



'The realist's view from the armchair' - March 2013

Dear Reader,

In today's Prime Central London real estate (PCLRE) economy, life continues to run against the grain of the broader economic environment. The reality of this consideration for the statisticians and individuals whose lives exist by financial models is that this creates much consternation. The overused term 'flight to safety' does on many levels sum up the broad reasoning that underpins this economy.

It is fact that we have a concentration of attention in this sector that by far eclipses the supply. Whether you are an individual, company, bank or investment fund, acquiring a home, diversifying or providing debt the focus remains on PCLRE. If you further consider that the convergence of interest here is from a truly global perspective you will gain a sense of why PCLRE continues to be such a deep rooted and dominant economy.

London's share of UK economic output is higher than at any point in history, more than the last peak of 1911, when it was at its pinnacle as a global power. If a changed government were to make a 'Mansion Tax' reality then it would only drive a stake in the heart of everything that is underpinning our economy. Not forgetting that it would have a huge impact on the £2m to £5m sector in Central London. If it wasn't for the international attraction to PCLRE then the effect of the global credit crisis would have been far more severe. We must not deter the potential investor by enforcing unnecessary taxes upon them where the amount gained pales in comparison to the amount lost in the grand scheme.

With a currency weakening by the day and the budget imminent there is much to fear in regards to further rises in taxation and the level of inflation getting out of control. However if there is one beacon of hope in the land of despair then PCLRE is that shining light. If the nation's capital can still attract business and further investment then it has to be the engine room fuelling a flagging economy.

It still pays to be a borrower but it is a foregone conclusion today that the lender has had to evolve. Availability of credit from the traditional avenues has become increasingly problematic through the varying degrees of red tape and loan to value ratios on offer. The borrowers that previously relied on banks for a loan have now come to the stark realisation that the advent of change is truly upon us and the rhetoric of 'when the market returns to normality' is a very far cry. As the 'new norm' continues to take shape borrowers in certain sectors of property investment and poignantly the development sector are actively sourcing alternative forms of finance. To such an extent that in Central London we could be driving towards a saturation point of alternate sources of finance as a direct result of the demise in bank lending and their difficulty in deploying funds to what they perceive as the right project.

London has taken the title of the top city destination for European property investors for a second consecutive year making PCLRE an integral part of the investors' real estate portfolio and we all hope that the powers that be are not swayed by a general public that are not aware of the wider implications of turning international interest away.

Best Regards,

A handwritten signature in black ink, appearing to read 'W. Coleman', with a long, sweeping horizontal stroke extending to the right.

Wayne Coleman