The Banker

DEALS OF THE YEAR 2013

Real Estate Finance

Winner: Deutsche Annington Grand €4.3bn commercial mortgage-backed securities restructuring, Germany
Financial advisor to the borrower: Blackstone
Financial advisor to the issuer: Cairn Capital
Financial advisor to the servicer: Brookland Partners
Financial advisor to the noteholders: Rothschild
Highly commended: Vitus Immobilien €754m multi-property commercial mortgage-backed securities

The wall of refinancing needed, together with uncertainty over how to restructure existing commercial mortgage-backed securities, has served as something of a roadblock to commercial real estate lending in Europe. The refinancing of the €4.3bn German Residential Asset Note Distributor (Grand) commercial mortgage-backed securities (CMBS) issued by real estate developer Deutsche Annington, completed in December 2012, was a significant step forward in answering some of those questions.

Issued at the height of the boom in 2006, with an initial €5.8bn outstanding, Grand was and remained the largest European CMBS ever launched, and one of the most complex in terms of its structure. It was due to mature in 2013, but by 2010 it was already clear that the market depth and appetite for leverage needed to allow a full and straightforward refinancing through fresh CMBS issuance simply would not be available.

This led to two years of negotiations with a very diverse pool of noteholders, totalling about 125 spread across six classes of debt. Nor was this simply a two-way process, involving as it did multiple stakeholders including the trustee for the issuing vehicle and the CMBS servicer. Technical defects in the original documentation meant it was impossible to determine the necessary noteholder quorum to amend terms, so Deutsche Annington applied for a UK scheme of arrangement more commonly used by borrowers who have already defaulted, which was clearly not the case in this instance.

Annington’s private equity owner, Terra Firma, ultimately agreed to inject €504m in equity to reduce total debt to €3.8bn, resulting in a 59.7% loan-to-value ratio at the point of refinancing.