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‘The Realist’s View From The Armchair’

Dear Reader,

A lack of liquidity and difficulty in obtaining credit is not new news and has been the status quo since the banking crisis first emerged in 2007.

Heightened risk within the Euro-zone banks, largely fuelled by the situations in Greece, Portugal, Italy and Spain, has exacerbated this dynamic: credit has tightened further in all these areas thus creating a domino effect across other European and Global financial institutions.

In the UK we find Banks continue to concentrate on balance sheet capacity towards providing refinance provision for the multi billion pound loans set to mature in the next two years. This is further exacerbated by the preparation for Basel lll, the global regulatory framework that enforces capital adequacy standards.

The UK mortgage market has been forced to ‘cut its cloth’ and insist on greater clarity over repayment of debt such as property loans, even reducing the availability of interest-only mortgages. In a sector that displays significant downturn, the demand for a loan exit strategy will see a further reduction in mortgage approvals. Even those who would have previously wished to re-mortgage for a more competitive rate, or simply release equity from the property, are finding this increasingly difficult to procure as they no longer meet the set criteria.

The Private Banking sector which continues to show activity in the lending space, but like all banking sectors that have the ability to lend, it ‘cherry picks’ its prospects. Since the crisis began they have more clearly adopted the Swiss Private Banking model of only lending to clients whose funds are under their management. For example, a bank may be happy to lend £10m if 50/100% of that amount was already in their care.

This change from passive to aggressive behaviour is significant today and means it is more relevant than ever to ensure relationships with the banks are effective and managed appropriately. W Coleman provides bespoke Debt Advisory/ Management services in order to be able to attract credit on fixed terms, leverage debt-free assets as collateral in order to reinvest and deliver structured finance for property acquisitions and refinance. The strong connections we have with the major banks allow us to provide our clients with greater access and success for procurement of debt in an environment that is continually described as a lending crisis, however, is better defined as ‘the new norm’.

Those who have the ability to invest and take advantage of an all time low interest rate environment (UK Base Rate remains unchanged since 05/03/09) to achieve returns beyond the cost of borrowing see the obvious benefits of achieving debt on fixed assets for arbitrage. The total cost of borrowing is absolute key. Last year W Coleman achieved an average cost of debt at sub 1.75% over one month Libor (at the timing of writing the UK one month Libor is currently trading at 0.72%).

Best Regards

Wayne Coleman