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Finance Blog by James Wallace

Deutsche Bank's JP Morgan-backed €406.1m Monnet Finance CMBS closing today

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Deutsche Bank will price and close the privately placed €406.1m Monnet Finance Limited agency-style CMBS by the end of the day, taking the annual tally of European CMBS closures this year to almost €5.5bn.

CoStar News revealed on Friday that JP Morgan was expected to take 90% of the tradable bonds in Monnet Finance Limited– namely the class As and Bs, with a separate account buying the class Cs.
Monnet Finance Limited is a re-securitisation of the majority outstanding Quokka Finance CMBS as well as a minority of addition German multi-family assets, owned by BGP Investment, the holding company for legacy joint venture partners Babcock & Brown and GPT.

Pricing guidance ahead of final closing of the five-year unrated new issuance, which matures in November 2018, comprises:

- Class As: €289.4m priced at 192bps over three-month Euribor
- Class Bs: €57.7m priced at 326bps over three-month Euribor
- Class Cs: €38.6m priced at 550bps over three-month Euribor
- Class Ds: €20.4m – no price guidance given

Based on the coupons for the class A thru class C, the blending cost of debt is 248bps. In addition to which there are securitisation running costs, including loan servicing for which Capita Asset Services has been selected.

Deutsche Bank and JP Morgan are joint leads on the class As and Bs, while Deutsche is sole lead on the class Cs.

While LTVs are not yet known, they are assumed to reach 70%, implying a portfolio value of the Monnet Finance collateral of circa €580m.

Legal final maturity is November 2021. Capita Asset Services has been selected as the master servicer on Monnet Finance Limited.

The legacy outstanding Quokka Finance securitisation's interest payment date (IPD) is today, and with Monnet Finance not expected to settle for at least a couple of days after closing by the end of today, this suggests either a so-far announced short-term standstill extension or a bridge facility by Deutsche Bank.

The €20.4m class Ds will be held by BGP Investments in line with European Union 5% "skin in the game" Capital Requirements Directive (CRD) for banks and investment firms.

This is the eighth European CMBS to have closed so far this year, supporting a stronger recovery than many expected, albeit from an incredibly low base.

Last November, at the CREFC Europe's autumn conference, the majority of delegates estimated that issuance this year would be below €5bn, with only 18% of delegates agreeing with Nassar Hussain, managing partner at Brookland Partners, who estimated that issuance would be between €5bn and €10bn.
The eight transactions in the first eight months of the year total €5.43bn, according to data compiled by *CoStar News*. They comprise:

- The €570.6m Tesco Finance, a 21-year dated £493.4m credit-linked securitisation, with the bonds secured by the rental income from seven Tesco superstores
- The €938.5m INTU (SGS) Finance, £800m of senior secured fixed rate bonds secured by four UK shopping centers
- The €443.6m UTGLN, Unite's £380m senior secured fixed rate bonds
- The €1.07bn Taurus 2013 GMF 1, BAML's securitisation of the loan which refinances Gagfah's46,151-strong Dresden German multi-family "Woba" portfolio
- The €1.99bn German Residential Funding 2013-1, Goldman Sachs International and BAML's securitisation of Gagfah's 61,613-strong German multi-family residential portfolio loan
- The €443.8m DECO 2013-CSPX, Deutsche Bank's £380m unrated securitisation of Blackstone's Chiswick Park

- The €305.9m Debussy DTC, the £263.16m re-securitisation of its 31 UK-wide Toys R Us retail stores and distribution centre
- The €406.1m Monnet Finance Limited

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