



BESPOKE_n FINANCE

House Price Growth Won't Ape Rates

MMG crystal-gazes rates and prices for 2007

Supply and demand have overtaken interest rates as the key driver for house price growth. We believe it would take a Bank of England base rate (BBR) of over 7% to cause house prices to start falling, which is unlikely in the foreseeable future.

The surprise January Bank of England rate rise, was a pre-emptive strike across the bows of New Year wage negotiations. Curb the need for higher wage demands by removing the risk of inflation and you remove the need for higher rates.

MMG predict UK house price growth will be 7-9% this year. Our rationale is that interest rates are going to peak at the current 5.25% or, possibly 5.50%. Borne out by the fact that longer term rates (swaps) are marginally higher in response to the price component of the CPI (consumer price inflation) survey. However, even a 5.50% base rate would reflect a strong monetary stance, in the light of Mervyn King's stated belief, that CPI will fall to below the current 3% in the second half of 2007, as the recent reductions in commodity prices work through the economy. If Merv believes it, who are we to think otherwise? Analysts now anticipate BBR being back at 5% by the year-end.

Clearly then, BBR doesn't look destined to be a real influencer upon values/prices, but demand will be. In the arena of apartments versus houses, demand is predominantly driven, by owner-occupiers and buy-to-let investors. In the case of apartments the key driver is still investors, who take longer term views for their pension planning. Supply and demand is not yet a price factor, because planners push developers to build high-density apartments, for which there is already a good (arguably overly so in some conurbations) supply, not houses.

Until this supply slows down, proportionally to demand, it will hold back price growth on apartments. If developers aren't selling apartments as readily as houses there will be good deals for

investors, while house buyers continue to pay near/full price.

Some diversification is always a good idea, depending upon the market being stable to firm - which it is - and interest rates being near their peak - which we believe they are. All MMG's advice to clients is predicated against the economic outlook with an interest rate rationale.



Welcome

“Information is useless, unless you turn it to your advantage” - SJW

Welcome to the fifth and spring edition of “**BEoutSPOKE**n on**FINANCE**”, MMG’s quarterly newsletter.

The mortgage market’s still an exciting place to make money, through investment in property. Especially if you know what you’re doing and have the right experts striving to support your aspirations with innovative financing techniques.

Our team of experienced specialists constantly monitor the latest industry trends. Their aim is to enhance your experience, by identifying opportunities that we believe can enable this to be achieved. We call this ‘Bespoke Finance’.

These pages will give a flavour of the highlights, insights and even some anecdotes, from probably the most vibrant contributor to the UK’s economy.

So why not take five, grab a coffee and read on. It could be the most profitable thing you do today! Lege feliciter.



Stewart J Williams
Managing Director

SPOTLIGHT

Hands on HIPs!

Avid readers of this newsletter (from feedback, that’s nearly everyone – Ed) will recall our front cover feature on HIPs (Home Information Packs), in Autumn ‘06 edition.

Bringing you up to date...the Department for Communities and Local Government (DCLG) has decreed that anyone selling/marketing their main residence (not in Scotland), on and from June 1st 2007, must provide a HIP for prospective purchasers.

HIPs must include; an Energy Performance Certificate (EPCs are energy efficiency ratings for homes and rated ‘A’ (best) to ‘G’), the terms of sale, evidence of title, copies of any planning activity, listed building and building regulations/consents, copies of warranties and guarantees for new homes, guarantees for any work carried out on the property and replies to local searches.

Not all elements of the pack need to be ready immediately a property goes on sale. It can be marketed as soon as an EPC and key legal documents are provided, as long as local authority searches have been commissioned. These arrangements will be reviewed after six months. Trials have revealed that obtaining searches can cause delays of four weeks in producing packs, so Government is issuing new guidance to local authorities on speeding up the process – en fin!

People selling/marketing their residence before the HIP implementation date of 1st June 2007, won’t need a HIP for prospective buyers until March 2008. If a property comes to market on or after 1st June the provision of a HIP will be a statutory obligation. Failure to comply on the part of the vendor could incur a Penalty Charge Notice (PCN) issued by a Trading Standards Officer (TSO) - a £200 fine. A PCN could also be issued where packs are incomplete or don’t comply



with the rules, which apply equally to anyone selling/marketing a house; by advertising with a board, through a newspaper, or on the internet. Continuance to breach the rules after a TSO has either warned, or issued a PCN, could incur further PCNs with fines. Not quite a daily fine of £200, but there’s nothing to preclude TSOs from issuing multiple PCNs for the same property!

Erring estate agents will likely be reported to the Office of Fair Trading. In addition to the £200 fine, they can ban an agent from trading. It gets worse...Estate agents with no HIPs provision in place and who continue after 1.6.07, marketing as before...face a fine of...£200 per day for each HIP-less property – ouch!!

However, MMG finds that (possibly) the majority of small to medium sized estate agencies, thinking it all just a bad dream - which it could be - as we speak, have made no preparations whatsoever - oops.

Holy broken HIPs! But what’s this...MMG, provider of Bespoke Finance to the discerning...will be ready to provide HIPs from 1st of June, or even before?

“But that means...” “Yes Robin, MMG will be a HIP provider to estate agents and they’re actively forming symbiotic liaisons right now.” POW!

“It goes deeper Robin.” “You mean they’re...” “Yep...also providing competitively priced HIPs for their own clients and those of their professional introducers.” ZAP!

Don’t let HIPs drive you Batty. Call Paul Lawrence on 0161 495 6669.

MMG – batting for you.

What's HOT, where's HOT and what's NOT

We're beavering away at "the Lodge"!

Over the Christmas holidays we successfully migrated to our newly acquired and future-proof headquarters.

Our address is now: Park Lodge, Park Road, Cheadle, Cheshire SK8 2AN.

The Lodge once formed the gatehouse to the estate of Cheadle Moseley Hall. Still located on Cuthbert Road, Cheadle, the present structure was built in 1666. The year that "global warming" had real poignancy for Londoners! Our Lodge was given the Victorian makeover some 200 years later.

The Moseleys were lords of the manor of Cheadle Moseley from 1643-1734. Race horses were once bred in the grounds and the 1840 St Leger winner came from here. Its ghostly shape can still be seen galloping round our car park as its spectral, rider-less form spends eternity seeking the phantom finishing post.

Sir W C Brooks owned the hall in the late 1800s, which until extensively refurbished and sympathetically modernised by MMG, had changed little since. It's doubtless this gentleman whom we have to thank for the very charming character of Park Lodge today...and Stewart Williams of course!



Everything's now in place to facilitate our continuing delivery of service par excellence and bespoke finance, not only for existing clients and professional introducers but all, for whom...the best is yet to come!

"The streets Are Paved With Gold" (R Whittington Esq)

MMG's research of the prime central London residential market reveals it is extremely buoyant, driven largely by exceptional financial services wealth generation and the ongoing influx of overseas high net worth individuals.

We found that the super-prime market (£4 million+) is significantly out-performing the overall London market, with 25% capital growth in 2006. This boom has

continued into 2007, as year-end bonuses (C£9 billion) of London's financial elite, start to fully impact.

This wealth creation has generated exponential growth in residential demand in central London, where affluent foreign purchasers comprise over 60% of all super-prime sales. London's prominence as a global financial centre is the key, supplemented by a comparatively benign tax regime, world-class leisure and retail facilities, high quality residential provision and the draw of a UK education (we're not making this up! - Ed).

In addition to rapid demand growth, prime central London is experiencing a supply-side squeeze. Difficulties in providing new residential stock in a densely developed city, planning policy constraints and a dearth of vendors have bled available supply.

Interest Rate Commentary

As widely predicted, the MPC kept UK base rate at 5.25% in February. This was anticipated by markets, unlike the surprise January increase of 0.25% which wrong-footed everybody.

Analysts believe another 0.25% increase is now a diminishing possibility now the smoke has cleared, revealing weaker economic data and ebbing inflationary pressure. The MPC is clearly determined to rein-in inflation, which leapt to 3% in December, being 1% above the 2% target and only 0.1% below the level where Mervyn King has to explain himself in writing to the Chancellor. Borrowers can perhaps take heart from Mr King's recent statement, that the Bank expects inflation to fall back in the second half of the year?

The European Central Bank, having fulfilled the prophecy of a 0.25% increase to 3.5% in December, held for a second time at February's meeting. Markets will be unsurprised by a further 0.25% hike in the first half of 2007.

The U.S. Federal Reserve left rates at 5.25% in January for the seventh consecutive month, but gave notice of its preparedness to use rates to control inflation if needs must.

For the UK in the short term, a neutral stance is sought - although the MPC had previously indicated that rates were perceived as "near neutral" - in this market short-term products and flexibility are the key to the most effective arrangements, as they offer the most beneficial terms and value, unless security over a longer term is of paramount importance.

Our view still sees the last increase and if essential, one more in the first half of 2007, as short-term control, rather than the start of a new phase of rising interest rates.

Can we be of service?

THE LOAN ARRANGER PROVIDES A GAIN!

As you know, MMG enjoys the introduction of most new clients by referral from a spectrum of professional advisers; lawyers, accountants, barristers, IFAs, chartered surveyors, estate agents – who regard MMG's "Bespoke Finance" proposition as a complementary supplement to their own client offering.

The senior partner of one of these professional introducing practices wanted to purchase a very desirable residence in Cheshire. The house was on at £2,500,000 and the client required to borrow £2,125,000 i.e. 85% loan to value ratio. He was in a contracts race with two other parties.

Two obstacles prevailed; firstly, his income streams were complex and difficult to demonstrate to the satisfaction of the practice's bankers. Yes, he'd gone initially to perhaps the obvious potential help source (but to no avail) and secondly, finding a lender to go to 85% at that level is the stuff of needles and haystacks.

In a flash of belated inspiration, wrought from despair, he called our senior consultant Saika Arain and guess what...not only did she know which lender would facilitate, but she moved things along so fast, the race was won! The moral?...**make MMG your first port of call.**

MAD ONNA - HOLIDAY - LET MMG HELP

You probably know that holiday lets can provide an attractive rental income, but did you also know, that amazingly and maddeningly, very few lenders will facilitate - especially where investors are concerned? You can beat the primadonnas of the lending world, with an MMG special mix of finance products and celebrate up to 95% funding. Terms and conditions apply.

Services at a glance

- Lending to Trusts or to Trustees on Behalf of Trusts
- Lending to Limited Companies or other SPV's
- Restructuring Borrowings Secured on Estates
- Portfolio Management Services
- Executive Advisory Services
- Cross Collateral Charging
- Commercial Lending
- Development Finance
- Finance for Pension Funds (SSAS/SIPP)
- Overseas Advisory Services
- Lending Against Investments/Deposit Monies
- Equity Release & Lifetime Mortgage Arrangements

Please note that not all of these products or services may or may not be regulated by the Financial Services Authority (FSA)

All That Glitters...

MMG chips at the 'lustre' on some new buy-to-let deals, marketed as 'low rate/high fee' to attract new custom.

Senior consultant, Alan Nadin explains: "Lenders offering products with comparatively high interest rates and low fees, or low interest rates with high fees, isn't a new concept. Individual circumstances determine the better option in specific cases. The impact of large fees over the term, on overall mortgage costs, can be critical."

"A lender recently launched two and three years fixed rates at 5.19% and 5.29% respectively, with £3,999 booking fees. Neither product offered incentives on valuation/legal fees, so total fees payable could be C£5,000."

"Using the three years rate as an example; a £300,000 mortgage on a £400,000 property, £3,999 booking fee, £340 valuation fee, £90 non-refundable set up fee and legal fees say £250, equates to a £52,289 true cost (on interest only) in the first three years. For hypothetical comparison remove the £3,999 booking fee and the initial rate would need to increase to 5.73% - nearly 0.50% higher, before the three years true cost reached the same figure."

"Let's analyse another lender's three years fixed BTL deals. On its 'Normal Fee' range, applicants pay booking and arrangement fees of £499 respectively. But for multiple applications, up to ten properties, only one further arrangement fee of £299 is charged. On their new 'High Fee' three years fixed deals (headline rate 0.22% lower), the booking fee rises to £1,300. This and a £499 arrangement fee, are payable on each individual application. Ergo landlords mortgaging the maximum ten properties pay fees (arrangement and booking) of £1,297 on the 'Normal Fee' range...an eye-watering £17,990 on the 'High Fee' range!"

Alan concludes: "Low rate deals, whilst enticing, can come at a serious price." "Our savviness of the market, its practices and quirks, enables MMG to give clients a genuine 24 carat gold service!"

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