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'The Realists View From the Armchair'…

Dear Reader

As we aim to maintain our New Year's resolutions amidst the effects of 'Blue Monday', an inflation spike, increased taxation, uncertain mid-term interest rates, further devaluation of Sterling, and all wealth of negative factors that try hard to derail our spirit of positive thought at this time of year. Yet despite such a negative outlook, the prime London real estate market remains buoyant with private transactions on the increase reflected in premium prices akin to those seen back in 2007 and in some instances exceeding. The lack of residential stock drives increasing prices, in part due to the continued interest from overseas clients seeking residences and investment in the Capital City.

A similar positive outlook also characterises the residential development market, where developers historically only willing to wait and watch, now believe that the time is right to commence larger projects aligned with equity partners. Unfortunately this active position is not reflected in the lending policy of institutions, where mortgage credit remains restricted and development finance is still as rare as hen's teeth.

Frequently I am asked for my views on the future of interest rates. The risk of taking a variable rate position versus fixing against future rate rises and the consequences of being caught the wrong side of a Bank of England's rate change. Whilst impossible to predict the future, being short on having the foresight of Archimedes, the 'realists view from the armchair' is that we are still within an unprecedented economic climate that continues to shows traits of nervous anticipation! No one however wishes to look back in ten years time at an all time Bank of England base rate low of half a percent and wish that they had not used it to their advantage.

Interest rates are a financial instrument which should be viewed as a dynamic lever. As long as they remain low, they represent a positive contributor to real estate acquisitions. In my opinion, we will not see a base rate rise higher than half a percent by the year end. When interest rates do begin to rise, undoubtedly fixed products and hedging instruments will become important considerations. I believe that we will see a more significant rise in base rates throughout 2012, possibly as high as another one percent.

As a result, we advise our clients to balance the financial levers available to them at any one time, managing their portfolio on a monthly and quarterly basis to ensure that maximum leverage is achieved. Certainly there is little doubt that London real estate will continue to increase in popularity and therefore value. We monitor closely sales in the prime market and indeed try to at One Hyde Park, which has the opportunity to set new benchmarks in value per square foot that will favour similar schemes due to come to the market in eighteen to twenty four months.

If fortune is said to favour the brave... then a trusted financial partner can help you leverage your assets; capitalise on interest rate opportunities, but most importantly sleep easier at night!

W. C

Wayne Coleman