Property sector sees highest lending figures, Funding Circle data reveals

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The UK property sector is a major economic driver in the country, employing over 12 million people and contributing £1.7 billion directly to GDP annually. This report looks at the challenges facing the property industry right now, from regulations to costs and what the future may hold for the industry.

Property sector sees highest lending figures, Funding Circle data reveals

Funding Circle's data has shown that the Property and Construction sector has seen the highest amount of lending across industries, along with a 30% year-on-year increase. Although the property sector ranks fourth overall for percentage change, with stronger increases from Consumer, Wholesale and Agriculture, the amount makes the property sector the largest single industry category.

The increase in lending shows the growth of the sector and projected turnaround of market volatility, with resilience from landlords and construction companies continuing to operate with rising market costs.

Funding Circle outlined that the reasons for the increase in lending are likely reflective of sustained development activity and working capital needs in the sector, with both categories seeing an increase in the last year, according to internal lending data. There was a 16% increase in companies requiring a loan for working capital and a 25% increase in lending used to expand or grow a company. Greater refinancing levels within the sector may also be contributing to higher average loan sizes.

Funding Circle's lending by industry

Lending by Industry	% Change
Consumer Services	**46%**
Wholesale	**40%**
Agriculture	**31%**
Property and Construction	**30%**
Automotive	**22%**

To better understand these lending trends, it is important to look at the wider context across the industry. Market conditions and sector-wide developments may also be influencing borrower behaviour and financing needs, as we take a look at other issues affecting the property market.

Housing demand may be down currently, but rentals are still set to surge

As of April 2026, buyer demand is running 7% lower than the same period in 2025, according to Rightmove. Yet the UK continues to face a shortage of homes, according to a Guardian report, so while costs may be increasing, the demand for new housing is there.

As of June 2026, Zoopla reports that the average UK rent is now £1,321, with rents having risen by 2.1% over the past year. London remains the only region to record a rise in rental demand (+6%), as higher mortgage rates keep more people renting for longer. Looking ahead, rents are expected to rise faster in the UK's more affordable areas throughout 2026, while elevated mortgage costs continue to price many first-time buyers out of the most expensive cities, sustaining rental demand in those markets.

This also shows the amount of growth of new business in the sector; according to ONS, the number of VAT and/or PAYE businesses across the property industry has slowly increased over the last three years, giving it a slightly broader market share across all sectors.

Industry	2023	2024	2025
Property	**114 | 4.2%**	**118 | 4.3%**	**122 | 4.5%**

This has also increased the proportion of businesses within the industry from 3.6% to 3.7% between 2024 and 2025. With housing stock still readily available and average houses in England increasing in value by 0.8% in February, if investors have the sustainable funds or are able to borrow to develop in this sector, it could still be a worthwhile investment.

Housing materials have increased over 50% in the last five years

While increases in laws could see less profit for housing businesses, the overall costs associated with the building of housing assets have also caused concern in the industry. There has been a 41% increase across all property materials since May 2020. Analysis for the Department for Business and Trade by Caldo revealed that the likes of certain building materials, like precast concrete and insulating materials, have increased by 62% and 60% over the past five years. With all materials listed increasing, on average, 52% since May 2020.

Material	Price Change Since 2020 (May 2020 - May 2026)
Pre-cast concrete products	62%
Insulating materials (thermal or acoustic)	60%
Metal Doors & windows	60%

The latest government construction material costs report shows a lower demand across several core materials, such as bricks, concrete, sand/gravel, and cement. This reflects a potentially slower-moving construction industry, especially in the likes of housing and new-build sectors. Although construction material price inflation has eased compared to previous years, the amount of stock on hand and lower deliveries suggest a quieter period for the industry.

According to BCIS construction forecast, building costs are expected to increase by 14% over the next five years. Meaning an increase in spending for companies in the property and construction industry. On average, you need a minimum of £126,000 to build a full three-bedroom house. If we apply the same 14% increase from above, in five years it will cost £143,640 to build. If we add the increase in building materials with operating costs from above, outlined by Pegasus, developers could be paying £19,915 more to build and maintain a home in five years. This will only affect the value and potential number of property developments that smaller SMEs will be able to achieve, meaning businesses will have to act smartly with their developments

Property	Price in five years
Building materials	14% increase on a three-bed house build according to BCIS = £143,640 (+£17,640)
Upkeep – maintenance	£11,073 spent on electricity bills currently, according to Pegasus, with bills predicted to rise 20% in five years = £13,288 (+£2,215)
Total	+£19,915

How property businesses can leverage their funding this year to gain growth

While the volatile market of the property industry continues, the industry still sees growth in its future. According to the growth and innovation behaviours of SMEs in 2025, around 27% of SMEs grew in 2025, but a promising 41% are planning to grow further.

2025 all SMEs	Grown	Scale Up (10 yrs)	Plan to Grow	Grown and grow again
Property/Business Services	30%	27%	45%	20%

When looking at the property industry, there remains a clear sense of potential for continued growth across SMEs. The report suggests that around 45% of businesses within the sector are planning for expansion, building on a market that has already grown by approximately 30%. This report is reflective of the lending that Funding Circle is also seeing within the property sector.

The key for these businesses will be using the correct source of funding to develop the best potential with resources available; for small-scale loans, think of Retrofitting houses. They can add significant value to a house, with average energy-efficiency improvements increasing property value by an average of 14% and up to 38% in some areas. While full-scale retrofitting can cost £69,000+, smaller changes like adding a new boiler or new double glazing can be an effective way to save, improve the initial rental price, and also see energy efficiency increases.

When looking to renovate or improve, borrowing can help with modernising a property and make it more attractive in the rental market, and a higher rental price can be generated. Upgrading a kitchen, bathroom

or a new roof could be an example of this. Another option could be the number of houses on your portfolio; think of borrowing to maximise the potential of a handful of properties instead of a larger development. You could also look to use finance options to cover cash flow shortages, paying contractors, covering costs while waiting for refinancing, or buying a property quickly before longer-term funding is arranged. Options such as Flexipay and Cashback Cards are available to businesses.

Developers could also look at regional city growth and see where it is best to invest their funds and beat out other competition. In England, ONS revealed that private rents' annual inflation was highest in the North East (6.5%) and lowest in London (1.7%) in the 12 months to March 2026. Although London house prices are substantially higher, so rent could be balanced with this, looking at opportunities in areas with the highest inflation could see the best potential for adding and converting properties.

Advice for property businesses facing 2026 pressures

These challenges also present an opportunity to adapt your financial plan, manage costs and overheads, and secure the right funding solutions to drive efficiencies throughout the business, leading to stability or future growth.

Funding Circle could help your property business:

- Manage short-term cash flow pressures
- Cover unexpected repair, legal, or project costs
- Invest in new developments or property acquisitions
- Upgrade technology, marketing, or operations
- Build greater long-term resilience

As the property sector looks ahead, the focus is increasingly shifting towards resilience as well as growth. Businesses that plan ahead financially could be better placed to remain competitive in this market. With the right financial support in place, property businesses can move beyond managing day-to-day pressures and continue building stronger, more resilient operations for the future. Funding Circle provides fast, flexible finance to help property businesses stay resilient in an ever-changing market.

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