

Deadline extended for CMBS consultation

The consultation period for the plan to set up new guidelines for commercial mortgage-backed securities has been extended until 25 September to allow more time for responses.

The consultation, known as CMBS2, is intended to help improve investor confidence and encourage more people to put money into the securities.

Confidence has suffered because the valuation of much of the commercial property used to back them has turned out to be much higher than their market value.

The guidelines are being formulated by a 50-strong committee of the Commercial Real Estate Finance Council chaired

by Nassar Hussain, who runs the real estate investment broker Brookland Partners.

Hussain said that the delay in the consultation should not substantially delay the new guidelines, which the committee wants to announce before the CREFC's November conference.

Hussain added that the biggest issue which CMBS2 needs to address is "more transparency", including better valuations and the disclosure of information such as tenant lease data. One of CMBS2's key roles would be to encourage more rigorous due diligence, Hussain said.

He said that one issue with which the committee had wres-

tled was making the new guidelines "balanced", serving the interests of the wider market.

He explained: "If it becomes too creditor-friendly, it results in a competitive disadvantage to the banks from a disclosure perspective."

The guidelines will have no legal power, but are expected to be widely adopted.

Hussain said that some deals had already incorporated many of the principles likely to be put into CMBS2, including Deutsche Bank's securitisation last year of the £303m loan to Blackstone for the purchase of Chiswick Park, known as DECO Chiswick Park CMBS.