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REAL ESTATE CAPITAL

FOR THE WORLD'S REAL ESTATE DEBT MARKETS

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TOP 30 EUROPEAN LENDERS

BREAKING BREDS
The rise of Blackstone's international property debt arm

DEBT VEHICLES ACCELERATE
Europe is main target as debt funds' capital raising leaps

ITALY OPENS UP
Banking reform offers opportunities for foreign lenders

LEVERAGING GERMANY'S RECOVERY
IREBS' second German lending report is a positive one

BIDDING FOR DEBT BUSINESS
Auction.com builds up loan trading work in US

THE EUROPEAN QUESTION
Roundtable panel asks if continental revival is justified

DRC Capital

Whom to know: Dale Lattanzio, managing partner; Cyrus Korat and Rob Clayton, partners
Type of lender: Debt fund
Parent nationality: UK
Size of loan book: Has deployed £800m in loans
Size of team: 14
Spread of European lending: Pan-European; UK and Western Europe
Expansion targets: Potentially any EU country, Norway and Switzerland
Preferred sectors: Mainly offices, hotels and retail, plus industrial and healthcare
Type of lending: Mezzanine
Loan size: £10m-100m
LTVs: 80%
Participate in club deals: Yes
Syndicate loans originated: Yes
Landmark deal: Underwriting a £170m whole loan to finance Queensgate Investments' acquisition of the Executive Office Group's portfolio, syndicating the £130m senior debt to Barclays.

Dale Lattanzio

UNIQUE SELLING POINT

"DRC HAS BEEN AT THE FOREFRONT OF THE PRIVATE REAL ESTATE DEBT MARKET SINCE 2008, LEADING INNOVATION IN RAISING CAPITAL AND DEVELOPING LENDING STRUCTURES FOR BORROWERS"

DRC Capital's expertise is pan-European mezzanine lending. The independent investment adviser has made 22 investments in more than half a dozen Western European countries, including the UK, Germany, France, Belgium, the Netherlands, Denmark and Sweden.

The firm was a pioneer in targeting the gap opening up for non-bank lenders, raising its first debt fund, European Real Estate Debt (ERED I), in 2010 and 2011, when there was interest in the opportunity to lend at good yields created by banks' retreat, but few investors had committed. The £300m of capital was invested by May 2013 and this summer DRC closed on £487m for ERED II.

DRC likes deals in the £20m-40m range but has lent more. As the European lending market has become more competitive it has considered underwriting whole loans to win mezzanine deals, notably late last year when, with Cheyne Capital, the firm provided £170m to help Queensgate Investments acquire the Executive Office Group portfolio.

In this instance DRC provided a whole loan where the £130m of senior was ultimately syndicated to Barclays and DRC retained the resultant mezzanine loan.

"The flexibility of approach and speed of execution allowed the borrower to meet their timetable successfully," Lattanzio says.

This year ERED II supported Evans Randall's seven-year refinancing of the Königsbau Passagen shopping mall in Stuttgart with €37.5m of mezzanine, at a loan-to-value ratio just under 80%, lending behind Allianz, which provided the senior.

Last year, DRC participated in a €607m refinancing of Cornerstone Real Estate Advisers' flagship Nordic Retail Fund, with a flexible mezzanine facility of up to €47m at a 9% margin.

GE Capital Real Estate

Whom to know: Ellen Brunsberg, president and RE chief exec in Europe. James Spencer Jones, head of debt origination
Type of lender: Alternative lender
Parent nationality: US
Size of Euro loanbook: £4.5bn
Spread of European lending: Predominantly UK and Germany.
Expansion targets: Spain, France, Italy
Size of team: 45
Preferred sectors: Mainly stabilised assets across sectors
Loan size: From c£20m to £1bn
Type of lending: Senior
LTVs: 75%
Participate in club deals: Yes
Syndicate loans issued: Yes
Buy into syndications: Yes
2014 landmark deal: Around €770m of loan-on-loan finance for Blackstone's purchase of the €1.75bn Project Tower loanbook.

Ellen Brunsberg

UNIQUE SELLING POINT:

"WE ARE REAL ESTATE EXPERTS AS WE HAVE A €10BN EUROPEAN PORTFOLIO, SO WE UNDERSTAND THE NEEDS OF BORROWERS EVERYWHERE"

The last year for GE Capital Real Estate's European lending business has been defined by two deals both code named Project Tower.

The first, in November 2013, was its purchase of Deutsche Postbank's £1.4bn, UK performing loanbook, while in June this year it completed a €770m financing of Blackstone's €1.1bn acquisition of NAMA's similarly-named loan portfolio.

GE is working through the initial Tower deal looking to refinance and put in place new deals with borrowers it inherited, including Almacantar, Argent and Quintain. On the latter GE is understood to be considering syndicating elements of the debt that it issued.

In April Brunsberg was promoted from head of the UK business to European chief executive, replacing the retiring Lennart Sten. At the same time Mike Bryant, former asset management head in Europe, succeeded the also retiring Richard Vliet as European head of risk.

Brunsberg is looking to expand into Spain. "We have a big platform in Madrid and Barcelona and I like the market in Spain, as it has the right legal structure and the fundamentals of the economy are changing and improving," she says.

She says GE will remain fairly conservative in its approach. "The market will become more competitive in the medium term, but we believe we can still compete, as we have a low cost of capital.

"We may become choosier as people make decisions we don't see as appropriate in terms of risk and reward, as the market improves; we want to be a sustainable lender and don't want to do dumb things."

Goldman Sachs

Whom to know: Jim Garman, global co-head of real estate and Richard Spencer, managing director in real estate, both in the merchant banking division; Ramon Camina-Mendizabal, head of real estate financing in EMEA investment banking arm
Type of lender: Investment bank and debt fund
Parent nationality: US
Spread of European lending: Pan-Europe, with focus on Western Europe, including UK, France, Germany, Ireland, Spain and Italy
Expansion targets: All other European jurisdictions opportunistically
Preferred sectors: All
Loan size: €75m plus
Type of lending: Senior, mezzanine and whole loans
Participate in club deals: Yes
Syndicate loans issued: Yes
Buy into syndications: Yes
Landmark deal: €700m loan for Kildare Partners' €1bn purchase of the German Mars portfolio.

Jim Garman

UNIQUE SELLING POINT:

"ABILITY TO DEPLOY CAPITAL ACROSS ASSET CLASSES, CAPITAL STRUCTURE AND JURISDICTIONS AS AN UNDERWRITER, ARRANGER AND INVESTOR"

Goldman Sachs made a dramatic return to real estate fund management in May when it closed a debt fund with $1.6bn of equity, giving it $4.2bn of firepower when topped up with $600m of its own capital and 50% gearing.

This will be spent across the US as well as Europe. The fund targets large, complex refinancings and recapitalisations, typically of $100m-200m.

The bank has ambitions to be an active part of the slowly reawakening CMBS market. Last year it arranged the €2bn German Residential Funding 2013-1 for Gagfah, alongside Bank of America Merrill Lynch, as well as the €363m Gallerie CMBS for Morgan Stanley and Groupe Auchan, held against 15 Italian retail parks and shopping malls.

It followed up these deals in July with another Italian CMBS, MODA, securitising €198.2m in two loans issued to Blackstone and held against five Italian retail properties.

The bank has moved quickly into recovering markets in Europe, typified by the Italian CMBS deals. In December last year it also made one of the first major real estate loans this cycle in Spain: a €173.4m financing of Orion Capital Manager's 50% purchase of Puerto Venecia from British Land in Zaragoza.

Last year it was also active in the Irish market, where it backed Lone Star's €260m purchase of the Project Kildare loan portfolio and Kennedy Wilson's €120m acquisition of 78 Sir John Rogerson's Quay.

In April, the bank further expanded its lending capabilities by hiring Jan Janssen as an executive director, who joined from Bank of America Merrill Lynch, where he had spent seven years and was a director of real estate structured finance.

Helaba

Whom to know: Michael Kröger, head international real estate finance; Jürgen Fenk, board member for real estate; Norbert Kellner, head of real estate debt capital markets;
Type of lender: Bank
Parent nationality: German
Size of European loan book: €27bn of CRE lending
Spread of Euro lending: France, Germany, UK, Nordics, CEE,
Size of team: 70 in eight offices
Preferred sectors: Office, retail, logistics
Loan size: €20m-100m
Type of lending: Senior, dev.
LTVs: Maximum 60-70%
Participate in club deals: Yes
Syndicate loans issued: Yes
Buy into syndications: Yes
2014 landmark deal: A €136m loan for Starwood Capital's acquisition of a Polish portfolio.

Michael Kröger

UNIQUE SELLING POINT:

RELIABILITY: "WE HAVE A BUSINESS MODEL THAT IS SUSTAINABLE. WE'RE NOT GETTING OUT NEXT YEAR"

German bank Helaba is focusing on large markets in Europe – from London and Paris to Sweden and Finland – while the US remains its largest market outside Germany.

Its French activities have picked up since Renaud Jezequel took over as head of the Paris operation a few months ago, including a €220m joint refinancing of a 74-asset office and logistics portfolio for local investor Proudreed, alongside Deutsche Pfandbriefbank, in June.

Kröger says the speed with which Helaba executed its funding for Starwood's Polish portfolio acquisition reflects its "good understanding of international investors' needs.

"As a wholesale bank we don't have a large retail network working in parallel at a board level taking time and attention away from clients. We offer direct solutions."

Helaba would like to do more large deals to satisfy its German savings bank shareholders, preferably with predictable cash flows, but these sort of deals "don't come along every week", laments Kröger.

However, the bank's underwriting grew 12% to €4.4bn in Helaba's results for the first half of this year.

The bank is also addressing the rise of non-bank lenders. A capital markets team was formed last year to partner with new lenders on syndications, illustrated by Helaba's recent sale of a £50m slice of a £143m loan secured against a portfolio of UK warehouses owned by LondonMetric Property. The buyer was Standard Life, marking the insurer's first debt investment since launching its own commercial real estate debt business in 2013.