PEI Alternative Insight
REAL ESTATE
CAPITAL
AWARDS 2014
THE WINNERS

Real Estate Capital launched its inaugural awards last December as part of a desire to continue expanding and getting closer to our real estate finance community. During the process, it was fascinating to look back at the highlights of 2014 and take soundings about the companies and teams that made an impact over the year.

We came up with the categories and shortlists, but deciding the winners was for *Real Estate Capital*'s readers and clients. There were thousands of votes and respondents were not allowed to tick the box for their own firm. That means the 14 winners across the 20 categories are the firms their peers judged most worthy. See whether you agree.

Five companies won more than one award. Four are giants in real estate, operating in the US and Europe and winning awards in each region: Bank of America, Blackstone, Deutsche Bank and Wells Fargo. The fifth, DRC Capital, is one of the new breed of non-bank lenders, an independent firm and pioneer in targeting the European financing gap that opened after the financial crisis.

Deutsche Bank, internationally respected for its understanding of real estate, was the only company to win three awards: pan-European lender of the year in Europe, plus CMBS arranger/lender of the year in both Europe and the US. But rival Bank of America wasn't usually far behind and won the European and US financing of the year categories. There were some very close results: Eastdil pipped competitor CBRE to European debt adviser of the year – but the table was turned for the US award, with CBRE holding Eastdil down in second place.

After the review of the winners, the supplement turns to 2014's most interesting trends. It was a year when property deals picked up and debt capital followed equity into more markets. The resulting liquidity made borrowing costs even cheaper for investors, oiling the wheels and underpinning recovery. It also helped the expansion in the number of debt providers, making it essential for lenders and borrowers to understand one another's strategies. We hope that's where *Real Estate Capital* can play a part.

EUROPEAN WINNERS

PAN-EUROPEAN LENDER OF THE YEAR
Deutsche Bank
EUROPEAN FINANCING OF THE YEAR
Bank of America Merrill Lynch, Coeur Défense
UK LENDER OF THE YEAR
Wells Fargo
EUROPEAN DEVELOPMENT FINANCING OF THE YEAR
Battersea Power Station Development Co & banks
EUROPEAN INSURANCE COMPANY LENDER OF THE YEAR
AXA Real Estate
EUROPEAN MEZZANINE LENDER OF THE YEAR
DRC Capital
EUROPEAN CMBS ARRANGER OF THE YEAR
Deutsche Bank
EUROPEAN BORROWER OF THE YEAR
Great Portland Estates
FUND MANAGER FINANCE TEAM OF THE YEAR
CBRE Global Investors
EUROPEAN DEBT FUND CAPITAL RAISING OF THE YEAR
DRC Capital
EUROPEAN DEBT ADVISER OF THE YEAR
Eastdil Secured
EUROPEAN DEBT WORK-OUT ADVISER OF THE YEAR
Brookland Partners
EUROPEAN NPL SALE OF THE YEAR
IBRC, Project Stone
EUROPEAN NPL ACQUISITION OF THE YEAR
Blackstone, Project Hercules

US WINNERS

DEBT FUND CAPITAL RAISING OF THE YEAR
Lone Star Funds
BANK LENDER OF THE YEAR
Wells Fargo
US DEBT BROKER OF THE YEAR
CBRE
MEZZANINE LENDER OF THE YEAR
Blackstone Real Estate Debt Strategies
CMBS LENDER OF THE YEAR
Deutsche Bank
FINANCING OF THE YEAR
Bank of America, Saks Fifth Avenue

Pan-European lender of the year

WINNER:
Deutsche Bank

RUNNER UP:
Bank of America Merrill Lynch

Gad Casby

Real Estate Capital's readers voted Deutsche Bank as the most consistent lender across all sectors and European countries in 2014. The German bank completed more than €5bn of deals during the 12 months.

Once again, it was busiest in the UK, in line with overall investment volumes, but it was also active in Ireland, Holland, Spain, France, Italy and its homeland.

"In 2014 every aspect of our business grew both in terms of volumes and number of deals," says Gad Casby, managing director and head of commercial real estate in Europe, the Middle East and Africa. "We came into the year well positioned in terms of having our teams already in place and ready to handle increased volumes."

"IN 2014 EVERY ASPECT OF OUR BUSINESS GREW BOTH IN TERMS OF VOLUMES AND NUMBER OF DEALS"

The bank's largest deal was its €1.5bn refinancing of distressed German property company IVG in October. The refinancing included a CMBS in December of €680m of the senior debt, known as Deco 2014 Bonn, plus a syndication.

"The deal itself was relatively straightforward, but it was the sheer size that was unusual," says Bhavesh Patel, the bank's head of distribution and underwriting. "It was producing stable office income in Germany, which is pretty much poster-child collateral for CMBS,"

Last year DB was also highly active in the hotel and leisure sector, a corner of the market it likes, as some other lenders shy away from this somewhat more complex area.

In August, the bank completed a £200m senior loan to refinance the iconic Savoy Hotel in London for Kingdom Hotel Investments. A £100m mezzanine loan was provided by Apollo Global Management, which made several appearances as a lending partner.

DB also provided a £200m whole loan to Park Lane Properties to refinance Grosvenor House Apartments, also in the West End, subsequently selling a £39m mezzanine tranche to Apollo.

"We have been lending in the hospitality space since 2011," says Casby. "Since it's not core for some lenders, we tend to do well, when a large deal that requires a one-stop-shop appears."

BAML was a strong second place in the voting and competed throughout the year against Deutsche Bank to win Europe's largest mandates.

The US bank was active in the UK, France, Germany, the Netherlands and completed three CMBS deals. Its stand-out transaction was the €935m refinancing of Lone Star's Coeur Défense in Paris last February, which also resulted in a €410m CMBS of part of the senior loan in August (see below).

European financing of the year

WINNER:
Bank of America Merrill Lynch, Coeur Défense

RUNNER UP:
Deutsche Hypothekenbank, Mall of Berlin

Coeur Défense

BAML's humungous, €935m loan for Lone Star's acquisition of Coeur Défense last February facilitated the complex restructuring of one of Europe's biggest problem assets.

The transaction reflected a 72% loan-to-value ratio on the €1.35bn valuation.

Lone Star managed to unravel the asset's financial structure and take control by bringing together a variety of different interests from various players. First it bought the special-purpose vehicle that owned the asset by striking a deal with the administrators of Lehman Brothers.

"IF LONE STAR HADN'T ALIGNED EVERYONE'S INTERESTS, WE WOULDN'T HAVE BEEN AT THE TABLE"

It then agreed to buy the notes behind the €1.2bn distressed legacy CMBS loan, initially issued by Lehman Brothers, from investors including Perella Weinberg and Credit Foncier.

"The fact that Lone Star managed to buy the debt and equity was what made the deal possible," says Gregory Clerc, head of Europe, Middle East and Africa real estate debt distribution for BAML.

"If Lone Star hadn't aligned everyone's interests, we wouldn't have been at the table."

BAML agreed to work exclusively with Lone Star on the deal, rather than other investors or note holders looking to take control, although the bank didn't provide debt to the private equity firm in the lead-up to its purchase to buy individual interests.

AXA Real Estate came in alongside BAML, taking a 34% stake across the debt stack.

Other investors bought chunks of the BAML loan: BAWAG took a €130m mezzanine slice and LaSalle Investment Management a €26m junior position. The sell-down process of such a large quantum of debt was not simple.

Eventually €410m of the remaining senior debt was securitised in August. This was executed despite the CMBS being unrated and was the first French CMBS since 2007.

"Selling non-recourse commercial real estate debt is never a straightforward process, it is a sophisticated and specialised investor base that undertakes intensive due diligence," says Clerc.

Since then the asset, and its valuation, has been boosted by a leasing deal with HSBC that will expand its presence in the complex to 46,000m^2.

UK lender of the year

WINNER:
Wells Fargo

RUNNER UP:
Barclays

Max Sinclair

US bank Wells Fargo got into its stride as a force in UK lending in 2014, after acquiring Eurohypo's UK business the previous year.

The team, led by Max Sinclair and Mike Acratopulo, lent to a wide roster of well-known property names, from private equity firms such as Angelo Gordon, Blackstone and Lone Star, to UK property companies including British Land, Canary Wharf Group, Capital & Counties, Great Portland Estates and Intu, plus to Brookfield, Oxford Properties and other North American clients.

The bank provided secured debt alongside insurer MetLife when Blackstone picked up Alban Gate in the City of London. For Brookfield, Wells financed new development Moorgate Exchange, which the Canadian group acquired at the end of the year, and provided Brookfield's development finance for London Wall Place, part pre-let to Schroders, which is going up next door.

"THE STRENGTH OF OUR FUNDING BASE ENABLES US TO COMPETE FOR A BROADER SPECTRUM OF OPPORTUNITIES THAN BEFORE, INCLUDING UNSECURED AND LOAN-ON-LOAN"

The bank's hospitality deals included a £50m participation in a £150m loan to KSL Capital's Malmaison and Hotel du Vin refinancing. It also completed a first in Ireland, financing distribution warehouses for another US client, Exeter Property Group.

Sinclair, the bank's head of UK commercial real estate, says one particularly pleasing deal was the bank's refinancing of UK shopping centre REIT Intu's half share in Cardiff's St David's Centre. The debt was secured on an equity interest, rather than first-mortgage secured.

Similarly, participation in a facility for Legal & General for the UK institution's Industrial Property Investment Fund, which includes hundreds of properties, wasn't secured by first mortgages.

Another first was loan-on-loan finance – with a huge, £610m commitment to Lone Star for the firm's acquisition of 'Rock' and 'Salt', 1,000 non-performing loans sold by Irish bad bank IBRC, plus an £80m loan secured on performing housing loans originated by Pluto Finance.

Sinclair says: "In a market that became increasingly competitive, we are delighted with our first full year with Wells Fargo. The strength of our funding base enables us to compete for a much broader spectrum of loan opportunities than before, including unsecured and loan-on-loan transactions.

"We have been able to access and develop some of Wells Fargo's long-standing real estate client relationships, which have complemented our existing UK client base. It is important that our clients know that when we say we will deliver a transaction, we will be good to our word; this will be a key focus for the coming year."

European development financing of the year

The Battersea Power Station financing team

WINNER:
Battersea Power Station Development Company, CIMB, Maybank, Standard Chartered

RUNNER UP:
pbb Deutsche Pfandbriefbank

Redeveloping Battersea Power Station in London is a massive, complicated job: an £8bn project that will build 4,000 homes, 3.2m sq ft of offices, retail, hotel and leisure space, plus a community centre and public park. The Malaysian consortium of SP Setia Berhad, Sime Darby and Employees Provident Fund took on the challenge of breathing life back into this derelict site in 2012.

Financing this involves big money, and the £1.35bn of debt arranged by CIMB, Maybank and Standard Chartered Bank to fund phases 2 and 3 is a whopper. The syndicate they put together includes Oversea-Chinese Banking Corporation, which also took part in funding the first phase of the project, plus three lenders: RHB, DBS and National Bank of Abu Dhabi.

The relationship between sponsors and lead banks was vital to the funding. "It underpins everything. It's been built up over 20 years and there is a lot of financial strength in those companies," says Simon Murphy, finance director of project manager Battersea Power Station Development Company. "They're a very experienced banking group who 'get' this project."

The five-year financing is split into £750m for phase 2, which will convert the power station into apartments and commercial uses; and £600m for phase 3, to develop Electric Boulevard, a new residential and commercial "high street" designed by Frank Gehry and Norman Foster.

The latter is structured so that it is murabaha-compliant. "'Some banks in the syndicate have a strong Islamic presence and were keen we introduce that," says Murphy. "The mixture of conventional and Islamic finance was key to ensure that there was the liquidity to raise £1.35bn."

Funding both phases in one go was challenging, but "it takes it to the point where revenues will repay all the debt and all the equity and self-fund thereafter," says Murphy.

European insurance company lender of the year

WINNER:
AXA Real Estate

RUNNER UP:
M&G Investments

European insurance companies are now serious players in senior lending and AXA has been leading the charge, a fact recognised by voters, who put the French group ahead of other heavy guns in the poll, such as the UK's M&G Investments and Germany's Allianz.

AXA's dominance is partly down to the group being early to spot the debt market opportunity. AXA Real Estate set up its commercial real estate debt business back in 2005, led by head of fund groups Isabelle Scemama, and the group's insurance companies are enthusiastic investors.

But Scemama also puts AXA's success in this area down to the flexible investing strategy that her team has evolved. "We invest in both the primary and secondary loan market and last year were active in both," she says. "We have the capacity to be truly pan-European and target all asset classes and jurisdictions."

Isabelle Scemama

"WE INVEST IN BOTH THE PRIMARY AND SECONDARY LOAN MARKET... WE HAVE THE CAPACITY TO BE TRULY PAN-EUROPEAN AND TARGET ALL ASSET CLASSES AND JURISDICTIONS"

With €7.5bn invested in investment-grade senior debt, AXA Real Estate's scale means the platform can also tackle very large transactions where there are fewer competitors.

Last year the team increased the book's weighting to Spain to 20% – the split is now 34% UK, 29% France, 20% Spain and 12% Germany – by buying a €900m portfolio of Spanish performing loans from JP Morgan. The bank acquired the loans in its joint acquisition with Lone Star of Commerzbank's 'Octopus' Spanish property loan book.

Last year AXA Real Estate also lent on a very large primary market transaction, taking a 34% vertical tranche at the outset of the €935m loan Bank of America Merrill Lynch arranged for Lone Star (see p4).

"We reviewed €36bn of loans last year and invested in 10% of them," Scemama says.

In addition to the €3.6bn deployed in commercial real estate debt during 2014, her team invested a further €1.4bn in senior infrastructure debt. For now, the infrastructure strategy is dedicated to internal AXA group clients.

At the end of the year, a capital raising by the team led by Charles Daulon du Laurens gathered €1.5bn for AXA's most recent debt fund, CRE Senior 9. Shortly before that AXA was awarded a separate, €250m CRE debt mandate by a Dutch insurance firm, which took the total commitments received in 2014 to €3.7bn and the total of capital committed to €10bn. Some 40 of AXA Real Estate's 48 debt clients are third-party ones.

"We did see some compression in margins and that is why we want to remain agile," Scemama says. "Last year we achieved an average return of 280bps over Euribor on five-to-seven-year loans. I think we can say that 2014 validated our business model."

European mezzanine lender of the year

Dale Lattanzio, Cyrus Korat and Rob Clayton

WINNER:
DRC Capital

RUNNER UP:
Blackstone Real Estate Debt Strategies

DRC STILL FINDS WAYS TO HIT ITS TARGET RETURNS BY "SOLVING PROBLEMS. ...IT'S SPEED OF EXECUTION, THE ASSET CLASS OR DEAL STRUCTURE"

DRC Capital may not be the biggest mezzanine provider on the European block, but it has carved out a strong position in this niche market.

The three founding partners, Dale Lattanzio, Cyrus Korat and Rob Clayton, have among them clocked up 65 years of experience with real estate and debt markets. Since 2009, they've loaned £1bn and raised £787m in two European mezzanine funds – no small feat in a tough market.

"We funded a further six transactions in the last quarter of 2014," says Dale Lattanzio. These included providing £24m of mezzanine debt to Oaktree and Patrizia for their £127m purchase of the Citrus portfolio of UK regional assets, with Barclays chipping in the senior portion; and underwriting a whole loan of €65m to Draco Property, to refinance Brettenham House, placing the senior part of the loan with Standard Life Investments.

Though margins on mezzanine debt have fallen significantly over the past year, Lattanzio says DRC can still find ways to hit its targeted returns by "solving problems. Sometimes it's speed of execution, sometimes the asset class or deal structure."

DRC is now moving into senior lending, having recently won a €500m mandate from a European investor to deploy the capital in the UK, France, Germany, Belgium, the Netherlands and Scandinavia.

Running DRC a close second – and a big beast, with over $9.3bn of assets globally – BREDS majors on bigger, complex mezzanine deals in Europe.

Its notable ones include: a £222m refinancing of Invista European Real Estate Trust's portfolio, keeping €122m of mezzanine and carving out €100m of senior debt to sell to Bank of America Merrill Lynch; and providing the €85m of mezzanine for Beacon Capital's €600m refinancing of First Tower in Paris.

European CMBS arranger of the year

WINNER:
Deutsche Bank

RUNNER UP:
Bank of America Merrill Lynch

Deutsche Bank was a clear winner in this category, arranging the most deals both by number (four) and quantum (€2.2bn). The deals were spread across four different countries, too: the UK, Germany, Italy and Holland.

DB's first deal was in Italy in June, the €355m DECO 2014 – GONDOLA, with office, retail and logistics collateral owned by Blackstone.

"The Italian market is unusual in that you don't have the local banks as active as in some other jurisdictions, which leaves an opportunity for international lenders," says Bhavesh Patel, the bank's head of distribution and underwriting in Europe, the Middle East and Africa.

Bhavesh Patel

"INVESTORS SEEM PRETTY HAPPY TO TAKE ITALIAN RISK AND ARE COMFORTABLE, PROVIDED WE HAVE BEEN SELECTIVE ABOUT THE SPONSORS AND ASSETS"

"On the other side of the coin, investors seem pretty happy to take Italian risk and are comfortable provided we have been selective about the sponsors and assets," Patel adds.

The bank hit a bump in the road in August when it advised Westfield on a £750m securitisation secured on the Australian company's prime Stratford City shopping centre in east London.

A combination of investors' uncertainty over whether DB was legislatively in the clear by not retaining 5% of the notes, plus the summer lull, meant that the transaction was pulled.

"We perhaps underestimated the number of people that would be away at that time and the market was still trying to find its feet," Patel says.

However, momentum quickly built for DB and in September it followed Gondola with the first post-financial crisis Dutch CMBS. The €250m DECO 2014-Tulip comprised two loans issued to Mount Kellett Capital Management and Sectie 5 Management.

"We saw a lot of demand for financing in the Netherlands and we were able to be very selective over what we chose to finance and the quality of the deals, at margins that made sense for us," Patel says.

The Stratford City CMBS was successfully brought back to the market that month, with the bank retaining 5% of the notes to smooth the process.

Its final transaction of the year came in December, issuing a €680m CMBS of a €1.5bn loan made to distressed German property company IVG.

Runner-up BAML was the only lender other than Deutsche Bank to undertake more than one CMBS last year.

It closed the first deal of the year last June – the £211.5m Taurus CMBS UK 2014-1 – followed by an unrated, €410m CMBS of debt issued to Lone Star for its acquisition of Coeur Défense in Paris.

European borrower of the year

WINNER:
Great Portland Estates

RUNNER UP:
Unibail-Rodamco

Great Portland Estates, the UK's eighth-largest REIT, punches above its weight. Specialising in central London and the West End, it works its £3bn portfolio hard, repositioning, refurbishing and redeveloping.

The UK REIT, headed by chief executive Toby Courtauld, delivered total annual shareholder returns of 23.7% over the past five years, outperforming its benchmark index.

It has achieved this by canny financial management and playing the London market cycle. Its gearing is low, at 30%, and interest debt coverage a high 7.1x; property values would have to halve before its financial covenants were breached.

Toby Courtauld

"WE BOUGHT MORE THAN HALF OF THE PORTFOLIO IN 2009, WHEN WE HAD THE LOWEST LTV LEVEL OF ANY EUROPEAN PROPERTY COMPANY: 45%"

Low gearing and a high proportion of unsecured debt gives GPE the flexibility to exploit opportunities. "We bought more than half of the portfolio in 2009, when GPE had the lowest loan-to-value level of any European property company: 45%," says finance director Nick Sanderson.

This low-risk approach has lenders tripping over themselves to finance GPE. In 2014, it arranged a £450m revolving credit facility at a margin of just 105bps. It was dramatically oversubscribed and in addition to relationship lenders RBS, Lloyds, Santander, HSBC and Crédit Agricole CIB, it included Wells Fargo and Bank of China for the first time.

"We have a venture with the Hong Kong Monetary Authority, developing three buildings in Hanover Square, and we got to know Bank of China well," says Sanderson.

GPE has a highly diversified mix of debt and maturities –55% of its £1.1bn of drawn facilities comes from non-bank lenders. In 2013, it issued a £150m convertible bond, whose 1% coupon is the lowest yet for sterling issuance, and there is another £360m from two US private placements.

Runner-up Unibail-Rodamco is Europe's biggest quoted real estate company and has a well-deserved reputation for diversifying its funding. In 2014, it scored two firsts: issuing a €750m "green bond", and a €500m, 0% coupon 'ORNANE'.

It took just two hours to fill its order book for the green bond, the proceeds of which will be backed by buildings meeting required BREEAM standards.

The seven-year ORNANE – net share settled bonds convertible into cash and an amount payable in new and/or existing shares – do not bear interest and were placed at a 37.5% premium of Unibail-Rodamco's reference share price.

Fund manager finance team of the year

WINNER:
CBRE Global Investors

RUNNER UP:
TIAA Henderson Real Estate

Dennis van Vugt

CBRE Global Investors is one of the world's largest fund managers; in Europe, its finance team works with more than 20 funds, plus separate account clients.

Chief financial officer Dennis van Vugt heads a four-strong central team that supports each fund's dedicated managers, including a CFO, advising them on lenders in the market, while managing risk and maintaining relationships with key banks.

In 2014 the team refinanced four large European funds: Retail Property Fund France Belgium; the balanced Nordic Property Fund; and the Dutch Office Fund and Dutch Residential Fund.

"MOST OF OUR FUNDS AND ALL OF OUR SEPARATE ACCOUNTS ARE LOOKING FOR 50% LEVERAGE OR LOWER, WHICH IS VERY APPEALING TO GERMAN PFANDBRIEF BANKS"

Van Vugt's unit also advises on debt for acquisitions for separate account clients – last year this involved sourcing new debt for a US client investing in Spain and Portugal, among others.

"We usually provide finance for these clients on an asset-by-asset basis, as it's often the cheapest option," he says, "but we do put together bigger portfolios as well. In a fund you'd probably try a portfolio solution.

"Most of our funds and all of our separate accounts are looking for about 50% leverage or lower – even 35% – which is very appealing to German pfandbrief banks that are competitive, and we still use banks quite intensively. There is more bank debt available again for higher loan-to-value debt, but we don't have a lot of clients that want that."

The exception can be the refinancing of legacy loans. The Retail Property Fund France Belgium was refinanced at just over a 60% LTV ratio by a Natixis-led syndicate.

"It was refinancing an existing LTV level that was originally just above 50% and we went for a 60% LTV deal, rather than inject new equity, which was not on the table. We refinanced the loan for RPFFB's two Belgian assets with the existing lenders at an LTV ratio below 50%."

The Nordic Property Fund was also refinanced at a relatively high LTV ratio of 65%, in line with the original level of leverage, so new equity wasn't needed. Nordea was the lead bank.

One big change Van Vugt sees in the market is "a lot of insurance money entering this environment, which is relatively new; we have just refinanced our Dutch Office Fund this year with Pricoa as the lead lender/arranger.

"Getting insurance company money, which was long-talked about, was an important step in diversifying our lender base and the next is seeing if we can enter the market of bond financing as an option for our larger funds, given our reach."

European debt fund capital raising of the year

DRC lent €37.5m to help refinance Kőnigsbau Passagen in Stuttgart

WINNER:
DRC Capital

RUNNERS UP:
AXA Real Estate, AgFe

"WE HAD A GOOD TRACK RECORD AND PIPELINE OF DEALS, AND COULD SHOW THAT WE COULD PUT CAPITAL TO WORK"

London-based DRC has a small team of 14, but has raised some serious money for European real estate debt; in 2014 it closed mezzanine fund ERED II with £487m, well above the £400m initially targeted.

"Fund raising is never easy, but we had a good track record and pipeline of deals, and could show that we could put capital to work," says partner Dale Lattanzio, who set up DRC in 2012 with Rob Clayton and Cyrus Korat.

The trio worked together at Duet Private Equity, where they wore out a lot of shoe leather in 2009 trying to convince investors to put their money into real estate debt.

They managed to close ERED I in 2011, which DRC now looks after and is fully invested, with £300.5m in 15 deals.

ERED II has attracted more North American capital than its predecessor; investors include Sacramento County Employees Pension Plan and New Mexico's Public Employees Retirement Association.

The fund is targeting returns of over 10% and has invested £300m in six deals. These included a €37.5m mezzanine loan to Evans Randall for its refinancing of Königsbau Passagen, Stuttgart's largest shopping mall; Allianz Real Estate provided the €145m senior slug.

DRC is itself moving into senior debt, having won a €500m mandate from a European investor to finance European real estate at 65% LTV ratios. Unlike ERED II, it will not originate whole loans and syndicate tranches, but will hold loans in their entirety, though the mandate allows syndicating pari passu tranches.

AgFe and AXA were neck-and-neck for the runner-up spot. Independent debt asset manager AgFe raised £1.5bn for two senior debt funds in 2014, while AXA Real Estate has blazed the trail for capital raising for lending by European institutions, its capital raising team having raised €10bn.

European debt adviser of the year

WINNER:
Eastdil Secured

RUNNER UP:
CBRE Capital Advisors

Eastdil's impact on Europe's real estate capital markets has been nothing short of explosive since the US firm began expanding its operation in the region three years ago.

In 2014 the London-based team advised on $22.5bn of debt placement, loan sales and loan-on-loan financings. The global total for this key part of Eastdil's business was $60bn.

In European debt placement, Eastdil advises borrowers on sourcing finance, having spotted the opportunity arising out of the disintermediation of banks since the financial crisis and the appearance of a host of new sources of capital.

Eastdil may not be much loved by lenders, but borrowers have been hiring the firm in increasing numbers.

Eastdil helped refinance the iconic Savoy Hotel last year

EASTDIL GOT IN EARLY ON A NEW TREND: ADVISING BIG NPL BUYERS ON SELLING SECONDARY LOANS OR GROUPS OF LOANS FROM PORTFOLIOS

The debt team, headed by Riaz Azadi, includes hotels specialist Giorgio Manenti. Among the big deals they financed last year were Starwood's 23 Principal Hayley UK hotels, with Morgan Stanley; Blackstone's Mint Hotels portfolio, sourcing £550m with JP Morgan; and refinancing London's Savoy Hotel with Deutsche Bank.

Others included Blackstone's Alban Gate in the City, with Wells Fargo and MetLife.

Last year was another busy one for Eastdil in working on non-performing loan sales, particularly in Ireland, where the firm advised RBS's Ulster Bank subsidiary on all three portfolios the bank shed: the €715m Project Button; the €1.2bn Project Achill, sold in six tranches last September; and the nominally valued €5.6bn Project Aran, traded to Cerberus in December.

Eastdil also got in early on another new trend: advising big NPL buyers on selling on secondary loans or groups of loans from portfolios, or arranging financing for discounted pay-offs for borrowers whose loans were sold in NPL trades.

Lone Star appointed Eastdil last summer to sell on the Opal Group loan from the IBRC's £4.8bn Project Rock non-performing loan portfolio, which Lone Star bought. RBS and Blackstone hired the firm to sell the last loans out of Project Isobel.

Some of Eastdil's debt placement instructions arose from its growing European investment sales business, where the firm is giving the leading agents a run for their money.

One of its biggest rivals in both spheres, CBRE, was close runner-up in this category, with 49% of the vote. CBRE is winning more debt advisory business and hired experienced ex-banker Steve Williamson in 2013 to lead the expansion.

One coup for CBRE in 2014 was getting Richard Dakin, previously in charge of Lloyds' £24bn-plus real estate deleveraging programme, to join as MD of its real estate capital advisory business in Europe.

European debt work-out adviser of the year

WINNER:
Brookland Partners

RUNNER UP:
Mount Street

Boutique firm Brookland Partners has completed debt sales and acquisitions, arranged loans and capital markets deals and raised equity, but since its launch five years ago has become well known as a restructuring expert in complex situations involving commercial real estate debt.

Brookland has acted on some of the most high-profile European work-outs, achieving significant recoveries and/or returns for clients, including Karstadt, Deutsche Annington, NHP and Four Seasons.

Founder and managing partner Nassar Hussain, former head of CMBS at Merrill Lynch, says: "We proved our capabilities on our first difficult restructuring involving the property company for the insolvent Karstadt department store business, where in the end our stakeholders achieved a 100% recovery."

Nassar Hussain

"ON OUR FIRST DIFFICULT RESTRUCTURING, INVOLVING KARSTADT, STAKEHOLDERS ACHIEVED A 100% RECOVERY"

Last year, Brookland played a leading role in finally pushing the work-out of care homes operator NHP over the line. NHP, the UK's third largest care homes business, was sold to US private equity firm Formation Capital for £477.67m.

The business and its assets were collateral for the £610m Libra loan in Titan-Europe 2007-1, which had been in special servicing since 2009. There was also a multi-tranched, £560m, subordinated B loan.

A sales process had been delayed twice when special servicer Capita brought in Brookland in August to negotiate with the swap provider, Class A noteholders, bidders and NHP.

"On the NHP transaction our clients asked us to step outside our comfort zone and as well as provide restructuring and recovery advice, to sell an operating business in the midst of significant creditor disputes, with litigation risk, as well as pressure on its revenues," Hussain says.

Last year, Brookland's owners sold a stake in the business to larger, investment manager Omni Partners, which employs around 30 people, to facilitate growth and diversification.

One of runner-up Mount Street's noteworthy work-outs last year was achieving full recovery for noteholders in the 'Fox' CMBS transaction.

As special servicer, the firm facilitated the sale of the main junior loan, which was bought by Kennedy Wilson, then enforced and sold the assets, also to Kennedy Wilson, for £296m. This resulted in partial recovery for a junior lender previously deemed 'out of the money', as well as full recovery for noteholders.

European non-performing loan sale of the year

WINNER:

IBRC, Project Stone

RUNNER UP:

Hypothekenbank Frankfurt, Project Octopus

The sale of the €9.3bn Project Stone portfolio was the toughest disposal out of IBRC's €22bn, gargantuan wind-down last year.

The sale was made highly complex by its granularity, geographical split and poor documentation available to special liquidators at KPMG when appointed by the Irish government and finance minister Michael Noonan in 2013. Were the loans not sold at a benchmark value the government put on them, then they were to be transferred to bad bank NAMA.

In terms of unpaid balance, the heavily distressed portfolio comprised 42% of loans against Irish assets, 40% UK assets, 15% on the Continent and 3% in the US and rest of the world.

Michael Noonan

"INTEREST WAS STRONGER THAN WE HAD ORIGINALLY ANTICIPATED AND WE CAUGHT THE MARKET AT A TIME WHEN IT STARTED TO PRICE IN FUTURE UPSIDE"

"We took Stone to the market after effectively seven or eight months of preparation," says Andrew Jenke, head of the portfolio solutions group, Europe, Middle East and Africa, at KPMG. "The benchmark price set by the minister of finance felt very difficult to overcome, particularly as we were unable to provide reps or warranties, so we really went the extra mile in terms of the data room, our due diligence on borrowers and the information we provided."

Deutsche Bank bought the two largest tranches, but Lone Star and CarVal, alongside Goldman Sachs, were also buyers as part of the first phase of the sale in March last year. It successfully sold €7.9bn of the loans on offer for around €3bn.

The remaining €1.4bn of loans for sale did not hit the Irish government's minimum benchmark and appeared to be destined for transfer to NAMA for further asset management.

But IBRC and KPMG marketed the remaining loans again in August, in a process codenamed Project Quartz, the majority of which were sold to the joint venture between CarVal and Goldman in December.

"I think the interest was stronger than we originally had anticipated and we caught the market at a time when it started to price in future upside and take a more positive view of Ireland from a macro perspective," adds Jenke.

The sale of Project Octopus by runner-up Hypothekenbank Frankfurt's owner, Commerzbank, offloaded €4.4bn of Iberian exposure in one fell swoop. The former Eurohypo portfolio attracted joint ventures looking to carve up the book's performing and non-performing elements, but JP Morgan and Lone Star ultimately prevailed.

The pair are thought to have paid around €3.5bn for a book made up of €3bn of performing loans and €1.4bn of non-performing loans. JP Morgan later sold a €900m tranche of the performing loans to AXA Real Estate.

European NPL acquisition of the year

WINNER:

Blackstone, Project Hercules

RUNNER UP:

Lone Star, Coeur Défense

Spain topped many investors' wish lists in 2014, but few made as big an impact as Blackstone did in July when it bought €6.4bn of Catalunya Banc loans, known as Project Hercules.

The deal gave the private equity firm large-scale Spanish residential exposure and was crucial in bringing about Catalunya Banc's sale to BBVA.

Blackstone's €3.6bn bid for the loans was topped up with €572m by FROB, the state bank rescue fund that controls the country's nationalised lenders. The total figure matched Catalunya Banc's book value and meant no additional impairments had to be taken prior to the BBVA sale.

James Seppala

"FROB WAS AN EFFICIENT COUNTER-PARTY AND MADE A LARGE CAPITAL COMMITMENT TO GET THE DEAL EXECUTED"

"Final-round bids were due on a Tuesday evening and we signed the deal around 7am on Thursday. FROB was an extremely efficient counter-party and made a large capital commitment to get the deal executed and ultimately to get the bank sold," says James Seppala, senior managing director of real estate at Blackstone.

Blackstone had gained a strategic advantage last April when it bought the bank's real estate servicing unit, CXI (now called Anticipa), which gave it the capacity to underwrite and manage the loans if it bought them.

The concentration of the portfolio's collateral in the bank's homeland of Catalonia was also a major attraction for Blackstone. "Barcelona and Catalonia is one of Spain's most affluent and dynamic areas with relatively lower unemployment than the national average and positive demographic trends," says Seppala. "You are already beginning to see a meaningful increase in volume."

Blackstone aims to restructure the debt of as many existing borrowers as possible. It will also rent out or sell individual repossessed properties and eventually consider selling sub-pools of loans, once they are producing a more reliable income stream.

"There would be a market for sub-pools if we were to engage, which for the time being we have not," says Seppala. "We may choose to do so down the line as and when elements of the portfolio are stabilised."

Beaten to the award by only 1.6% of the vote was Lone Star's unravelling of Coeur Défense in Paris. The Texan firm bought the office complex by first buying the special-purpose vehicle that owned it, from the administrators to Lehman Brothers, and then the notes of the €1.2bn CMBS secured against it, from investors including Perella Weinberg and Credit Foncier (see p4).

Debt fund capital raising of the year

WINNER:
Lone Star Funds

RUNNER UP:
Oaktree Capital Mangement

Dallas-based Loan Star Funds, led by billionaire founder John Grayken, held a final closing for its ninth fund in July, pulling in $7.2bn in capital commitments.

Lone Star Fund IX targets investments in the Americas, Western Europe and Japan in financial and other investment assets, including single-family residential debt and corporate and consumer debt products, as well as investments in "financially oriented and other operating companies".

The firm says that it seeks "investment opportunities in developed markets that have suffered an economic and/or banking crisis, resulting in a dislocation in asset pricing and value opportunities.

John Grayken

"LONE STAR SEEKS TO CAPITALISE ON CONDITIONS IN WHICH LIQUIDITY IS RESTRICTED... WHERE IT CAN ACHIEVE A FAVOURABLE POSITION THROUGH ITS NETWORK OF RELATIONSHIPS ACROSS THE GLOBE"

"Lone Star seeks to capitalise on market conditions in which liquidity is restricted and financing is constrained; financial institutions' balance sheets are under pressure and there is a need to dispose of high volumes of assets to manage capital, deleverage and build liquidity; and where Lone Star can achieve a favourable position in a transaction through its large network of relationships across the globe."

The fund has a 40-month investment period and made seven investments with an aggregate price tag of $10.5bn, across 43,183 assets, including the equity, financing and other sources of capital used.

The fund's investors included Grayken himself, who reportedly invested $350m of his own money – the most he has invested in one of his company's funds, topping the $330m he placed with Lone Star Real Estate Fund III in the previous year.

Grayken's personal commitment to the fund was seen as part of his global search for distressed assets, as well as an effort to lure other investors to follow suit and put money into Lone Star's funds.

Since the establishment of Lone Star's debut fund in 1995, the private equity firm has organised 14 private equity vehicles, which have received aggregate capital commitments of more than $54bn.

These vehicles were structured as closed-ended, private-equity limited partnerships between corporate and public pension funds, sovereign wealth funds, university endowments, foundations, funds of funds and wealthy individuals.

Real Estate Fund III raised $7bn of equity by its final closing in October 2013, investing in both commercial real estate debt and equity.

Runner-up Oaktree Capital Management's Oaktree Real Estate Debt Fund had increased capital commitments to $678m by its interim closing in 2014.

Bank lender of the year

WINNER:
Wells Fargo

RUNNER UP:
Bank of America

Wells Fargo's continued success in 2014 relied on its integrated and specialised lending business that caters to a wide range of repeat and new clients, says Mark Myers, head of commercial real estate.

The lending giant has offices in 30 US locations, with originations topping $30bn on the year. "That was a scooch more than we originated in the previous year, and more than in 2012," Myers says, "so the trend has been up for the past couple of years.

"A contributor to our success has been our commitment to the sector and long-standing client relationships," he adds. "We have a deep set of clients that we've done business with for years and continue to support. A number of them were exceedingly busy as fundamentals improved and there was generally more transaction volume."

Mark Myers

"A CONTRIBUTOR TO OUR SUCCESS HAS BEEN OUR COMMITMENT TO THE SECTOR AND LONG-STANDING CLIENT RELATIONSHIPS"

The lender's 2014 deals ranged from a $92m loan for KBS Realty's acquisition of an industrial complex in Salt Lake City, Utah; to a $384m refinancing of TF Cornerstone's stalled, mixed-use AvalonBay project on West 57th Street in Manhattan.

At the end of the year Wells Fargo provided $86m in post-acquisition financing for Boston-based Rockpoint Group's purchase of the San Mateo Baycenter in San Mateo, California.

"The market has maintained good discipline and in general underwriting, leverage and loan structure seems appropriate," Myers says.

The bank offers a full spectrum of balance-sheet structured construction, repositioning, interim and permanent financing for commercial real estate projects. Myers, who oversees the bank's balance-sheet lending, cites speciality groups – such as those catering to hospitality finance and more than 80 REITs – as a boon for the business. Wells Fargo also issues multi-family loans for Fannie Mae, Freddie Mac and the Federal Housing Administration, and has a CMBS arm.

"One of our strengths is that we have this great integrated platform," Myers says. "We also have a number of specialised commercial real estate businesses and those with a speciality focus showed good growth in 2014. We've been consistent in [government and CMBS] businesses as well."

Bank of America took second place in the category. Among other deals, BOA led a group of banks that provided a $1.25bn mortgage to Toronto-based Hudson's Bay Company at its Saks Fifth Avenue store in New York (see Financing of the year, p15); and lent $245m for The JBG Companies' development of the CBE Tower in Arlington, Virginia. ▶

US debt broker of the year

WINNER:
CBRE

RUNNER UP:
Eastdil Secured

CBRE's debt & structured finance team, led by Brian Stoffers and Christopher Ludeman, facilitated 1,364 US loans for $32.5bn in 2014, setting a record year for the firm.

Low interest rates and "an abundance of capital from all sources" led to unprecedented originations and loan portfolio sales – from performing to sub-performing and non-performing loans – and juiced up activity from government-sponsored enterprises, insurers, bank and CMBS lenders, Stoffers says.

"That equates to high volume," he adds. "There's also a very active sales market and our practice does a lot of staple financing.

"Given the volatility of equities and low interest rates in fixed income, commercial real estate is very favourable for pension funds and other investors and we see very good value appreciation in commercial real estate," he says. "In America, foreign interest from Asia and the Middle East has been incredible and is driving demand for real estate both in the sales and debt markets."

Brian Stoffers

"WE TRY TO BRING ALL THE PIECES OF CBRE TO BEAR SO WE CAN BRING THE BEST SERVICE TO CLIENTS. VERTICAL INTEGRATION HAS HELPED US SUCCEED"

Among other trends, the firm prepared for an upcoming wave of loan maturities as lenders became more aggressive on margins, with more interest-only loans and higher loan-to-value ratios.

CBRE came out on top as the number-one Freddie Mac broker and among the top Fannie Mae lenders. Stoffers cited two mega-mortgage portfolio deals – a $2.58bn deal on behalf of CWCapital and a $1.5bn deal for Hypo Real Estate Capital and Eurohypo – as among the firm's biggest achievements in 2014.

In March, CBRE announced it had advised CWCapital Asset Management on the sale of the portfolio of 62 mortgage loans and assets, consisting of office, retail and hospitality property across the US.

That deal was stratified into three pools and subdivided into nine sub-pools, sold through 13 separate closings. More than 150 US and international firms submitted offers.

The firm also sold about $1.5bn of performing commercial mortgages for Hypo Real Estate Capital and Eurohypo, which included a big chunk of senior debt on the Chrysler Building in Midtown Manhattan.

Among a list of highly competitive debt brokers, CBRE edged out industry heavyweight Eastdil Secured to take the top spot in the category.

"It's always been a competitive field and that hasn't changed, but we try to bring all the pieces of CBRE to bear so we can bring the best service to clients," Stoffers says. "That vertical integration has helped us succeed. I also give a lot of credit to our clients who put a lot of trust in CBRE, as a lot of our business is repeat business. And we have a really fine team that makes it all happen."

Mezzanine lender of the year

WINNER:
Blackstone Real Estate Debt Strategies

RUNNER UP:
Starwood Property Trust

Blackstone Real Estate Debt Strategies clinched the top spot thanks to 16 US loans worth $2.4bn and a shift of strategy towards more complex, large deals, an area where BREDS head Mike Nash says the competition dwindles.

"Fundamentals improved and we had already started the year in a good place," he says. "That gave us a lot of confidence to do our thing. We need stable, rising values and we saw that almost without exception."

BREDS' loans range from $50m to $600m, but no loan is too big.

Mike Nash

"FUNDAMENTALS IMPROVED AND WE HAD ALREADY STARTED THE YEAR IN A GOOD PLACE. THAT GAVE US A LOT OF CONFIDENCE TO DO OUR THING"

BREDS II, launched in April 2013, focuses on New York, Los Angeles, Chicago and South Florida's hotspots.

In 2014 the business lent bigger than ever, finishing the year off with a $600m loan to Howard Hughes Corp for the construction of two towers at Ward Village, a $10bn, 60-acre urban community in Honolulu, Hawaii.

Big construction loans often bring unforeseen challenges, but this is a space where Nash says BREDS can beat bank syndicates by acting as a one-stop-shop and earning the best risk-adjusted returns.

"We did a couple of things larger in the construction space with a few sponsors on the residential side," he says, noting that these projects offered cutting-edge design, great sponsors and a safety net of pre-sold units. "If you put that all together in a good market and lend on that scale you have less competition."

In August, BREDS provided $290m for Fort Capital Management's development of the Surf Club Four Seasons Private Residences and Hotel in Surfside, Florida, and $120m for Eastview Development's and GTIS Partners' 51-storey Biscayne Beach project in Miami.

In December the lender provided a $102m loan to Miami-based Related Group's Hyde Resort & Residences development in Hollywood Beach.

"South Florida feels like a dynamic market with more upside than downside," Nash says. "Surf Club is going to be one of the big success stories in the Miami market. The project was very well-capitalised with equity, with $100m in [condo] deposits the day we closed."

BREDS now often takes a "whole loan" approach, selling the senior piece but retaining the mezzanine, while creating "a mezzanine coupon that exceeds what you would get in the market" – an approach it used on the Howard Hughes loan.

CMBS lender of the year

WINNER:
Deutsche Bank

RUNNER UP:
Wells Fargo

As competition continues to grow in the loan origination market, Deutsche Bank's breadth of products allowed it to be selective in the opportunities it chose in 2014, while still belting out $23.5bn in issuance during the year – 27% up on 2013's $18.5bn total.

The bank's financial strength and expertise exempted it from some of the limits that smaller – or newer – loan originators face.

"Deutsche Bank continues to be a market leader in CMBS because of our long-standing commitment to the sector, expertise and broad platform of products that allow us to service all of our clients' commercial real estate needs," the firm says.

Jonathan Pollack, DB's global head of commercial real estate

"DB CONTINUES TO BE A CMBS MARKET LEADER BECAUSE OF OUR COMMITMENT TO THE SECTOR, EXPERTISE AND BROAD PLATFORM OF PRODUCTS"

Top deals on the year included July's COMM 2014-SAVA, the first skilled nursing sector CMBS deal since June 2006. The firm was the sole bookrunner and lead manager on the $550m, floating-rate, stand-alone CMBS issue, structuring and leading the deal while reopening a new issue market for skilled nursing that had been largely dormant since the financial crisis.

The deal was collateralised by the SAVA portfolio, a group of 167 skilled nursing facilities in 19 US states. The deal highlighted the firm's continued ability to execute innovative CMBS deals and expand the market into new sectors.

In June, DB acted as sole bookrunner and lead manager on the COMM 2014-KYO financing of the Kyo-ya Hotel portfolio, comprising five landmark hotels in Hawaii and San Francisco. DB was the sole originator of the $1.875bn, floating-rate whole loan, which consisted of a $1.4bn mortgage loan and $475m in mezzanine loans.

The hotels covered by the issue included the Sheraton Waikiki, Westin Moana Surfrider, Sheraton Maui Resort & Spa, The Royal Hawaiian and The Palace Hotel.

The bank's deal structures remained fairly consistent in the conduit sector during 2014. However, demand from borrowers for floating-rate financing increased materially in stand-alone/single borrower transactions.

"The rationale behind the trend was the low current interest rate, benchmarked off Libor, and also the flexibility around call protection," the bank says. "Floating rate issuance jumped from $8.3bn in 2013 to $19.5bn in 2014 – a 134% year-on-year increase."

The runner-up in the category was Wells Fargo. That firm's deals included WFRBS 2014-C22, $1.5bn transaction backed by 129 fixed-rate commercial mortgage loans secured by 172 properties across the US.

Wells Fargo took the top spot in the 'Bank lender of the year' category (see p13).

Financing of the year

WINNER:
Bank of America

RUNNER UP:
GE Capital Real Estate

"THE TRANSACTION ALLOWS US TO RETAIN FLEXIBILITY AND CONTROL OVER OUR MOST IMPORTANT FLAGSHIP PROPERTY"

Bank of America brought in Bank of Nova Scotia, Goldman Sachs and Morgan Stanley for the $1.25bn, 20-year, fixed-rate refinancing of Hudson's Bay Company's flagship Saks Fifth Avenue store in New York.

The fixed-rate debt had an interest rate of less than 4.4% with a weighted average term to maturity of funded debt extended to 11.5 years. The lenders commissioned an international appraiser to provide a $3.7bn valuation of the land and building.

The debt will fund a $250m renovation of the store and will be used to pay down around $1.2bn of HBC's first lien term loan, which at the time of the deal bore a floating rate of 4.75% and matures in 2020.

"With an expected fixed interest rate of less than 4.4% on the Saks ground mortgage, this deal will result in a reduction to annualised cash interest expense of more that $4m," HBC announced after closing the deal in December.

Bank of America was unable to comment in time for publication, but Richard Baker, HBC's governor and chief executive officer, says: "This financing also highlights the significant value embedded in our owned real estate and strengthens our financial position by providing long-term, fixed-rate capital on highly attractive terms.

"Critically, the transaction allows us to retain tremendous flexibility and control over our most important flagship property, including, for example, the ability to sell it into a REIT or secure additional leverage on the leasehold interest."

The runner up in the category was GE Capital Real Estate. After Colony Financial and the parent company of manager Colony Capital agreed to merge, GE provided the entity with $1.2bn to buy a massive industrial portfolio from Cobalt Capital, which is leased to more than 600 tenants across 16 US markets.