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Germany/Acquisitions

Benson Elliot buys first of insolvent Speymill portfolios

UK-based independent private equity fund manager **Benson Elliot Capital Management** signed deals earlier this month with a number of subsidiaries of

Speymill Deutsche Immobilien Company PLC (SDIC), to buy the TOR residential portfolio on behalf of its *Benson Elliot Real Estate Partners III* fund.

The asset deal, along with co-investor **Wertgrund Immobilien**, involves the acquisition out of receivership of over 3,000 residential units and ancillary commercial units, spread across 80 properties in Germany. Debt funding for the transaction is being provided by **Landesbank Berlin**.

Trish Barrigan, one of the three senior partners in the company, said: "We're at the beginning of a long, slow unwind of a period in which property portfolios were hurriedly assembled and aggressively financed. The TOR portfolio may be one of the first defaulted CMBS portfolio loans to be resolved – it certainly won't be the last."



WERTGRUND

The TOR portfolio assets are located in prime metropolitan areas, with three-quarters of the properties situated in Berlin, Frankfurt, Munich, Hamburg, and Cologne. The largest concentration – over 60% of the portfolio – is situated in the capital, Berlin. The properties range from individual buildings to residential complexes, comprising a total area of just over 230,000 sqm. The occupancy rate across the portfolio at year-end 2011 was 91%.

Philipp Braschel, principal and head of investment in Germany, also commented: “Good quality residential properties in Berlin and other strong and growing German cities are among the most sought-after real estate assets in Europe today. Valuations remain well below new-build costs, there’s limited new construction and occupational demand is strong. Investors are being drawn to the sector’s stable cash flows and perceived inflation-hedging attributes. The TOR acquisition follows our 2010 acquisition of the 700-unit *Silvertower* residential portfolio in Berlin, where we’ve seen strong income and capital growth.”

The TOR portfolio was assembled in 2006 by **SDIC**, the former AIM-listed residential holding company, through a series



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of acquisitions. The portfolio was subsequently debt financed through a CMBS loan (the TOR loan), part of the **MESDAG (Charlie) B.V.** issuance which closed in April 2007.

The TOR loan, the largest loan in the securitisation, was transferred to special servicing in November 2010 following a loan payment default, prior to the loan along with other SCIC subsidiaries being handed over to the receivers. The portfolio disposition, directed by special servicer **Hatfield Philips International Ltd** and receiver **Ernst & Young** working in conjunction with the borrowers, represents one of the first enforced sales of a defaulted CMBS loan in Germany. The principal balance of the TOR loan was €187 million as at year-end 2011.

Benson Elliot has about €850m of assets under management across Europe, made up of office, retail, hotel and residential.