



Newsletter – January 2012

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Barstow Associates: Specialist Development and Commercial Finance Brokers

Introduction by Andrew Barstow, Principal

Happy New Year!

I am looking forward to 2012 and the business challenges it brings to us all. You will see from Mark's article that the last quarter of 2011 has been busy and productive and we hope this leads all of us into a pro-active start to the New Year.

The buy-to-let market has resurrected, especially for Limited Companies; we are seeing the re-emergence of competition between lenders for good business; there has been an expansion in Bridging loan finance; banks are increasingly interested in funding commercial mortgages, and more clients than ever are approaching us with second and third deals, as we have successfully sourced funding for them in the past.

To complement our portfolio of products, we are currently in negotiation with specialist providers of mezzanine finance as to the establishment of a new Fund. It is expected this Fund will be available in the early part of 2012 and will enable 'top-up' finance to be considered. We will keep you posted on progress as the negotiations evolve.

Bridging Finance

If you are looking to fund the total build costs of your project, but the amount required falls short of the minimum levels imposed, Bridging Finance could be the answer.

There are now numerous providers entering this lucrative market. This is good news as the terms now available have become even more competitive.

Interest is only charged on each drawdown, reducing the overall impact of the interest element of the project. In most cases, interest can be rolled up, greatly assisting your cash flow position throughout the term of the loan.

The interest charged is very much dependant on the location of the project and the level of loan required. In a number of instances there are no exit fees and the loan can be repaid at any time without penalty.

You may wish to consider this as a serious alternative to traditional development finance.

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Financial Deal Assembly

With the substantial reduction in development finance available, there is frequently a need for mezzanine/equity finance.

Each slice of funding has its own cost. When assembling a deal, you need early advice about interest rates, fees and exit costs, so that you can properly calculate whether or not a deal is worthwhile. This is the point at which we can help you.

We recommend early review of a transaction. We can provide guidance as to what may be possible so you can build this into your thinking at an early stage. All our team are happy to provide such assistance and guidance.

Brand New Business Premises

I am currently dealing with an application for development finance for a new, 15,000 sq ft factory.

My clients currently work from three disparate locations, which are rented. Their plan is to achieve greater business efficiency by relocating to a single purpose built factory/office.

At the time the case came to me, my clients had already approached their own Bank. They had declined. They had applied to another major clearing Bank, which also declined. After much discussion and drafting, a detailed presentation was assembled by us, and put to five lenders. One has declined; one offered terms, but not enough; one has simply not answered; and we have Indicative Terms from two Banks.

This is a success so far, as we are able to introduce Terms and a choice where others have failed.

Ultimately, we will arrange a commercial mortgage to replace the development finance.

Andrew Barstow – andrewb@barstowassociates.co.uk

Persistence Pays Off

Deal making can be a fraught art.

At the moment, I am working on a scheme involving the acquisition of a site from two vendors to facilitate the development of flats with commercial space beneath. The site is on the coast, with good sea views. In previous times this would have been a fairly straight forward funding exercise.

My client has worked hard to retain the interest of the vendors in doing a deal. It has not been possible to find funding for acquisition and development. But a deal is possible on the basis that the vendors put their sites in with 'nil' debt, enabling 100% of the development cost to be raised. Both vendors and developer will share in the profit and formulae are being worked out now as to the level each party will receive, in part by reference to the Gross Development Value, when achieved, and in part as to the actual cost involved.

To make this deal work we had to revise the corporate structure significantly. An SPV will be created to acquire the site. There will be different classes of shares. There will be senior debt only.

If you would like details as to how deals can be constructed, please contact us.

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A Busy End to the Year

For the past few years, the final quarter of the year has seen a drop off in enquiries and general activity. 2011 was different, with strong attendance at our last Seminar of the year, in Winchester.

Despite the ongoing gloomy economic news, a large proportion of attendees had specific funding requirements and projects, either ready to start, or in planning. There was a view that there is demand in the market for the right product in the right location with current supply at very low levels.

If you would like to discuss the funding that is available, or are considering a specific project, please contact us.

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Our Newsletters

We traditionally send our Newsletters to you in the post. If you would prefer to receive them electronically in the future, please let us know by emailing us at

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