

## Brookland to advise Capita on Karstadt CMBS

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Financial adviser to work with bondholders of loan securitised on German department store portfolio

The servicer of the €1.13bn loan secured against the Karstadt department store portfolio in Germany, Capita, has appointed Brookland Partners as financial adviser on behalf of the bondholders in the commercial mortgage-backed securities issue, Fleet Street II.

Comprised of former Goldman Sachs, Merrill Lynch and Bear Stearns debt experts, Brookland will advise Capita on how to handle proposals that are put forward as well as how to deal with bondholders. Meanwhile, Jones Lang LaSalle has been asked to provide a new valuation for the 99 assets in the €1.88bn portfolio against which the securitised loan was made, according to sources. JLL may also get the mandate to value the whole €4.56bn portfolio. Cushman & Wakefield valued the portfolio since the deal was closed in 2006. Rating agency Fitch believes the portfolio is now worth only half of the €1.88bn.

The underlying loan is not in special servicing, although there is an existing restructuring between the bondholders and the borrower - a consortium including Goldman Sachs' Whitehall funds, RREEF and Pirelli - following the insolvency of the sole tenant, Karstadt.

Following the insolvency of the operator of the Karstadt department stores, Arcandor, Fitch downgraded all four classes of Fleet Street II bonds and removed the rating watch negative. The class A, B and C notes were given a negative outlook, while class D notes were given a recovery rating. Fitch said it considers the size of the department stores "one of the largest risks the marketability of this portfolio."

The 99 assets against which the loans were securitised are part of the €4.56bn High Street portfolio in which Goldman Sachs holds a 51%-stake and the consortium of RREEF, Pirelli and Borletti the remaining 49%.

In the report, Fitch said the securitised loan has a reported weighted average loan-to-value ratio of 59.8% based on the December 2008 revaluation. This compared with a Fitch LTV of 114.3%, reflecting a market value decline of 47.7%.

In an interview with *EuroProperty*, Ed Siskind, who is sole head of the Goldman Sachs' Real Estate Principal Investment Area (REPIA), said that Karstadt's insolvency did not come as a complete surprise. "We understood that the credit was weak when we invested in it," Siskind said. "We are going through the insolvency process, working with the administrator and look forward to a successful resolution." (See page 16 for the company profile on Goldman Sachs).

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