



## Newsletter – Autumn 2012

2 The Square, Bagshot, Surrey, GU19 5AX  
Tel: 01276 450 460 Fax: 01276 450 490

Email: [info@barstowassociates.co.uk](mailto:info@barstowassociates.co.uk)  
Web: [www.barstowassociates.co.uk](http://www.barstowassociates.co.uk)

### Barstow Associates: Specialist Development and Commercial Finance Brokers

#### Lenders - News

Headlines in newspapers frequently distort the real truth about banking facilities. Despite the headlines, there are lenders seeking new business.

Very recently, I had an approach from a commercial lender, explaining that they lend on a wide range of properties from commercial investments to the purchase of owner-occupied premises. Examples of deals given were:-

Commercial Investment Auction Purchase  
£1.5m over fifteen years. 75% LTV. Offer to draw-down in twenty eight days.

Owner-Occupied Stage Build Funds release in stages during construction. £480,000 including off-set facility. 75% LTV. Offer to initial purchase in seventy days.

**Andrew Barstow –**

**[andrewb@barstowassociates.co.uk](mailto:andrewb@barstowassociates.co.uk)**

#### Short-Term Secured Lending Hits a Three-Year High

The month of July saw a 16% increase in short-term lending over the previous twelve months. A number of new entrants have now joined this lucrative market, which has resulted in a general reduction in lender's fees and interest rates. Noted below are just some examples of where this type of funding has been used:-

**Part-Built Development** – The client was part-way through the build of a new property but had run out of funds. The new build was worth £120,000 in its current condition, with a gross development value of £250,000. A total of £70,000 was required to complete the project, which was advanced on a six-month term in two stages of £35,000 each.

**Property Renovation** – The client wanted to purchase a property that was in need of complete modernisation, but was unable to obtain a traditional mortgage. The property was purchased using short-term funds with sufficient to enable the refurbishment to be carried out. At the end of six months, a buy-to-let mortgage was obtained and short-term funding was repaid.

**Auction Pre-Approval** – Pre-approval finance can be obtained where a client can go to auction and bid with confidence. With the property being valued pre-auction, there is also the advantage that the true open market value can be used as opposed to the auction purchase price which valuers inevitably hide behind.

**Revolving Credit Facility** – A client had three investment properties with a total value of £880,000 and he wanted a flexible 'hunting license' facility. A facility was put in place for £520,000 which was available in tranches as and when required. This gave him the flexibility to go into the market and bid aggressively for new properties, as he was effectively a 'cash buyer.'

**Under Value Purchase** – The client was able to negotiate a discounted purchase price from a distressed vendor, but was able to obtain full funding as the lender based the loan on the true open market value rather than the reduced purchase price.

These are just some of the examples of how flexible short-term funding can be used. Please contact David Nieman to discuss your own particular short-term funding requirements further.

**[davidn@barstowassociates.co.uk](mailto:davidn@barstowassociates.co.uk)**

## Our Winchester Seminar

Our final Property Development Funding Seminar for 2012 will be held in Winchester on Wednesday 26<sup>th</sup> September, at the Wessex Hotel in the centre of the city. We always have a lot of interest in this Seminar. If you would like to attend, then we would be pleased to hear from you and reserve your place. If you have property colleagues or property professionals who you think might like to come along, please let us know, and we will ensure they are included on the attendee list. We officially start at 2.00 pm, but always have coffee, refreshments and a warm welcome available for you from 1.30 pm onwards. Please telephone us on 01276 450460 or email us at [info@barstowassociates.co.uk](mailto:info@barstowassociates.co.uk) for more details.

## Housing Starts

Housing starts have always been a political battleground. Recent statistics have been the subject of criticism of the Government by the opposition. Recent figures show that housing starts in England in the second quarter of 2012 dropped to 21,540; evidently the lowest figure since the second quarter of 2009. The RICS Chief Economist is reported as saying that the figures demonstrate the widening scale of the problem in delivering sufficient new housing. The quote reads 'The paltry number of new start over the last three months is barely one-third of what is generally accepted as the required number to meet the growing level of demand across the country and suggests that Government measures taken to date including the New Homes Bonus is having little impact.'

My personal comment is that if there were better financial conditions (to which the Government contributes) then the number of housing starts would rise.

**Andrew Barstow - [Andrewb@barstowassociates.co.uk](mailto:Andrewb@barstowassociates.co.uk)**

## Deal Assembly

With primary banks advancing less, there is frequently the need to introduce mezzanine and/or investor finance to transactions. We introduce such sources where we can and, as a consequence, get closely involved in the assembly of a deal. Such involvement requires detailed presentation to the funding sources, discussion and negotiation as to terms, attendance at meetings, liaison with professionals and our client in order to deal with the mass of contact needed to assemble the deal. On occasion, we do bring all of these constituent elements together.

### Presentation – An Art, Not a Science

Whilst, at first glance, the content of a quality presentation may be obvious, there is some subtlety as to the format. Information has to be accurate, well presented and give lenders what they need. It is also a marketing tool as it presents a deal in a manner which makes a favourable impression and leads on to the Credit Approval when moved forward. Different formats are needed for different deals. We deal with this in any initial review we may have as to a transaction or proposal.

**Andrew Barstow**

## Examples of Recent Deals Funded

Just a few of the recent cases we have sourced funding for:-

- Large dilapidated town house in south London. Conversion to six flats. Funding arranged to partially redeem existing facility and pay 100% of build costs.
- Funding for new factory for existing business with strong cash flow. 100% of cost facility obtained.
- 65% of GDV for two properties in good Home Counties location. Expensive exit fee.
- Refinance of residential portfolio to repay existing lenders. New facilities of in excess of £5m calculated at 55% of OMV.
- Finance for start-up children's nursery where refinance needed due to onerous conditions imposed by initial bank.

**Andrew Barstow**

**[andrewb@barstowassociates.co.uk](mailto:andrewb@barstowassociates.co.uk)**