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Finance Blog by James Wallace

## Distressed investor LRC acquires Royal Mint Court loan

Posted on [May 22, 2014 4:58 pm](#) by [James Wallace](#)

**An entity controlled by LRC Group, a low-profile distressed commercial property investor, has emerged as the mystery buyer of the Royal Mint Court loan, secured by the leasehold of the former home of the Royal Mint by Tower Bridge.**



The loan acquisition by LRC sets up an intriguing dynamic with Delancey, the freehold owner, which has been intent on capturing the marriage value from uniting its holding with the leasehold since acquiring the interest from The Crown Estate for £51m in November 2009.

This is because uniting the freehold and leasehold would crystallise a value greater than the sum of its parts and provide overall control for any asset repositioning or refurbishment.

LRC, founded by Yehuda Barashi, paid £49.5m for the loan, which equates to a price of £107 per sq ft based on the office complex's 460,000 sq ft of net lettable space. Savills, the LPA receivers, were seeking bids in excess of £30m.

By comparison, the £49.5m price reflects a 40.7% discount to the unpaid balance of the £83.5m whole loan and a 28.7% discount to the outstanding £69.5m senior loan, which was securitised by Barclays Capital in Equinox Eclipse 2006-1 CMBS.

LRC's preference for buying the loan, rather than the direct asset, sidesteps the potential for Delancey to try and challenge the change of leaseholder with LRC stepping in effectively as the replacement lender to Equinox bondholders. LRC can therefore enforce over the loan and own the leasehold directly in its own time.

Under the terms of the 1980s-vintage lease, both Delancey and LRC are entitled to 50% of the Royal Mint Court's income, although the office complex is now approximately 60% vacant and will fully expire by the end of the year.

*CoStar News* understands that talks between LRC and Delancey are yet to begin, with the fate of the Royal Mint office complex either to result in a stalemate or a consensual partnership.

Delancey's freehold interest has the power to block new tenants, although a sustained period of no income would logically be in neither party's investors' interests.

LRC has deployed around €1bn in distressed real estate predominantly in Germany over the last three years, acquiring assets from a range of private equity funds, investment banks and loan servicers including Lone Star, Cerberus, Apollo, Deutsche Bank, Capita Asset Services and Hatfield Philips.

The Royal Mint Court loan acquisition reflects LRC Group's enlarged ambitions for UK distressed commercial property investment.

Brookland Partners founder Nassar Hussain acted as LRC's financial adviser and Paul Severs, head of structured debt and capital markets at Berwin Leighton Paisner acted as legal adviser.

All parties declined to comment.

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