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DEMAND FOR REAL ESTATE DEBT FINANCE TO REMAIN HIGH BUT MARKET HAMPERED BY DISCONNECT BETWEEN BORROWERS AND LENDERS

- *Many borrowers struggle to access debt at the right price and on the right terms*
- *Lenders report sourcing difficulties and costs as key obstacles*
- *BrickVest to launch BrickVest Debt, designed to reduce the costs and increase the speed of sourcing and closing transactions*

Two-thirds (67%) of institutional real estate lenders and investors expect appetite for debt finance will increase over the next two years, of which over 22% believe it will grow significantly, according to a new study¹ by BrickVest, the London-based online commercial real estate investment platform.

BrickVest interviewed over 100 European real estate lenders and investors to capture industry sentiment towards the debt finance sector. In a sign of continued optimism, 80% of respondents expect the availability of real estate debt finance over the next 12 months to either match or exceed the current level of supply compared to just 18% who think it will fall.

According to the study, debt finance is likely to be allocated to low-and medium-risk investment opportunities; value-add (28%), core plus (25%) and development (21%) were identified as the top three investment strategies. Respondents believe their domestic market and Western Europe offer the most attractive opportunities for debt finance, suggesting difficulties in accessing the international debt markets to pursue opportunities further afield.

Despite a bullish outlook towards the availability of debt, respondents are divided as to whether financial covenants such as loan-to-values and interest cover ratios have become tighter or looser in the past year; nearly four in ten (39%) believe that financial covenants have become more restrictive in the past year compared to 29% who think they have relaxed.

Almost half (47%) of lenders cited sourcing difficulties and costs as the biggest challenge they face in the current market, followed by the interest rate environment (30%) and international debt market access (17%).

Borrowers reported the three key obstacles as being funding difficulties (53%), financing costs (27%) and lack of access to the international debt markets (17%), suggesting that debt finance is neither as available as many investors would wish nor at the right price.

According to the research, there is a significant opportunity to improve the technology adopted by the real estate industry in the provision of debt finance; over three-quarters (79%) of respondents believe that the debt market is lacking digitisation.

Thomas Schneider, Co-Founder and Director at BrickVest, commented: “While the market expects demand for real estate debt to remain strong, it’s clear that neither lenders nor borrowers are entirely satisfied with how the market is operating and there is in many cases a disconnect between the buy-side and sell-side. Many borrowers are finding it difficult to obtain debt solutions matching their requirements in terms of speed and cost while lenders face challenges in sourcing and bidding for opportunities presented by the right type of sponsors.

“In the coming weeks we will be launching BrickVest Debt, a new highly-secure digital platform for debt origination and syndication. BrickVest Debt is designed to overcome the disconnect between borrowers and lenders by giving the latter access to lending requests from over 1,000 institutional-grade deal sponsors, property owners and asset managers. As well as enabling lenders to syndicate their debt among other partners to improve their transaction pipeline, BrickVest Debt will significantly reduce the costs and increase the speed of sourcing and closing. We look forward to releasing further details of BrickVest Debt shortly.”

- ENDS -

¹ Research conducted by Pollright amongst a panel of 100 international real estate lenders and investors in August / September 2019

About BrickVest

Founded in 2015 by CEO Emmanuel Lumineau, BrickVest develops digital platforms and solutions for the commercial real estate industry.

- BrickVest Access (B2C), its European real estate investment platform, fully regulated with a "Full Scope" AIFM licence. BrickVest Access allows individual investors to participate in institutional class opportunities under the same conditions as institutional investors.
- BrickVest Select (B2B), its deal sourcing platform reserved for institutional investors, offering access to all commercial real estate deals worldwide.
- BrickVest Solutions (B2B), a suite of RegTech modules and services (finance, regulation, and technology) focused on solving liquidity issues for real estate sponsors.

Since launch, BrickVest has attracted more than 6,000 investors and 800 real estate firms. Based in London and Berlin, BrickVest's strategic shareholders include BerlinHyp, the first real estate lender of the Sparkasse, Germany's largest banking group and German bank Aareal.



BrickVest is a member of the Association of Real Estate Funds (AREF) and of the European Association for Investors in Non-Listed Real Estate Vehicles (INREV).

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