

EUROPEAN REAL ESTATE LOAN SALES MARKET



HI 2014

A Cushman & Wakefield Corporate Finance Publication



KEY HIGHLIGHTS

c. €584bn of non-core real estate exposure needs to be worked out or sold across Europe in the upcoming years

- C&W Corporate Finance estimates that European banks and asset management agencies have a gross exposure of €584bn to non-core real estate which is subject to disposal or work-out strategies in the upcoming years
- Asset management agencies continue to be key vendors in the commercial real estate (CRE) loan and real estate owned (REO) sales market, accounting for 63% of closed sales in HI 2014
- A record €40.9bn of CRE loan and REO sales have transacted in HI 2014, over 30% more than in the entirety of 2013 and 611% more than in HI 2013
- The average size of transactions has increased from €346m in 2013 to €621m in HI 2014, with “mega-deals” representing 71% of the closed total volume
- Investor interest continues to extend further into southern Europe, with 29% of closed sales in Q2 relating to Spain and more than €10bn of live sales taking place in this region
- US private equity firms continue to dominate, accounting for 77% of CRE loan and REO completed transactions
- However, C&W Corporate Finance is starting to see a new breed of investor enter the market in the form of Irish REITs and Spanish SOCIMIs, raising total capital of €3.5bn to invest in real estate
- Loan-on-loan financing continues to be limited to the key markets but competition has driven margins as low as 295bps and LTCs up to 60-70%
- C&W Corporate Finance is currently tracking €28.5bn in live sales and a further pipeline of €38.5bn of planned disposals

NON-CORE REAL ESTATE EXPOSURE

C&W Corporate Finance estimates that European banks and asset management agencies have a combined gross exposure to non-core real estate of around €584bn

C&W Corporate Finance has carried out extensive research into the non-core real estate exposure of 46 banks and asset management agencies throughout Europe, in order to understand the landscape of the CRE loan sale market in years to come. The figures reported in this document include exposures to CRE loans, residential mortgages, and REOs which C&W Corporate Finance believes are subject to disposal or work-out strategies by the lenders.

Despite the record CRE loan and REO sales volume witnessed so far in 2014, the deleveraging process throughout Europe is far from over. With gross exposure (i.e. face value of loans and REOs) to non-core real estate totalling **€584bn**, it is expected that the current high level of activity is set to continue in the upcoming years.

Asset management agencies will have an essential role going forward

The nine European “bad banks” analysed by C&W Corporate Finance hold over 46% of the total gross exposure to non-core real estate, indicating their importance in the CRE loan and REO sales market in the next few years. NAMA holds non-core CRE assets with a face value of c. €61bn split between Ireland and the UK, while SAREB holds non-core Spanish real estate assets with a face value of c. €102bn. The respective net values amount to c. €28bn and €49bn reflecting the heavy write-downs accepted when the two agencies originally acquired the loans.

A further 52% represents the exposure of 26 banks with an explicit deleveraging plan or which have set up an internal “bad bank”. This total will inevitably increase following the upcoming asset quality reviews (AQRs). Net exposure, after allowing for loan loss provisions, amounts to **€407bn**, which is a more realistic estimation of the amount recoverable by the financial institutions.

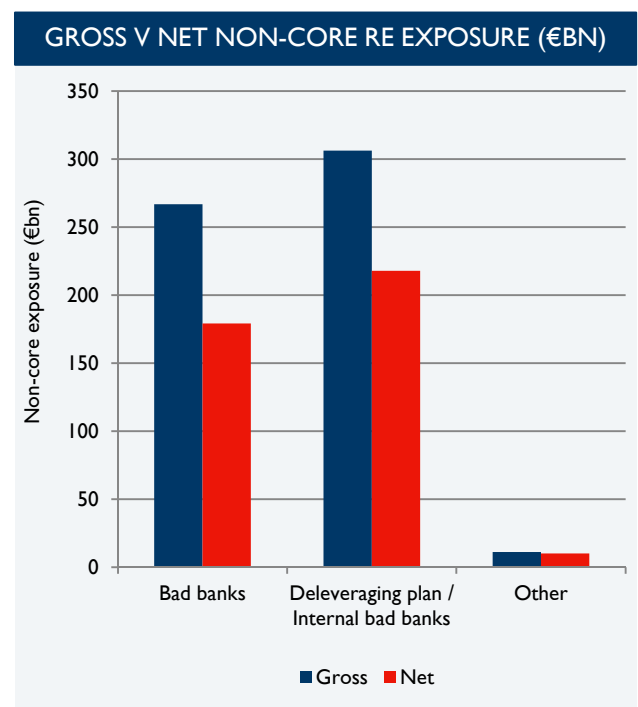
Spain represents a key market for opportunistic investors

With €192bn in gross non-core real estate exposure, investor sentiment for Spain will continue to grow. SAREB, the Spanish asset management agency, holds over 53% of this exposure (face value of €102bn), although it must be noted that the majority of this figure relates to residential loans and REOs. Despite being two of the most dominant markets in terms of deleveraging over the last three years, the UK and Ireland still have significant non-core real estate exposure, highlighting the extent of the original problem and the large amount of assets yet to be sold or worked out.

More to come from Italy following AQRs

Even though Italian lenders have a relatively low exposure to non-core real estate in comparison to the UK, Ireland and Spain, C&W Corporate Finance expects this figure to increase following the AQRs. The reclassification of loans will lead to a higher level of NPLs held on balance sheets and will result in the development of clearer exit strategies and further disposals in order to meet capital requirements. Furthermore, with UniCredit and Intesa Sanpaolo already in discussions to set up a “bad bank”, investors will be circling Italy, eager to take advantage of any opportunities.

c. €584bn of European non-core real estate exposure



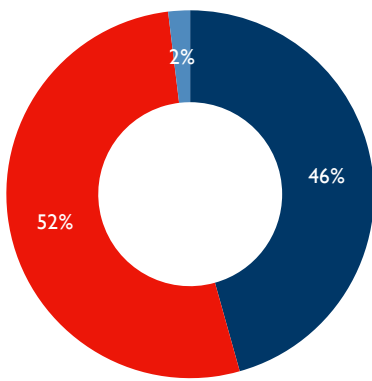
Source: C&W Corporate Finance

“The record CRE loan and REO sales’ volume observed so far in 2014 has been impressive, although the significant non-core real estate exposure of over €580bn across Europe signifies the enormity of the deleveraging process still to occur. Additionally, the upcoming stress tests being enforced by the ECB will guarantee that the current high levels of activity in the market will be sustained in the next few years.”

Federico Montero
Partner, Head of Loan Sales
EMEA Corporate Finance

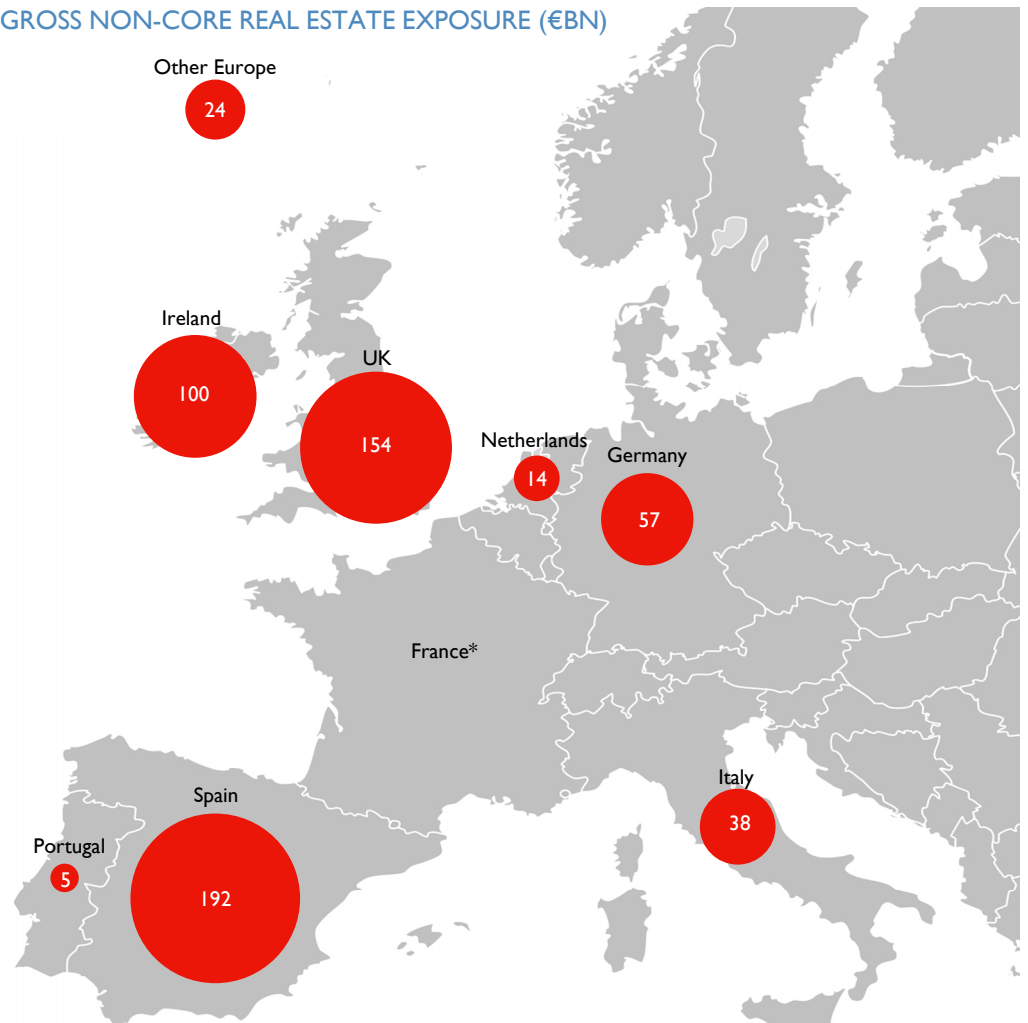
GROSS NON-CORE REAL ESTATE EXPOSURE (€BN)

NON-CORE REAL ESTATE EXPOSURE BY VENDOR TYPE



- Bad banks
- Deleveraging plan / Internal bad banks
- Other

Source: C&W Corporate Finance



*Note: French exposure has not been quantified due to a lack of market transparency

Source: C&W Corporate Finance

KEY VENDORS

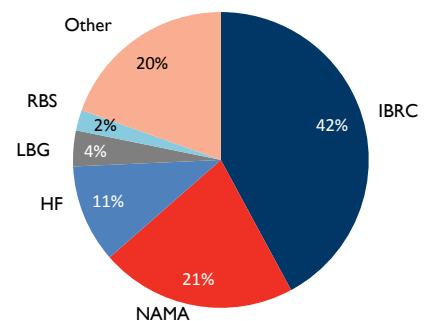
HI 2014 completed sales dominated by asset management agencies

With IBRC completing the majority of its sales in the first quarter, it was the turn of NAMA and Hypothekbank Frankfurt to take centre stage. Together the two financial institutions accounted for 76% of total sales in Q2 2014, driven by their respective sales of the €5.6bn Northern Irish Project Eagle and the €4.4bn Spanish Project Octopus. Overall, European “bad banks” represented 63% of closed transactions in HI 2014, thereby demonstrating their crucial role in the CRE loan and REO sales market.

Looking ahead, RBS is expected to be increasingly active following the establishment of its internal bad bank (RBS Capital Resolution) which holds c. €25bn of non-core real estate loans, c. 60% of which relate to Ulster Bank. In addition, several Spanish banks are exploring options to dispose of their soured assets, including Catalunya Banc’s current sale of its €6.9bn Project Hercules (residential mortgages). C&W Corporate Finance also expects there to be a wave of secondary sales in the mid-term following Lone Star’s purchase of the majority of the IBRC portfolios and the non-performing pool of Project Octopus.

However, investor focus will not completely switch to southern Europe. UK and Irish banks still have a combined exposure of €244bn to non-core real estate, and therefore will continue to be key vendors in the market.

TOP 5 VENDORS HI 2014



VENDOR	CLOSED SALES (€M)
1 IBRC	17,247
2 NAMA	8,773
3 Hypothekbank Frankfurt	4,400
4 Lloyds Banking Group	1,597
5 Royal Bank of Scotland	957

Source: C&W Corporate Finance

CLOSED TRANSACTIONS HI 2014

VOLUMES

“Distressed asset” market interest continues to be at an all-time high

Following a record first quarter dominated by IBRC, Q2 saw activity spread to southern Europe as vendors look to take advantage of increasing investor appetite in the region. As a result, C&W Corporate Finance estimates that €16.3bn of sales completed in the three months to July, over six times the volume closed in Q2 2013 (€2.5bn).

When combined with the Q1 volume of €24.7bn, the total for the first six months of 2014 amounts to **€40.9bn**. This represents an increase of over 30% on the volume for the entirety of 2013 and of 611% on HI 2013, once again highlighting the extent to which activity in the CRE loan and REO sales market has accelerated over the first half of the year.

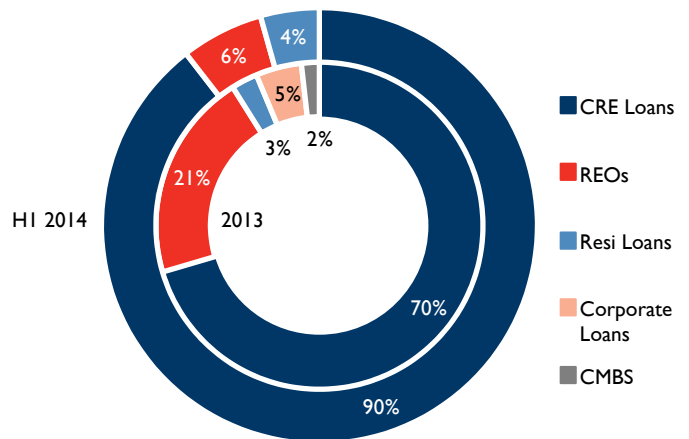
Record volumes across the UK, Ireland and Spain

It is difficult to emphasise enough the sheer volume of closed transactions in HI 2014. A good indicator is that total sales to July in the UK and Ireland have increased by over 47% and 116% respectively on the total volumes observed in the whole of 2013.

Furthermore, transaction volumes in Spain have ballooned in the first half of this year, aided by the sale of Hypothekbank Frankfurt’s Project Octopus. With Catalunya Banc’s €6.9bn Project Hercules currently on the market and a further €3.8bn of CRE loans and REOs up for grabs, Spain is guaranteed to have a record-breaking year.

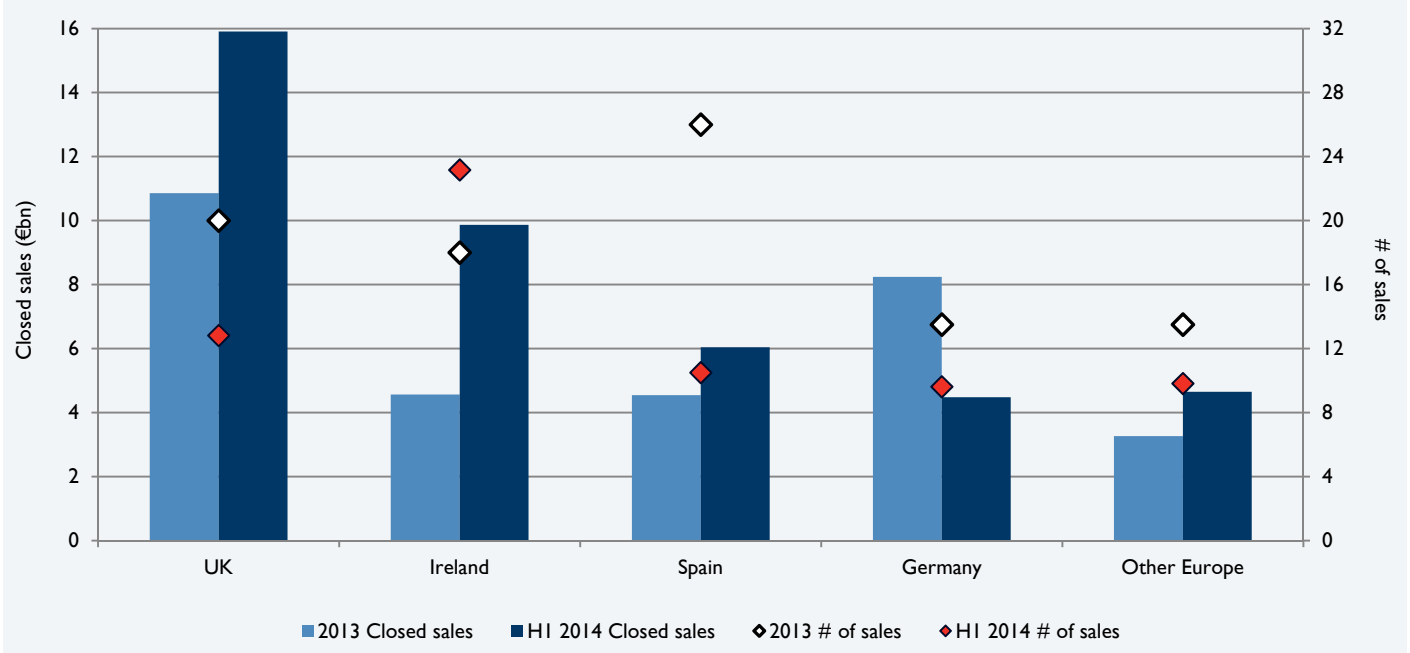
€40.9bn of closed transactions during HI 2014

CLOSED TRANSACTIONS BY TYPE
2013* v HI 2014



Source: C&W Corporate Finance

EUROPEAN CRE LOAN & REO CLOSED TRANSACTIONS 2013* v HI 2014 (€M)



Source: C&W Corporate Finance

4 * Please note that the 2013 closed transactions volume has increased since the Q1 2014 report as C&W Corporate Finance has learnt of several further transactions in 2013

TRANSACTION SIZE

The “mega-deals” keep on coming

C&W Corporate Finance has recorded 8 closed “mega-deals”, those deals with a face value over €1bn, and is currently tracking a further 4, all of which have been met with a high level of investor interest leading to aggressive bidding. In terms of volume, “mega-deals” account for 71% of the total in H1 2014 whilst in 2013 this was a mere 40%.

Contrary to the trend observed across Europe last year, the average size of loan sale transactions has increased in H1 2014 to €621m from €346m in 2013, making it more difficult than ever for smaller investors to participate in the sales process. This rise in the average loan sale size is due to the abundance of “mega-deals” which have come to the market during H1 2014.

Despite this, there is an increasing number of smaller deals under the radar of the larger firms and too large for the private investor, in the €50-100m range. Following the purchase of these “mega-deals”, it is anticipated that there will be plenty of secondary bite-size offerings as the PE firms look to maximise their proceeds.

“US investors have raised an enormous volume of capital targeting opportunistic European real estate. “Mega-deals” prove popular to these buyers since they offer a chance to gain large exposures to key assets and markets in one transaction, saving on both costs and time.”

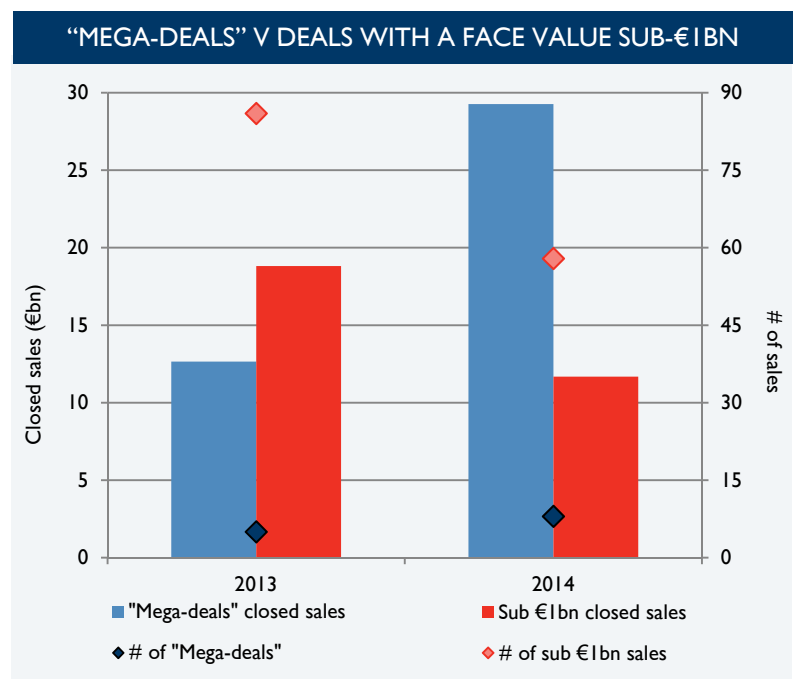
Frank Nickel
Partner
Chairman of EMEA Corporate Finance

As a consequence of “mega-deals”, the CRE loan and REO sales market is larger than the real estate investment market in both Ireland and Spain

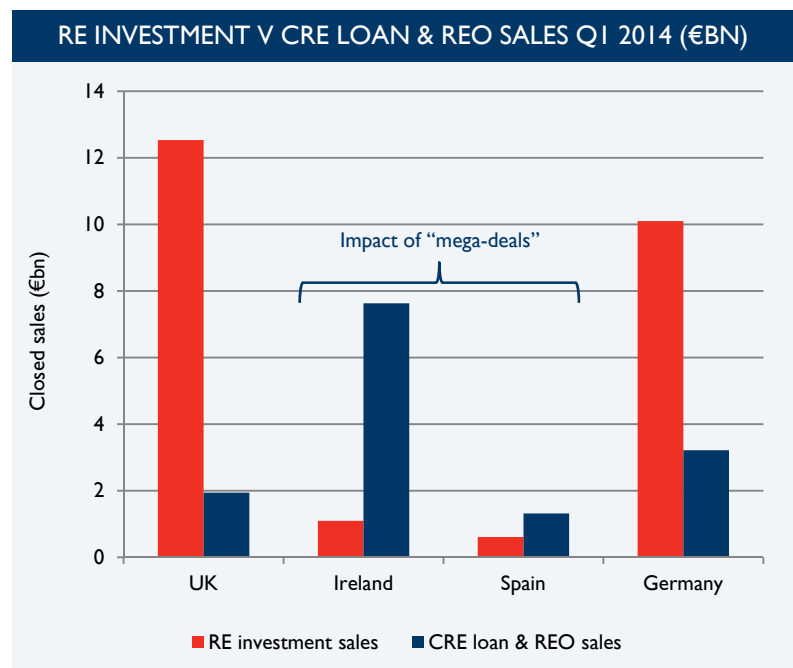
It is also worth noting that CRE loan and REO sales in Ireland and Spain have substantially exceeded direct property investments in Q1 2014, as investors seek out distressed assets where they can achieve attractive returns. In particular, the CRE loan and REO sales volume in Ireland was almost 7 times the direct property investment volume.

However, in addition to a rise in the volume of European CRE loan and REO sales, real estate investment volumes across the continent are being increasingly supported by sales from borrowers looking to repay outstanding loans.

“Mega-deals” account for 71% of total closed volume in H1 2014



Source: C&W Corporate Finance



Source: C&W Corporate Finance

GEOGRAPHY

Investor interest in southern Europe “heating up”

Whilst the UK and Ireland continued to account for the majority (63%) of the closed volume in H1 2014, 29% of closed sales in Q2 and over a third of the €28.5bn of live transactions relate to Spain. The total in Q2 was significantly boosted by Hypothekbank Frankfurt’s sale of its €4.4bn Project Octopus to JP Morgan and Lone Star, who purchased the performing and non-performing loans respectively. With the Spanish and international banks and SAREB looking to take advantage of improving market sentiment, investor interest is evidently extending to southern Europe.

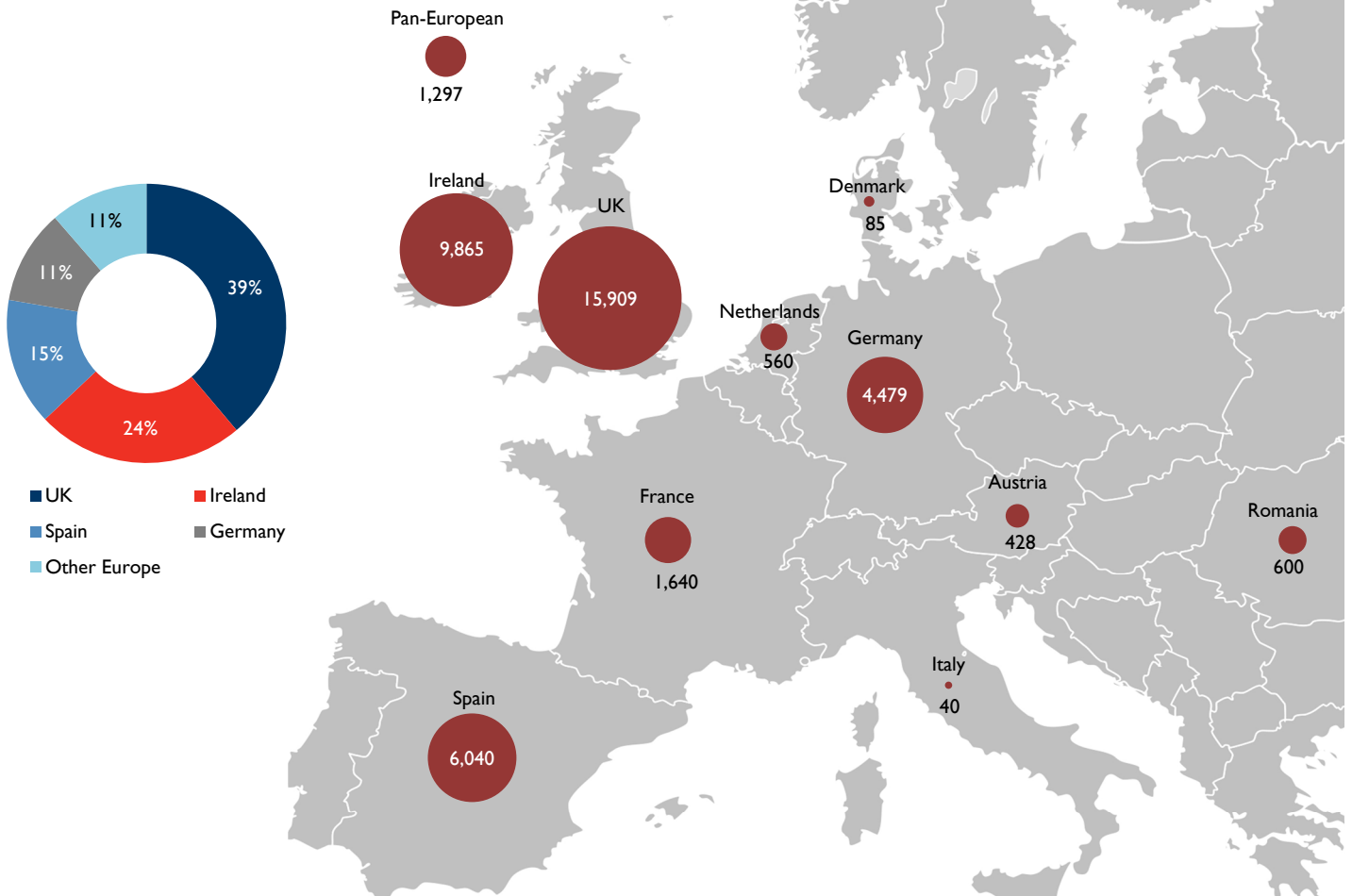
The second quarter also marked the first reported CRE loan sale of the year in Italy with HIG Bayside purchasing a €40m loan from Cassa di Risparmio di Ravenna, although there has been plenty of activity with regards to unsecured debt. With Unicredit and Intesa Sanpaolo announcing their clear deleveraging ambitions, it is only a matter of time before there is a wealth of opportunities from the pair.

Further afield in Europe, opportunities are starting to appear in Greece and CEE. However, there is an expectation that these markets will be more suited to local investors, with the majority of the large US firms preferring markets with more liquidity and a stable economic and legal environment.

“The Spanish market has sparked in to life in H1 2014 and is now at the top of investors’ target lists. With almost €200bn of non-core real estate exposure on the books of Spanish banks and SAREB, many of the big name investors are well positioned to take advantage of any potential opportunities. Sale volumes in Spain will only go one way!”

Reno Cardiff
Partner, Head of Capital Markets
Spain

CLOSED SALES BY GEOGRAPHY H1 2014 (€M)



Source: C&W Corporate Finance

KEY BUYERS

Stronger getting stronger as US PE firms dominate

Large US investors such as Lone Star and Cerberus continue to grab the headlines, accounting for 77% of all European CRE loan and REO acquisitions in H1 2014. The first half of the year has once again been a demonstration of both their appetite for the “mega-deal” offerings and their eagerness to deploy the large sums of capital they have raised. There is also a belief that if the European economy recovers as quickly as in the US, the window of opportunity may be relatively short before pricing becomes less attractive, as seen in Ireland.

Continuing to grow presence “on the ground”

Following the trend set in 2013, several servicing platforms have been sold in Spain so far in 2014, as investors prepare to take advantage of anticipated deals. Italian banks, such as UniCredit and Banco Popolare, have also put their respective servicing platforms on the market, looking to exploit growing investor sentiment in the region.

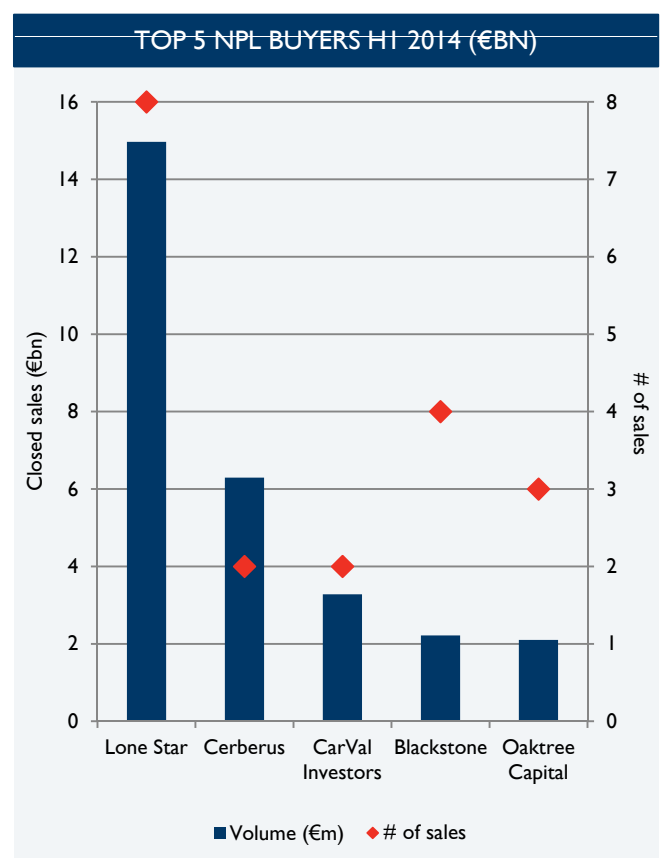
NEW BUYERS

New wave of Irish REITs and Spanish SOCIMIs

2014 has seen a new set of competitors enter the market in both Ireland and Spain, albeit for the smaller lot sizes. Newly established Irish REITs and Spanish SOCIMIs (Sociedades Anonimas Cotizadas de Inversion en el Mercado Inmobiliario) are publicly traded real estate investment trusts which benefit from corporate income tax exemption if they meet certain criteria. This means that shareholders hold a tax neutral position between investing directly in property or in a REIT. Importantly, Irish REITs are able to invest in CRE loans, as exhibited by Hibernia REIT’s purchase of a €67m Ulster Bank loan in February this year.

C&W Corporate Finance estimates that this new breed of investors have raised a total of c. €3.5bn, with c. €1.3bn and c. €2.2bn to invest in Ireland and Spain respectively. Their lower cost of capital allows them to be aggressive in their bidding, which in turn is putting pressure on the returns of private equity firms.

US PE firms account for 77% of European transactions in H1 2014



Source: C&W Corporate Finance

LIST OF IRISH REITS & SPANISH SOCIMIS

INVESTOR	COUNTRY	EQUITY RAISED	NOTABLE INVESTMENTS
Green REIT	Ireland	€685m	<ul style="list-style-type: none"> Oct 13: Project Arc – Danske Bank €140m Irish REO Feb 14: Central Park – NAMA €230m Irish REO
Hibernia REIT	Ireland	€385m	<ul style="list-style-type: none"> Feb 14: €67m Ulster bank CRE loan portfolio Jun 14: €52m Observatory Building from NAMA
Irish Residential Properties REIT	Ireland	€200m	<ul style="list-style-type: none"> Jun 14: €50m Marker luxury apartments in Dublin
Axia Real Estate (Rodex)	Spain	€400m (target)	<ul style="list-style-type: none"> N/A
Entrecampos	Spain	€55m	<ul style="list-style-type: none"> Unknown
Hispania Real SOCIMI	Spain	€500m	<ul style="list-style-type: none"> Mar 14: €14m Guadalmina Hotel mortgage loan Jun 14: Two offices in Barcelona for €40.15m
Lar Espana Real Estate SOCIMI	Spain	€400m	<ul style="list-style-type: none"> Mar 14: Two Spanish shopping centres worth €39.4m
Merlin Properties SOCIMI	Spain	€1,250m	<ul style="list-style-type: none"> Jul 14: Tree Inversiones Inmobiliarias for €739.5m
Promorent	Spain	€6m	<ul style="list-style-type: none"> Unknown
Quabit Inmobiliaria SOCIMI	Spain	€500m (target)	<ul style="list-style-type: none"> N/A

Source: Company websites, various newswires

LOAN-ON-LOAN FINANCING

Loan-on-loan financing more available than ever

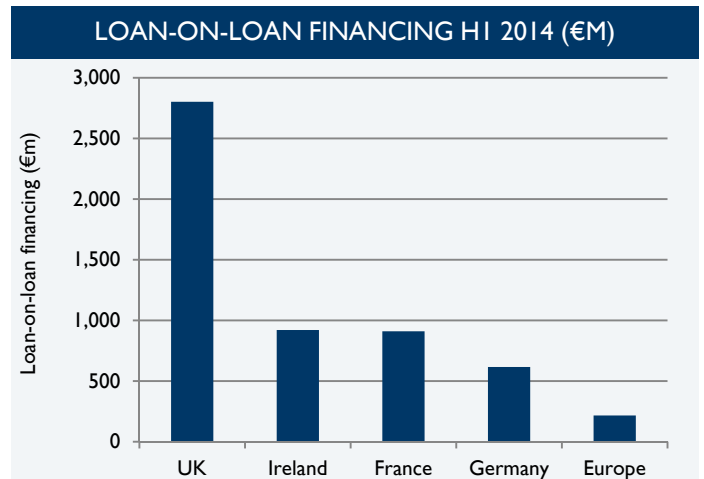
Activity in the European CRE loan and REO sales market is at an all-time high, with over €40bn of transactions closed YTD. With a wealth of capital to deploy, it is the large US private equity firms who continue to dominate the market and use their established relationships with lenders to leverage their positions.

As the property lending environment continues its recovery, loan-on-loan financing also appears to be more available than ever with C&W Corporate Finance recording over €5.5bn of debt being secured across nine transactions in the first half of 2014. In comparison, only €3.2bn was secured in the entirety of 2013, also across nine transactions.

Margins continue to tighten to as low as 295bps

The competitive environment between banks and non-traditional lenders, especially in the UK, has resulted in a tightening of margins to between 300-400bps, a reduction on the 400-600bps seen in 2013. In addition, the typical LTC ratio has increased to between 60-70%, again suggesting that lenders are keen to look further up the risk curve.

However, it must be noted that lenders continue to focus on the UK and Ireland, and there is little evidence to suggest that financing is becoming more affordable throughout Europe. Furthermore, looking at the list of loan-on-loan borrowers it is soon apparent that financing is still limited to large US investors with existing lender relationships and a proven track record.



Source: C&W Corporate Finance

“High levels of competition continue to drive down pricing in the direct CRE lending market, resulting in many lenders turning to higher margin loan-on-loan financing which offers an attractive option for those looking to move up the risk curve.”

Federico Montero
 Partner, Head of Loan Sales
 EMEA Corporate Finance

REPORTED LOAN-ON-LOAN FINANCING DEALS H1 2014

DATE	VENDOR	PROJECT	BUYER	LENDER	LOAN SIZE	LTC	MARGIN
Jan-14	NAMA	Project Holly	Lone Star	Royal Bank of Canada	c. €155m	70%	400bps
Jan-14	NAMA	Central Park	Green REIT / Kennedy Wilson	Bank of Ireland	€150m	50%	295bps
Jan-14	NAMA	Project Platinum	Blackstone	Morgan Stanley	€60m	60%	300bps
Feb-14	IBRC	Project Rock	Lone Star	Citi, Wells Fargo & Royal Bank of Canada	c. €2,200m	65%	400bps
Feb-14	IBRC	Project Salt	Lone Star	Citi, Wells Fargo & Royal Bank of Canada	c. €1,200m	65%	400bps
Feb-14	Perella Weinberg & Credit Foncier	Coeur Defense	Lone Star	Bank of America Merrill Lynch	€910m	67%	-
Mar-14	IBRC	Project Pebble	Colony Capital	M&G Investments	€140m*	-	-
Apr-14	Nationwide	Project Adelaide	Oaktree Capital	JP Morgan and AIG	-	-	-
Apr-14	NAMA	Project Tower	Blackstone	GE Capital	€770m	70%	-

Source: C&W Corporate Finance

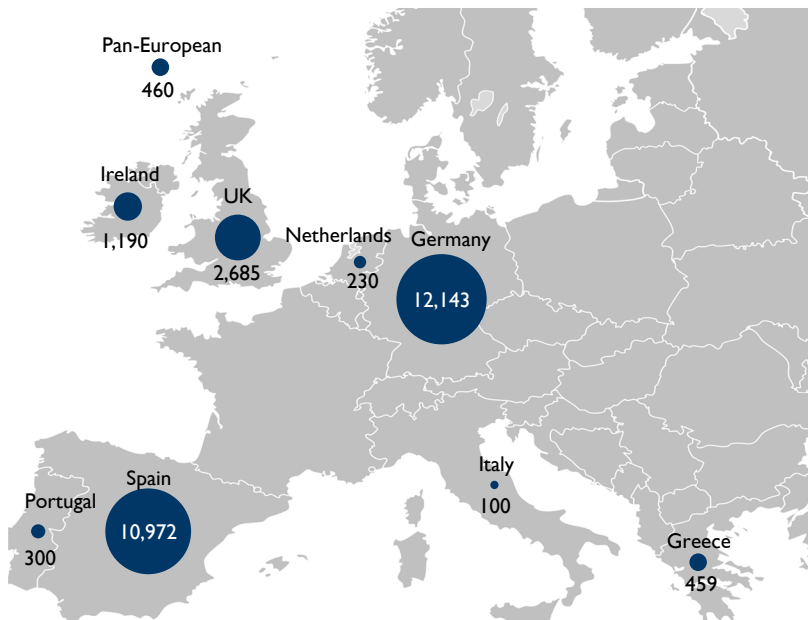
LIVE TRANSACTIONS

Strong bids received for second Spanish “mega-deal”, Project Hercules

C&W Corporate Finance is currently tracking €28.5bn of live CRE loan and REO transactions, indicating that the total volume for 2014 is still on track to meet the €50bn forecast estimated by C&W Corporate Finance in its *European Real Estate Loan Sales Market Report Q1 2014*.

Among the live sales is Catalunya Banc’s sale of its €6.9bn residential loan portfolio dubbed Project Hercules, which marks the second “mega-deal” in Spain this year. The three tranche deal has attracted several joint bids due to its size, with investors teaming up to acquire the performing and non-performing parts of the loan book, as seen in both Project Octopus and the sale of Hypothekbank Frankfurt’s UK loan portfolio.

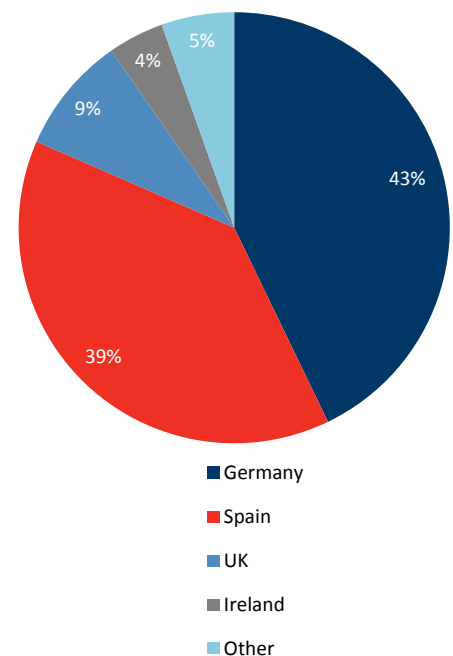
LIVE TRANSACTIONS BY GEOGRAPHY (€M)



Source: C&W Corporate Finance

Currently tracking
€28.5bn of
live sales

LIVE SALES BY COUNTRY



Source: C&W Corporate Finance

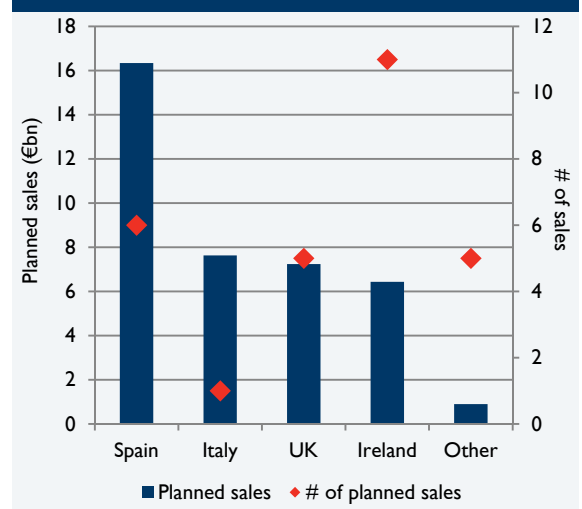
PLANNED TRANSACTIONS

Pipeline of €38.5bn in planned disposals

The second half of 2014 will be supported by a substantial pipeline of planned transactions which C&W Corporate Finance estimates has a face value of c. €38.5bn, 42% of which relate to Spain. Anticipated vendors include Barclays which is looking to dispose of its Spanish mortgage book, and Permanent TSB which has recently revealed its plans to sell a €6.9bn UK residential mortgage book and its entire Irish non-core CRE loan portfolio in the near future.

As discussed, the looming stress tests will undoubtedly increase the level of NPLs on the balance sheets of banks throughout Europe, but it is expected that the largest effect will be on those based in Italy and the Netherlands. With the Dutch asset management agency Propertize already set up and holding the bad loans of the former SNS REAAL’s property finance division, it is only a matter of time before the entity starts its work-out and disposal procedures.

PLANNED CRE LOAN & REO SALES (€M)



Source: C&W Corporate Finance

CLOSED CRE LOAN & REO TRANSACTIONS HI 2014

Over €40bn of closed transactions

DATE	VENDOR	PROJECT	TYPE	COUNTRY	BUYER	FACE VALUE €M
Jan-14	SAREB	Dorian Portfolio	REOs	Spain	Blackstone	42
Jan-14	Goldman Sachs	Saxony loan	CRE Loans	Germany	Junior lender	47
Jan-14	Hatfield Philips	8,500 unit residential portfolio	REOs	Germany	IN-WEST Partners	268
Jan-14	NAMA	Project Platinum - Pool 1	REOs	Ireland	Blackstone	100
Jan-14	NAMA	Project Platinum - Pool 2	REOs	Ireland	Google	65
Jan-14	NAMA	Central Park	REOs	Ireland	Green REIT plc / Kennedy Wilson	312
Jan-14	NAMA	Project Holly	CRE Loans	Ireland	Lone Star	374
Jan-14	Österreichische Volksbanken	CA Immo debt	CRE Loans	Austria	CA Immo	428
Jan-14	RBS	Electra Dutch Asset	REOs	Netherlands	PPF Real Estate	30
Jan-14	SAREB	Banesco Building	CRE Loans	Spain	Pontegadea	66
Jan-14	SAREB	Project Walls (Indigo)	CRE Loans	Spain	Deutsche Bank / Magic RE	100
Jan-14	Commerzbank	Spanish NPL CRE loans	CRE Loans	Spain	Group of international investors	710
Jan-14	Finansiel Stabilitet	Project KS II	CRE Loans	Denmark	Davidson Kempner	85
Feb-14	Volksbank Romania	Romanian NPLs	CRE Loans	Romania	HIG Bayside Capital	600
Feb-14	IBRC	Project Rock	CRE Loans	UK, Germany & Europe	Lone Star / Sankaty / Canyon Capital	5,736
Feb-14	IBRC	Project Salt	CRE Loans	UK, Germany & Europe	Lone Star	1,854
Feb-14	Perella Weinberg & Credit Foncier	Coeur Defense	CRE Loans	France	Lone Star	1,640
Feb-14	Danske Bank	D2 Portfolio	REOs	Ireland	Green REIT plc	23
Feb-14	Friends Life	Project Magenta	CRE Loans	Ireland	Carval	60
Feb-14	Portigon	4 Dusseldorf offices	REOs	Germany	Blackstone	350
Feb-14	RBS	Ulster Bank CRE loans	CRE Loans	Ireland	Hibernia REIT	67
Feb-14	UniCredit	German PLs	CRE Loans	Germany	Hansteen Holdings	58
Feb-14	GE Artesia Bank	Dutch residential mortgages	Resi Loans	Netherlands	Venn Partners	500
Mar-14	IBRC	Project Sand	Resi Loans	Ireland	Lone Star / Oaktree Capital	1,152
Mar-14	Banco Sabadell	115 Avenida America	REOs	Spain	London & Regional	117
Mar-14	IBRC	Project Stone - Tranches 1, 2 & 4	CRE Loans	Ireland	CarVal / Goldman Sachs / Pepper AS	3,219
Mar-14	IBRC	Project Stone - Tranches 3 & 5	CRE Loans	Ireland & UK	Lone Star	1,970
Mar-14	IBRC	Project Stone - Tranches 6 & 7	CRE Loans	UK, Germany & Europe	Deutsche Bank	1,665
Mar-14	IBRC	Project Stone - Tranches 16	CRE Loans	Spain	Northwood Investors	281
Mar-14	LBG	Project Aberdonia	CRE Loans	Europe	Marathon AM	590
Mar-14	IBRC	Project Pebble	CRE Loans	Ireland	Colony Capital	800
Mar-14	Nationwide, RBS & BOI	Hilton Hotels senior debt	CRE Loans	UK	Oaktree Capital	99
Mar-14	Deutsche Bank	Mars Fixed I Loan	CRE Loans	Germany	Kildare Partners	828
Mar-14	TAG Immobilien	TAG GI	REOs	Germany	Apollo	297
Mar-14	LBG	O'Flynn Loans	CRE Loans	Ireland	Kildare Partners	100
Mar-14	European Bank	Uk mortgage portfolio	Resi Loans	UK	Macquarie	45
Mar-14	Financial institution	Guadalmina Hotel mortgage	CRE Loans	Spain	Hispania Real Socimi	14
Apr-14	RBS	Dundrum syndicated loan (1)	CRE Loans	Ireland	NAMA	129
Apr-14	Royal Bank of Canada	Dundrum syndicated loan (2)	CRE Loans	Ireland	NAMA	108
Apr-14	Nationwide	Project Adelaide	CRE Loans	Germany	Oaktree Capital	850
Apr-14	NAMA	Project Eagle	CRE Loans	UK	Cerberus	5,625
Apr-14	NAMA	Project Tower	CRE Loans	UK	Blackstone	1,726
Apr-14	NAMA	Project Tower - Dev. scheme in Cork	CRE Loans	Ireland	Kildare Partners	100
Apr-14	RBS	CRE loans - Germany	CRE Loans	Germany	N/A	200
Apr-14	SAREB	Klauss Portfolio	Resi Loans	Spain	Hayfin Capital Management	90
Apr-14	Natixis	Fordgate Portfolio Junior debt	CRE Loans	UK	Kennedy Wilson	149
Apr-14	IVG Immobilien	Dutch light industrial units	REOs	Netherlands	HIG Bayside Capital	30
May-14	LBG	Iveagh Collection	REOs	Ireland	Iput, Knight Frank Investment Managers & Private Irish Inv.	30
May-14	LBG	Project Avon - Fire control centre loans	CRE Loans	UK	Kennedy Wilson	145
May-14	RBS	Project Button - Corbo Loans	CRE Loans	Ireland	Davidson Kempner / Deutsche Bank / Kennedy Wilson	95
May-14	RBS	Project Button - Cosgrave loans	CRE Loans	Ireland	Davidson Kempner	370
May-14	Hypotheekbank Frankfurt	Project Octopus	CRE Loans	Spain	JP Morgan / Lone Star	4,400
May-14	NAMA	Project Drive	CRE Loans	Ireland	Patron	228
May-14	Spanish Banks	Castellana 200	REOs	Spain	PSP Investments	140
May-14	Group of lenders	Royal Mint Court	CRE Loans	UK	LRC	104
Jun-14	Cassa di Risparmio di Ravenna	Italian RE NPLs	CRE Loans	Italy	HIG Bayside Capital	40
Jun-14	Fordgate receivers	Jupiter Portfolio	REOs	UK	Kennedy Wilson	370
Jun-14	NAMA	Portmarnock Hotel & Golf Links	REOs	Ireland	Kennedy Wilson	30
Jun-14	IBRC	Liffey Trust Building	REOs	Ireland	Kennedy Wilson	15
Jun-14	LBG	Project Avon - Remaining loans	CRE Loans	UK	Cerberus	670
Jun-14	SAREB	Project Crossover (partial)	REOs	Spain	Castlelake	80
Jun-14	Lloyds	Quercus Debt slice	CRE Loans	UK	BAWAG	63
Jun-14	Publity	German CRE NPLs	CRE Loans	Germany	Link Financial	213
Jun-14	Ellandi	UK CRE whole loan	CRE Loans	UK	Westbrook Partners	39
Jun-14	NAMA	Redwood Portfolio - 2 Grand Canal Sq.	REOs	Ireland	Irish Life	120
Jun-14	NAMA	Redwood Portfolio - Observatory Building	REOs	Ireland	Hibernia REIT	52
Jun-14	NAMA	Redwood Portfolio - Two Dublin props.	REOs	Ireland	Lone Star	41

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LIVE CRE LOAN & REO SALES 2014

Currently tracking €28.5bn of live transactions

VENDOR	PROJECT	TYPE	COUNTRY	FACE VALUE €M
AIB	Project Shift	REOs	Germany	130
EAA	WestImmo	CRE Loans	Germany	11,800
Financial Institution	Project Sun	CRE Loans	Spain	205
Credit Agricole	NPL / CRE	CRE Loans	Greece	459
Confidential	Confidential	REOs	UK	60
German Instit.	German Resi & CRE NPLs	CRE Loans	Germany	213
Danske Bank	Project Circle	REOs	Ireland	100
NAMA	Project Spring	CRE Loans	Ireland	427
ING	Zwolle office tower loan	CRE Loans	Netherlands	90
Catalunya Banc	Project Hercules	CRE Loans	Spain	6,947
Bayerische Landesbank	Gherkin	REOs	UK	805
Aviva	Project Tree	REOs	UK	153
IVG Immobilien	Dutch offices and shopping mall	REOs	Netherlands	70
Bank of Cyprus	Project Avenue	CRE Loans	UK	370
RBS	Project Button - remaining loans	CRE Loans	Ireland	250
NAMA	Acorn Portfolio	REOs	Ireland	130
RBS / Delancey	Blade Portfolio - East Kilbride SC	REOs	UK	175
RBS / Delancey	Blade Portfolio - Mander Centre	REOs	UK	50
CaixaBank	Project Valonia - Secured	CRE Loans	Spain	350
Banco Sabadell	Spanish secured loans	CRE Loans	Spain	1,000
Unknown	Project Antler	CRE Loans	UK	106
NAB	Project Chestnut	CRE Loans	UK	938
Bankia	Project Sky	CRE Loans	Spain	430
Bankia	Project Screen	SME	Spain	N/A
Volksbank	Project Donau	CRE Loans & REOs	Europe	460
Banque de Commerce et de Placement (BCP)	Project Twins	CRE Loans	Portugal	300
NAMA	Orange Collection	REOs	Ireland	160
HSH Nordbank	Spring property portfolio	REOs	Netherlands	70
SAREB	Project Magnum	REOs	Spain	70
SAREB	Project Pamela	CRE Loans	Spain	250
Bank of Ireland	Capital Collection	REOs	Ireland	123
Cariparma	Italian Mortgage Book	Resi Loans	Italy	100
Bankia	Project Lake	REOs	Spain	624
SAREB	Project Kaplan	Resi Loans	Spain	1,000

Source: C&W Corporate Finance

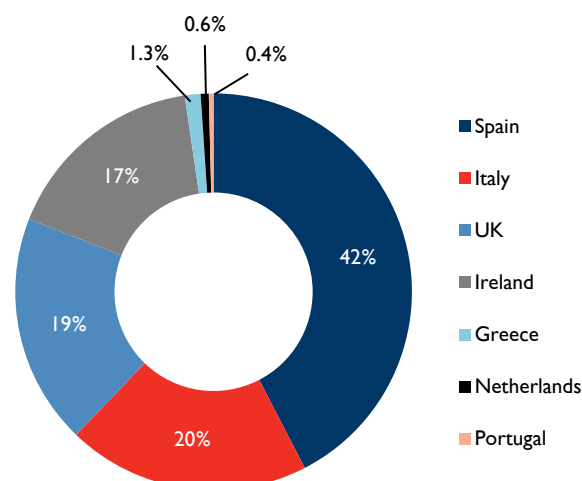
PLANNED CRE LOAN & REO SALES 2014

A further €38.5bn of planned disposals in the pipeline

COUNTRY	VOLUME	% OF TOTAL VOLUME	# OF SALES
Spain	16,338	42.4%	6
Italy	7,630	19.8%	1
UK	7,238	18.8%	5
Ireland	6,433	16.7%	11
Greece	500	1.3%	1
Netherlands	250	0.6%	2
Portugal	150	0.4%	2

Source: C&W Corporate Finance

PLANNED SALES BY GEOGRAPHY (€M)



Source: C&W Corporate Finance

EXPECTATIONS

Plenty more to come following AQRs. Total could reach €60bn

- C&W Corporate Finance expects that the asset quality reviews to be enforced by the ECB later this year will result in a significant increase in the level of NPLs held on bank balance sheets following reclassifications, which will inevitably lead to:
 1. Further CRE loan sales in an attempt to rapidly clean up balance sheets;
 2. Banks raising equity to meet capital and liquidity requirements; and
 3. More banks setting up internal bad banks, like RBS, to separate their non-core assets from their core business
- In terms of geography, Spain will remain at the top of the list for most investors with a record transaction volume anticipated for the year
- With demand at an all-time high, investors may need to look further up the risk curve, probably geographically, to meet their expected returns
- The new buyers (REITs and SOCIMIs) will add pressure to existing investors due to their lower cost of capital
- C&W Corporate Finance estimates that CRE loan and REO sales will comfortably surpass the €50bn forecast predicted in its *European Real Estate Loan Sales Market Report Q1 2014*, and may reach €60bn

About the Report

The research was conducted by C&W Corporate Finance, with support provided by C&W offices in all the major European countries including France, Germany, Italy, the Netherlands, Portugal, Spain and Ireland (the latter through C&W's alliance partner, Lisney). For more information on the data or any particular transactions, please contact the C&W Corporate Finance Loan Sales team.

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