

10 April 2009

## **Base rate held at 0.5% in least eagerly anticipated MPC decision for months**

The UK's Bank of England Monetary Policy Committee (MPC) has opted to hold the current base rate at 0.5%.

Neil Young, CEO Young Group, believes that the Bank of England's rate setting committee is prudent in maintaining the current base rate; The MPC has acted decisively in recent months in a bid to stimulate the economy and lending markets, but we now have to assess the impact of those measures. The effects will not be felt overnight, so it comes as no surprise that the MPC has opted to take a wait and see stance this month.

### **Inflated Margins**

Lenders are still not doing enough to pass on the benefits of an all time low base rate to the man in the street via their mortgage products; the margins that mortgage lenders are receiving are still significantly inflated. The treasury is quick to point out the value of stimulus that it has provided, but much less fast to acknowledge that the treasury-owned lenders are sitting on the benefit as a result of their inflated margins. Neil Young, CEO Young Group.

### **Residential Divide**

Disappointingly, lenders are still placing a premium on Buy-to-Let mortgages over and above residential products. Neil Young explains: Rates on buy to lets are still higher than residential mortgages and the arrangement fees are commonly between 1% and 3.5% of the loan amounts. For example at a loan to value of 75% on a residential purchase you could get a fixed rate of 3.49% with a 2% fee, but a comparable buy-to-let mortgage at 75% LTV would be subject to a rate of 5.19% with a 2.5% arrangement fee.

This is especially disappointing at a time when well informed investors are actively seeking to capitalise upon market opportunities to secure property at value, the likes of which has not been seen for at least the last 15 years.

Neil Young concludes, the economy is still crying out for liquidity but successive cuts in base rate have not yet made an appreciable impact on lenders willingness to provide credit. Time will tell whether lenders will loosen their tight grip on mortgage funds and if quantitative easing is the panacea that the treasury hopes.

About Young Group ([www.younggroup.co.uk](http://www.younggroup.co.uk))

Young Group specialises in providing Property Portfolio Management services to private and institutional investors, offering asset management, acquisition and disposal off residential property investments in London.

At a Glance:

255: The number of apartments that Young Group clients have successfully completed on in 2008

67%: The percentage of new business generated through referral and by repeat investors

700 million: The value of property that Young Group has transacted since it formed in 2003

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1,700: The number of apartments that Young Group has transacted since 2003

15: The number of developments offered to Young Group's client base of global private investors

300: The number of assets currently under management by Young London - our lettings business

35 million: The value of mortgages written by Young Finance in 2008

272: The number of tenants who will sleep soundly in beds provided by Young Furnishing

99%: The proportion of investors who will hold their property assets for at least the next 12 months.

Young Group manages the entire investment process from sourcing opportunities through to financing (Young Finance: [www.youngfinance.co.uk](http://www.youngfinance.co.uk)), furnishing (Young Furnishing: [www.youngfurnishing.co.uk](http://www.youngfurnishing.co.uk)) and letting (Young London: [www.younglondon.co.uk](http://www.younglondon.co.uk)). Young Group is the principal in the majority of transactions and also retains a number of units for its own portfolio. As the principal, Young Group does not realise any profits until completion and has transacted in excess of 1,700 apartments, with a retail value of more than 700 million. The majority of our units are bought by clients for their private portfolios. The Group's portfolio managers liaise with the Young London estate agency team in advance of completion to let investors' apartments to quality tenants, often through corporate lets.

Young Group clients have access to all available finance products via Young Group's FSA regulated mortgage desk, Young Finance.

Young Group's iconic Canary Wharf development, The Landmark ([www.TheLandmarkE14.com](http://www.TheLandmarkE14.com)), has been awarded two Daily Mail Property Awards in the categories of best high rise development and best high rise architecture. The Landmark East Tower rises to a height of 459 ft, making it one of the tallest residential properties in Europe.

Young Groups COO, Sylvana Young, has been named Bradford and Bingleys Property Woman of the Year, 2008 for London.

Young London ([www.younglondon.co.uk](http://www.younglondon.co.uk)) is a finalist in the national Estate Agent and Letting Agent Awards, 2009.

Young Group supports NORWOOD and CHILDREN with LEUKAEMIA, two charities particularly close to our heart, donating 50 per property exchange and providing additional support throughout the year.

Visit [www.younggroup.co.uk](http://www.younggroup.co.uk) to learn more.