REAL ESTATE CAPITAL

Brookland and HSBC place £100m securitisation for short-term lender

By: Paul Yandall | 24th August 2015

Brookland Partners and HSBC have placed a £100m securitisation backed by short-term mainly residential property loans for specialist lender Amicus.

The issue is believed to be the first UK securitisation entirely of short-term loans made for the acquisition, refurbishment and development of UK real estate and it was placed with 5-10 UK and overseas institutional investors.

The mortgage backed security, Amicus Mortgage Finance 2015-1, has a scheduled maturity of July 2018 but its collateral loans have a weighted average life remaining of 5.9 months. Co-arranger and joint lead Brookland introduced a two and a half year replenishment period to the deal, which matures in 2018, giving Amicus three-year term finance.

Brookland Partners and HSBC privately placed three of the deal's four tranches.

The structure of the unrated deal is as follows:

Class A: £78m – 22% credit enhancement – 335bps over 1m LIBOR

Class B: £12m – 10% credit enhancement – 625bps over 1m LIBOR

Class C: £5m – 5% credit enhancement – 900bps over 1m LIBOR

Class D: £5m – retained

The loans in the pool were made to borrowers across the UK; they vary from £100,000 up to £5m in size with an average value of £417,200, and a weighted loan-to-value ratio of 62.4%.

"This is a first for Amicus and we believe a first for the UK market. There is clear investor demand for this type of short-term mortgage-backed security," said John Jenkins, chief executive of London-based Amicus, which is owned by alternative lender, Omni Partners.

"Many institutions are increasing their focus on the alternative finance sector as a means of enabling enhanced returns without taking on large risks. Given the continued appetite for short term property finance, we anticipate significant growth in demand for short term syndication of this class of debt through bond issuance."

Gareck Wilson, a director at Brookland Partners, said: "If you look at the relative risk-return basis, the investors are investing in loans that are predominantly first-charge, UK residential, at circa 60% LTV, and with the 22% credit enhancement, the class As are effectively below 50% LTV".

Amicus changed its name from Capital Bridging in February to reflect the fact it is expanding from bridging loans to development and short-term loans. It has made £400m of loans since launch in 2009 and is expanding fast, making c£30m of loans a month. The funds raised will help expand further and diversify its funding away from bank finance.

The firm estimates the short-term property lending market to be worth £3bn annually. "The UK mortgage market is seeing a sustained and growing appetite for short-term property finance driven by the tightening of mainstream bank underwriting requirements; recent changes to planning laws; and the inability of some lenders to act sufficiently quickly to respond to demand," said Jenkins.

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Wilson said accessing the capital markets was "transformational. It's efficient and Amicus views securitisation as a permanent source of funding".

Amicus is a sister company of Brookland Partners, which is 40% owned by Omni Partners. Amicus also does all the servicing and work-out of the loans it originates.