Reading the pitch

Brookland Partners founder Nassar Hussain and new partner Gareck Wilson talk to Jack Sidders about the change in the debt market that's inspired a new direction. Portrait by Marcus Rose

Much like the former England cricketer with whom he shares a name, Nassar Hussain has a habit of picking movement up early.

But rather than detecting the first hints of reverse swing on an overcast Essex wicket, the founder of Brookland Partners has a talent for sensing those shifts in sentiment which can come to dictate market conditions for substantial periods.

After spearheading innovations in structured finance during the boom, he sold close to the peak and moved into restructuring, rapidly growing one of the real estate debt market's top advisory firms.

So, since the company recently put out a press release announcing it was launching a major new direction for the business, what shifts in cloud cover has the lawyer turned banker turned adviser picked up this time and what might it mean for the rest of the market?

Brookland has made its name advising on complex restructurings and loan work-outs, particularly on CMBS deals.

Hussain and his partners had spent the decade leading up to the crisis devising, originating and selling these complex loans, and when values collapsed leaving no one quite sure what would happen or who was entitled to what when covenants inevitably breached and loans matured, they were well-placed to help advise the various parties on the best solutions for recovering their money.

Hussain himself started out as a lawyer, a field he found "insufficiently dynamic", before turning to real estate banking in 1997, first with UBS and latterly at Merrill Lynch.

He worked on numerous firsts in structured real estate finance, helping originate loan structures which no one had seen before, helping to create the commercial mortgage-backed securitisation industry in the UK.

Then, just as everyone was toasting a vintage year for structured real estate finance, with those complex loan deals starting to flow regularly, he decided it was time to move on.

"By mid to late 2006 I was getting nervous of where the market was really moving to; the analysis on risk and pricing seemed to be diminishing, there was too much spreadsheet underwriting going on and less and less analysis of the real estate fundamentals," he says.

Having written several loans to Derek Quinlain's Propinvest to fund the purchase of small individual assets, he turned down

the chance to securitise them in the now notorious Gemini Eclipse transaction, the consequences of which are still being played out in the courts.

Somehow, he avoids coming across as too smug about the experience. "I had no idea there was going to be a crash or what was going to cause it, it was just a general uncomfortableness with where the market was heading," he claims.

A brief stint in the Middle East followed but by 2009 he was back in the UK and, spotting an opportunity, convinced a law firm to fund a start-up business advising on the restructurings which would be required for the loans, the structure of which few understood.

The business flourished, paying back its original start-up capital in just a few months. One of its first big instructions was the European department store owner Karstadt which had become insolvent. Thousands of jobs were at stake and the opco/propco structure made it even more fiendishly complex, but after much wrangling and months of negotiation, a solution was arrived at.

High-profile UK transactions followed, including Plantation Place and the CityPoint tower in the City of London, both of which were big news as various investors wrestled for control.

"The past four years have been pretty intense," Hussain admits, explaining what he has learned in the process. "Psychology plays a key part with so many stakeholders, there are agendas and sometimes game theories being played."

By the end of last year the firm had usurped all of the accountancy giants and almost all of the investment banks to earn a place in the top 10 of Thomson Reuters' Distressed Debt and Bankruptcy Restructuring League Tables, outranked only by the likes of Lazard, Blackstone and the advisers involved in the unwinding of Greece's sovereign wealth crisis.

Then in July this year Brookland Financial was launched, with Hussain and the firm's newest partner, former Australian air force officer turned real estate banker Gareck Wilson, talking of a major "change in emphasis" for the business. The launch was a response to an evolving market.

By the beginning of this year the largest and most complex restructurings had generally been completed, albeit with a high volume of smaller transactions set to mature over the next year or two.

There was also a "dramatic shift in the amount of debt capital – especially senior and CMBS – coming back into the market," according to Hussain.

A combination of the Funding for Lending scheme, more US money washing up in Europe, and a sustained period without significant economic turmoil, Cyprus aside, triggered the sudden change in sentiment.

Debt funds that had previously struggled to raise capital found they now had repeat investors, and their attention quickly switched to finding the opportunities to deploy it.

Institutions too began looking for fund managers to help them invest in real estate debt and some major banks knocked on Brookland's door to ask for help in originating property loans.

"Initially we were a little bit surprised, bearing in mind the size of certain of those institutions, but we have been involved in many situations where new finance is required, so it made sense," Hussain says. "So we made a very conscious decision to reallocate our resources and establish Brookland Financial to act as a key intermediary in the market."

The business is split in two; helping borrowers source debt and helping lenders originate it.

The idea is to put the company in the middle of as many transactions as possible by offering a comprehensive service to create the kind of deal flow which would not have been possible when solely focused on large and hugely complex restructurings, notwithstanding the fact the firm will continue to advise on restructuring as well.

Wilson, who has worked at Fitch, Macquarie and Deutsche Bank, will be instrumental in working with the five lenders which have enlisted Brookland's help in originating the loans.

Unsurprisingly, he isn't able to name them given debt funds don't want to advertise to their investors that they are struggling to deploy the capital with which they have been entrusted, and major banks are loathe to admit they have lost so many experienced people that they need help in writing loans.

But he explains: "There are lenders that will do whole loans, lenders that will do senior and lenders that will do just mezzanine. They cover the whole risk spectrum from core to secondary – obviously it wouldn't make sense to work for five lenders who do the same thing."

Wilson predicts that almost every lender will fail to achieve their targets this year, hence there should be a good opportunity for Brookland Financial.

For borrowers, who were given a brutal education in the nuances of real estate debt following the onset of the crisis five years ago, there is also the need for a certain amount of handholding. "They have become a lot more savvy, but the market is much more fragmented now," Wilson explains.

Borrowers will be given access to the 120 lenders on Brookland's books with a full range of services on offer including sourcing arranging, structuring and underwriting debt on individual loans, through to CMBS transactions on everything from acquisitions to refinancing.

The launch will be eagerly watched.

Thus far, Hussain has shown himself to be a talented reader of the pitch of the market. And, like his namesake, you feel he is set to play a big innings.

"I had no idea there was going to be a crash or what was going to cause it. I just had a nervousness"