



Newsletter – July 2010

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Barstow Associates: Specialist Development and Commercial Finance Brokers

Introduction by Andrew Barstow, Principal

The General Election is now over and business life continues, albeit interrupted by major sporting events!

You will see from the three case studies we have showcased in this newsletter that Barstow Associates are still placing business successfully. Our model of producing a high quality, in-depth presentation is key to attaining such success, as David points out.

In the first half of 2010, we have already submitted as many proposals to lenders as we did in the whole of 2009. More lenders are inviting applications and more are responding positively, as you can see from Mark's case study.

We believe that speculative residential development remains viable and invite you to engage with us on your projects as 2010 moves forward.

The Right Presentation is Key

Many developers I meet believe that funding new projects is impossible. This has not only prevented them from purchasing good value sites, but also from commencing work on existing land banked projects. The good news is that funding is available and good projects are indeed receiving lenders' support.

Many of you will know the importance we place on a detailed professional presentation. The detail we require to support this is thorough but necessary. When we submit a proposal to a lender we know that it will be taken seriously.

Previously, we have been approached by developers who have had their application for finance declined. Their projects were sound but had been poorly compiled and presented, resulting in key information being omitted.

Banks are currently in the driving seat and can pick and choose. We want to give your project the best possible chance of success, which is why we place such emphasis on getting the presentation right.

If you are considering a site purchase and would like to know the levels of funding available, or you have an existing project that you would like to discuss further, please contact me.

David Nieman –
davidn@barstowassociates.co.uk

Facts and Figures

The pace of consumer spending growth, which had been slowing since the end of 2009, appears to have stabilised. Investment intentions have stabilised in recent months and there are occasional reports of businesses planning to invest more in the year ahead. Credit conditions remain tight, although there are further reports of marginal improvement in the availability of bank credit.

Both business services turnover and manufacturing output have continued to recover gradually. Output in the construction sector has begun to stabilise.

Refinancing a Part-Completed Project

A Grade II Listed barn, in an area of Outstanding Natural Beauty, had been part-completed when the developer simply ran out of cash for a number of reasons. Local agents put the gross development value in the range of £1.2m/£1.5m. The borrower wanted £475,000 in order to pay contractors and complete the works.

It has always been difficult to source finance for part-completed projects. However, even in today's difficult climate, we were successful in placing this business.

Andrew Barstow

Case Study – A Choice of Lenders

We were recently instructed to raise finance for a small scheme of just three houses in a popular location.

We issued our presentation to four selected lenders, all of whom have recently shown interest in similar developments.

We were very pleased to receive indicative terms from all four lenders; this has not happened for some time. The terms included a range of loan-to-values; requirements as to build contractor; differing interest rates, and introduction and exit fees.

This highlights that a well packaged scheme, presented to the right lenders, can give you a choice, even in today's market.

Mark Barstow -
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Property: Still a Good Long Term Bet?

With housing starts in 2010 expected to be just 50% of their 2006 peak and with housing completions historically trailing new households, we believe that demand for housing in the UK will remain strong. Current predictions are a shortfall of a million homes by 2016 and with the population set to rise to 70 million, long term supply remains a problem.

Short term, we are still faced with much uncertainty in the economy; mounting national debt; interest rate rises, increased unemployment, all of which affects confidence. That said, the forecast for 2011 and beyond looks promising with house prices set to rise again, particularly in London and the South East, with year on year growth forecast at 6%.

Developers should focus on houses rather than apartments to fulfil the current criteria of most lenders. The banks' appetite for development finance is slowly returning. This has been reflected in UK construction where activity increased in April for a second successive month.

Despite short term difficulties, property remains a good long term bet and we would be interested to learn about your current and proposed schemes.

John Pollington –
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Another Success Story – Sussex

Our client owned a site in Sussex that had planning permission to build fourteen houses consisting of four x 4-bed, seven x 3-bed and three x 2-bed properties. The land had been owned for a while and was unencumbered; it was felt that now was the right time to commence the build.

The requirement was for 100% of the build and associated costs.

This project was placed with a major lender at 3.5% over LIBOR, with a 1% lender's arrangement fee and a 1% exit fee based on the facility.

David Nieman – davidn@barstowassociates.co.uk