September 2012

On the Pulse

- Indicators Sterling Base Rate: 0.50% remains unchanged since March 2009
- UK 1 month Libor rate: 0.53%
- Average available Residential rates from: 1.75% over 1 month Libor.
- Commercial Rates from: 3.5% over 3 month Libor.
- Loan to value ratios 60% - 70%

The actual terms we can obtain for clients will of course depend upon our individual negotiations.

W Coleman & Co. has just launched their new website which comprises an up-to-the minute blog update on relevant market movements and insights into the complex world of private and structured finance.

Keep informed and subscribe to the W Coleman & Co blog at www.w-coleman.com

Running the Gauntlet

With the Bank of England confirming that interest rates will remain at 0.5% for a 14th consecutive quarter, investors are looking at smarter ways to make their money work for them amidst the restricted and risky financial marketplace. Lending is still primarily through the bank's balance sheet and therefore criteria are increasingly restricting with limited accessibility to debt that has plummeted even further this year.

Thankfully, the key news is that "Exceptionality Prevails". An example of this dynamic is a client who owns a collection of debt-free properties in the US that was essentially collecting dust and depreciating given the slump in the market. Our client had no real desire to sell and assume a loss today against real estate that is viewed as a long-term investment. The conundrum however was how to justify the real cost of the capital tied up in the properties. We advised him to take advantage of the low cost of borrowing by using his fixed assets and unlocking the capital in an efficient manner which would provide liquidity to reinvest. Whereas this may appear an obvious solution, today's credit environment is not necessarily conducive to this logic.

Prime real estate as an asset class is perceived as good collateral security, providing a competitive loan to value ratio. This is to assume that an institution is prepared to allow its balance sheet to be accessed, which today is the main stumbling block. W Coleman & Co assisted in ensuring the valuation of the properties were favourable based on comparable sites in the region and that the net costs of the loan would not exceed the costs of the procured funds. Through our network of contacts in finance and market intelligence, the best possible loan terms were achieved and requirements carefully negotiated. The capital was subsequently reinvested in medium risk investments with the anticipation that the returns are potentially treble the cost of borrowing.

Conventional access to finance is still very much an issue, but there are often solutions to navigate through the banking barriers.

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