

1.5% Base Rate Cut: The Winners

By Young Group

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Today's unprecedented 1.5 per cent cut in base rate is great news for those with tracker mortgages – and may also bring relief for those on variable rates.

Buy-to-let investors at Young Group's myBASE1 development in Southwark completed on their purchases earlier this year, the majority taking tracker rate mortgages; many on 3 year deals tracking below the base rate, for example with Birmingham Midshires – part of HBOS - tracking 0.4 per cent below base rate, and thanks to subsequent base rate cuts, are now saving over 50 per cent on their cost of finance.

This translates to a widening in the yield gap on an average £360,000 2 bedroom apartment at the development to 2.4 per cent, providing investors with an additional £650 per month in their pocket.

“The death of buy-to-let is something that's been touted in the press for some time, but looking at the hard facts the picture is far from one of doom and gloom, and the benefits seen by investors at myBASE1 in Southwark, London are being experienced by anyone on a tracker mortgage” pointed out Neil Young, CEO of property portfolio managers Young Group.

“Providing that investors have purchased sensibly and had the right advice regarding mortgage products and projected rental income, they will weather the current economic climate. Buy-to-let is one of the world's oldest professions and has an important long term role in the housing market.”

The figures:

2 bedroom apartment at myBASE1, London, SE1

Purchase price: £360,000

Loan to value: 85%

Product: Birmingham Midshires 3 year tracker

(0.4% below base rate)

Mortgage Amount: £312,120 (inc. 2% fees)

Rental income: £1,798 per calendar month

Mortgage per mth: £676 per calendar month

Gross Profit: £1,122 per calendar month

Neil Young, continues, “These numbers show there are many happy property owners, this example shows £1,122 pcm positive cashflow for well purchased investments - £650 of this is due to the base rate reducing from 5.5% to 3% over the last few months.

“However, the current issue is regarding new mortgages where we've seen lenders protect their own positions and a number of well-known high street lenders have imposed collars on their tracker deals, limiting the amount by which the mortgage holder can benefit in the event of substantial base rate reductions. We're looking very closely at the small print of products currently on offer and urge everyone to do the same to understand fully the products that they are signing up to.”

Since the previous 0.5% base rate cut on 8 October, many lenders have discontinued their tracker products on the assumption that further base rate cuts are in the offing and are now only offering fixed rate products.

Indeed a number of lenders have withdrawn tracker products, only to relaunch them with higher interest rates. Abbey, now one of the UK's largest mortgage lenders following their take over of the Alliance & Leicester, raised the interest rate on their 2 year tracker products by 0.5% immediately after October's base rate cut announcement.

“The MPC clearly believes that the UK economy will benefit in the medium term from this further cut in base rate, and those on tracker mortgage will see a significant immediate benefit. I urge lenders to reflect

the base rate cut in their wider mortgage products to the benefit of homeowners and investors across the board,” explains Neil Young.

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Neil Young, CEO - Young Group, is available for interview

About Young Group

Young Group specialises in providing Property Portfolio Management services to private investors, offering the best off-plan direct investment opportunities and end-to-end management service in London.

Young Group manages the entire investment process from sourcing the opportunities through to financing, furnishing and letting. Young Group owns all the property that it sells, and also retains a number of units in each development for its own portfolio. As the principal in every transaction, 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 private high net worth clients for their own portfolios. The Group's portfolio managers liaise with the Young London (www.younglondon.co.uk) 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 (www.youngfinance.co.uk). Young Finance is an appointed representative of Thinc Assured Network, one of the UK's largest financial advisory firms and is not tied to any group of lenders, nor does it charge commission or transaction fees.

- Young Group's iconic Canary Wharf development, The Landmark (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 Group's COO, Sylvana Young, has been named Bradford and Bingley's Property Woman of the Year, 2008 for London.

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 to learn more.

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Neil Young, CEO – Young Group, is available for interview/further comment

Category	Finance, Banking
Email	Click to email author
Phone	+44 (0)845 356 1000
Address	First Floor

71 New Bond Street
City/Town London
State/Province London
Zip W1S 1DE
Country United Kingdom