



ENNESS
GLOBAL MORTGAGES

Enness In 2020

Q2 2020 — REPORT

Market Overview

Now that lockdown has lifted, we enter a new, promising phase, with the marketplace set for a short period of respite. There has been a global seismic shift in the financial outlook for the short and medium-term due to Covid-19. The Bank of England reduced the base rate to 0.1%, a historic low, to help stimulate the economy and encourage investment. The consensus among real estate and mortgage finance economists is that although mortgage rates may fluctuate, they are likely to remain low until early 2021, when the market is revitalised.

High-risk borrowers may find their entry to investment obstructed but low-risk borrowers are unlikely to be affected. Refinancing activity has clocked in at 106% higher than last year. Property appraisals were frozen in the first quarter of 2020 causing pent-up demand, however surveyors are again permitted to visit properties, stirring activity in May and June.

Fragility in the financial market is compounded by Brexit looming over us, with the UK expected to break away in December. Notwithstanding, there have been reports of a pre-Brexit spree within the property market. Rightmove reports sales are up 61% year on year, claiming a large proportion of buyers have an appetite to complete transactions before Brexit. During lockdown, lenders, valuers and solicitors have had to adapt to remote working, which has proved challenging across the board. However, as a result, operations have been streamlined and superseded outdated practices.

International

In the face of a challenging market, Enness has thrived, aided by access to private and international banks, which are not reliant on wholesale funding. Niche lenders that we work with internationally were able to find creative solutions. Other brokers found themselves stretched, struggling to source funding effectively due to constraints surrounding financial restructuring.

London Property Market

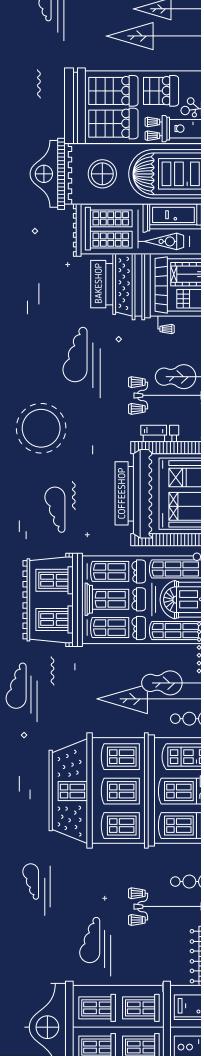
Despite the property market undergoing a short period of turbulence created by the pandemic, we have continued to see house prices rising in the 'power postcodes', where property is in high demand and short supply. Postcodes that have seen significant growth include N6, NW8, SW3, WG1 and most notably N2 where property prices saw an uplift of 26%. Transactions have declined, however, the nature of the super-prime market is that sales are few and far between. Price continues to remain the leading indicator of market health.

Enness Global Roadmap

Enness has a clear roadmap for the future. We keenly anticipate the official opening of our Geneva office under leadership of Tomasz, our trainee broker-turned industry powerhouse. We have expert representatives working in Zurich, Guernsey, Isle of Man, Luxembourg, the Balearics and Singapore.

Managing Director Hugh-Wade Jones has recently relocated to Monaco in the pursuance of his mission to lead international development. Here Hugh will assist individuals with a unique requirement. The office caters for large loans across Europe to expat and foreign nationals to assist with tax structuring and to navigate different legal jurisdictions. Since opening the office there in 2006, we have developed a reputation among island residents for facilitating growth within the principality.

Post-Corona, Mortgage Rates Are Slashed



What Enness Jersey can do for you as we leave the lockdown

Blog post

Lockdown commenced in Jersey on 30 March 2020, a little more than 10 weeks after we picked up the keys to our premises at IFC 5



By Jack Gogelin
Principal representative – Jersey

Similarly, a trustee has a fiduciary obligation to administer the trust in the best interests of its beneficiaries.

When it comes to finance, clients work in one of two ways:

They source terms independently and ask their service provider to proceed on the basis of those terms.

They ask their service provider to source terms for them and expect that provider to find the best available terms.

In both cases, directors and trustees should be mindful of their fiduciary duties.

In those weeks we'd met with numerous banks, peer-to-peer lending businesses, private lenders and other providers of finance. We had pitched our services to family offices, trust companies, fund services businesses and alternative providers of fiduciary services. Progress was being made, enquiries were coming in and deals were completed. Since then, as a business we have been looking for different ways to market our service offering. We have held webinars, published Q&A sessions and written news articles.

Directors of Jersey companies have a duty to act in the best interests of those companies.



There are three ways in which we can assist

The way we operate has been designed to complement the services provided by fiduciary services businesses



Where a client has sourced terms independently, we are happy to be used as a measuring stick. We will assess those terms objectively, provide feedback and, if requested, come up with an alternative solution that is better suited to the client and the deal they are pursuing

Where a service provider has asked to source terms, we are happy to take that burden away from the service provider. It's not often that firms employ lending experts, and on most occasions administrators will approach the client's banker for terms. We will source the best available terms, leaving the service provider to focus on administering the client's affairs

Governance has always been a key facet of the services provided by firms working in Jersey's finance industry. In today's world, with clients becoming more sophisticated and ever-changing legislation, it's more important than ever to evidence good governance in Jersey.

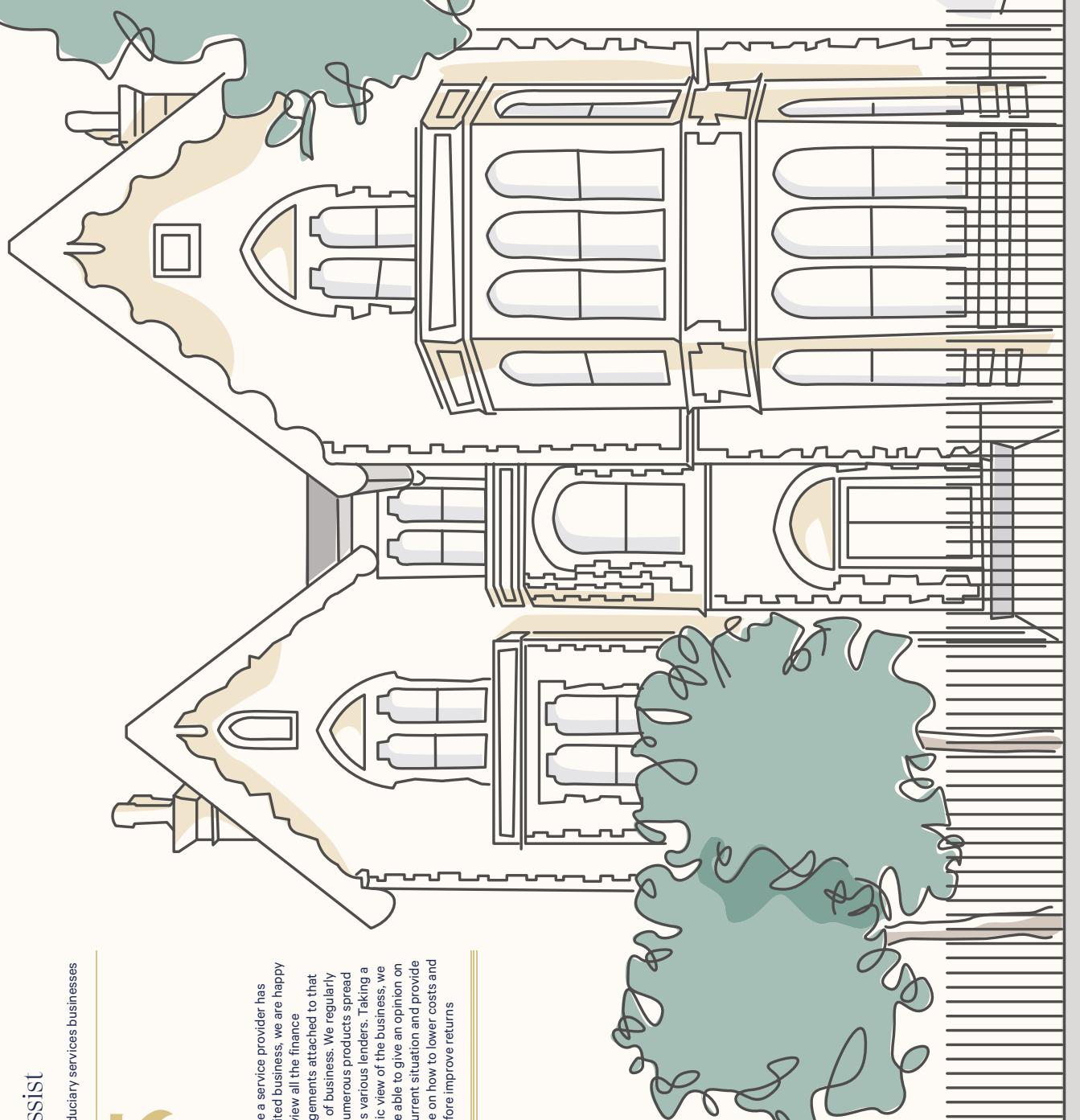
Service providers regularly undertake reviews of the assets they administer on behalf of their clients. Be that a quarterly report on an investment portfolio, an annual valuation for a real estate asset, rental accounts from a property manager, or management information on the performance of a subsidiary. It's rare, however, to hear of a service provider undertaking a review of its finance arrangements. Utilising the services of an industry expert will help protect



Where a service provider has inherited business, we are happy to review all the finance arrangements attached to that piece of business. We regularly see numerous products spread across various lenders. Taking a holistic view of the business, we will be able to give an opinion on the current situation and provide advice on how to lower costs and therefore improve returns

directors and trustees when it comes to evidencing good governance. We provide written advice that can be tabled, considered and approved at board meetings (which is helpful when demonstrating economic substance in Jersey). The advice can be circulated to clients, and will add value to the services already being provided by the trust company / fund services business.

In summary, with things getting back to normal in Jersey, we thought it timely to remind our existing and future partners on the island that we are open for business and here to help. We do not work on a time spent basis and will only levy fees when it's apparent that we can place a deal for you or your clients. Please do reach out, even if it's just for an informal chat or a reason to get out of the house.



Interview

How the mortgage market post-Covid is changing and why London is a property magnet for the UAE

Enness is renowned for handling high-value mortgage cases. How has this proved fruitful during the pandemic?

We have always sought sophisticated mortgage scenarios, and this is very much at the crux of our offering. After almost two decades of dealing with complicated situations, almost nothing comes as a surprise. Our brokers are adept at solving problems, providing sensible solutions for our clients.

While the pandemic thrust other brokers and the real estate industry into a frenzy, Enness was able to leverage our relationship with niche lenders. Some high street mortgage providers implemented stringent measures, and these limitations meant that brokers tussled to fulfil their clients' requirements. Our core work is contingent on working with niche lenders, which extends to over 300 worldwide.

From a logistical perspective, we also benefited from our representatives operating offices located across the world, which has been conducive to liaising with local lenders and clients.

During the next quarter, which types of lenders do you think will flourish?

Smaller private banks will become more prolific and penetrate the high-value lending market. The demand for niche lending solutions has been amplified post-pandemic. Smaller companies will thrive, with easy access to decision makers who can review unusual financial profiles and respond rapidly. There is a high demand for a tailored approach. Conversely, high-street lenders with a black and white criterion

will struggle to meet the mortgage demands of high net worth and foreign clients.

Smaller private banks will become more prolific. The demand for niche lending solutions has been amplified post-pandemic. Smaller companies will thrive, with easy access to decision-makers.

These Bankers / Lenders can review unusual financial profiles and respond rapidly. There is a high demand for tailored approach. Conversely, more mainstream lenders with a black and white lending criteria will struggle to meet the mortgage requirement for HNW and foreign Clients.

As the virus abates, new clients require a trusted pair of hands. How does Enness Global provide this?

There has been a step-change in the way that lenders scrutinise applications. They have adopted a more stringent criterion. We work with a low volume of high-value mortgage clients, which allows us the time to take great care in preparing applications. We also provide clients with the knowledge, connecting with other third parties that we trust, to allow them to make considered decisions.

Can you provide us with any insight into liquidity and super-prime property?

My advice is to hold onto the property. Good quality property investments can shoulder global disasters.

Purchasing hugely discounted properties, although on the face of it may seem like a good investment, is not necessarily a slam dunk. Getting the advice of an experienced real estate agent is more valuable now than pre-Covid.

Growth will inevitably bounce back, and London remains relatively liquid. After Boris was elected, we witnessed the 'Boris bounce', and the property industry is expecting to see a similar curve post-Covid. Somebody suggested that the response will be in the shape of a 'Nike tick'.

Right now, I think the best way to cash-in on the current situation is to utilise the low interest rates available.

“An upended lending market post-pandemic has caused new lenders to hatch, while several older lenders have broken away.”

By Toby Johnson
Head of Mortgage Sales



“More than ever it is critical that clients are working with experienced brokers that have their fingers on the pulse of an ever-changing mortgage market”

Has the Covid-19 pandemic compromised London's super-prime luxury property market as one of the most established and lucrative locations to invest?

During the pandemic certain areas in London, particularly in the North, saw significant growth in the average house price. The super-prime property industry is resilient and could shoulder the Corona-storm. Most of our clients in the Gulf choose to invest in super-prime property in London for a range of reasons, but principally as a safe investment.

Many of our Gulf-based clients have an emotional bond with London, whether it be from their education or summers spent at the family house. From their perspective they benefit from enjoying a second home and a property investment in parallel.

Since Osborne was chancellor in 2012, overseas customers have continued to set their sights on the UK as a key location to make secure acquisitions. Regulations around stamp duty and tax keep evolving. Do you think overseas investors should expect to see volatility around regulatory changes as Brexit is moving closer?

There will undoubtedly be changes in regulatory policy over the coming years, however, on a global scale the costs associated with purchasing a UK property are by no means the most expensive. That said, stamp duty costs are only part of the parcel when clients are scoping out where to invest property. Principally, the USD → GBP exchange rate and interest rates are a key driver for clients in the Middle East. This is because right now, the pound is weak, and interest rates are low, making London properties attractive to overseas investors.

Planning a property portfolio requires in-depth knowledge about how to take advantage of property investments. Enness Global is renowned for specialist mortgage services. Are there any other ways that Enness can help overseas investors offset costs?

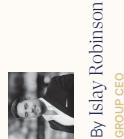
Clients come to Enness to order to access our exclusive network, which extends to a whole suite of lenders, professional experts and advisors. For example, we can recommend lawyers that we trust or a tax advisor who can deal in a tax-efficient manner. Or it may be that we recommend a property management company to negotiate tenant fees effectively. Value cannot be deduced to a single mortgage transaction; the network and knowledge that we provide are indispensable.



Blog post

How to sell trophy homes and high-end property in a post-Covid market

Becky Fatemi, Director of Rokstone, shares her top tips on selling prime real estate.



By Islay Robinson
GROUP CEO

The prime property market has launched out of lockdown to a flurry of activity. Months of being holed up at home has created a new cohort of buyers ready to upgrade their living arrangements. Buyers who had planned to move before the market was paused are also keen to get their search back underway. But as we step back into some sense of everyday life, the wants and needs of home hunters have altered. It's important sellers meet these new desires to achieve a sale at the best price.

Established in 2011 Rokstone deals with London's very best addresses and has sold nearly £1 billion worth of real estate in the capital's luxury core.

With a shop front and head office on Chiltern Street, voted the capital's 'coolest street' by Condé Nast, Rokstone's high-flying property professionals have intimate knowledge of every street, landmark and square garden in prime central London.



Buyers want to go out out

Unsurprisingly, outside space has shot to the top of buyer wish lists since lockdown. Many now view a garden or outdoor area as essential, and it is enough of a motivating factor to up sticks and move. Balconies, private gardens, residents-only London square gardens or easy access to parkland will sell a property. Therefore, make sure the selling agent photographs any outside areas – even if they are communal or close by – and emphasises them in the marketing material more than ever before.

When you are dressing your house for sale, think biophilic design to improve air quality and to give a sense of the outdoors inside. Living walls inside and out are a small touch that will go along way. Planting terrace, balcony or patio gardens is vital. Prospective buyers need to be able to visualise relaxing in an urban oasis. It's no longer enough to have nature-themed rooms; your target buyer wants a real sense of the great outdoors.

Maximise every inch of your house

We have never done so much living in our homes. The first half of 2020 has confined us to the same four walls to socialise, homeschool, eat-in, exercise, relax and work. As we live with the threat of future localised lockdowns, homes must be orderly, calm and compartmentalised to appeal to a buyer in our post-pandemic world. A clearly set out and well-designed study is a must, on top

Embrace tech to sell

of a playroom or area for home schooling. Every member of the family must be able to find their own corner to retreat to. Convert the old conservatory into a para-diacial orangery or reading room, and transform the garden shed into a home office or studio space. Every bit of the property should be obviously useable space.

It's all about the neighbourhood

Never has the old adage been truer: location, location, location. Sellers need to emphasise the perks of their neighbourhood, especially if the home doesn't have outside space. During lockdown people spent more time in their locality, exploring every corner within a set radius through daily walks and exercise.

London villages where independent businesses responded to the challenge of lockdown – delivering take-away cocktails, three course meals, books and groceries – brought life and energy to quiet streets. Communities where neighbours looked after one another fostered a sense of camaraderie that will live on after Covid-19. People will value this type of local human interaction going forward. Once the lockdown has passed, community spirit, street-based events and a sense of local entrepreneurship will also help to sell a home.

“Sellers need to emphasise the perks of their neighbourhood, especially if the home doesn't have outside space.”

If you are interested to find out more – www.rokstone.com



Why James Ashe thrives when the stakes are high and how the team accommodated clients during the pandemic.

Interview

“The clients at Enness have very specific requests because they are investment orientated. I thrive on the fact that there is more at stake.”

You began your new role as Head of Relationship Management at a critical time. How did the nature of client enquiries fluctuate during the pandemic?

Although we braced ourselves for a drop in the volume of new mortgage enquiries following the outbreak, this never really materialised. Enquiries for residential and commercial property financing, both in the UK and further afield have remained high.

You previously worked in France for a real estate mortgage broker. How does working for Enness differ?

The French broker I worked for negotiated mortgages for super prime properties in the South of France. It was very lifestyle oriented. I built up a deep-seated knowledge of the French culture, way of life and financial markets. This has helped me build a rapport with our French/Monaco client base, which is an integral part of the history and future of Enness.

Enness has built relationships with the rare ‘white peacocks’ of private lenders,

who pride themselves on being adaptable. Did this prove valuable during the Covid-19 pandemic?

It has proved invaluable. Over the last few months, many highstreet banks have adjusted or even altogether withdrawn their mortgage products from the market. However, Enness has a broad panel of private banks and lenders alongside the typical high street banks. This has allowed us to seek more competitive solutions through less orthodox channels throughout the lockdown period.

A client expects that Enness can mitigate any potential negative impact during an economic storm. Has this proven to be true during recent events?

It has been mission-critical to keep the channel of communication open with our clients. Providing pertinent advice on local and international mortgage markets can be instrumental to clients making the right decisions. Guidance and advice are essential to not only our clients, but also to our mortgage brokers who require up to date regional market insights.

By James Ashe
Head of Relationship Management



How did working remotely affect your job during the pandemic? How did you communicate with clients?

Although meeting clients face-to-face is invaluable, Enness has clients all over the world, and our Relational Management team have always been just as happy to deal with our clients via phone and video-calling. Our clients in the Middle East tend to prefer to meet in person. We have already started to schedule face-to-face meetings in July. I am looking forward to client meetings al fresco.

We found that our CRM database was particularly helpful to ensure that we remained organised. Our work practices have not changed – we are positive, professional, solution-oriented, and efficient. A lot of our success throughout the Covid period can be put down to sticking to these fundamental principles.

How do you ensure that you and your team deliver exceptional customer service?

It is essential to apportion part of our day towards proactive work, rather than merely reacting to enquiries. We are actively

client base. It contains topical insights, advice, publications, case studies, statistics, and trends. We always look to provide something topical that our clients can learn from.

How does the Enness Business Relationship team cater to individuals globally?

Our team has been cherry-picked, considering individual character, education, background, and experience, both personally and culturally. Our team is multilingual, which dovetails perfectly with our ever-expanding client base. I speak French fluently, and I have a degree in Russian, where I studied at Bristol University. Between the Relationship Management team, we can speak an array of languages including Russian, Arabic, English and French, which has helped us to nurture relationships with clients overseas and provide a superior level of customer experience.

With a range of academic qualifications and experience in both personal and corporate finance, we are proud to see our global presence increase. The expansion of our global offices over the last few years is a true testament to this.

engaging with clients. When lockdown happened, we contacted our clients in advance to let them know exactly how we would be handling things.

With offices on three continents, Enness always has advisors available to field clients' enquiries.

Only last week I took a call at 8am from an Australian client who wanted to find out more about refinancing his £4million Surrey property. The international time zones require a degree of flexibility from the team. Part of our ethos is that we are available to speak with clients day or night about any specific financing requests.

As a Customer Relationship Manager, how will you ensure that clients feel a sense of flow and harmony now that the Covid-19 pandemic is abating?

We have close relationships with our clients, we update them regularly on the state of the UK and European mortgage markets, and we will continue to do so in the future. I have always been an advocate of keeping in touch with clients. We send out a weekly newsletter that keeps us in contact with our community and

“Enness’ horizons are ever-evolving.”



How to maximise the value of your luxury property purchase

Blog post

Toby Johncox, head of mortgage sales at Enness, this week spoke to Nicolas Roux, founder of luxury interior design company Rive Gauche London

By Islay Robinson
GROUP CEO



weathered the tests of time and is currently appealing to a range of buyers.

Nicolas and Toby both reported a notable level of excitement around the property market at the moment, especially in central London. Nicolas advised that Covid-19 has changed the needs and desires of the client, with greater importance placed on outside space, and this should be factored into investment projects.

With a wealth of experience in creating bespoke solutions for high-end clients, Nicolas shared his advice on how to get the very best returns on a luxury property investment.

Is now a good time to plan an investment project?

The global pandemic coupled with economic uncertainty could spook investors. But prime property is a tangible asset, which has



Improving the property's space and its functionality is a must.

Challenges of developing a luxury property

One of the biggest stumbling blocks of a property investment is the cost and timing. It's difficult to understand the potential returns a project offers, if it has not been properly budgeted with all cost details included. Timing is another key challenge, particularly if you are looking to flip the property. It's key for an investor to understand their market to suit the designer to their needs and expectations.

Adding value to a luxury property

There are a few key considerations for investors looking to bump up the value of a prime property. Nicolas advised: First, the obvious option is to add space. Whether it's digging out a basement, adding a floor or building an extension, more space equals more value. The online planning portal is a valuable resource for plotting projects as investors can see if similar renovations have been approved in the area before.

Improving the property's space and its functionality is a must. An investor should aim to create a space which suits their target market lifestyle. Having a clear separation and circulation between entertainment spaces/

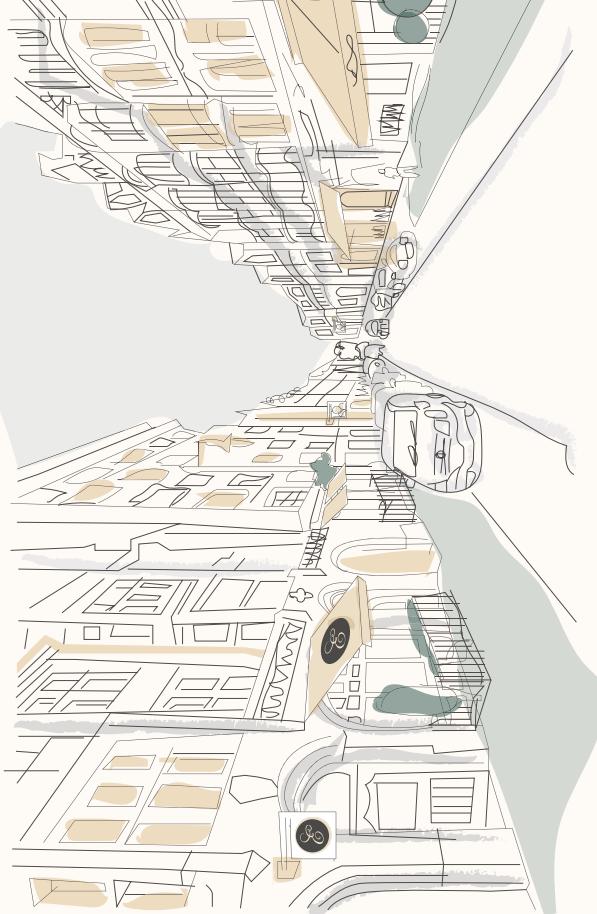
areas where clients are looking for durability and low maintenance.

Planning a renovation project for smooth delivery

Renovation projects are huge financial commitments and, as the old adage goes, failing to prepare is preparing to fail. Nicolas stressed that planning is imperative to end up with a completed project that is successful and profitable.

Having an unrealistic or unclear objective is the trap many investors fall into, he added. Investors need to understand where money 'should' be spent through a detailed budget created at the outset. Everything must be accounted for, including pre-construction, construction, financing costs and construction risks.

Upgrading or changing your mind when construction has started is a recipe for disaster with inevitable delays that hit profits. Timing is intertwined with budget, and necessary allowances must be made for items or materials that have long lead times. Logistics and working restrictions, especially in central London, are another significant consideration. Building a core team at the start of the process – including accountants, lawyers, mortgage brokers and estate agents – will provide the best outcome for the project, Toby said.



Financing luxury property investments

also fund works needed to be done.

funds, otherwise you risk paying interest on funds that aren't yet required and simply sitting in your bank account.

Interest on most development

finance banks is charged on a monthly basis, it is then repaid back at the end of the term with the initial loan. Rates vary but you could expect to pay around 0.7%.

How Enness can help

Enness can help luxury property investors plan for success by arranging development finance on the most cost-effective terms. With connections to more than 300 lenders and offices across the world, we can help arrange financing to buy property in different jurisdictions. To find out how Enness can help with your funding requirements get in touch below.

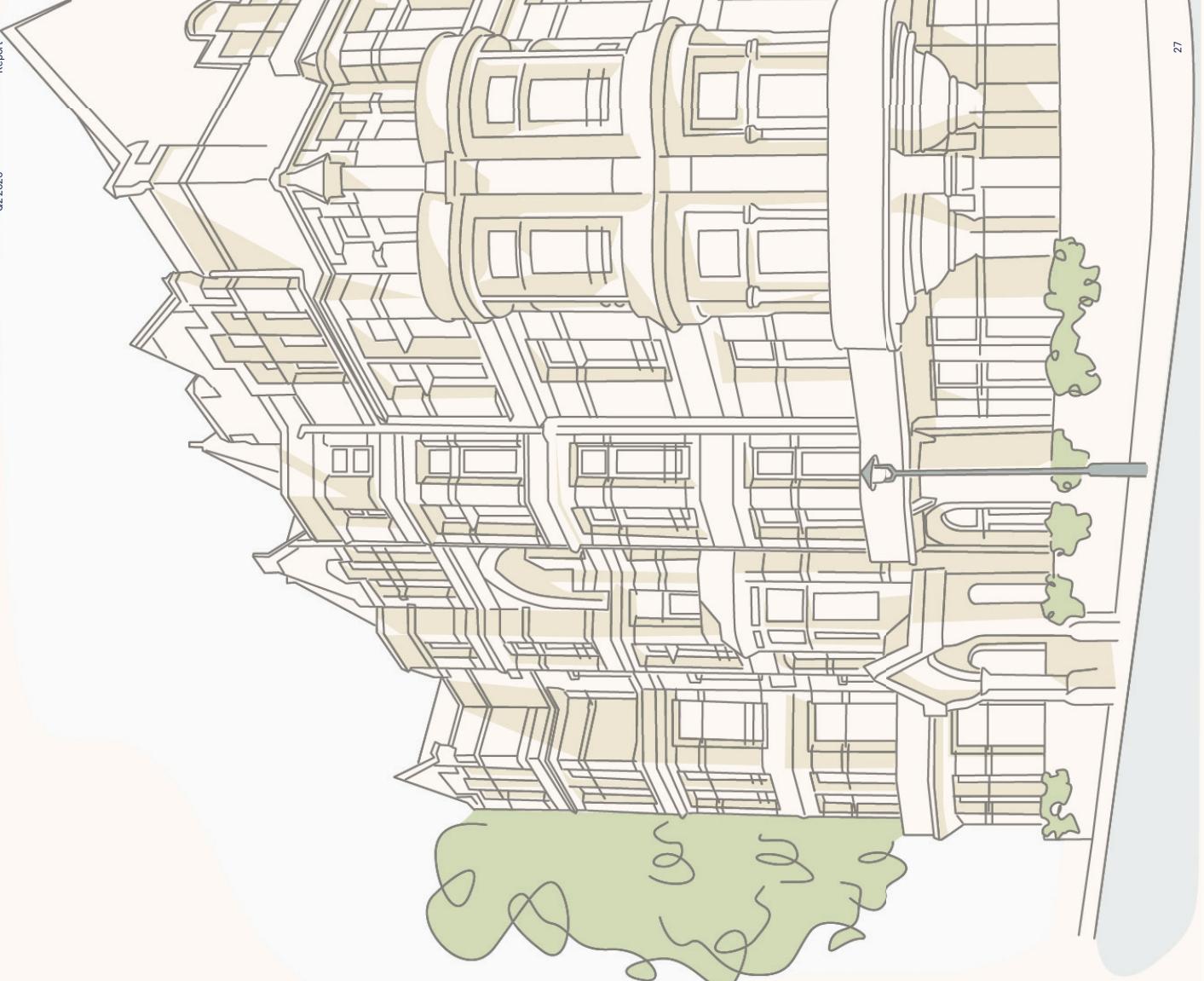
Client Scenario

Our client is a resident in Central Asia, with a property in London estimated at £12 million, accruing rental income returns. Our client was seeking equity release for a North London property to enable him to deploy resources elsewhere.

Client	Central Asia high net worth individual
Country of residence	Asia
Client income	High net worth individual
Property location	Freehold house in North London, let £12 million
Property value	£12 million
Investment strategy	Release cash from London property to build other investments
Funding required	Refinancing
Issues to address	<p>Traditional mortgage lenders are cautious about lending money to non-domestic clients. We anticipated that as an Asian high net worth individual, we would encounter sensitivities around nationality. Risk-averse high street lenders would assess this case as high risk.</p> <p>With the benefit of a myriad of global investors to choose from, we were able to cherry-pick a suitable lender. We presented the case to the Head of CIS (collective investment scheme), otherwise known as 'pooled investment'.</p>
LTV	100%
Rate	1.99% over Bank of England
Over how many years	5

What can Enness do for you?

Take advantage of the current lending market and achieve leverage using the ultra-low mortgage rates available. Contact one of our experts for an initial consultation to find out how we can help you.



Case study

Lump-sum equity release in NW8 boosts cash flow

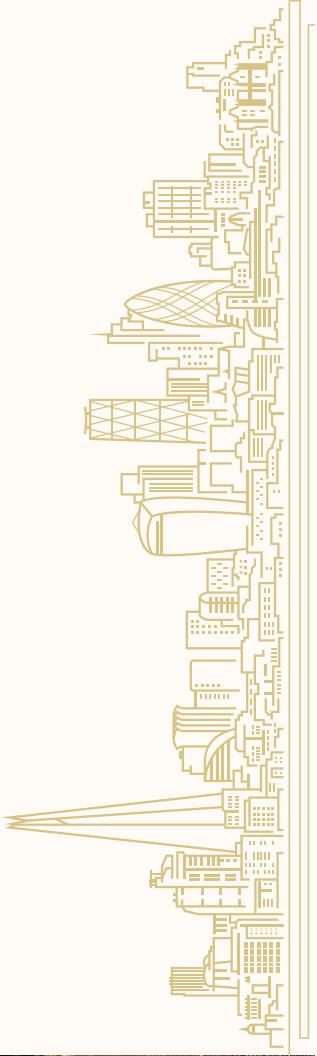
Providing intelligent solutions

consider equity release due to the record-low interest rates available. Interest rates for equity release terms compound over time, which is why Enness does their utmost to ensure that our clients receive the best interest rates. Enness works with a myriad of lenders located in all corners of the world. With access to more than 300 lenders across the globe, including traditional lenders, private banks and niche lenders, we can accommodate all types of profiles working outside of the parameters of other mortgage brokers.


By Hugh Wade-Jones
GROUP MD

The number of people applying for equity releases has dramatically increased. Enness has seen an influx of equity release enquiries in the wake of the pandemic. The growing appeal of equity release is in part down to product innovation and increased competition. Lenders are offering increasingly creative and tailored deals, while a host of new entrants to the market have helped drive prices down.

Canny investors are looking for new ways to access money. It is a particularly fruitful time to



Client Scenario

A UHNW Chinese client appointed us to negotiate an equity release against a residential property in St John's Wood home, NW8, valued at £20,000,000. Opting for equity release means the client can continue to reside at the property

What can Enness do for you?

Our core work is contingent on working with niche lenders, which extends to over 300 worldwide. Contact one of our experts for an initial consultation to find out how we can help you.

Client	Chinese
Country of residence	London
Client income	Ultra High net worth individual
Property location	London Freehold house in North London
Property value	£20 million
Investment strategy	Release cash from London property to build other investments
Funding required	Equity release

Challenges

Our client entered the UK on the HNW investor visa with no direct UK income. We anticipated that proving their monetary wealth may become a convoluted process. Therefore, we spent time with our client first, to find out more about how we could prove their scope of assets to lenders to make this an attractive proposition and stimulate lending interest, and stimulate lending interest.

Traditional lenders eschew atypical financial profiles, particularly when there is no proof of income in the UK. The metric system remains risk-averse and would be likely to flag this specific case as high risk, particularly as lenders have become even more cautious than usual due to the pandemic, compounded with short-term volatility in the property market. Enness works with an arc of lenders who feel

50%

LTV	Bank of England base rate +14.5%, currently 1.55%
Over how many years	5

comfortable providing solutions for clients whose wealth may not be completely transparent from the offset. In this kind of scenario, agreeing to review our client's profile can often come down to our personal relationships. Utilising our broad lending network, we quickly found a lender adept at working with overseas profiles. The ability to service the loan came via a pool of investments held with a bank in Switzerland.

Result: £10,000,000 loan secured on a 5-year tracker at Bank of England base rate +14.5%, currently 1.55%

The amount you can typically borrow is between 18 per cent and 50 per cent of the property's total value. We managed to negotiate 50% of the total value through stimulating competitive offers between various lenders.



How does a mortgage work for a £100m luxury mansion?



By Islay Robinson
GROUP CEO

Property tycoon Christian Candy recently sold his mansion overlooking Regent's Park in London.

cycle of prime real estate works like a boomerang – whatever you put in, will likely to be returned, and what is more, is that the figures will be surplus to the original figure with the accumulation of time.

"In my experience super-prime properties attract discerning clientele."

A super prime home is typically classed as property worth £10m or higher and can appeal to overseas investors, celebrities and the top brass of business. It may be somewhat surprising to learn these buyers take out mortgages to secure their dream home, rather than using their own considerable means to purchase a property outright.

The unnamed buyer is said to have paid a princely £104million for the pad, in what is reportedly the first mega deal to have taken place at the top-end of London's property market since the UK went into lockdown in March.

The home itself is the stuff of dreams, with 14 bedrooms spread over five floors, complete with swimming pool, gym and wine cellar.

Spending tens of millions of pounds on a family home may seem a lavish purchase, but property is a relatively sound investment for billionaires and high net worth individuals. Hugh Wade-Jones, managing director of Enness Global, said: "The central thesis here, is that the financial



There are many factors behind the motivation for a super prime mortgage. Wealth at these levels is usually multifaceted, perhaps tied-up in business ventures or not yet realised. And, frankly, with interest rates at ultra-low levels, it can be of little sense to plough cash into an illiquid asset when it could be working harder elsewhere.

HUGH EXPLAINS

“The highly affluent can earn higher returns on their capital since their wealth gives them greater tolerance for illiquidity and risk.”

might have facilitated the transaction. At a purchase price of £104-million, the buyer would have needed a hefty deposit of £36.4-million to take a loan at 65 per cent loan to value (LTV).

For this calibre of buyer, however, wealth is complex and typically made up of different investments alongside income from various sources. It's not unusual for a mortgage deal to involve a number of different strands, with part of the loan lent against assets in return for better interest rates.

If the buyer, for example, had £70m worth of assets under management with the bank, the lender may offer a so-called Lombard loan of £7m. This could mean a smaller upfront deposit is needed, while taking the total loan for the property to £74.9million at 71.7 per cent LTV. Interest rates at these levels are favourable, with 15 per cent levied on the mortgage and just 0.7 per cent on the Lombard loan. Based on these sums, the buyer in question could expect a monthly repayment of around £88,583. A mortgage bill big enough to fund a deposit on the average UK home is within the realms of astronomical for the majority of us. But for the buyer of a £100m mansion, it's no doubt a digestible and attractive deal.

A loan at these levels requires a tailored approach and isn't something high street lenders can cater for. Private banks or high net worth individuals could provide the capital – or even a combination of the two.

Most of us will never reach the lofty heights of wealth held by the mystery buyer of Christian Candy's luxury abode, but we can understand how a mortgage

How can Enness help you?

Enness can provide creative solutions for sophisticated financial profiles that don't fit the tick box lending structure. With access to a myriad of lenders, clientele investing in these types of properties demand the bespoke approach offered by Enness. To find out how Enness Global can help you with your mortgage requirements call an expert now or get in touch below.

Case study

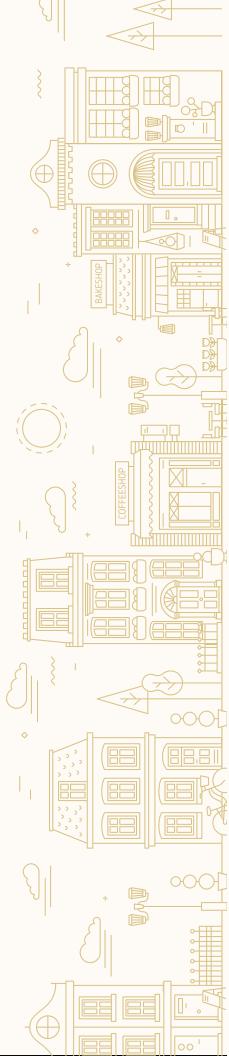
Hong Kong-based foreign national looking to refinance UK property portfolio

that its quasi-independence is under threat.

It is safe to say that the foreign national mortgage market has grown dramatically in recent years. Many private banks/niche lenders are more flexible with regards to foreign nationals looking at UK property, even if they lack a real UK footprint. As an independent mortgage broker we have access to more than 300 lenders across the globe and some extremely close relationships with private banks/niche lenders. This particular case study was challenging for a number of reasons and perfectly illustrates how we regularly overcome complex scenarios by delivering bespoke funding solutions.

Even though Hong Kong is now a special administrative region of the People's Republic of China, there is still a very strong connection.

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GROUP CEO



Client Scenario

In this case study we had a Hong Kong national, living and residing in Hong Kong and working for the Hong Kong government. They already had three properties in the UK worth around £15 million – this was their only footprint in the country. Ultimately they were looking to expand their UK property portfolio but this fundraising was a relatively “straightforward” refinancing. It was when we began to dig a little deeper that some of the challenges began to emerge.

We know from experience in the past that some lenders are nervous of providing finance to foreign nationals working for foreign governments. The problem revolves around what is known as a ‘politically exposed person’, effectively someone holding significant power in a foreign government. This has in the past led to allegations of financial impropriety and indeed we know some prominent government leaders around the world have been found guilty of “misuse of funds”. The person in this case study was not a “politically exposed person” and

Issues to address

there were no issues although even the mention of this term shows how nervous mortgage lenders are with this scenario.

Upon further discussions with the client we learned that they were coming towards the end of their fixed rate mortgage term. Unless action was taken immediately they would revert to the standard variable rate at significant financial expense. This fundraising also occurred at a time of huge political uncertainty across Hong Kong, resulting in civil unrest amid ongoing disputes with the Chinese authorities.

While there was a commercial need to refinance these properties immediately the client was also conscious of potential political fallout which may have impacted their ability to release equity in the short to medium term.

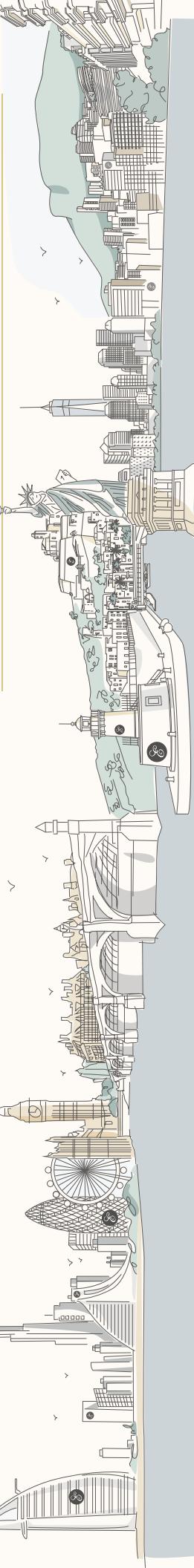
Client	Hong Kong national
Country of residence	Hong Kong
Employment	Hong Kong government (not a politically exposed person)
UK property portfolio value	£1506,800
Required mortgage LTV	75%
Required funds	£1130,100
Outstanding property finance	£1031,396
Equity release	Circa £100,000

significant growth in the foreign national mortgage market (and a flexibility not always seen in the past). This is now a relatively competitive market although there is still a need to inject additional competition amongst lenders to achieve the best rates.

We were also up against it with regards to the timescale. The end of the original mortgage fixed rate term was imminent prior to reverting to standard variable rates. There was also the issue of political uncertainty in Hong Kong and the uncommon sight of public unrest. So, the requirements in summary were as follows:

nationals looking to invest in UK property. This is an area in which we specialise with an ability to inject a high degree of competition amongst lenders. This ensures that we are able to secure the best rates possible and nurture long-term client relationships.

When taking into account all of the above issues, and the relatively short timescale, it was fairly obvious that we would need to utilise our private bank/niche lender contacts. Over the years we have secured bespoke funding solutions for an array of foreign



Solution

We are often approached by clients looking to secure funding in a relatively short timescale. As a consequence we have built up a huge network of contacts. We were therefore able to approach a lender who from previous experience was able to move relatively quickly and was accommodating of Hong Kong nationals residing outside of the UK. Thankfully, rental income from the client's property portfolio was sufficient to pass the lender's stress test and secure the maximum 75% LTV ratio.

It was at this point that we experienced an issue with documentation when an application to the

What can Enness do for you?

As we touched on above, in recent times we have seen a huge increase in the number of foreign nationals looking to acquire UK property – very often without any real form of UK footprint. Historically, this was an area of the market which was relatively uncompetitive but there have been some huge changes of late. The concept of refinancing a UK property portfolio on a relatively high LTV ratio of 75% was challenging let alone the additional issues detailed above. We even managed to overcome the surprise refusal of the Hong Kong government to provide a reference for their employee. This had the potential to scupper mortgage negotiations but we were able to provide alternative supporting documentation which was accepted by the lender.

Many clients approach us looking to maximise their income and assets to raise funds. While we appreciate the need to maximise funding, this must be done within a controlled environment as there is no benefit in overstretching finances and cash flow.

The exact details of the funding solution were as follows:

UK property portfolio value	£1,506,800
Mortgage LTV ratio	75%
Mortgage type	Interest only
Mortgage term	18 years
Mortgage interest rate	3.74% fixed for five years
Funds secured	£1130,100
Outstanding finance	£1031,396
Equity release	£98,704

In hindsight, the welcoming environment of low UK base rates played perfectly into our hands when looking at refinancing options. Even though the LTV ratio was towards the top end of the range this was supported by rental income which allowed the client to pass the lender's stress test with ease. The fact that we already had an existing relationship with the lender meant a significant shortening of the traditional mortgage processing time. We were still able to negotiate extremely competitive terms despite the severely shortened timescale.

It was safe to say that the client was extremely happy with the outcome. The funding solution allowed them to refinance their existing assets withdraw surplus equity, fund home improvements and part fund a deposit on an additional property. They also managed to avoid a potential expensive switch to standard variable rates. While perfectly illustrating our ability to secure almost immediate access to mortgage funding for foreign nationals, living abroad and investing in the UK, this case study also allowed us to flex our commercial muscles – resulting in the addition of a new long-term client.





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