricultural property loan with a loan-to-value (LTV) of 64%, which is within our 65% limit. The borrowers proved their credibility at various points throughout the process,

including improving the site and therefore increasing its value, which allowed us to provide two advances on their loan.

If you are a landowner looking for an agricultural property loan to develop your farm property, please get in touch today to find out how we can help.

Or if you are a broker looking to place a more complex agricultural property loan, why not speak to one of our expert team members to better understand how we can assist you in finding the right loan for your client.