



# Commercial Real Estate Lending Survey

## Results for end-year 2017

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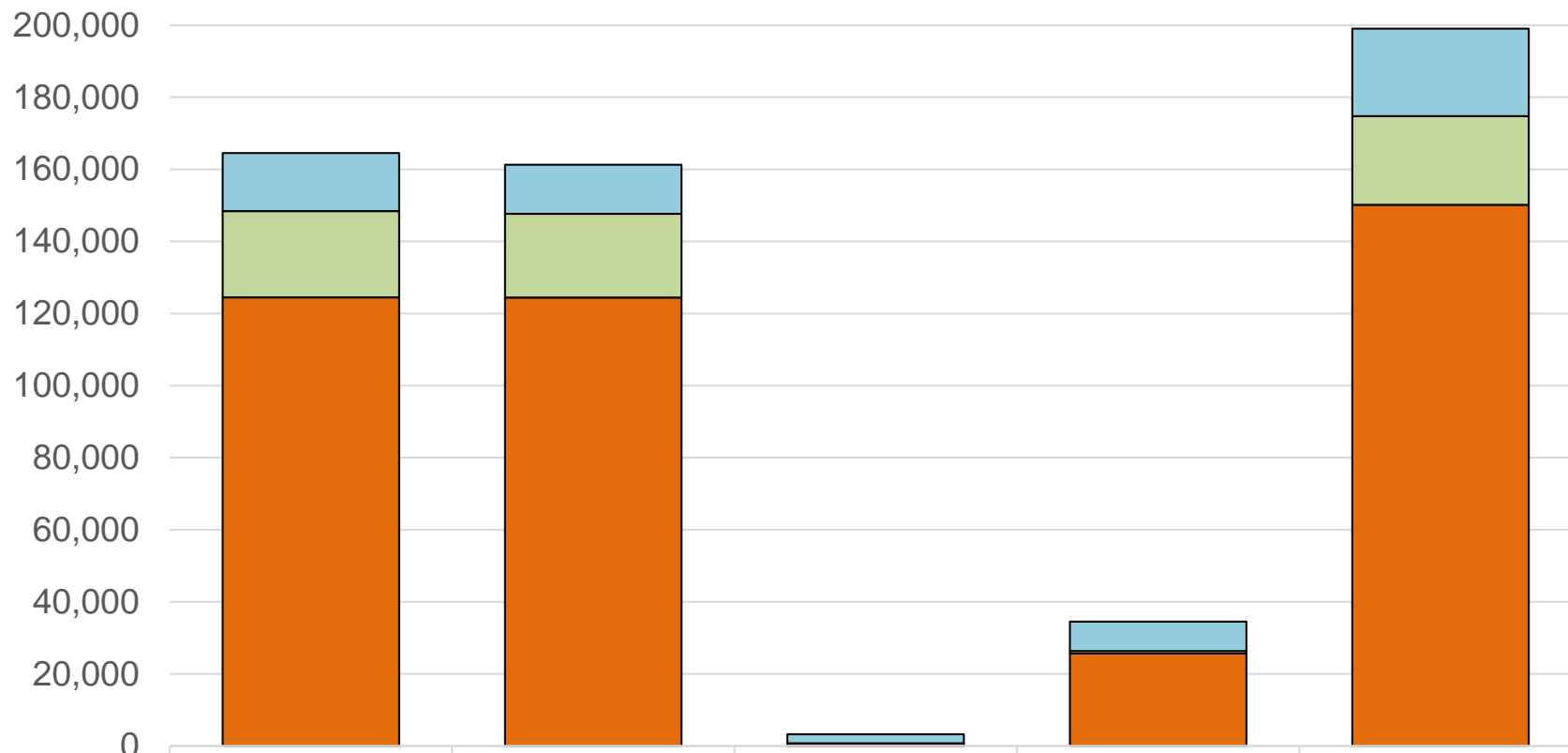
[nicole.lux@city.ac.uk](mailto:nicole.lux@city.ac.uk)

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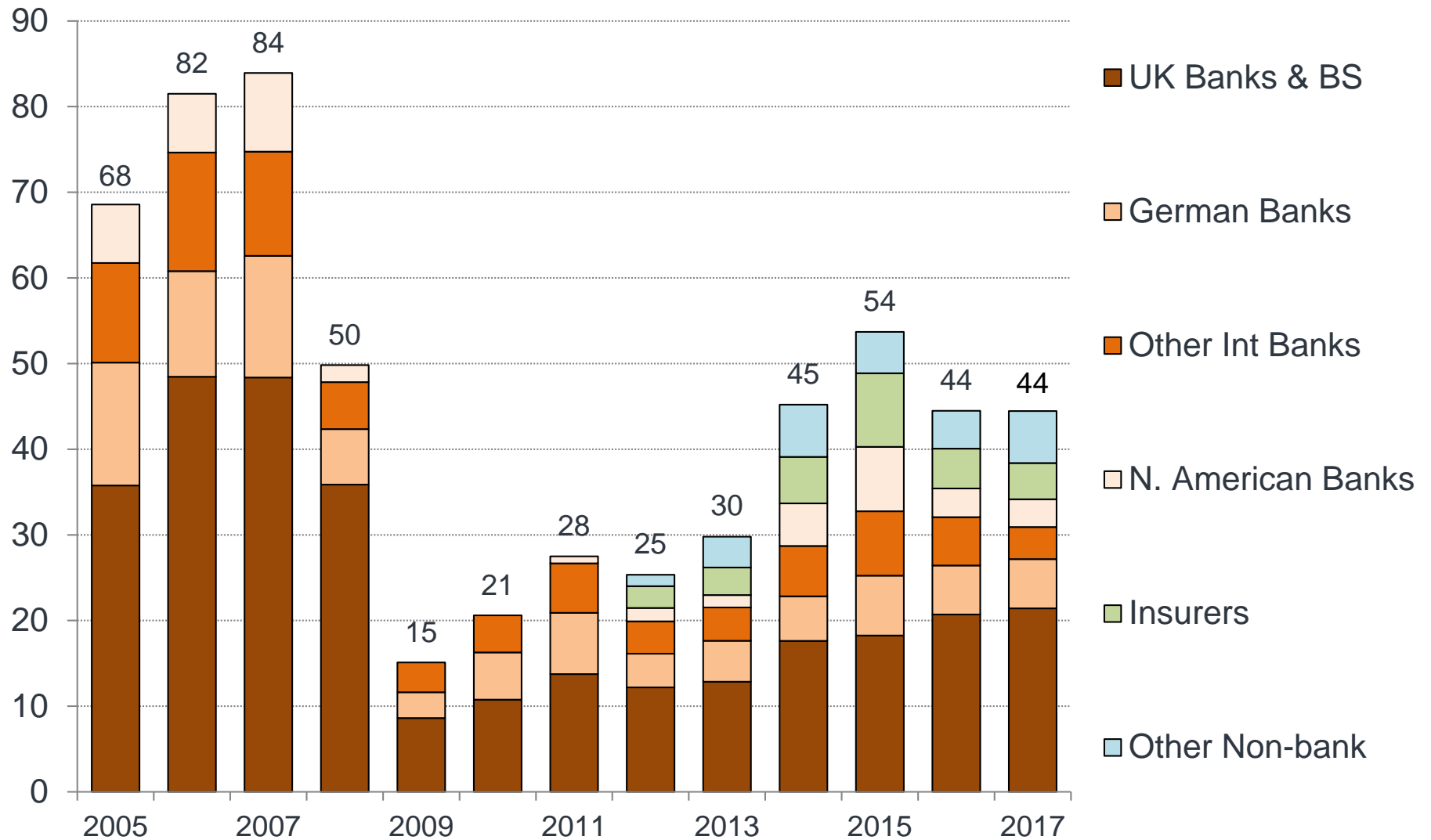
- Outstanding debt & origination
- The structure of loan books
- Loan underwriting and terms
- Conclusions

# Total outstanding & undrawn debt end-2017 £m

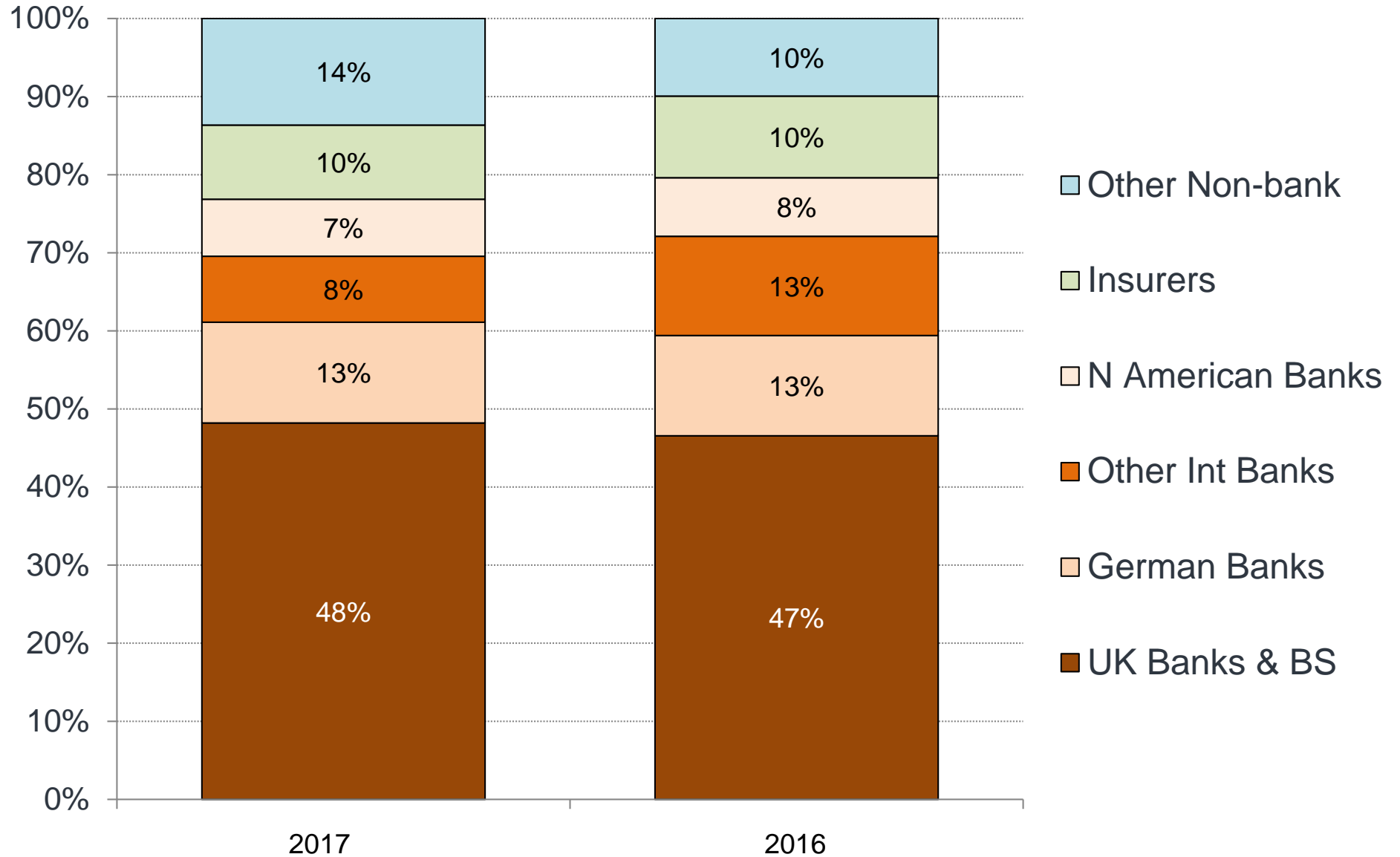


	Total Outstanding	Senior	Junior	Undrawn	Total Loan Book
All Lenders	164,513	161,278	3,235	34,507	199,020
Other Non-Bank	16,103	13,631	2,472	8,141	24,244
Insurers	23,922	23,223	699	706	24,628
Banks	124,488	124,424	65	25,660	150,148

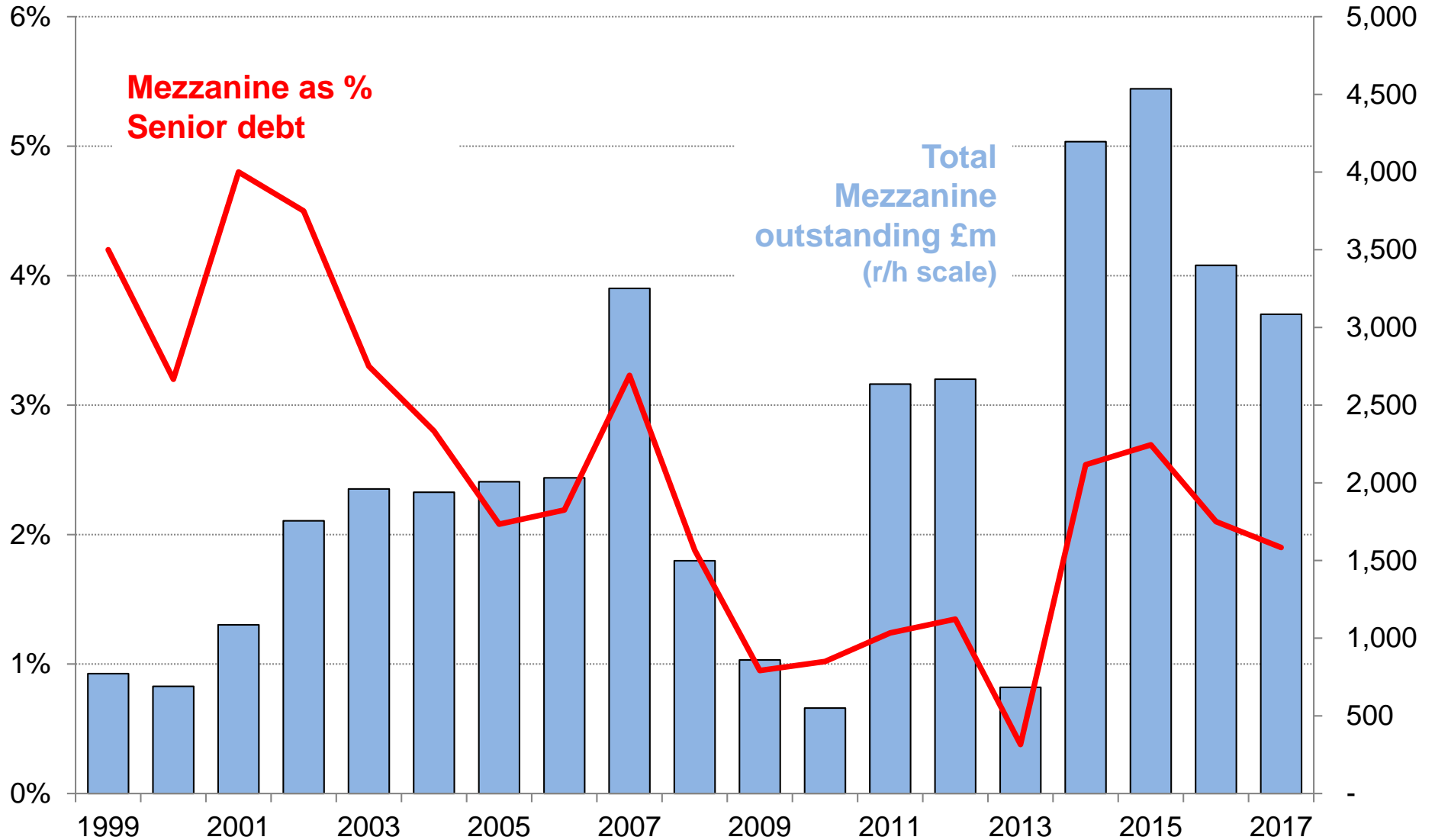
# Loan origination by type of lender £bn 2005-2017



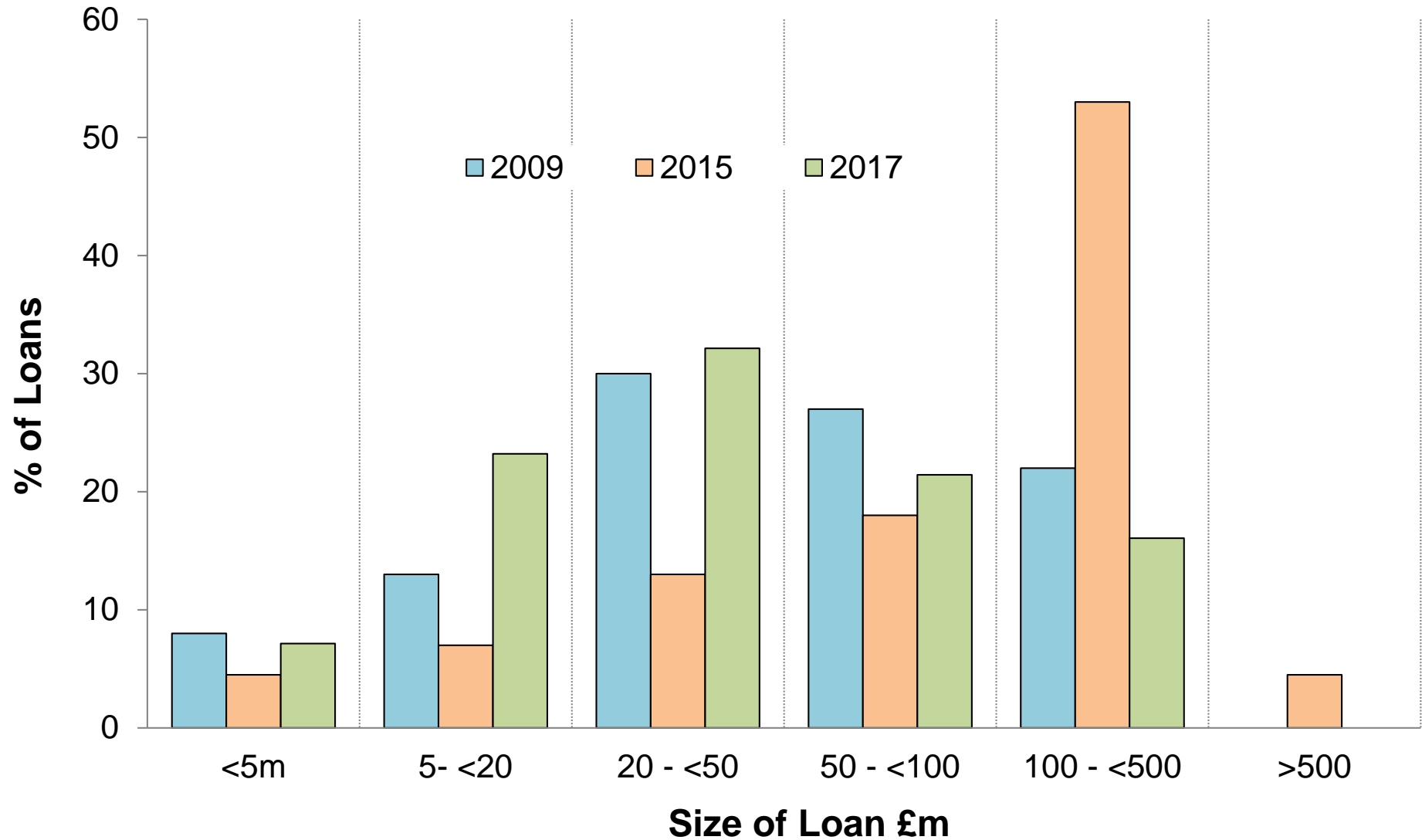
# Type of lender - % of originations



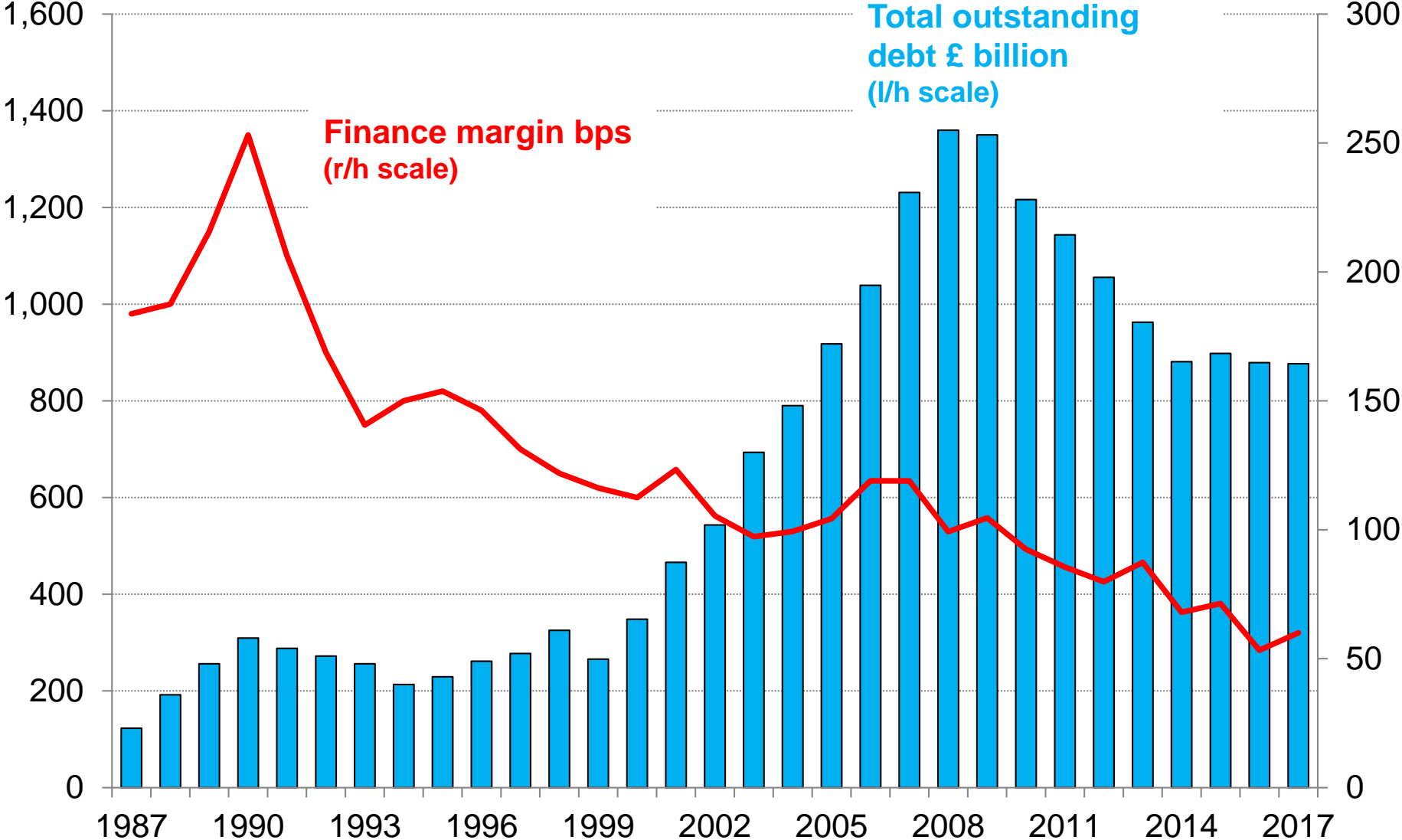
# Mezzanine debt exposure



# Loans originated by size of loan

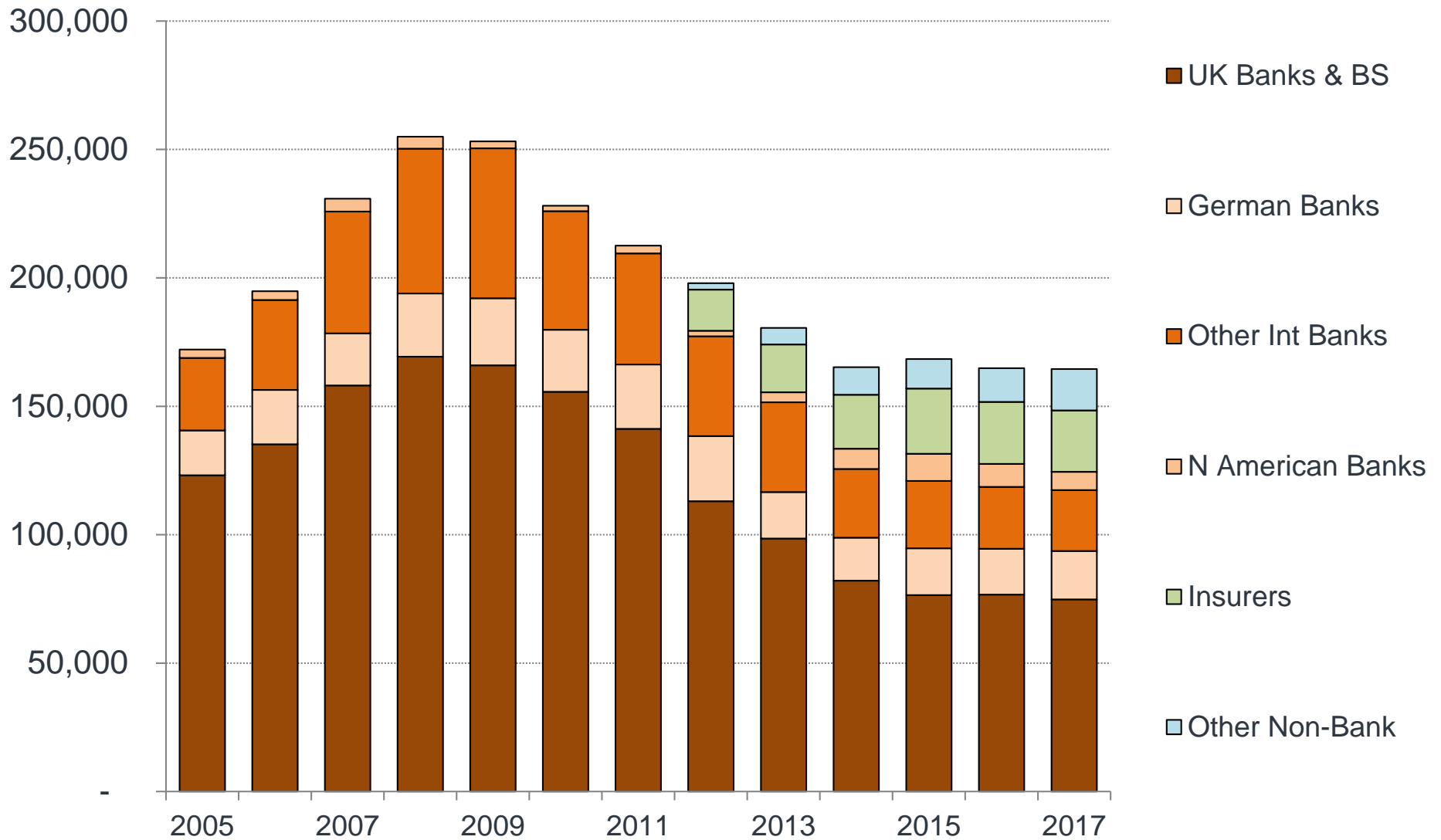


# Total outstanding debt & lending margin

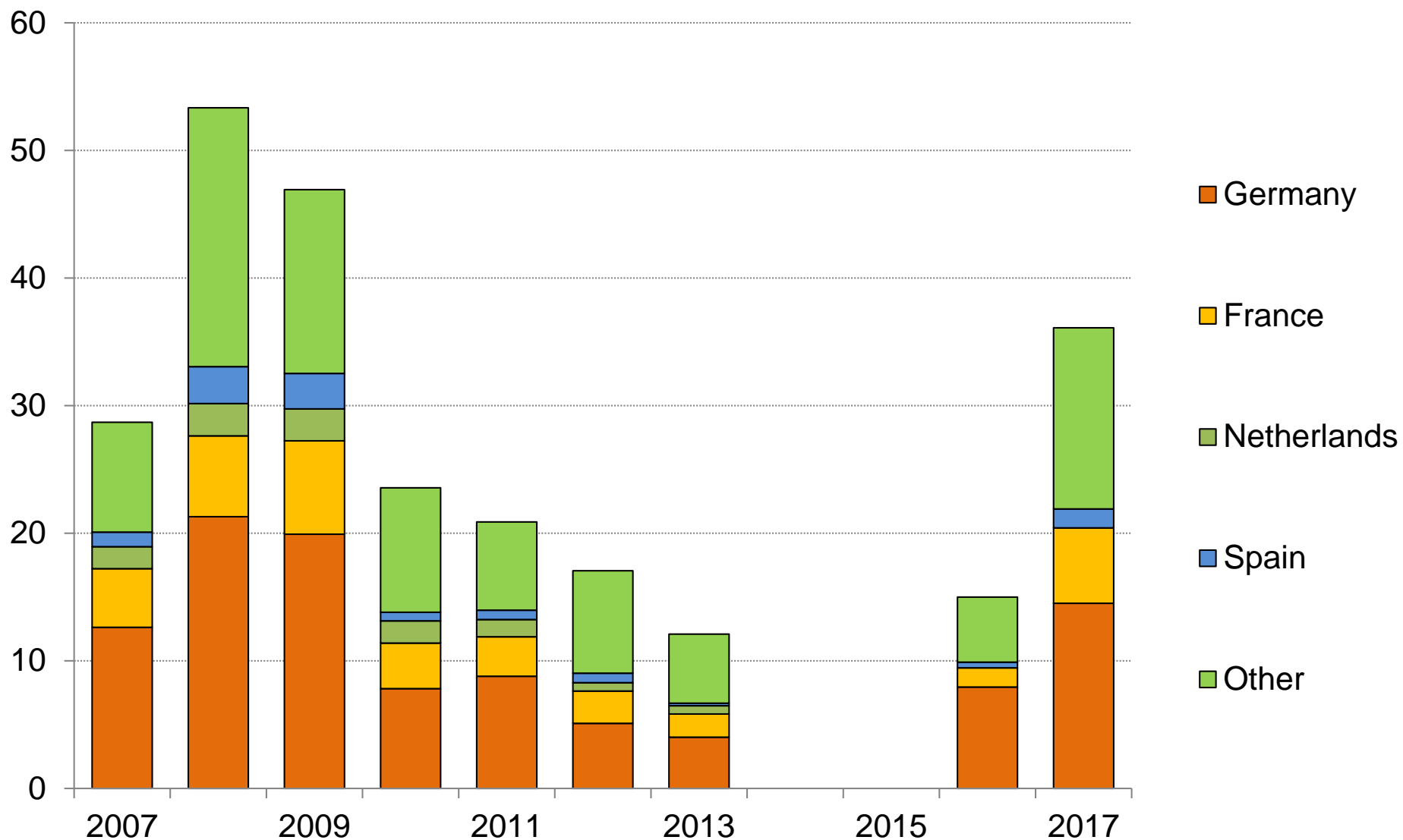




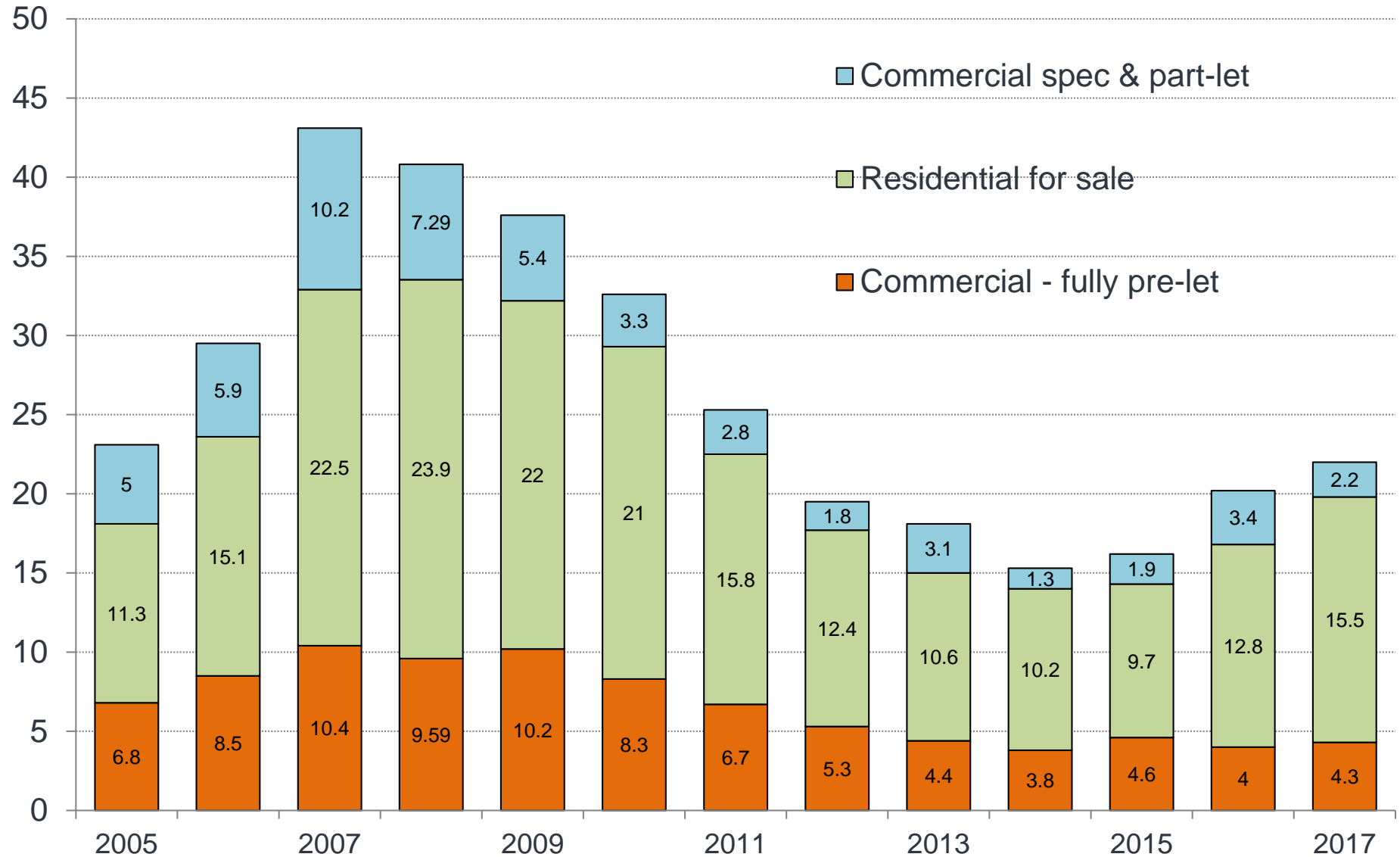
# Total outstanding loans by lender type £m



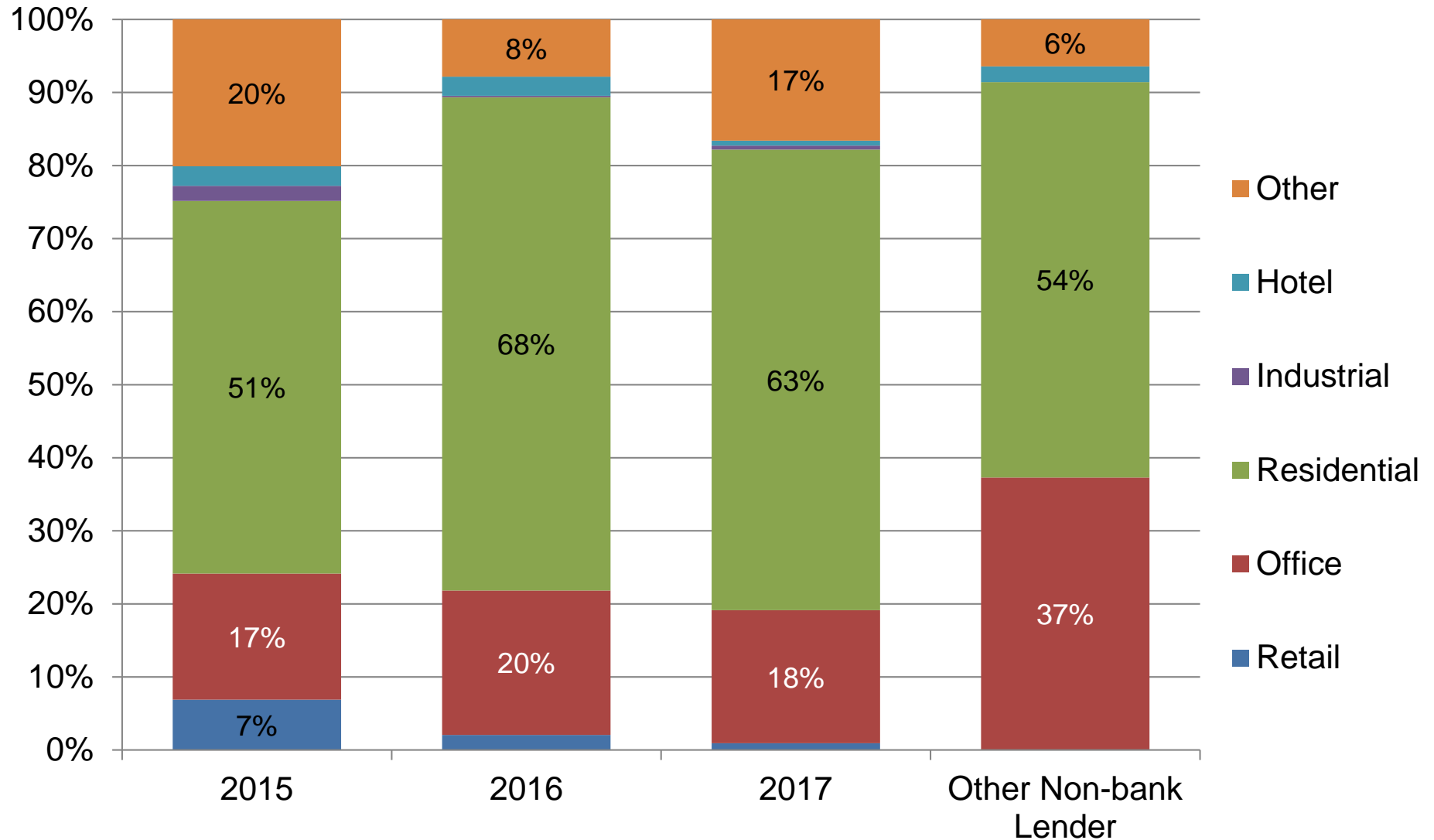
# Total outstanding loans outside UK € billion - Europe



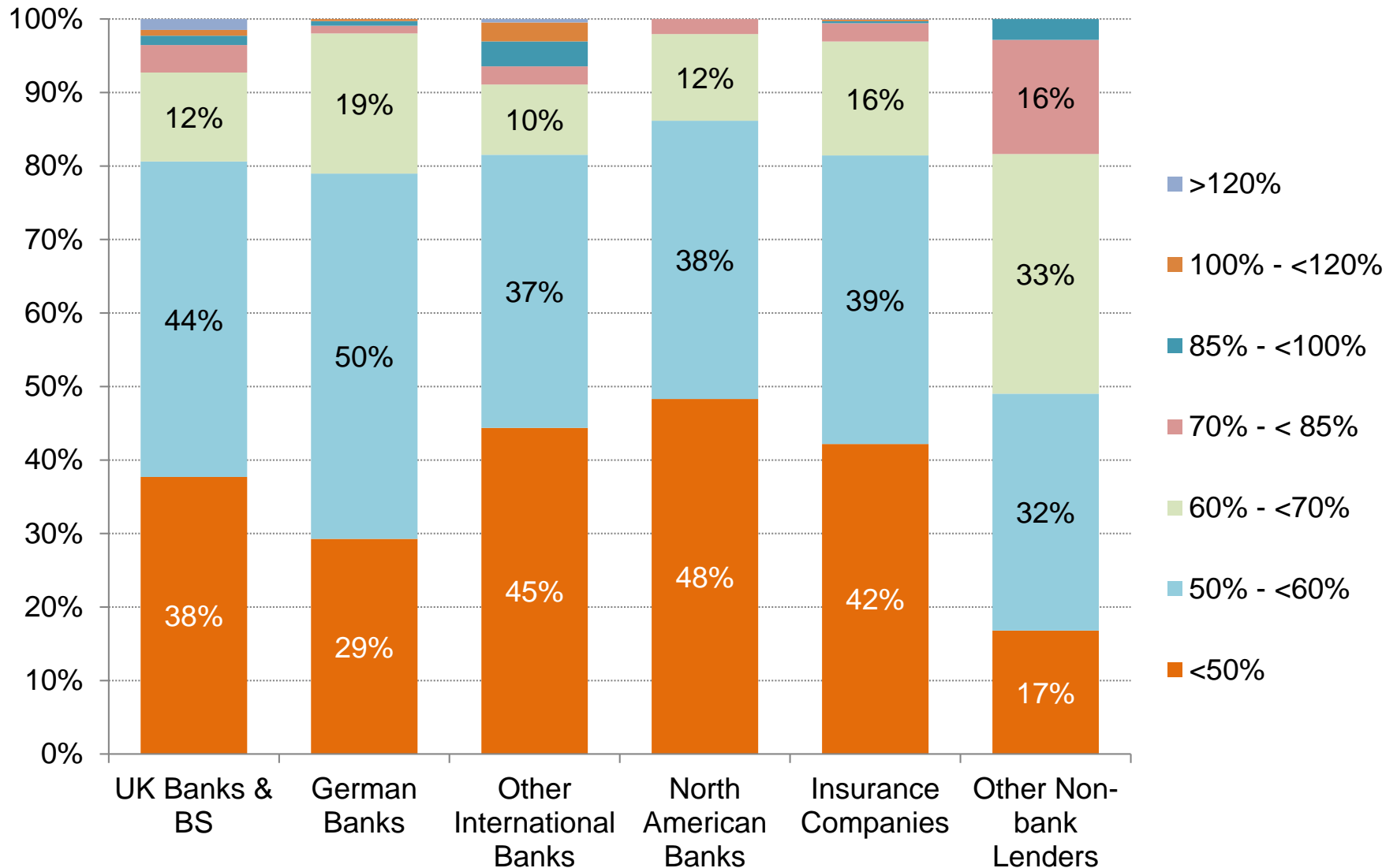
# Outstanding development loans £ bn



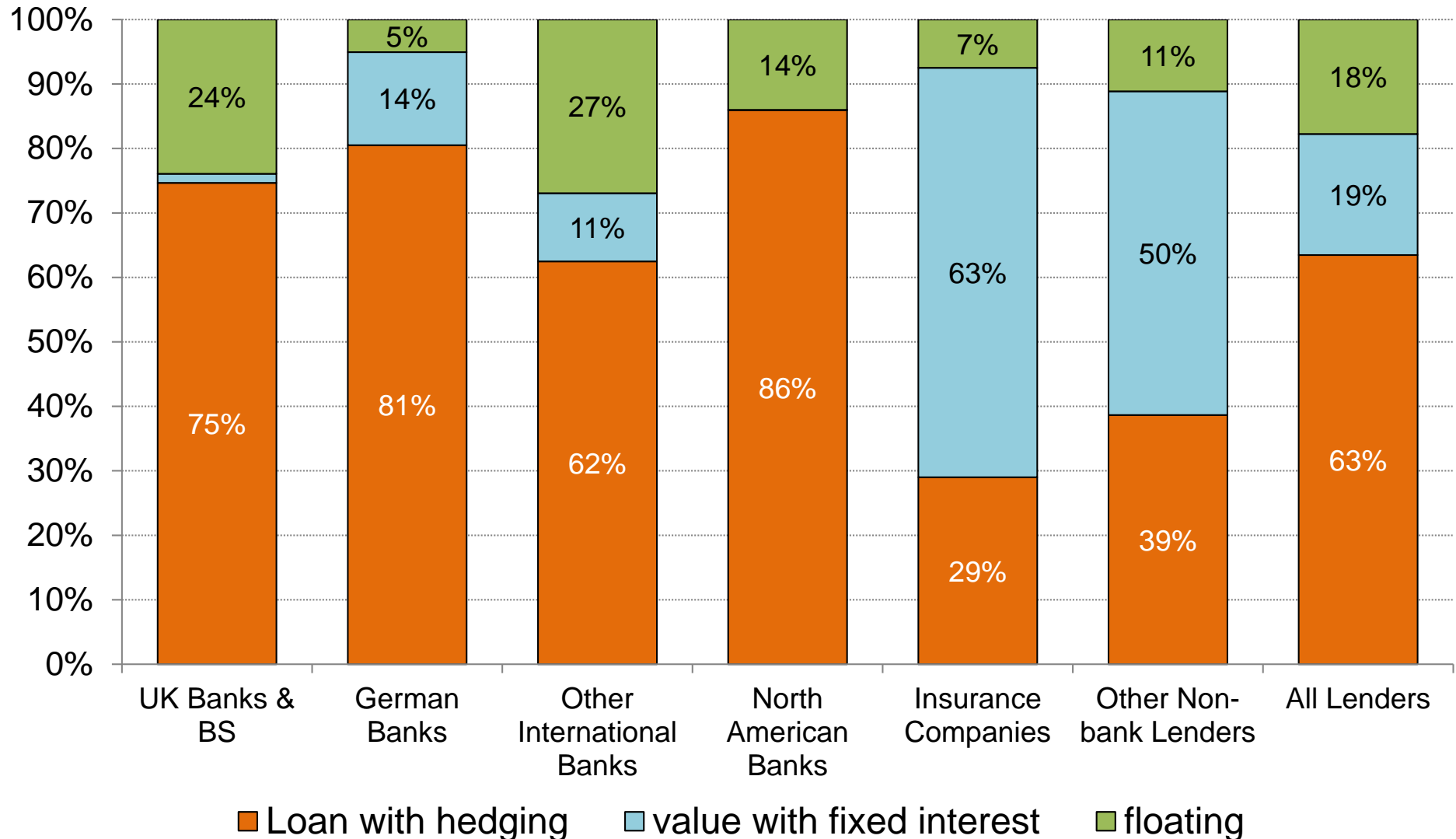
# Allocation of development finance 2015-2017



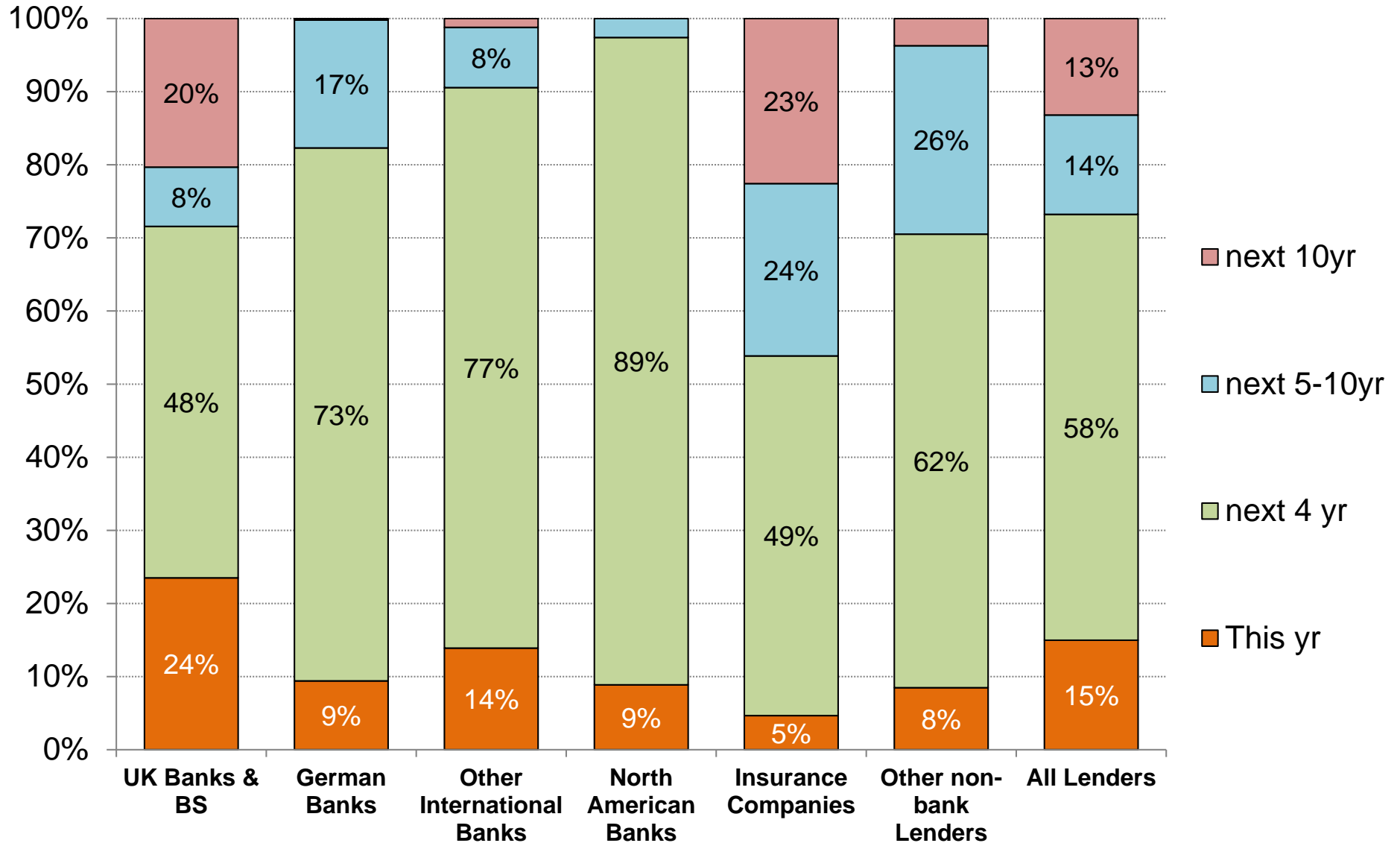
# Percentages of outstanding loan value by current LTV, 2017



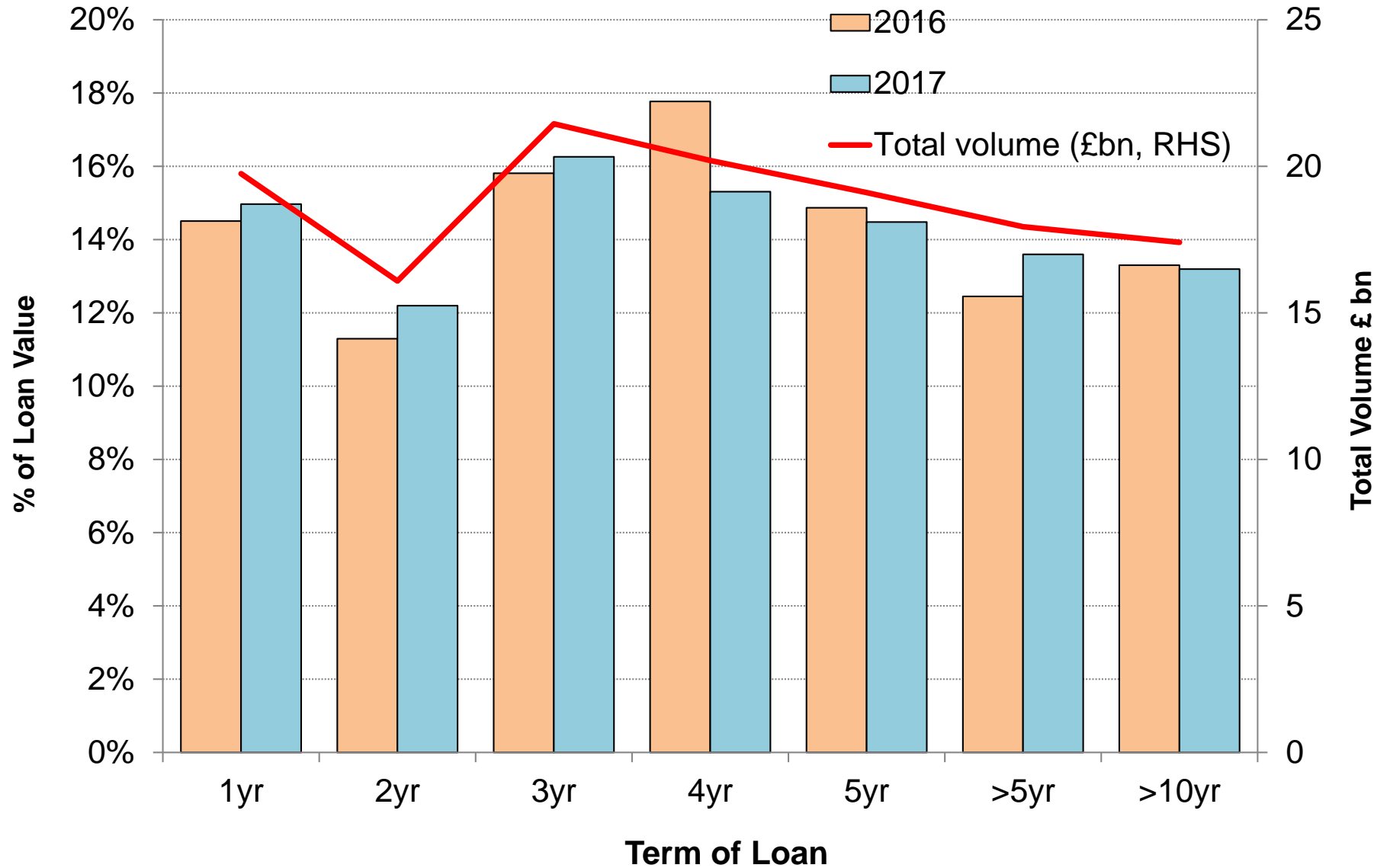
# Interest rates by lender type - % of loan book value



# Maturity % outstanding loan value by lender type

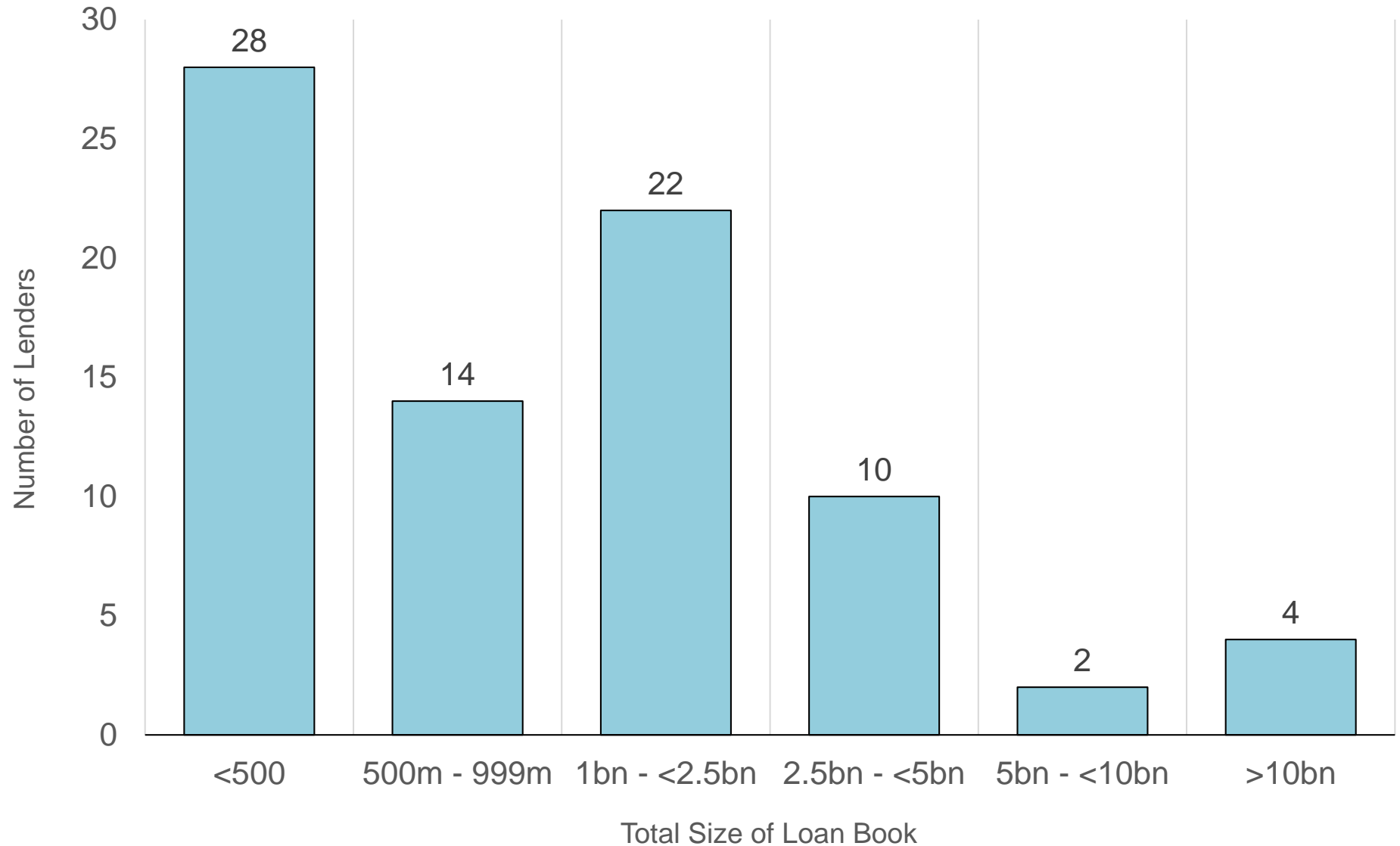


# Maturity profile of new originations



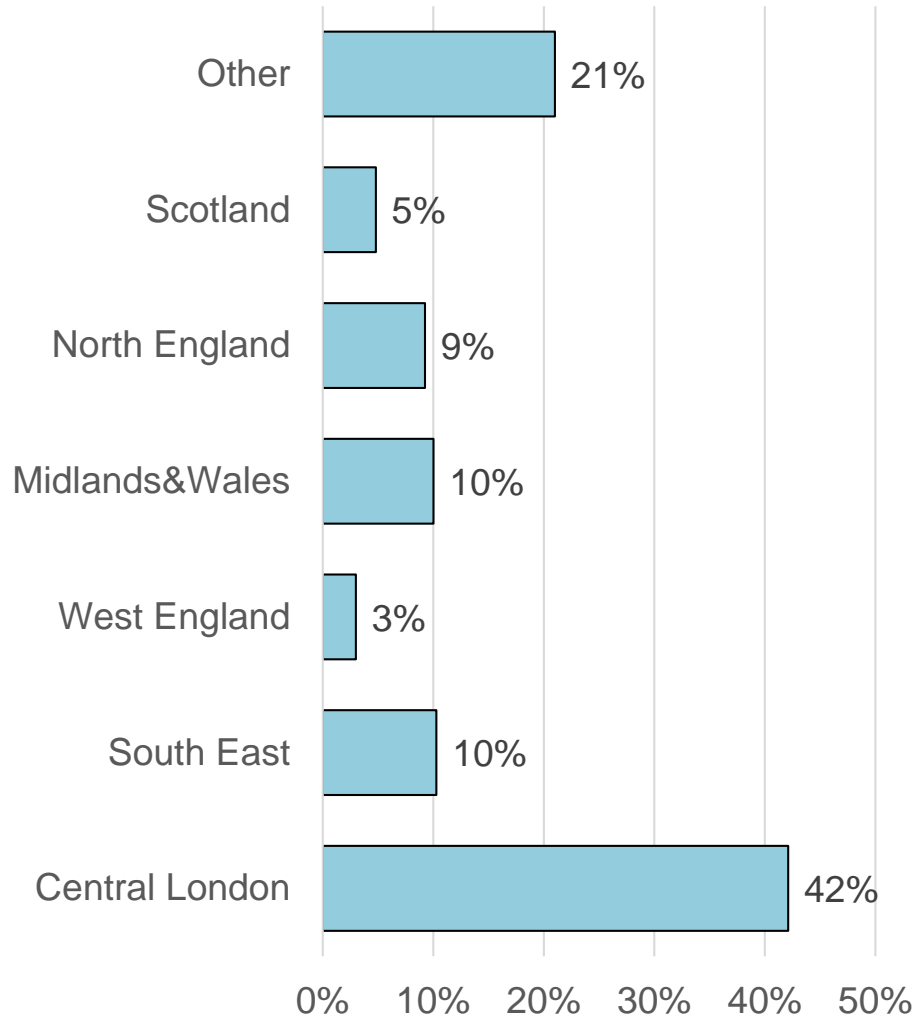


# Number of lenders by size of loan book, 2017

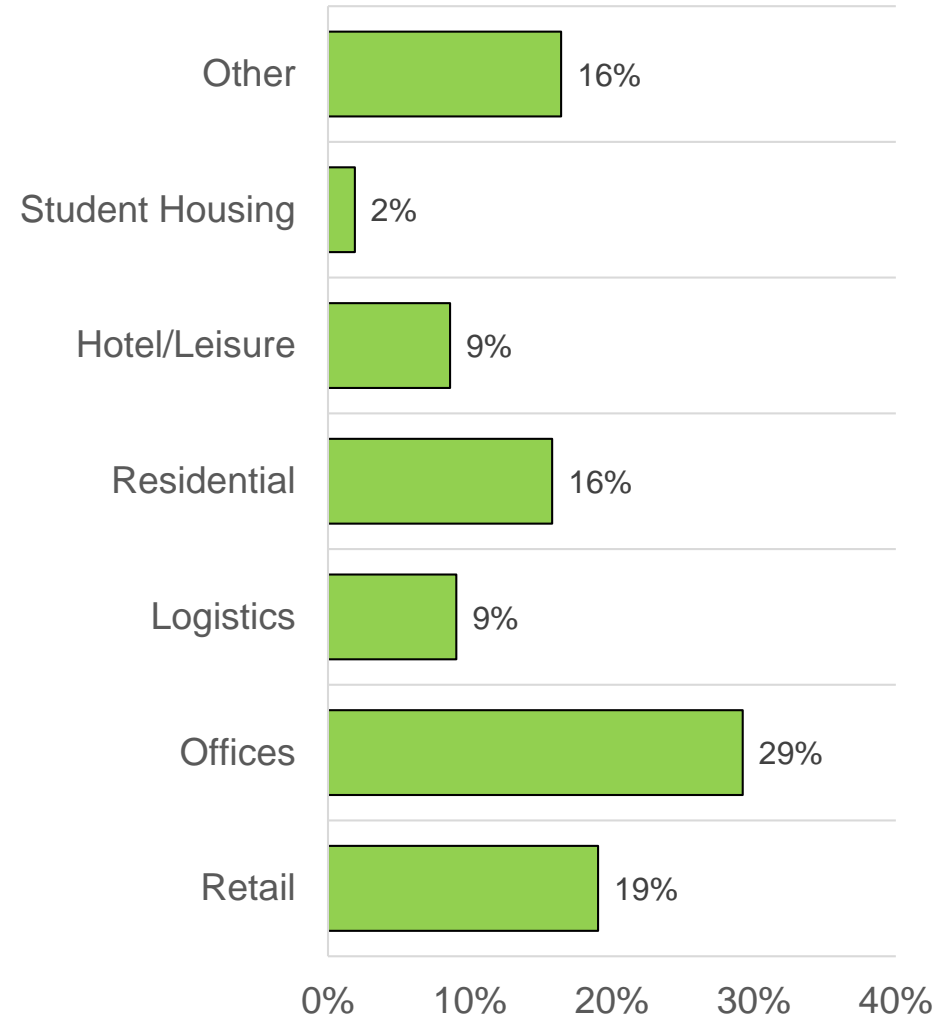


# Outstanding loans by location & type, 2017

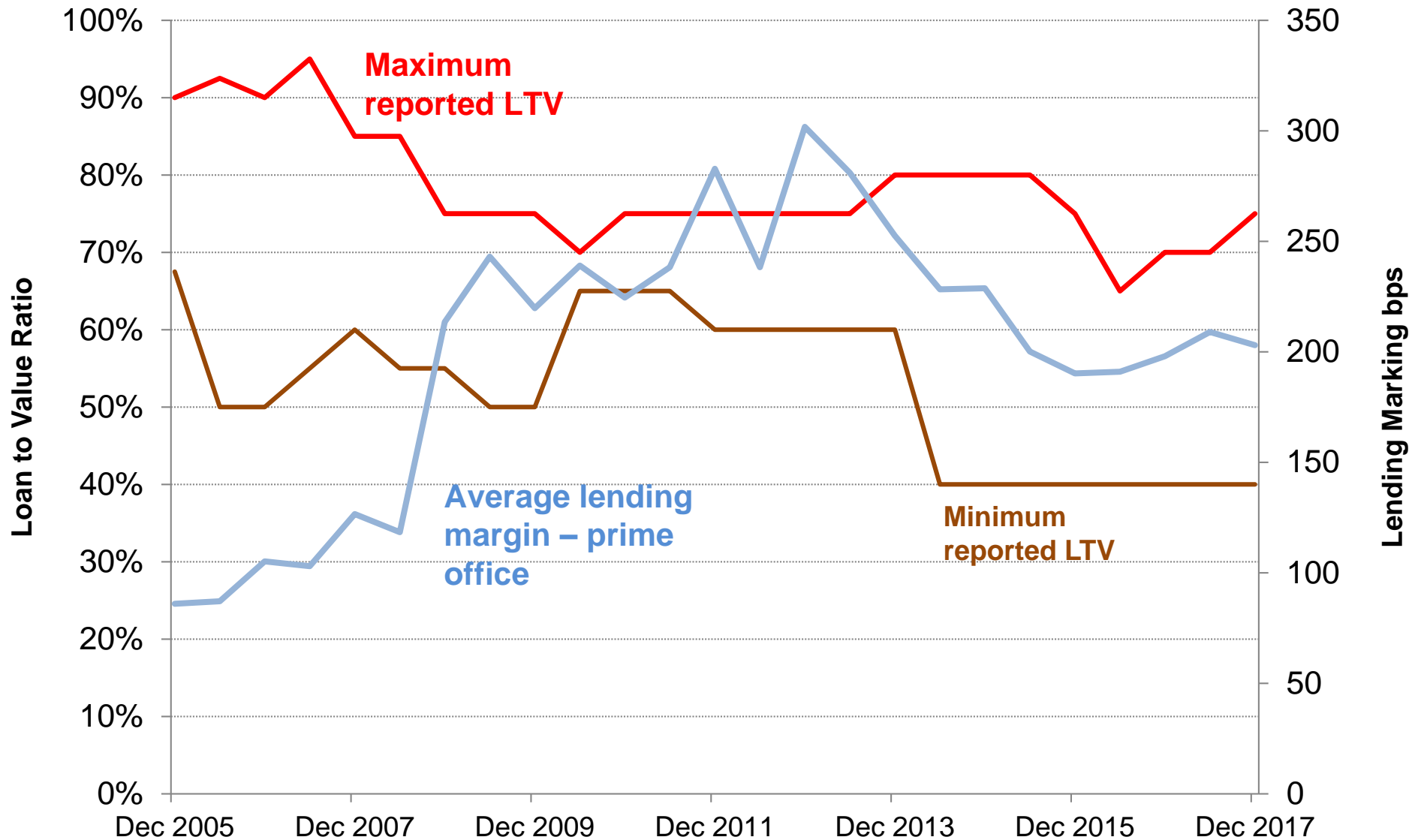
## Geographic distribution of loan books



## Property type distribution of loan books

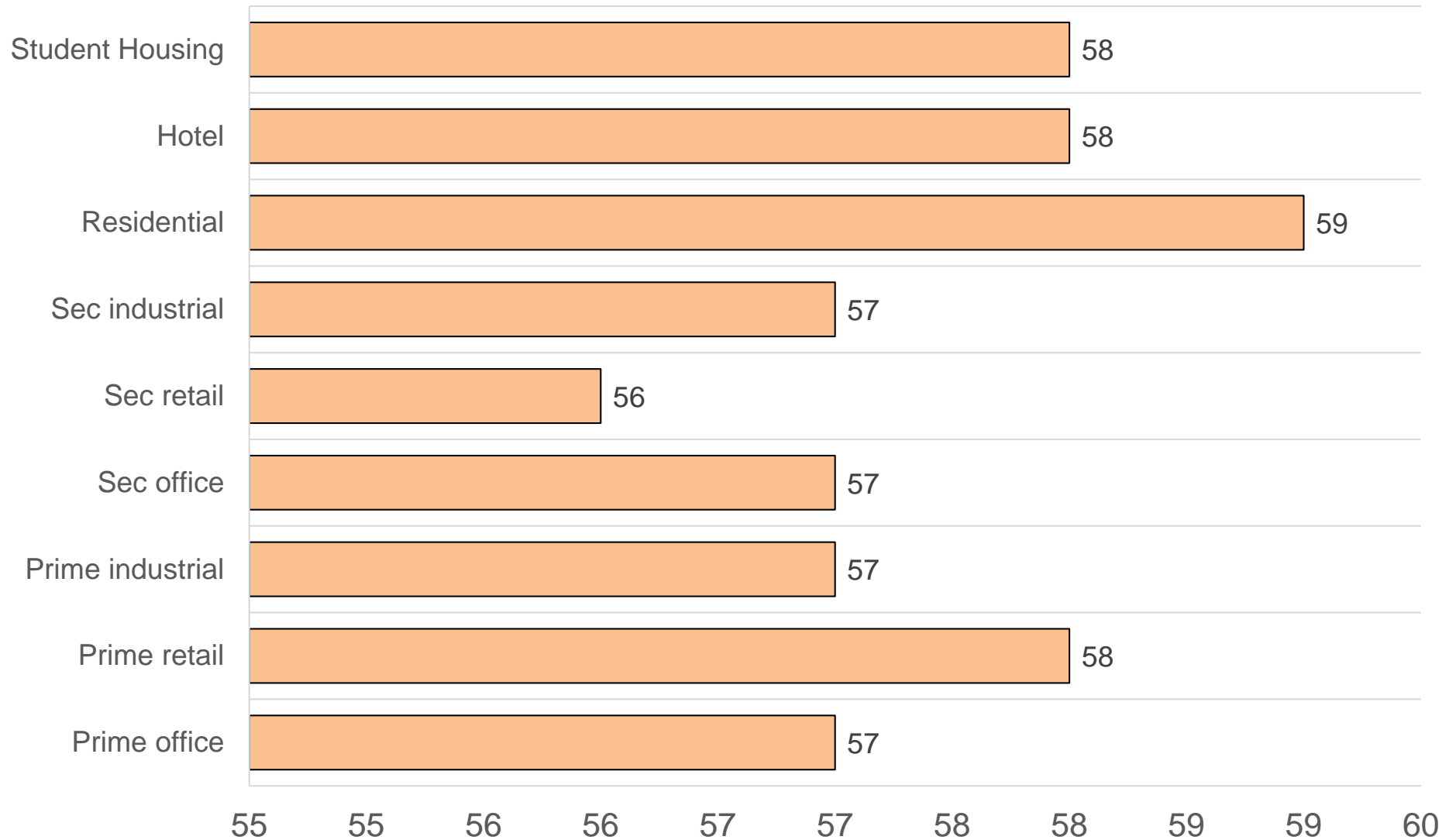


# Reported LTV & margins on originations 2017

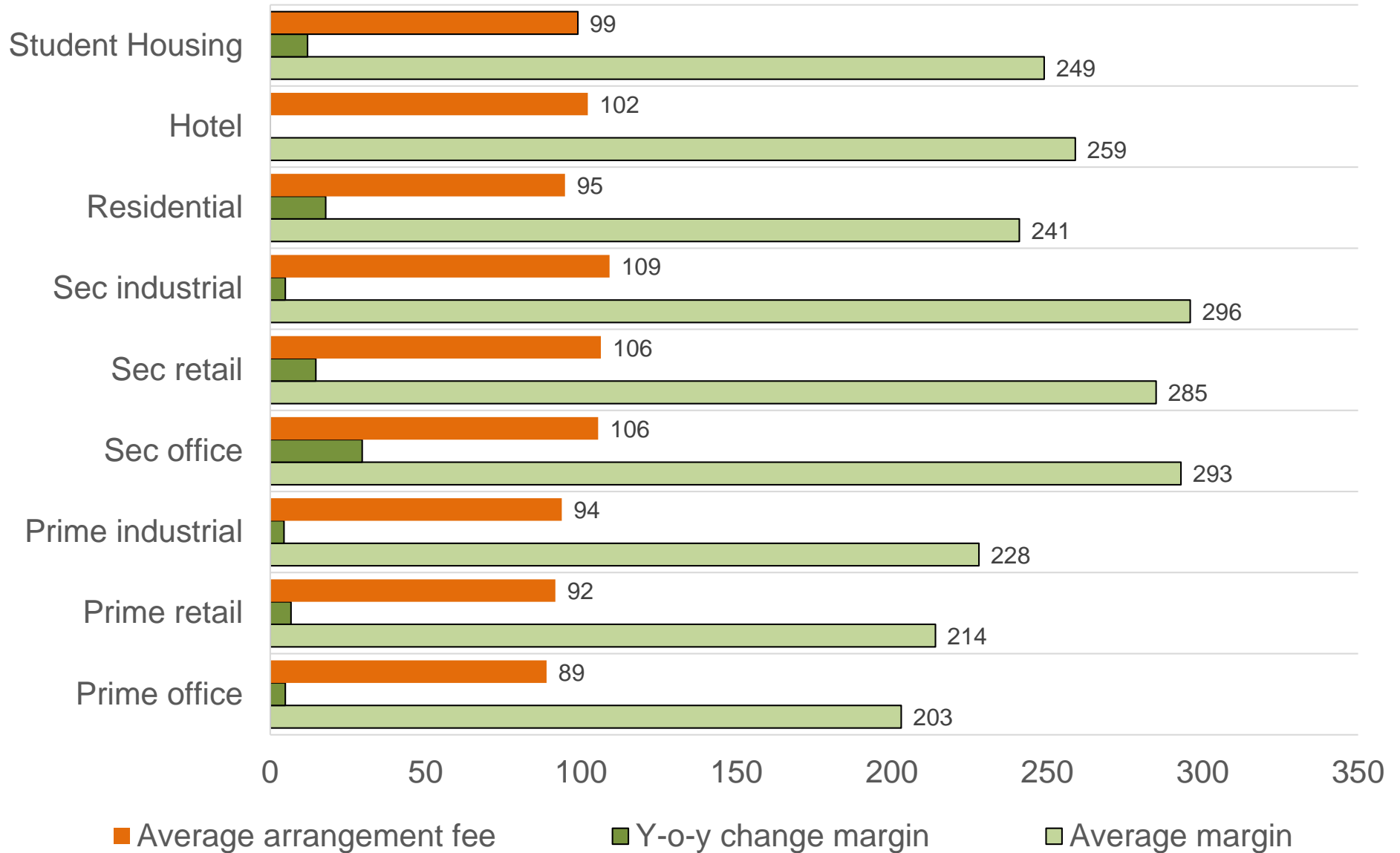


# Lending terms by property type

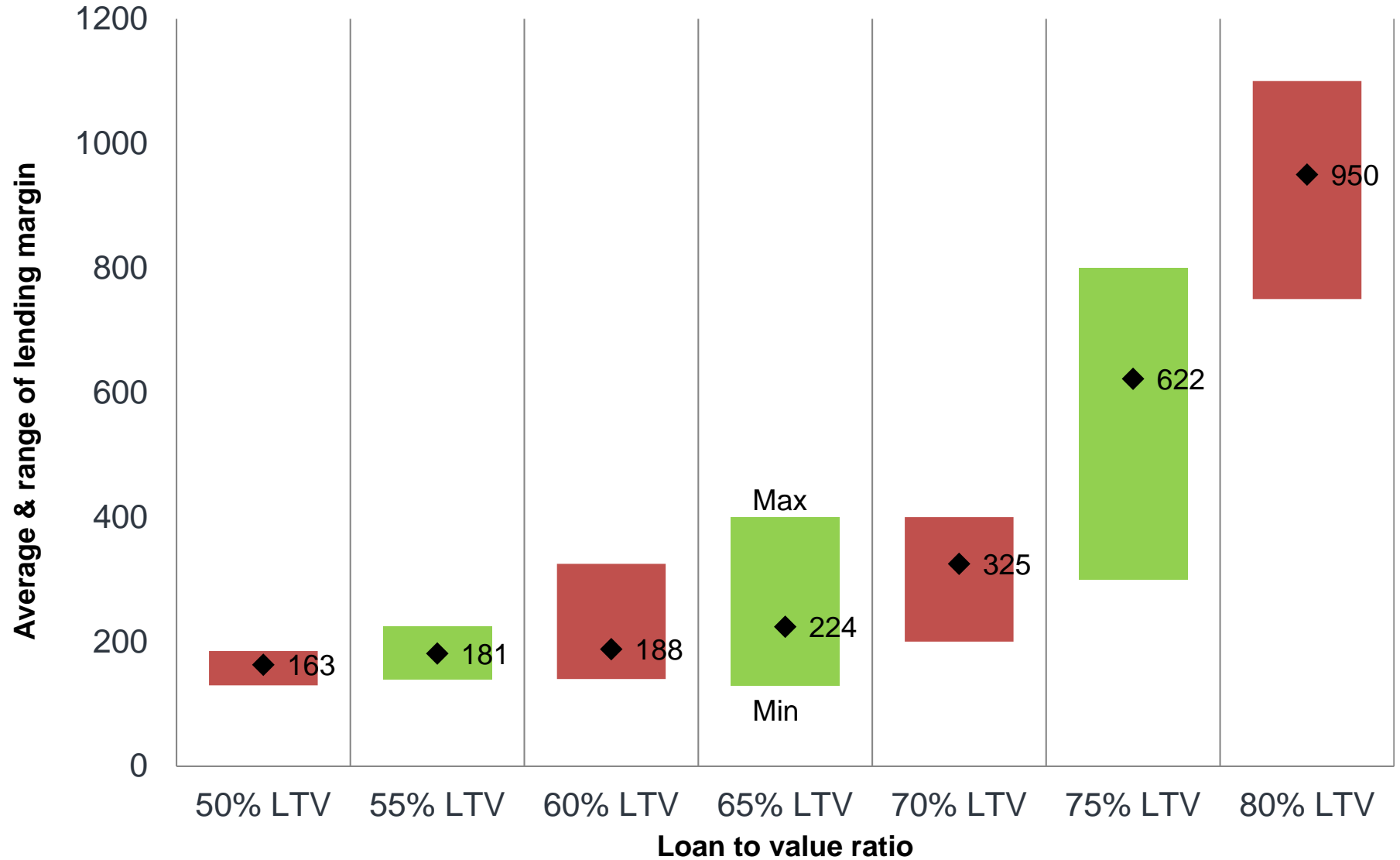
Average LTV



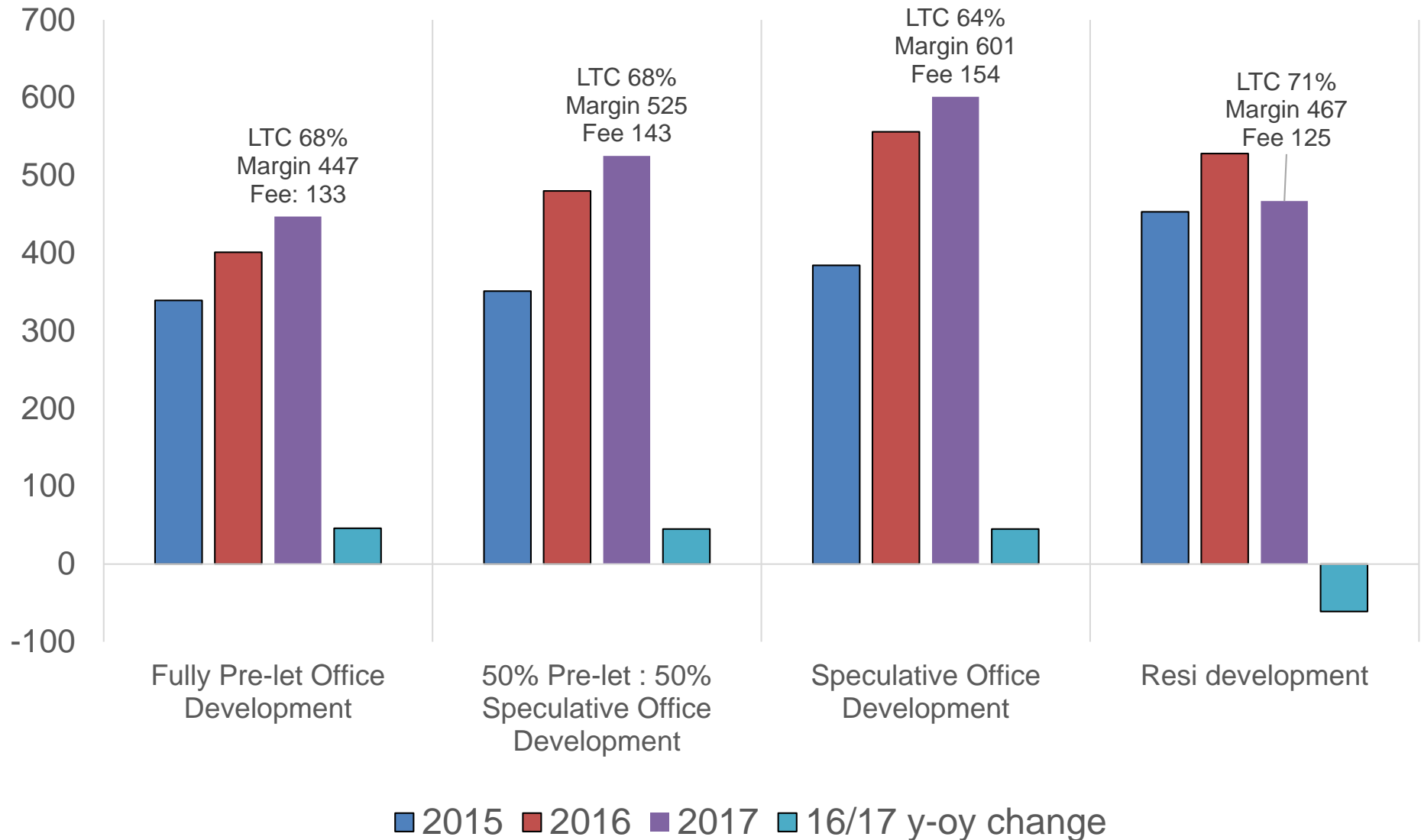
# Margins and fees by property type, 2017



# Prime office margin ranges by LTV

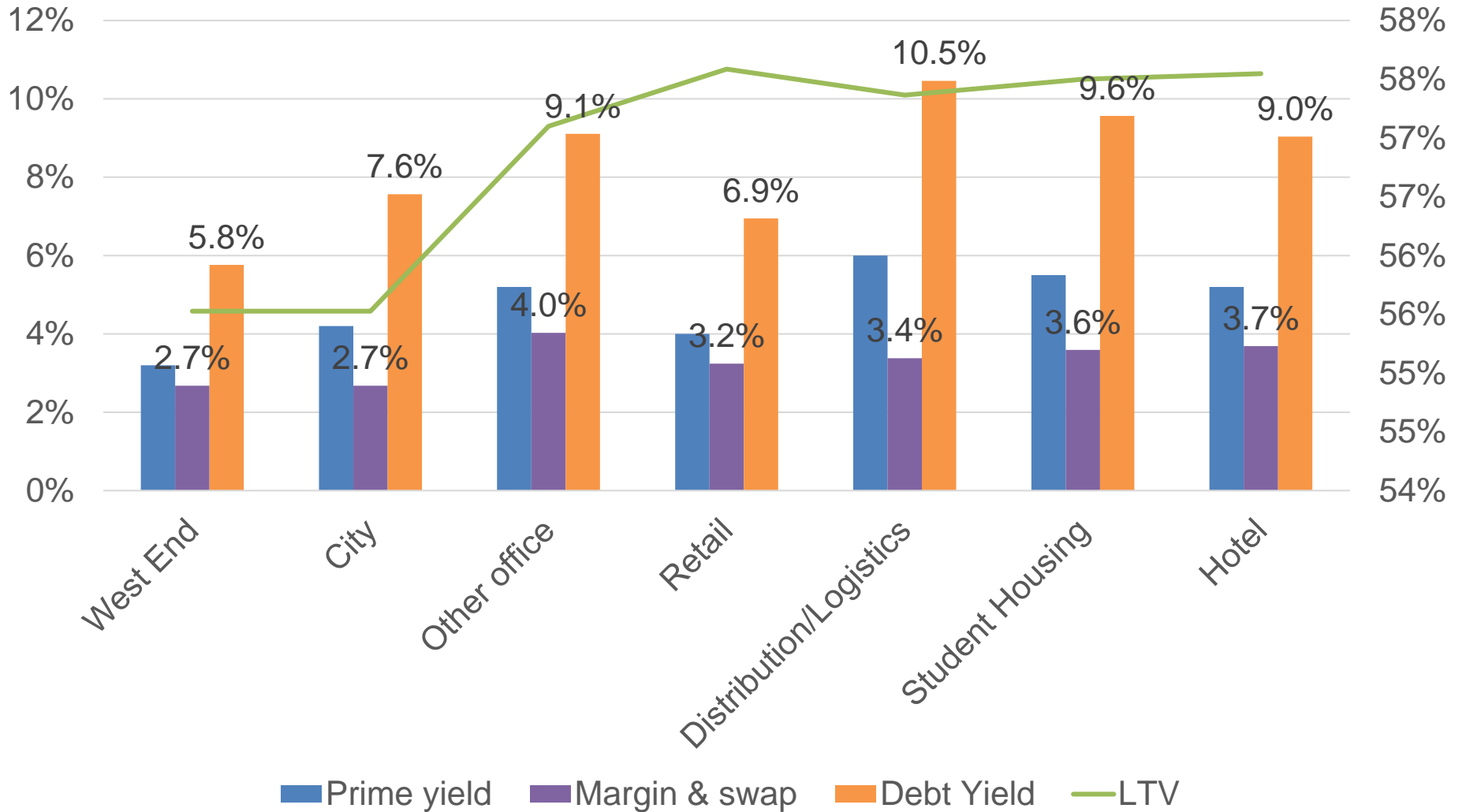


# Development lending margins bps 2015-17



# Margin and LTV

Finance cost and debt yields





# Loan terms across Europe

## Debt Yield

Frankfurt	5.2%
Munich	5.3%
Germany	6.1%
Paris	4.8%
Madrid	6.8%
Milan	6.3%
Amsterdam	6.0%
Warsaw	8.8%
London	7.6%

	UK
Prime yield	4.2%
Lending margin	1.6%
LTV	56%
Margin & swap	2.7%
ICR	2.8
Debt Yield	7.6%

	Frankfurt
Prime yield	3.3%
Lending margin	2.0%
LTV	63%
Margin & swap	2.3%
ICR	2.2
Debt Yield	5.2%

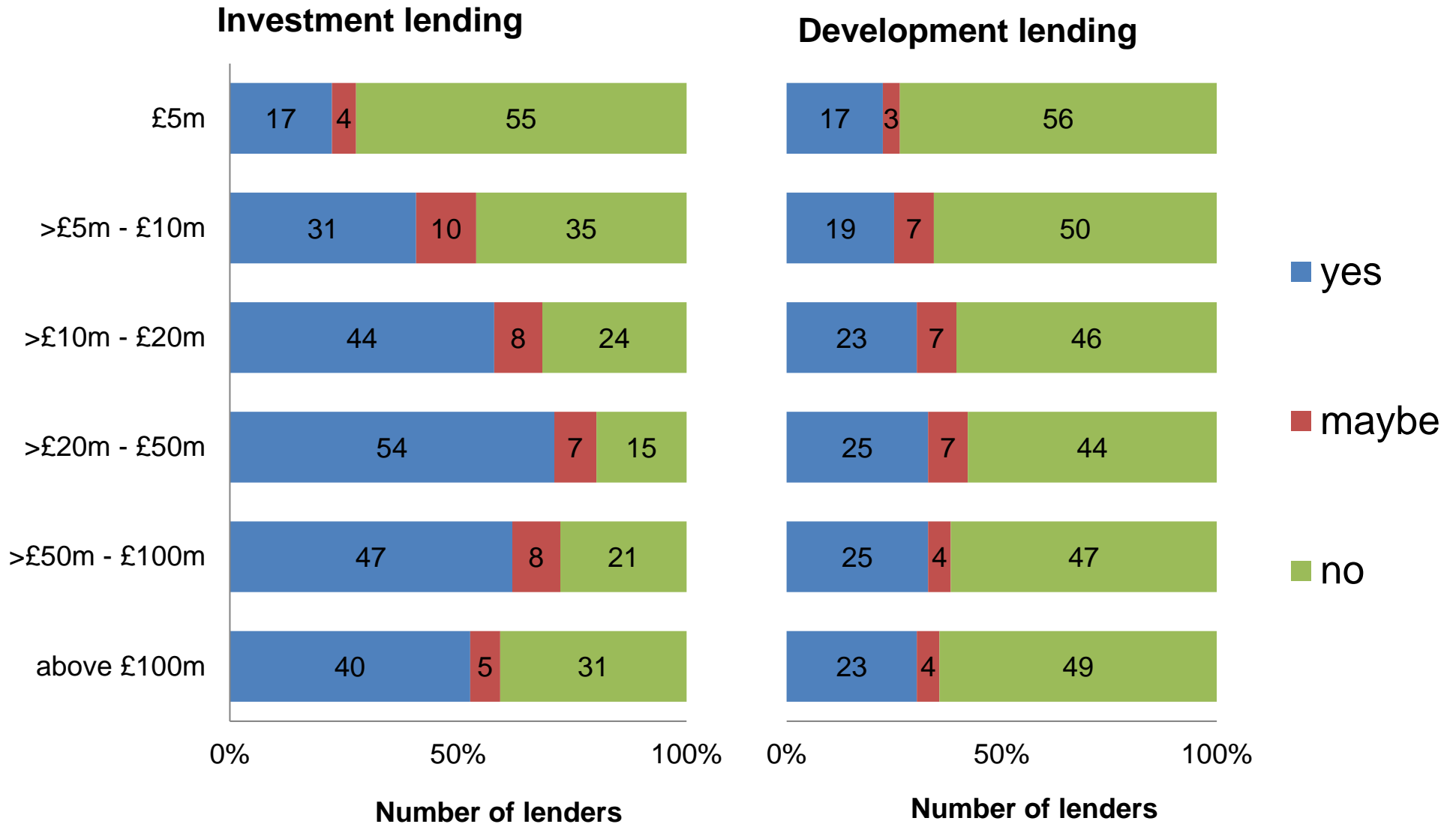
	Warsaw
Prime yield	5.0%
Lending margin	2.8%
LTV	57%
Margin & swap	3.2%
ICR	2.8
Debt Yield	8.8%

	Paris
Prime yield	3.0%
Lending margin	2.9%
LTV	63%
Margin & swap	3.3%
ICR	1.4
Debt Yield	4.8%

	Madrid
Prime yield	4.0%
Lending margin	2.8%
LTV	59%
Margin & swap	3.2%
ICR	2.1
Debt Yield	6.8%

	Milan
Prime yield	3.8%
Lending margin	2.3%
LTV	60%
Margin & swap	2.7%
ICR	2.3
Debt Yield	6.3%

# Ticket size by type of loan



# Conclusion

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- New loan origination picked-up in second half of 2017 (£26.8bn)
- Development loans up 11% y-o-y, undrawn commitments up 30% y-o-y
- Non-bank lenders provided nearly 25% of 2017 originations
- Lending margins stable for Investment up for development
- Debt yields low for office, retail property in UK and across Europe

# Thanks to survey participants & financial supporters

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- End-2017 data was received from 80 lending organisations:
  - 41 Banks and Building Societies
  - 11 Insurance Companies
  - 28 Other Non-bank Lenders.
  
- Cass Business School gratefully acknowledges the generous financial support provided by Allen & Overy, Association of Property Lenders, GVA, British Property Federation, Canada Life Ltd, Asset Services, Commercial Real Estate Finance Council Europe, Fitch Ratings, Helaba, Jones Lang LaSalle Corporate Finance Limited, Maslow Capital LLP, Crestbridge UK Limited, Savills and The Royal Bank of Scotland

# The Panel

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Chair: Sandy Gumm – Chief Operating Officer, Prestbury Investments LLP and Non-Executive Director, Secure Income REIT plc

- Madeleine McDougall - Head, Commercial Real Estate, Lloyds Bank
- Lorna Brown – Head, Real Estate Debt, Legal & General IM
- Michael Zerda – Head, European Real Estate Debt Strategies, Blackstone
- Jonathan Goldstein - Part-owner and CEO, Cain International
- Axel Brinkmann – MD, Royal Bank of Canada, Real Estate Capital Partners