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## **LOWEST INTEREST RATES FOR 40 YEARS CONTRIBUTE TO FURTHER INCREASES IN PROPERTY LENDING FIGURES**

In the second quarter of 2002, Bank of England statistics show that total property lending grew by some £2.7 billion taking the annual increase to £13.3 billion. This takes the total loans outstanding to property companies to an all time high of £76.850 billion (nearly double the early 1990s peak of £40.7 billion - quarter 2 1991)<sup>i</sup>

Commenting on this increase in the bank lending figures, Rupert Clarke, International Director of Jones Lang LaSalle and Managing Director of Jones Lang LaSalle Corporate Finance, said: "The extent of this quarterly increase is perhaps not surprising given that low interest rates and favourable debt terms mean leveraged investors continue to dominate activity in most real estate market sectors. Also, the recent plugging of the Stamp Duty savings loop-hole by H M Treasury created a peak of activity prior to the 23<sup>rd</sup> July deadline, a large proportion of which fell into the second quarter figures.

The downward movement in the medium and long term interest rates has been particularly marked over the last few months and is likely to feed through to continued activity in leveraged acquisitions during the third and fourth quarters. Currently 5 year swaps rates stand at below 5% compared with around 5.5% a month ago and the average of 7% over the last 10 years." [SEE ATTACHED CHART]

Results from Jones Lang LaSalle's own survey of property lending, in conjunction with IPD<sup>ii</sup>, shows that for Quarter 2 2002, 24% of lending activity was related to the refinancing of existing loans. Commitment on speculative developments also increased to 12% of all lending compared to 3% for 2001. This increase appears to follow the market view that occupiers' demand would increase by Mid to Late 2003, but given the sample size (representing under 30% of the lending market), it is more likely to relate to one or two larger speculative commitments rather than a change in the general caution that banks continue to exercise in this area."

(ends)

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**Note to Editors:**

i The official Bank of England figures are believed to account for only two-thirds of total commercial property lending as they exclude lending by building societies, insurance companies, securitised debt and lending by overseas banks' representative offices.

ii The Jones Lang LaSalle / IPD Property Lending Survey was initiated in 2000 with the objective of providing a detailed and regular analysis of the lending market in the UK. The survey comprises a cross section of lenders including UK clearing banks, building societies, specialist lenders and German mortgage banks. The total loan book across participating lenders in Quarter 4 was £22 billion.

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*For further information, please contact:*

*Rupert Clarke/Barry Osilaja  
Jones Lang LaSalle Corporate Finance  
+44 (0) 20 7399 5550*

*Allyson Andrews/Charlotte Freeman,  
Public Relations Department,  
Jones Lang LaSalle on  
+44 (0) 20 7399 5426 / 5616  
allyson.andrews@eu.joneslanglasalle.com/  
charlotte.freeman@eu.joneslanglasalle.com*