Strong relationships with CMBS note holders give debt adviser an edge in restructuring deals

Brookland cleans up after the 'messy' CMBS transactions

Restructuring real estate debt deals is adviser Brookland Partners' bread and butter, preferably large, complex deals with many debt layers; the "messy deals", says founder and managing partner Nassar Hussain.

The former Merrill Lynch banker, known for his strong connections with CMBS note holders, says his approach is "long-term relationship-based". He likes to underline the fact that Merrill Lynch's Taurus conduit has been one of the best performing.

He sold all his positions before leaving Merrill Lynch in early 2007, after eight years there as a managing director responsible for real estate areas in Europe, Middle East and Africa including securitisation, syndication, loan and B-Note trading, loan origination and Middle East real estate finance.

Hussain considered various options before setting up Brookland in 2009. The firm has been mandated as financial adviser on more than $8bn of transactions and 75% of its work has been restructuring and work-outs.

This has included advising on the £725m Four Seasons (Titan Europe 2006-4) CMBS, backed by a UK nursing homes portfolio; the €1.2bn Fleet Street Finance 2 CMBS, backed by a German department store chain; the £112m Juno (Eclipse 2007-2)/Clichy Loan, backed by a Paris office building; and leading the extension of the £535m Tahiti Finance CMBS, backed by 61 UK Intercontinental hotels. In each case Brookland acted for the servicer or special servicer.

These deals largely involved extending loans rather than enforcing them and selling the assets – the White Tower CMBS, where servicer CB Richard Ellis and administrator Deloitte enforced and sold the office portfolio, is the rare main example of the latter.

Hussain says: "It is important to keep loans out of insolvency, to restructure the debt and ensure that there is enough capital and operational expenditure to keep the deal alive. We provide practical and objective recommendations and focus on maximising recovery through working out loans."

His team are attempting this with REC 5 Plantation Place, where the borrowers and note holders have been deadlocked for more than two years. Last month, acting for the borrowers, Brookland requested a 22-month waiver of the long-standing loan-to-value breach, to allow the owners to sell their equity interest and repay part of the debt, or sell the asset outright and repay all the debt.

Under the terms, the borrowers are only required to sell the property if they recoup between 33% and 50% of their equity.

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Nassar Hussain, Brookland

The proposal was narrowly defeated when a Class B note holder, thought to be Delancey, voted against it. Brookland and the borrowers are now attempting to "bring the note holder on board" (see news).

Brookland is also advising Irish borrower Alburn Real Estate in REC 6, on a tender offer Alburn made with UK property firm Highcross to buy back the £184m of bonds at a discount. But bond holders rejected the discounted offer, which ranged from 20% for the Class A bonds to 84% for the class Es.

Brookland also provides restructuring analysis including re-tranching, re-prioritisation of cashflows and adjusting covenants. Its other core activities include raising senior debt, mezzanine finance and equity. It also brokers debt sales, for example the sale of €50m of Windermere 14 mezzanine bonds.

Strong relationships are the key

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One segment of the market that Brookland has stepped back from is liaising with banks over their loan books. "We stopped talking to banks – they don't need advice, they need solutions involving principals – like the plan to sell £3bn of RBS loans."

The firm has been asked to pitch on other large, single-borrower deals on behalf of borrowers hoping to restructure. "Multi-borrower CMBS restructurings will be the next thing we'll see," Hussain notes.

Brookland typically earns a retainer and on some deals a success fee. Most of its work stems from the UK, France and Germany, but the latter offers the biggest opportunities.

"Germany has many issues. International investors didn't understand the market; there are huge distressed asset portfolios," he says.

Working with Hussain in Brookland's 10-strong team is Chris Hillard, the former head of Goldman Sachs' securitisation team responsible for the Fleet Street CMBS series. He has been focusing on advising Brookland's clients on buying real estate debt.

Pitched against restructuring experts with longer track records, such as Houlihan Lokey and Lazard (see profiles, pp18-19), Brookland has established itself speedily, hiring one new person per month on average. Chris Lees joined in June from KPMG, where he spent two years restructuring distressed structured finance vehicles and investment funds, and advising on the Asset Protection Scheme.

Brookland also has three consultants in the Middle East.

"We expect to expand into initiatives such as a whole (senior and mezzanine) loan fund, working on the new version of CMBS for European markets, establishing a loan trading platform and raising capital from new sources," says Hussain. "We will expand further into Germany and the Middle East, including shariah-compliant finance."