

DRC CAPITAL



EUROPEAN MEZZANINE LENDER OF THE YEAR

DRC Capital may not be the biggest mezzanine provider on the European block, but it has carved out a strong position in this niche market. The three founding partners, Dale Lattanzio, Cyrus Korat and Rob Clayton, have among them clocked up 65 years of experience with real estate and debt markets. Since 2009, they've loaned £1bn and raised £787m in two European mezzanine funds - no small feat in a tough market. "We funded a further six transactions in the last quarter of 2014," says Dale Lattanzio. These included providing £24m of mezzanine debt to Oaktree and Patrizia for their £127m purchase of the Citrus portfolio of UK regional assets, with Barclays chipping in the senior portion; and underwriting a whole loan of €65m to Draco Property, to refinance Brettenham House, placing the senior part of the loan with Standard Life Investments.

Though margins on mezzanine debt have fallen significantly over the past year, Lattanzio says DRC can still find ways to hit its targeted returns by "solving problems. Sometimes it's speed of execution, sometimes the asset class or deal structure." DRC is now moving into senior lending, having recently won a €500m mandate from a European investor to deploy the capital in the UK, France, Germany, Belgium, the Netherlands and Scandinavia. Running DRC a close second - and a big beast, with over \$9.3bn of assets globally - BREDS majors on bigger, complex mezzanine deals in Europe.

Its notable ones include: a £222m refinancing of Invista European Real Estate Trust's portfolio, keeping €122m of mezzanine and carving out €100m of senior debt to sell to Bank of America Merrill Lynch; and providing the €85m of mezzanine for Beacon Capital's €600m refinancing of First Tower in Paris.

EUROPEAN DEBT FUND CAPITAL RAISING OF THE YEAR

London-based DRC has a small team of 14, but has raised some serious money for European real estate debt; in 2014 it closed mezzanine fund ERED II with £487m, well above the £400m initially targeted. "Fund raising is never easy, but we had a good track record and pipeline of deals, and could show that we could put capital to work," says partner Dale Lattanzio, who set up DRC in 2012 with Rob Clayton and Cyrus Korat. The trio worked together at Duet Private Equity, where they wore out a lot of shoe leather in 2009 trying to convince investors to put their money into real estate debt. They managed to close ERED I in 2011, which DRC now looks after and is fully invested, with £300.5m in 15 deals.

ERED II has attracted more North American capital than its predecessor; investors include Sacramento County Employees Pension Plan and New Mexico's Public Employees Retirement Association. The fund is targeting returns of over 10% and has invested £300m in six deals. These included a €37.5m mezzanine loan to Evans Randall for its refinancing of Königsbau Passagen, Stuttgart's largest shopping mall; Allianz Real Estate provided the €145m senior slug.

DRC is itself moving into senior debt, having won a €500m mandate from a European investor to finance European real estate at 65% LTV ratios. Unlike ERED II, it will not originate whole loans and syndicate tranches, but will hold loans in their entirety, though the mandate allows syndicating pari passu tranches. AgFe and AXA were neck-and-neck for the runner-up spot. Independent debt asset manager AgFe raised £1.5bn for two senior debt funds in 2014, while AXA Real Estate has blazed the trail for capital raising for lending by European institutions, its capital raising team having raised €10bn.