



Quiet Confidence or Blind Optimism

“We are living in unprecedented times” is the phrase most commonly spoken in both the corridors of parliament and the streets of London. Yet despite the ominous press and media reports for some the mood is strangely optimistic.

Certainly there are two ways of viewing the glass. There is no doubt that the unique events of the last twelve months have given rise to an unprecedented liquidity crisis in the European real estate market. Even high net-worth individuals have restricted finance options as a result of the current economic drivers; depressed real estate valuations, depreciated share asset portfolios and unfavourable sterling exchange rates.

These unique circumstances have led to a decline in real estate prices across Europe. Even Prime and Super Prime real estate, which is historically unaffected, is experiencing a decline of up to 30% in some areas.

The uncertainty around reliable forward valuations for Prime London property is fuelling an already cautious lending market. Many of the traditional high street lenders are only offering restrictive credit terms;

“The opportunistic entrepreneur is already capitalising on the current market conditions”

to the extent that they are in effect ‘closed for business’.

As a result of this sudden withdrawal of finance many clients have found it more difficult to raise finance due to the increased

restrictions being placed on these traditional credit institutions. In some cases clients are choosing to drop their deposit rather than complete on a property where the finance terms or forward valuations are no longer viable.

But as the laws of physics tell us: “for every action there is always an equal and opposite reaction”.

“Our role is still to source a level of credit in order to provide the client with sufficient leverage to maximise their purchasing power.”

Put more simplistically situations of adversity always provide opportunities for those that know where to look.

Throughout history there has never been a time where the three critical economic drivers have been aligned as they are today; bank base rate at less than one percent has never been seen since rates began over 300 years ago; sterling is significantly underperforming against both the dollar and the Euro; property prices are down circa 30% even in Prime London locations.

Whilst the media talk about further falls and the majority of the population sit on their hands awaiting these predicted discounts, the opportunistic entrepreneur is already capitalising on the current market conditions.

Since the start of 2009 we have seen a significant increase in the number of requests from clients who recognise the

short window of opportunity available to them today.

Some of these are overseas clients who know that the key London postcodes will always be a valuable asset. Others are UK residents looking for trophy assets or properties for investment.

Whatever the rationale for purchasing in today’s market our role is still to source a

level of credit in order to provide the client with sufficient leverage to maximise their purchasing power.

With the traditional lending banks in effect out of the picture the opportunity has opened up for private and overseas banks to lend to a UK market. Leading with credit many of these smaller boutique banks are offering highly competitive rates in order to attract new clients.

As a leading provider of private finance we have a strong portfolio of relationships with private and international banks through which we are able to provide credit to clients unable to rely on their existing lender.

Whilst possible, even in today’s market, this is not an easy or straightforward process. Even lending banks are no longer prepared to entertain a dry loan situation. That is a credit facility with no additional

banking relationship.

Rather a lending bank is now looking for additional opportunities from a client. This might be funds under management, cash on deposit or pledged assets against interest charges.

Our role as intermediary is vital in order to achieve the right balance with a bank; one which protects the interests of the client but still facilitates the required lending terms.

Equally many of our clients are cautious about the new requirements of lending banks, preferring to rely on an intermediary to ensure that their options are not restricted.

In short we strongly believe that there are opportunities available to clients that have never been seen before. Credit more than ever remains the key to unlocking these opportunities. As a result the right representation can literally be ‘worth its weight in gold’.

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