

EUROPEAN REAL ESTATE LENDING REVIEW



Q1 2014

A Cushman & Wakefield Corporate Finance Publication



KEY HIGHLIGHTS

Significant uptick in real estate lending as competition drives margins down

- 2013 saw the dramatic return of the leveraged buyer, with an estimated 30% increase in the amount lent against real estate.
- With a more diverse financing landscape and greater competition amongst lenders, pricing has reduced in most markets across Europe, creating a more attractive environment for borrowers.
- More senior lenders are now willing to provide “whole loan” financing, thus crossing the boundary into the mezzanine financing space.
- With 41 debt funds looking to raise €22.1bn of capital, Cushman & Wakefield Corporate Finance (CWCF) forecasts that just €5bn of this will be successfully raised during 2014.
- With higher, more ambitious lending targets, the preferred lot sizes of many lenders have risen. The number of lenders willing to provide loans of over €50m has more than doubled since 2012.
- Lenders are expressing more willingness to assume risk, shown through an increased readiness to lend development finance and against secondary/non-core.
- The quality of information presented by borrowers and advisors is essential, to create competition amongst lenders and to keep timescales to a minimum.
- Just under €8.6bn of European CMBS were issued during 2013, with greater investor interest likely to spur on the market for property securitisations over the next 12 months. CWCF forecasts CMBS issuance in 2014 between €12bn and €15bn.
- According to data recorded by CWCF, just under €34bn of CRE loan and real estate owned (REO) sales were completed in Europe, highlighting the ongoing deleveraging of European institutions and asset management agencies.

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PURPOSE OF THIS REPORT

As part of this year’s European Lending Review, Cushman & Wakefield Corporate Finance (CWCF) analysed the activity of 161 European lenders – encompassing senior, stretch senior and mezzanine debt lenders, representing a broad and diverse cross section of the European commercial real estate (CRE) lending landscape. In addition, CWCF has also tracked CRE loans originated and refinanced over the past two years to assess the markets and sectors that have seen the most activity.

The purpose of this research is to identify key trends, lending criteria and appetite through an analysis of our survey results, recorded transactions and market sentiment. Our sources are diverse, and include, first hand conversations with lenders and general market research and knowledge.

INTRODUCTION

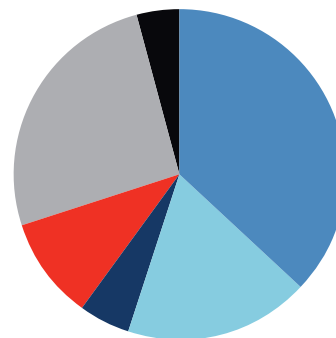
The European CRE lending market continues to improve with countries across Europe experiencing a greater supply of debt and improving risk tolerance. Today’s market is marked by an increasingly diverse mix of active lenders, with the previous dominance of banking institutions eroded by the entry of non-bank financial institutions, such as insurance companies, debt funds and private equity.

2013 was characterised by the return of the leveraged buyer. With an estimated 30% uptick in capital lent against CRE since 2012, activity has steadily moved from refinancing to new lending. Despite this, in most markets the credentials of the borrower remain key to the availability of finance, and thus the quality and accuracy of information presented to lenders has become paramount.

An analysis of the information collected by CWCF indicates that the number of active lenders has risen by just under 9% since Q1 2013, providing a welcome boost to investment market liquidity and activity as well as an improvement in loan application timescales. A greater risk tolerance is feeding through to a broadening of geographical and sector preferences, whilst the level of saturation in the market has helped bring down margins in almost all European markets. Furthermore, the definition between senior and mezzanine finance is becoming increasingly blurred, with senior lenders often willing to lend on a whole loan basis, up to 75% LTV.

The CMBS market has shown signs of reawakening. Just under €8.6bn was issued during 2013 representing an eight fold increase compared to 2012. With the publication of new CMBS 2.0 Guidelines and re-emergence of investor interest in such products, it is likely that Europe will follow the US trend and see more issuance in 2014.

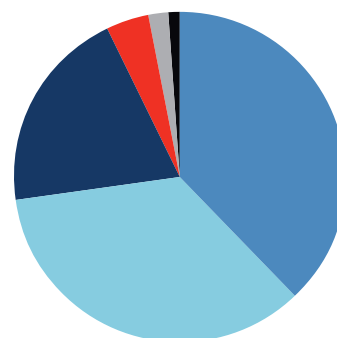
TYPE OF LENDER



Source: Cushman & Wakefield Corporate Finance

- Commercial Bank
- Investment Bank
- Building Society
- Insurer / Pension Fund
- Private Equity / Debt Fund
- Other

ORIGIN OF EUROPEAN LENDERS



Source: Cushman & Wakefield Corporate Finance

- UK
- Rest of Europe
- North America
- The Middle East & Africa
- Australia
- Asia

HOW MUCH CAPACITY IS THERE IN THE MARKET?

Based on recorded transactions, CWCF observed a 30% increase in the amount of capital lent against CRE during 2013, a welcome increase on our forecast issued in Q1 2013. During 2013, many lenders announced upward revisions of their lending targets, highlighting the increasing amount of capital targeting CRE lending. For example, Aareal Bank AG increased its CRE lending forecast twice during 2013 according to public sources.

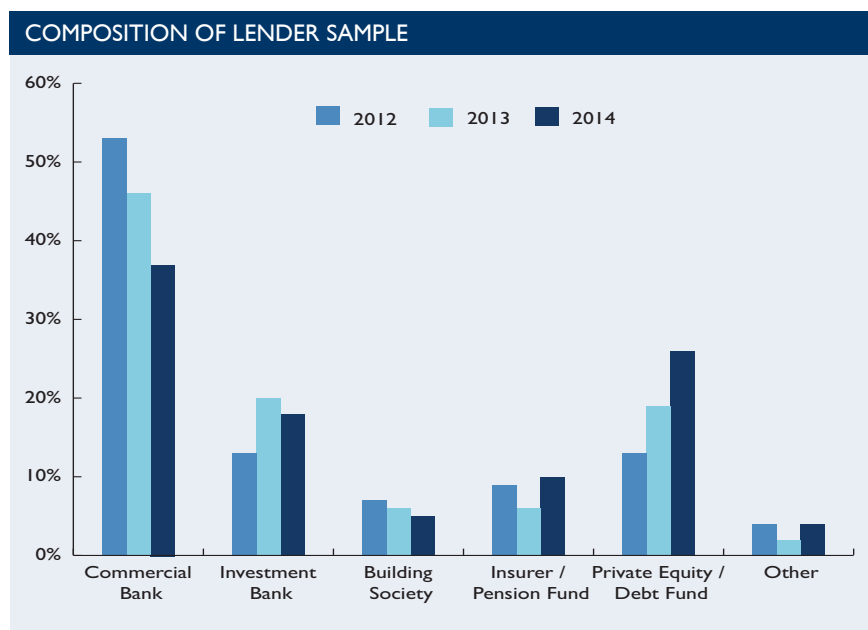
With a healthy supply of real estate debt, new lending over the next 12 months will certainly be driven by borrower demand. With the return of the leveraged European buyer, CWCF expects new investment lending, new development lending and refinancing to comfortably exceed the 2013 levels.

Over the past 12 months, property debt funds have continued to play a key role in diversifying the European lending landscape. CWCF is currently tracking 41 senior and mezzanine debt funds open for investment/currently investing. Of these funds, 23 are targeting a senior only strategy, 11 are adopting a mezzanine only strategy whilst the remaining are targeting a mixed strategy.

Based on maximum target equity size, these debt funds are targeting investment of approximately €22.1bn. With higher costs of capital than many other lenders, funds that successfully raise capital are likely to lead the charge into secondary markets in the hunt for higher returns. CWCF predicts that over the next 12 months, approximately €5bn will actually be raised as European and global investors become increasingly familiar with the debt fund opportunity.

30% increase in the amount of capital lent against CRE during 2013

41 senior and mezz debt funds open for investment targeting €22.1bn



Source: Cushman & Wakefield Corporate Finance

WHO IS LENDING?

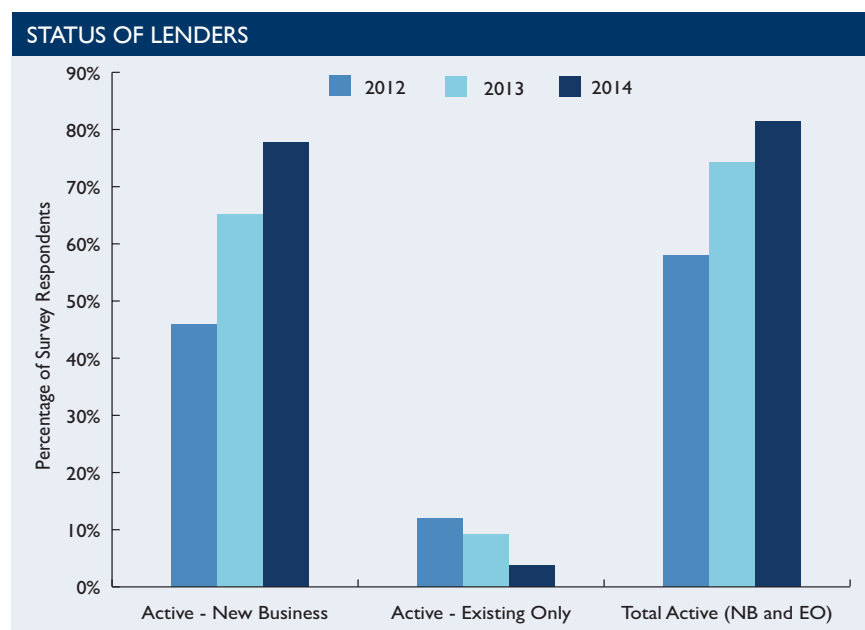
Of the 161 lenders analysed this year, 78% said they would be willing to lend to new customers with whom they had no previous relationship, representing an increase of 19% since last year. Overall, our analysis indicates that the total quantity of active lenders has increased by almost 9% since Q1 2013, encapsulating both those lenders willing to lend to new relationships and to existing clients only.

The growth in active lenders has been fuelled by an increase in the number of international entrants, who have also brought welcome diversity to the European lender pool over the past 12 months with lenders from Australia, Canada and the United States all making strong in-roads into Europe. In Q1 2013, CWCF recorded 12 active lenders from these regions. This has risen to currently stand at 35. In contrast, the anticipated spread of Asian lenders has yet to take hold, with only a small number active in the European market. According to CWCF's survey, just under 5% of European-focussed lenders originate from the Middle East or Asia.

The review also shows that the number of inactive lenders continues to decline. Of those surveyed this year, only 15% declared themselves inactive, marking a notable decrease on the 22% of lenders who declared themselves inactive in Q1 2013. For comparison, 42% declared themselves inactive in Q1 2012.

It became clear during 2013 that the quality and accuracy of information communicated between borrower and lender is paramount in securing finance. Going forward, sponsors should carefully consider how they record and present information to lenders, to be sure of an efficient and timely process. In addition, the adoption of a professional approach (by all parties) will ensure that costs are minimised, risk is correctly priced and timescales are kept to a minimum.

19% increase in the number of active lenders across Europe willing to lend to new business



Source: Cushman & Wakefield Corporate Finance

HOW DIVERSE IS THE EUROPEAN LENDING LANDSCAPE?

The breadth of lenders has continued to grow over the past 12 months creating a diverse and increasingly liquid lending market. The traditional bank lenders (including both commercial and investment banks) remain the dominant constituent of the European CRE lending landscape, making up 55% of this year’s respondents.

Whilst these lenders have proved themselves to be the principal force in European CRE lending, their dominance in the market is being diluted. Over the past two years the proportion of traditional banking lenders has fallen from 67% in Q1 2012 to 55% in Q1 2014. Whilst they are not necessarily lending less, their market share has been driven down by the presence of new, “alternative” lenders. For example, there has been a 29% increase in the number of debt funds and private equity lenders since Q1 2013.

Active insurance companies continued to make their presence felt in the CRE lending market, accelerating the development of their lending strategies and building both their direct and indirect lending platforms. With AXA announcing a JV with Norges Bank, Mass Mutual building an in-house lending team and both M&G and Aviva raising CRE senior debt funds, 2014 is likely to be an interesting year for the insurance sector.

This trend has been exacerbated by a number of bank regulatory burdens putting pressure on the profitability of CRE lending, which is not necessarily affecting the alternative lending community in the same way. The table below details three notable regulatory reforms.

The results of this year’s review suggest that the European financing landscape (particularly in the core markets) is moving towards a US model of lending, where no particular type of lender dominates the market, thus helping to create a more diverse lending landscape.

“2013 witnessed a transformation in the attitude towards CRE lending risk. Encouraged by a return of general economic confidence and reduced concerns over the future of the euro, pricing has reduced to levels where CRE equity returns can be significantly enhanced through leverage”

Michael Lindsay
Partner
Head of EMEA
Corporate Finance

THE CHANGING REGULATORY ENVIRONMENT

	BASEL III	SOLVENCY II	SLOTING
IMPLEMENTATION DATE	Phased implementation of capital requirements, the Leverage Ratio and the Liquidity Coverage Ratio (2013-2019).	Implementation currently scheduled for January 2016.	January 2013 onwards.
SUMMARY	Reform measures to i) strengthen capital adequacy requirements and introduce specific leverage and liquidity coverage requirements (at an individual bank level) ii) introduce macro-prudential regulation to protect financial system as a whole.	Review of the capital adequacy regime for European insurance companies, with the aim of establishing a set of EU-wide capital requirements and risk management standards.	Requires that loans be categorised under certain headings, with risk weightings associated with each (determining the amount of capital that needs to be held against potential losses).
EFFECT ON BANK LENDERS	Expected to restrict the appeal of long term CRE lending, as the cost of compliance may result in a lower ROE. Demand for bank finance will be hit if these higher costs are passed on to borrowers.	No effect. The directive is aimed at the insurance industry.	Could further depress the attractiveness of CRE lending. Conversely, may also instil stability into the bank lending market.
EFFECT ON ‘ALTERNATIVE’ LENDERS	CRE borrowers likely to increasingly move to alternative lenders as terms become relatively more attractive. This is expected to continue the trend of increasing competition and the dilution of traditional lenders’ market share.	Market consensus is that CRE lending will remain relatively attractive for insurance companies and borrowers following implementation. The effects have yet to be properly assessed.	No direct effect: The directive is aimed at the banking industry. Again, restricting banks’ ability to lend presents opportunities for alternative lenders.

Source: Cushman & Wakefield Corporate Finance

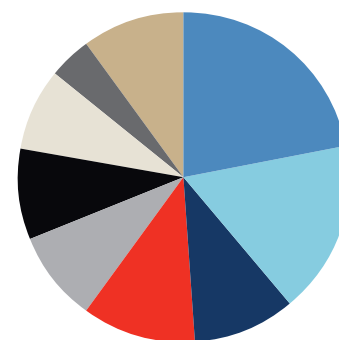
WHAT ARE THEY LENDING AGAINST?

A noteworthy feature of this year's survey was the increasing appetite for lending against secondary assets/locations. Whilst lenders remain focussed on sound covenant strength, there is a demonstrable willingness to provide finance for secondary assets in core locations, or prime assets in secondary locations. The main drivers for this trend have been an improving macroeconomic background in many European countries, increasing competition and a drive for higher returns from some factions of the lending market. For example, Deutsche Pfandbriefbank AG recently announced its intention to lend more against secondary CRE in the forthcoming year.

The growth in the number of lenders willing to provide development financing where a pre-let has been secured, continued to show a steady increase. The percentage of lenders willing to lend against pre-let CRE development has increased from 31% to over 44% over the past 24 months. Of those lenders with a greater readiness to assume development risk, commercial and investment banks make up the overwhelming majority. Again, the willingness to provide development financing come with selective and strict lending criteria, with the quality of the tenant, sector, borrower/developer and location being paramount. Often, lenders will only provide finance if the development is located within their local market, or the sponsor is an existing client.

For 2013, CWCF recorded some notable shifts in sector representations in terms of overall lending volumes. For example, the office sector was subject to a 12% increase in the amount of European CRE finance secured against it, compared against 2012. The retail sector also showed an encouraging upward trend, with an increase of just over 150% since 2012, supporting the notion that the retail sector is returning to favour. The volume of debt secured against hotels jumped by 116%, whilst debt secured against shopping centres fell 27%. The volume of debt secured against alternatives (such as petrol stations and data centres) and self storage increase by 65% and 54%, respectively.

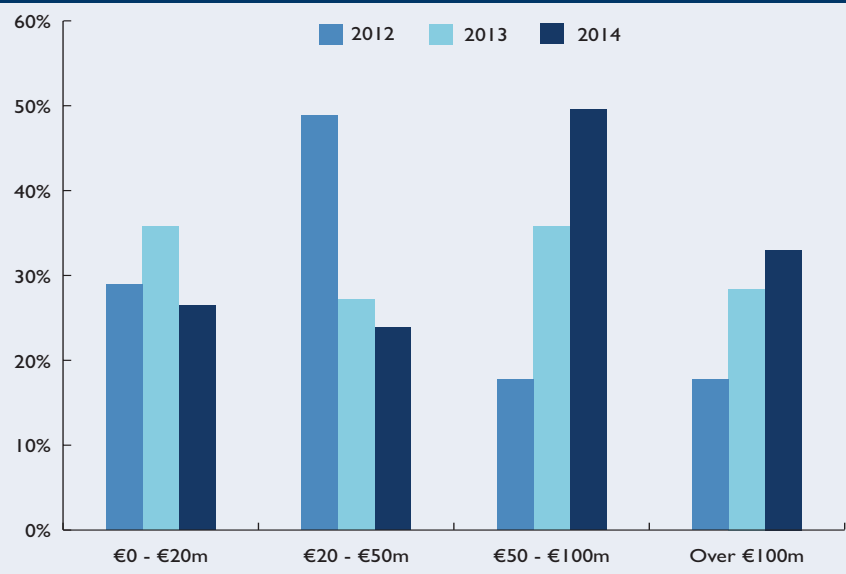
NEW LENDING BY SECTOR IN 2013



Source: Cushman & Wakefield Corporate Finance

- Office
- Retail
- Mixed Use
- Hotel
- Residential
- Portfolio Loans
- Shopping Centres
- Industrial
- Alternatives

PREFERRED LOT SIZES



Source: Cushman & Wakefield Corporate Finance

WHAT TICKET SIZES ARE THEY LENDING?

Last year, CWCF reported a growing range of preferred ticket sizes amongst lenders, with the average upper range rising from c. €50m to the €65m - €70m range. This trend continued throughout 2013, with the average upper range rising to €80m to €90m, partly reflecting the implementation and pursuance of ambitious lending targets.

The availability of loans over €100m has also steadily increased over the course of 2013, as risk tolerances and appetite to lend have grown and lenders have become more interested in creating syndicated positions. According to our analysis, 33% of active European lenders are both willing and capable to underwrite over €100m, up from 28% in Q1 2013. This is representative of the trend to underwrite and syndicate the whole loan amount, rather than co-underwrite the larger tickets within a club deal.

WHERE ARE THEY LENDING?

An analysis of all CRE loans provided during 2013 shows that the core markets within Western Europe – namely the UK, France and Germany – have remained the top targets. CWCF estimates that just under 70% of all loans were secured by assets within these three markets. Despite this, an encouraging number have begun looking at the previously labelled “non-core” markets, given the number of opportunities that have emerged. For example, our analysis revealed that the numbers of active lenders looking at Spain, Portugal and Italy increasing by 37%, 17% and 11% over the year, respectively. Elsewhere, appetite for the dominant CEE markets increased by 17%, whilst the percentage of active lenders in the Nordics showed little fluctuation.

However, this improvement is certainly not uniform across Europe. Ongoing caution, deleveraging and pressure from regulatory changes are hindering a number of markets, while others still have limited demand for CRE finance, such as Bulgaria and Slovakia. Furthermore, some have seen further uncertainty as the quality of bank loans has come further under the microscope, most notably in the Netherlands.

According to data gathered by CWCF, the volume of CRE loans provided within Spain and Italy during 2013 has tripled, compared to 2012. In the core markets of UK, France and Germany, the volume of loans granted increased by an average of 17% over the period.

Looking ahead to 2014, CWCF expects lenders to diversify their lending outside of the UK, France and Germany across a greater number of European markets, leading to a more evenly balanced market.

“With lending becoming more competitive in core markets, there has been a notable drive by some lenders to target debt opportunities across Southern Europe. A trend we expect to continue during 2014”

Luca Giangolini
Partner
EMEA Corporate Finance

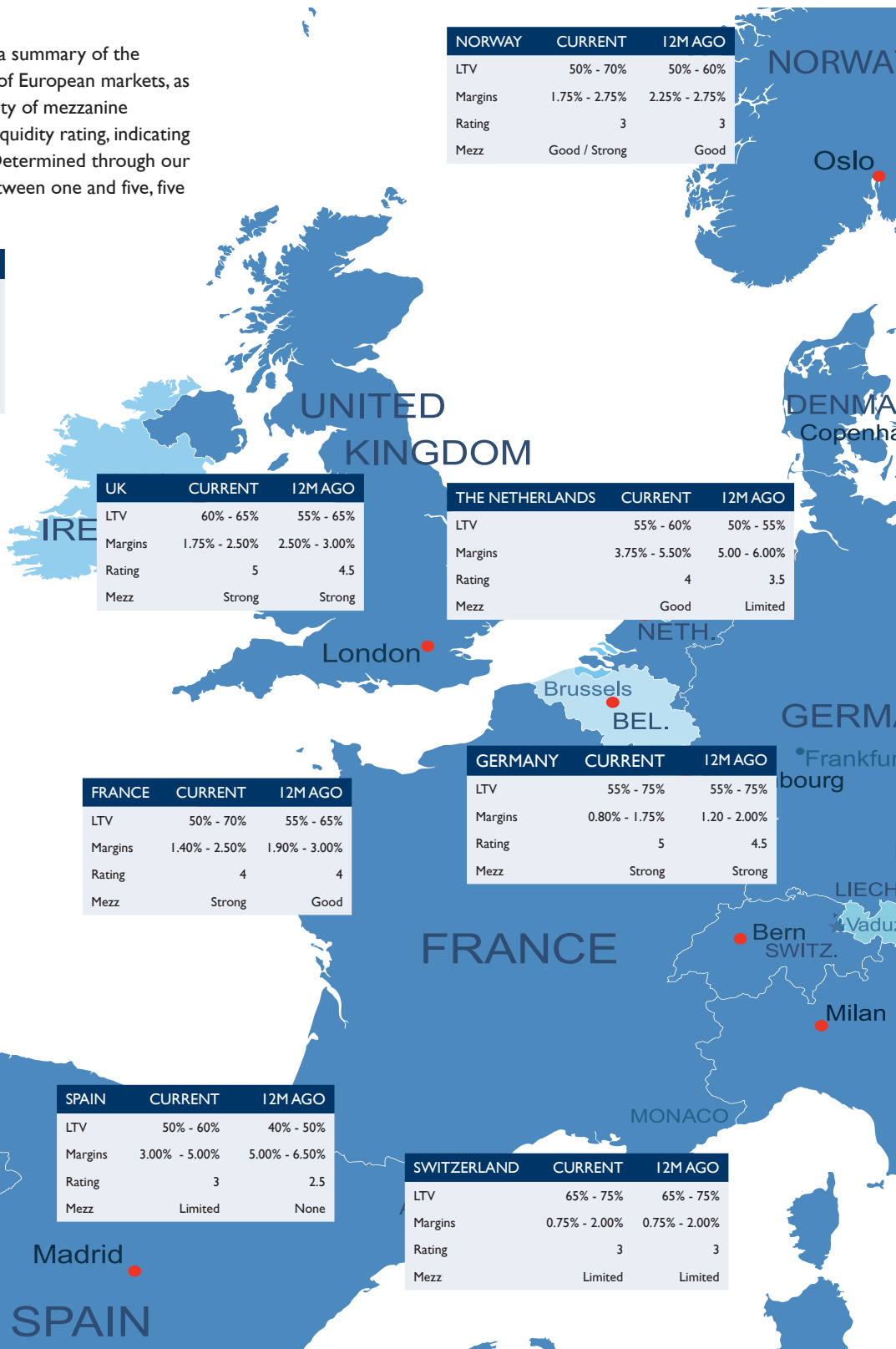


EUROPEAN LENDING OVERVIEW

The geographical illustration below provides a summary of the movement of LTVs and margins in a number of European markets, as well as providing an indication of the availability of mezzanine finance. CWCF has also provided a market liquidity rating, indicating the depth of that particular lending market. Determined through our local market knowledge, the rating ranges between one and five, five being the most liquid.

KEY	
LTV	Senior Prime LTV
Margins	Prime Margins
Rating	Market Liquidity Rating (1 - 5)
Mezz	Availability of Mezz (None, Limited, Good and Strong)

Source: Cushman & Wakefield Corporate Finance and local European C&W Capital Markets Teams.



NORWAY	CURRENT	12M AGO
LTV	50% - 70%	50% - 60%
Margins	1.75% - 2.75%	2.25% - 2.75%
Rating	3	3
Mezz	Good / Strong	Good

UK	CURRENT	12M AGO
LTV	60% - 65%	55% - 65%
Margins	1.75% - 2.50%	2.50% - 3.00%
Rating	5	4.5
Mezz	Strong	Strong

THE NETHERLANDS	CURRENT	12M AGO
LTV	55% - 60%	50% - 55%
Margins	3.75% - 5.50%	5.00 - 6.00%
Rating	4	3.5
Mezz	Good	Limited

FRANCE	CURRENT	12M AGO
LTV	50% - 70%	55% - 65%
Margins	1.40% - 2.50%	1.90% - 3.00%
Rating	4	4
Mezz	Strong	Good

GERMANY	CURRENT	12M AGO
LTV	55% - 75%	55% - 75%
Margins	0.80% - 1.75%	1.20 - 2.00%
Rating	5	4.5
Mezz	Strong	Strong

PORTUGAL	CURRENT	12M AGO
LTV	40% - 60%	40% - 50%
Margins	5.00% - 6.00%	5.00% - 6.50%
Rating	2.5	2
Mezz	None	None

SPAIN	CURRENT	12M AGO
LTV	50% - 60%	40% - 50%
Margins	3.00% - 5.00%	5.00% - 6.50%
Rating	3	2.5
Mezz	Limited	None

SWITZERLAND	CURRENT	12M AGO
LTV	65% - 75%	65% - 75%
Margins	0.75% - 2.00%	0.75% - 2.00%
Rating	3	3
Mezz	Limited	Limited

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WHAT HAS HAPPENED TO LENDING TERMS?

LTVs

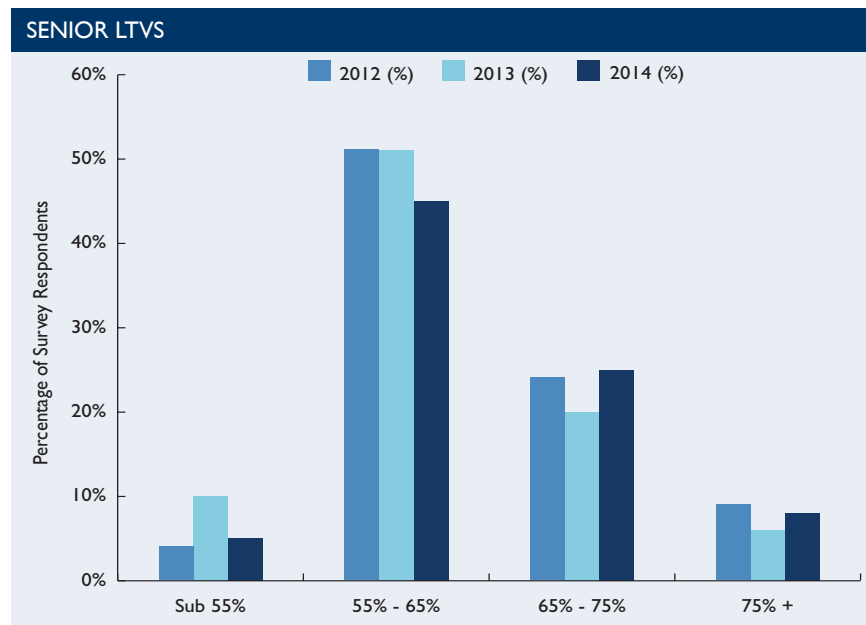
A notable feature of this year’s lending review is the increasingly blurred definition between senior and mezzanine debt for some lenders. More senior lenders are now willing to provide “whole loan” financing, thus crossing the boundary into the mezzanine financing space. For example, CWCF spoke to one senior debt lender who would provide up to 85% LTV on core assets in Western European markets.

Maximum LTV’s for senior debt in the UK and other core Western European markets were generally within the 60% - 65% range in Q1 2013, with a small proportion willing to go to 75% on core product. There has been little change this year, with the upper LTV on senior debt remaining between the 65% - 75% range for core Western European countries. Our analysis shows that 31% of active lenders are willing to provide senior debt financing at an LTV of 65% or above, compared to 25% last year.

The most marked change was seen in the recorded LTVs in several Central and Eastern Europe markets. CWCF’s Q1 2013 Lending Review indicated that senior debt was typically offered at maximum LTV’s of 50-55%. However, a combination of market sentiment and transactional evidence is now indicating an LTV in the region of 60% - 70%. The quoted LTVs in both the Nordics and across Southern Europe also exhibited a marginal increase.

“Over the past 12 months, the number of lenders offering whole loan financing has increased and as a result, the definition between senior and mezzanine finance has blurred”

Luca Giangolini
Partner
EMEA Corporate Finance



Source: Cushman & Wakefield Corporate Finance

MARGINS

During 2013, margins in several markets across Europe have tightened significantly. Last year, pricing around 150 basis points (“bps”) was achievable in certain markets, but uncommon. However, within a very short time frame, increased competition and greater risk tolerance has helped exhibit pressure on the pricing quoted by a broader range of lenders.

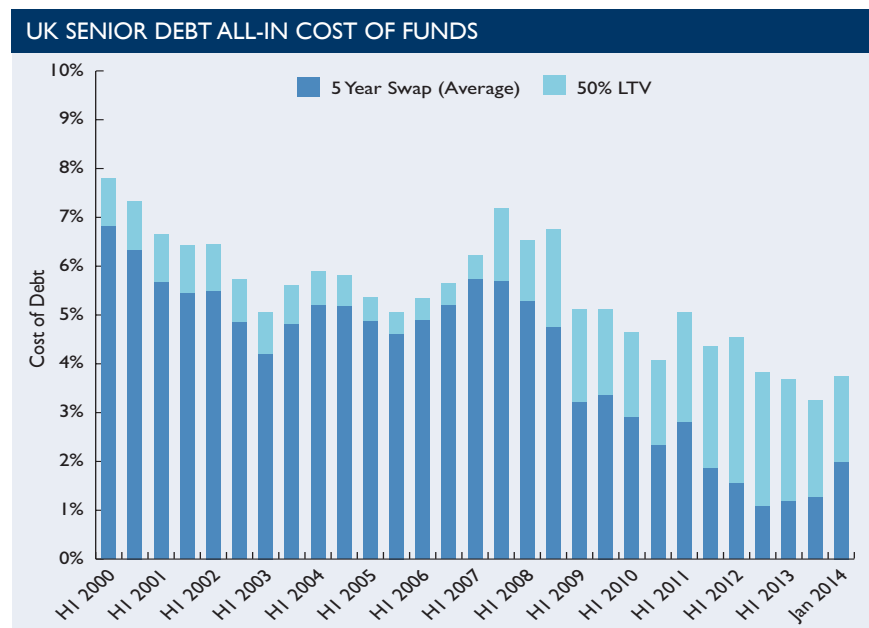
In the UK, margins on core product finished the year ranging between 175bps to 250bps, with just 33% of active senior debt lenders in the UK confirming that average pricing is above 300bps, down from 50% last year. Amongst lenders willing to provide finance in non-core markets, the margins quoted also showed a degree of tightening, with the range reducing from 450bps – 600bps in Q1 2013, to 400bps – 500bps in Q1 2014.

CWCF has tracked the change to the all-in-cost of financing since H1 2000 for a 50% leveraged transaction, secured on a prime UK asset with a strong covenant. This analysis has combined the historical margin and average five year sterling swap rate for each half year period since H1 2000. Whilst there is a focus on increased margins since the financial crisis, this has been more than offset by a general fall in swap rates. As illustrated in the graph opposite, the all-in cost has fallen from 7.8% in H1 2000, to approximately 3.7% in Q1 2014.

Going forward, whilst additional regulatory pressures may exhibit some upward pressure on lending costs, leading to a slight increase in margins, the weight of available capital (particularly from alternative lenders) may help exert an opposing downward pressure.

Number of active lenders looking at Spain and Portugal increases by **37%** and **17%** over the year, respectively

€8.6bn of European CMBS issued during 2013. Forecast issuance in 2014 between **€12bn** and **€15bn**



Source: Cushman & Wakefield Corporate Finance, Bloomberg

ARRANGEMENT FEES

The average arrangement fees charged by lenders has exhibited a notable downward trend. In Q1 last year, 46% of lenders had typical arrangement fees of sub 150 bps. This has now increased to just over 60%, indicating a broad reduction in the fees levied by lenders. This is likely to be partly driven by the more competitive market conditions within many European countries.

LENDING TERMS: SUMMARY

Decreasing levels of arrangement fees and margins have combined with a greater willingness to extend higher LTVs to create a more competitive CRE lending market in Europe. Looking ahead to 2014, CWCF anticipates a stabilisation of margins in the core markets of the UK, France and Germany, but with the possibility for a further fall in margins in the non-core countries of Spain, Italy and Portugal, where increasing investor demand and a plethora of opportunities will encourage lenders to reduce their pricing. In addition, CWCF expects to see LTVs continuing to stabilise and become more aligned across different markets with more lenders willing to lend on a whole loan basis.

EUROPEAN LOAN AND REO SALE MARKET

Despite the increase in lending appetite, deleveraging of existing legacy CRE loan books continues to be a primary concern for numerous European institutions. The establishment of various European asset management agencies (including Ireland's NAMA, Spain's SAREB and the recently created Propertize in the Netherlands) is an indication that many European lenders still have large legacy loan portfolios to work through over the coming years.

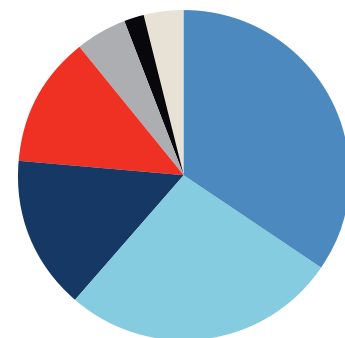
According to data collected by CWCF, the European CRE loan and REO sales market saw €33.7bn of closed transactions in 2013, including the sale of over €3.5bn of Spanish servicing platforms. This is a 45% increase on the €23.2bn closed in 2012. Whilst lenders in the UK, such as RBS and Lloyds Banking Group have been particularly active, there is evidence that vendors in other markets across Europe are stepping up activity, with transactions recently being closed in the Netherlands, Russia, Finland and Italy

CWCF's upcoming publication European Real Estate Loan Sales Market January 2014 report will reflect on activity during 2013 and forecast trends for the CRE loan and REO sale market in 2014.

“Whilst European lenders are expressing more willingness to lend, the deleveraging of legacy CRE loan books remains a key issue for many. CWCF recorded just under €34bn of CRE loans, REO and servicing platforms sold during 2013, a 45% increase on 2012”

Federico Montero
Partner
EMEA Corporate Finance

CRE LOAN AND REO SALES IN 2013 BY COUNTRY



Source: Cushman & Wakefield Corporate Finance

- UK
- Spain
- Ireland
- Germany
- Netherlands
- Scandinavia
- Others

WHAT HAS HAPPENED IN THE EUROPEAN CMBS MARKET?

2013 has seen the return of an active European CMBS market, albeit in a different guise to the shape of the market before the financial crisis. According to data from Bloomberg, approximately €8.6bn was issued in European CMBS during 2013, including the re-issuance of existing and maturing CMBS paper. This represents a 410% increase on the total volume in 2012. To date, the 'peak' year for the Europe came in 2006, when just under €59bn was issued. In the US, over \$80bn (€59bn) was issued during 2013, representing a 91% increase on the 2012 volume but significantly less than the \$230bn (€169bn) that was securitised in the peak year of 2007.

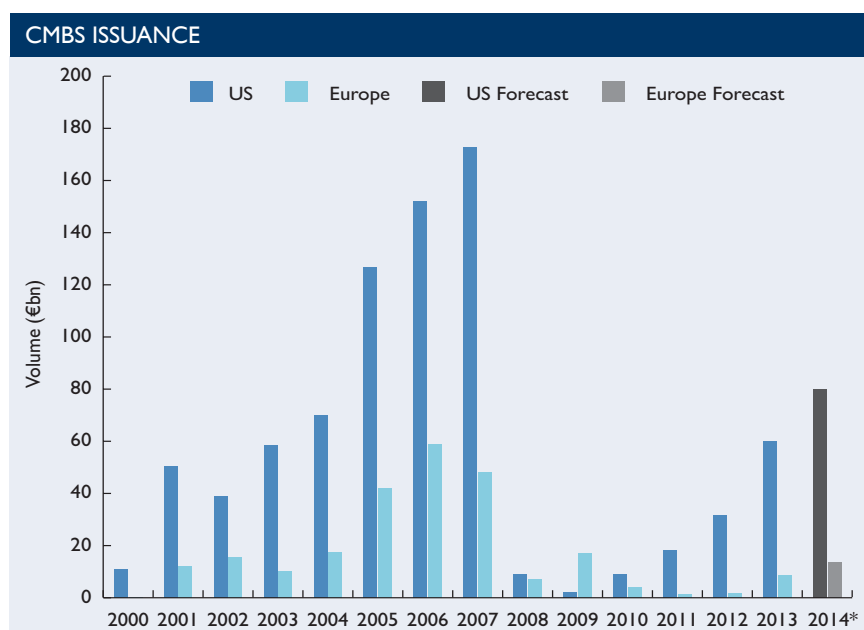
European CMBS issuance during 2013 has been predominantly through the refinancing of existing securitisations. The market has been split into four separate securitisation structures, specifically infrastructure deals, whole business securitisations, single "trophy" asset securitisations (such as the Chiswick Park DECO 2013-CSPK) and multi property securitisations (such as the refinancing of numerous German multifamily portfolios). Whilst there has been no new repackaging of multi loan European portfolios, CWCF believes this will be a likely trend during 2014.

Of those active lenders surveyed for this year's review, 20% saw the CMBS market as a viable exit route, up from 18% last year. With the introduction of the new European CMBS guidelines ("CMBS 2.0"), there have been calls from some factions of the market to ensure that the next generation of European CMBS are kept as plain and simple as possible, to prevent the over-engineering which plagued many financial products in the lead up to the financial crisis.

CWCF predicts that the European market will continue to grow during 2014, with forecast issuance of between €12bn to €15bn. In comparison, market commentators have forecast issuance in the US to be in the range of \$100 - \$120bn (€73bn - €88bn) for 2014.

"With issuance up 410% in 2013 compared to 2012, the European CMBS market continues to follow the US trend and return to favour. Going forward, the key will be keeping new issues as vanilla as possible, to prevent the over-engineering that was so apparent in the market before the onset of the financial crisis"

Mike King
Senior Analyst
EMEA Corporate Finance



Source: Cushman & Wakefield Corporate Finance, CRE Finance Council, Bloomberg
* Note, the graph represents the mid-point of the forecasts presented above.

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WHAT DO WE EXPECT IN 2014?

- The lending market is likely to become even more diverse, slowly moving towards the US CRE lending model, where the number of banks is balanced by the number of alternative lenders.
- Insurance companies will continue to make their presence felt, accelerating the development of their lending strategies and building their direct and indirect lending platforms.
- With Spain, Portugal and Italy back on the radar for many lenders, there is likely to be further penetration of the previously labelled “non core” markets.
- With a plethora of debt funds both in the market and looking to raise capital, it is likely such lenders will need to move even further up the risk curve to exceed their higher costs of capital.
- CWCF predicts just under a quarter of the €22.1bn targeted by European debt funds will be successfully raised during 2014.
- With an oversupply of potential debt in core locations, there is likely to be a continued focus on secondary assets in prime locations, or prime assets in secondary locations.
- Margins are likely to stabilise, and potentially even show a slight increase in core countries, due to additional regulatory pressures.
- Sponsors should continue to carefully consider how they record and present information to lenders, to be sure of an efficient and timely process.
- The European CRE loan and REO sales market will remain very active over the next 12 months. In particular, CWCF expects a wave of sales to emerge from Spain, Italy and the Netherlands during the year.
- CWCF forecasts European CMBS issuance of between €12bn to €15bn forecast in 2014, with the expectation of the re-emergence of multi loan securitisations.

About the Report

The underlying data was researched by CWCF team, who interviewed senior finance professionals from leading CRE finance providers to assess the level of appetite for lending and what trends will shape the European finance market in 2014. This research exercise has been undertaken annually since 2007 and is a targeted and personalised approach, built on our long established relationships with lenders in the European market. In addition, CWCF has also collected data from various other sources, including local European C&W teams, Bloomberg and the CRE Finance Council.

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