

# Formation Capital Buys Former Southern Cross Care Home Business

By Alastair Marsh Nov 3, 2014 4:51 PM GMT

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Formation Capital LLC has bought more than 220 U.K. nursing homes for the elderly in a deal that heralds the end for some of [Europe's](#) most troubled commercial mortgage bonds.

The U.S. health care investment firm paid 477.7 million pounds (\$763.6 million) for the properties, Capita Asset Services said in a statement. Capita is the London-based manager of a loan financing the care homes that was packaged into mortgage bonds.

The 610 million pounds of notes, which were sold at the peak of Europe's real estate market in 2007, became a symbol of the dysfunction in the region's \$65 billion commercial mortgage-backed [securities market](#). Bondholders fought to control the debt after a decline in occupancy levels and a slump in property values threatened losses for junior investors.

The care-home bonds are known as Titan Europe 2007-1 (NHP) Ltd. and are backed by a loan originated by Credit Suisse Group AG. Southern Cross Healthcare Group PLC, the operator that ran most of the homes, collapsed in 2011 amid rising costs.

[Deutsche Bank AG \(DBK\)](#) was asked last year by Capita to advise on a sale of the properties. That created an impasse between bondholders since only investors in the most senior notes stood to be repaid based on property prices at the time, according to Bank of America Corp. data.

Alpharetta, Georgia-based Formation invests in housing for the elderly and other health care real estate, according to its website. Real estate investment trust HCP Inc. provided a 394.5 million-pound five-year loan to fund the acquisition, according to a statement from [Irvine](#), California-based HCP.

Capita hired real estate investment firm Brookland Partners LLP to assist in negotiating with bondholders and facilitating the sale, according to a statement from London-based Brookland.

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