

Nov 08	Euro €		£ Stg	
	Bid	Ask	Bid	Ask
1 year	3.93	3.96	5.46	5.49
2 year	3.94	3.97	5.37	5.40
3 year	3.92	3.95	5.32	5.35
4 year	3.92	3.95	5.26	5.29
5 year	3.92	3.95	5.20	5.23
6 year	3.92	3.95	5.14	5.17
7 year	3.92	3.94	5.08	5.11
8 year	3.94	3.94	5.08	5.08
9 year	3.95	4.00	4.03	2.60
10 year	3.95	4.02	4.88	2.62
12 year	3.95	4.02	4.91	2.64
15 year	3.95	4.07	4.80	2.67
20 year	4.07	4.08	4.53	4.66
25 year	4.05	4.02	4.39	4.52
30 year	4.04	4.04	4.29	4.42

W. COLEMAN & CO

PRIVATE & STRUCTURED FINANCE

‘Realist View from the Armchair’ – November 2012

"May the natural forces of the universe align to create a positive synergy" A philosophical statement that may appear extreme when referring to the flow of real estate transactions. In the current economic climate however it is fact today that there is the existence of very fine lines of divide to ensure whether a significant real estate acquisition succeeds or fails. We can pay homage to the greater forces that we have such a robust Prime Central London (PCL) economy with a thriving industry encompassing many sectors that works tirelessly to overcome a variety of negative obstacles and turn them into positive events.

The Government's proposed tax charges on high value residential property are yet another of these negative obstacles that the real estate purchaser/ investor will have to overcome.

These taxes have been established to act as a deterrent over the use of holding structures by non natural persons, on new purchases and their existing properties, held in the UK worth over £2m. The non natural person applies to both UK and non-UK entities and can be defined as a company, a partnership whose partners include a company or a collective investment scheme. From here the big questions face both the private individual and the non natural person.

For most, this is old news but the annual charge on property worth over £2m held by non natural persons, which comes into effect from 1st April 2013, is causing concern and deliberation. The much anticipated draft legislation date of the 11th December for the details of the consultation paper will we hope provide the necessary clarity that allows us all to look ahead and plan our affairs accordingly.

The last quarter has seen a multitude of existing non natural persons rushing to their taxation advisors exploring the possibilities of exclusions from these charges in respect to being a property development company (with 2 years trading accounts) or being a company acting as a trustee. The Government's final measure is to extend Capital Gains Tax (CGT) to non natural persons disposing of assets relevant to UK residential property where the rate is assumed to be between 20% and 28%.

Tax changes have undoubtedly had a negative impact on the PCL market, further exacerbated by uncertainty on the continent and in particular this year as a manifestation of the multitude of general elections and political party changes.

The costs of making the wrong call over the structure of an investment, outweighs the opportunity. For many the 15% SDLT charge on acquisition and the annual levy

thereafter has made the purchase as a non natural person unattractive. In the past these company structures were created to avoid the Inheritance Tax (IHT) liability but now an individual may have to look at borrowing to mitigate such circumstances.

Buying property remains a good investment but the key motivations have shifted. The ‘flight to safety’ of international wealth to PCL has now been burdened with sorting out complex ownership structures to mitigate their tax liability.

A solution to the CGT and IHT charges can be sought in debt finance. By leveraging the asset, the level of investment given to CGT and/ or IHT is significantly reduced.

The positive impact of the all time low cost of borrowing, for those fortunate to be able to take advantage of the availability of bank credit, has had a positive effect on their tax liability and has also enabled them to retain liquidity in an otherwise stagnant market.

Regardless of the broader consequences of changing tax legislation; in this last quarter the market has seen a number of double digit transactions achieving record sales prices. The international demand can certainly not be underestimated as it appears that there is a level of wealth that views this proposed legislation as inconsequential. This upon reflection, is due to a ‘must have’ attitude of the buyer.

However for us mere mortals, one thing is for sure: *finance could become a key contributor to reduce the impact of taxation reform.*

Year	Term C		E-Reg	
	Rate	Rate	Rate	Rate
1 year	4.00	4.00	4.00	4.00
2 year	4.00	4.00	4.00	4.00
3 year	4.00	4.00	4.00	4.00
4 year	4.00	4.00	4.00	4.00
5 year	4.00	4.00	4.00	4.00
6 year	4.00	4.00	4.00	4.00
7 year	4.00	4.00	4.00	4.00
8 year	4.00	4.00	4.00	4.00
9 year	4.00	4.00	4.00	4.00
10 year	4.00	4.00	4.00	4.00
12 year	4.00	4.00	4.00	4.00
15 year	4.00	4.00	4.00	4.00
20 year	4.00	4.00	4.00	4.00
25 year	4.00	4.00	4.00	4.00
30 year	4.00	4.00	4.00	4.00

W. COLEMAN & CO
PRIVATE & STRUCTURED FINANCE

170 Brompton Road, Knightsbridge, London, SW3 1HW
T: 020 7581 8121 | w.coleman@w-coleman.com | www.w-coleman.com