

June 2021



LOAN VALUATION SNAPSHOT

LOAN ADVISORY

CBRE

EXECUTIVE SUMMARY

LTV ratios for originations remain conservative, however risk avoidance has triggered a flight to quality by the banks.

- CBRE Loan Advisory has seen banks exercise greater caution towards new originations in 2020 with average LTVs trending at 50-55% across most asset classes. Banks have significantly reduced or completely withdrawn funding to the Retail and Operational sectors with many opting to restructure existing exposures as part of ongoing workout strategies.
- Sectors that demonstrated resilience during 2020 with the majority underlying rent collected are attracting the most capital. Lenders are competitive for the highest quality assets and have shown appetite for well located, Core assets, with long WAULTs and that are let to strong credit tenants.

CBRE Loan Advisory saw an increase in the pricing of credit risk, particularly for loans secured by operational and retail assets.

- As Europe imposed multiple lockdowns, 2020 saw senior loan margins across most property sectors increase with lenders adding as much as 200bps for Retail, Hospitality and Leisure assets. Markets with strong fundamentals, namely France and Germany, displayed the lowest increase in loan margins.
- Loans and assets presenting signs of distress i.e. covenant defaults, non-repayment of principle/interest, poor underlying rent collections or occupancy were priced much more aggressively to reflect higher credit risk.

CBRE Loan Valuation clients are instructing reviews at greater frequency to satisfy internal and external reporting requirements.

- During 2020, debt funds which traditionally lend riskier capital were faced with growing pressures from investors to provide clarity on the performance of their loans given the uncertain environment. Clients approached CBRE Loan Advisory for an independent third-party review of their exposures at greater frequency to satisfy internal and external reporting requirements.

YOUR EXPERTS IN LOAN VALUATION



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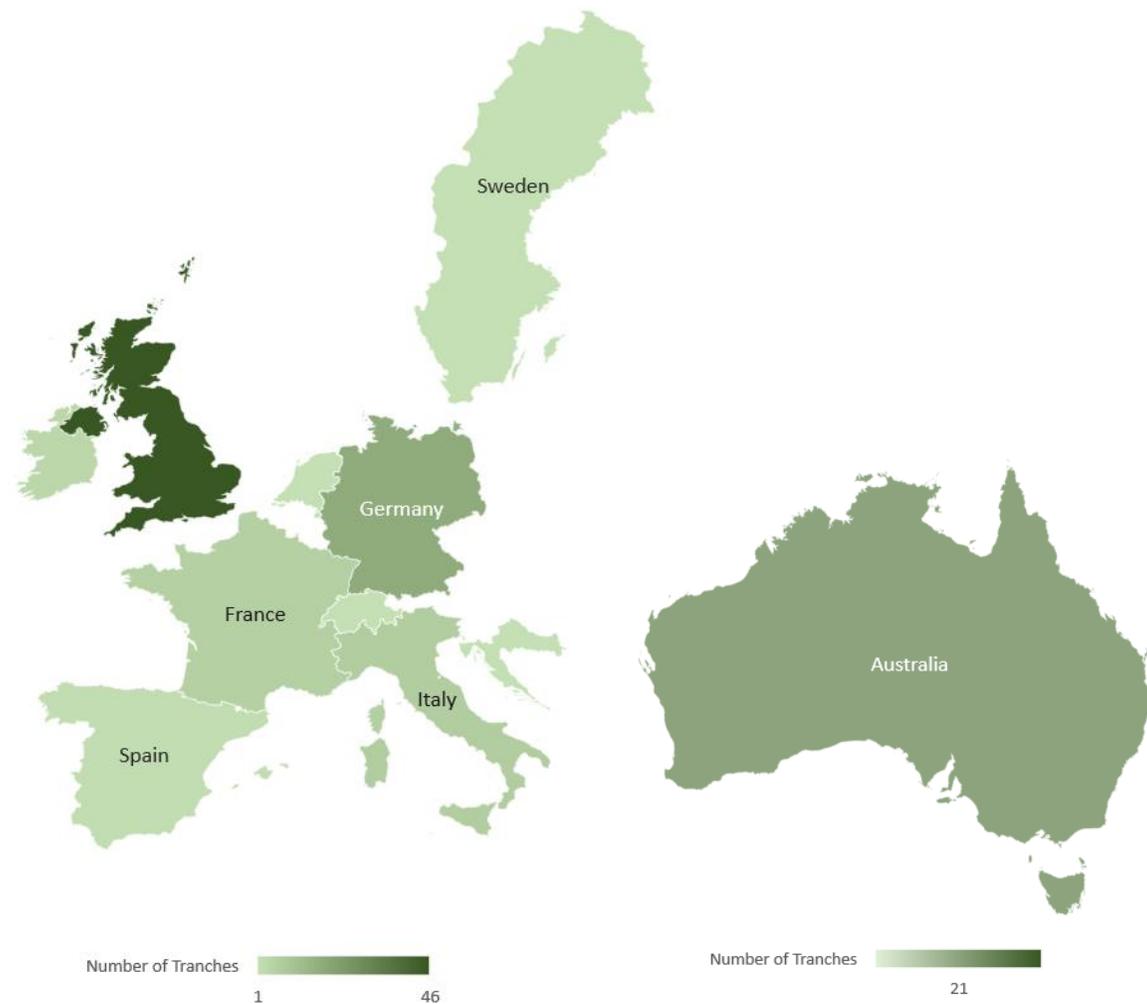
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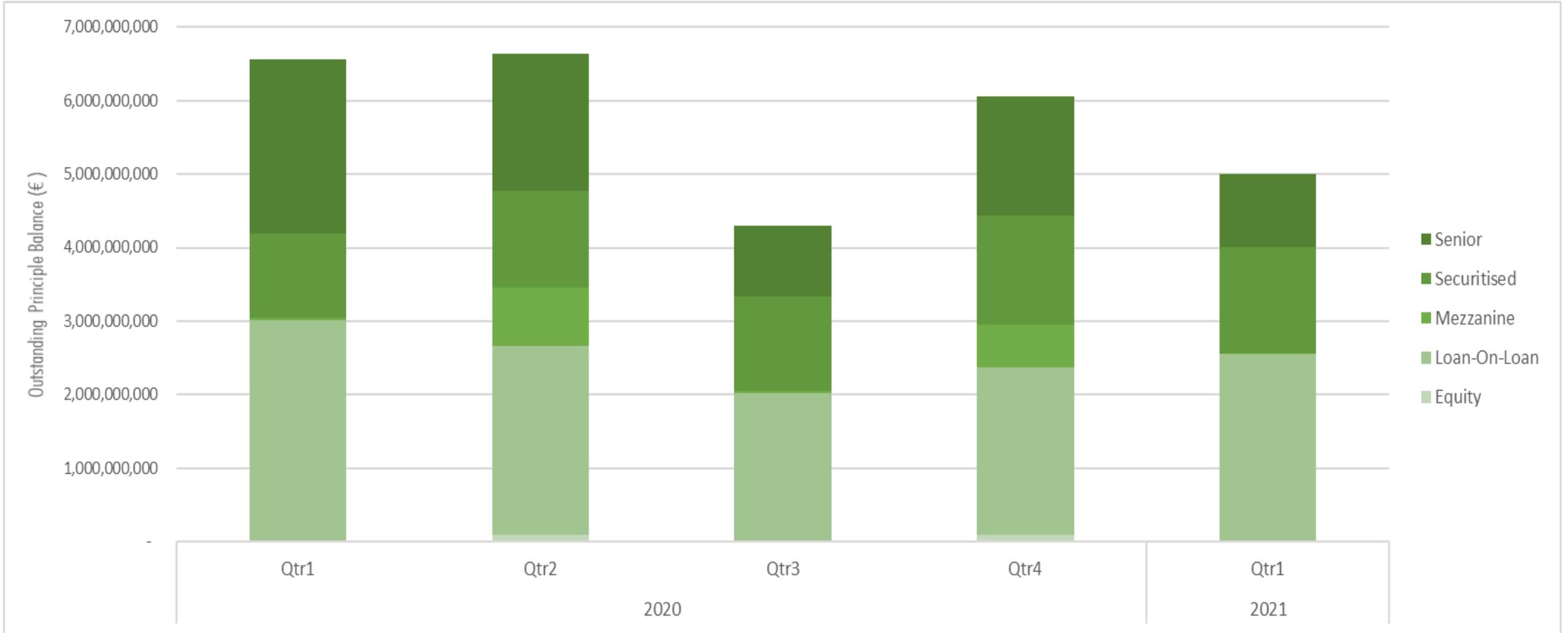
Loan Valuation Exposure

JURISDICTION	NUMBER OF TRANCHES	COMPOSITION
Australia	21	19%
CEE	2	2%
Croatia	1	1%
France	6	5%
Germany	18	16%
Ireland	4	4%
Italy	7	6%
Netherlands	1	1%
Spain	2	2%
Sweden	1	1%
Switzerland	1	1%
United Kingdom	46	42%
Grand Total	110	100%

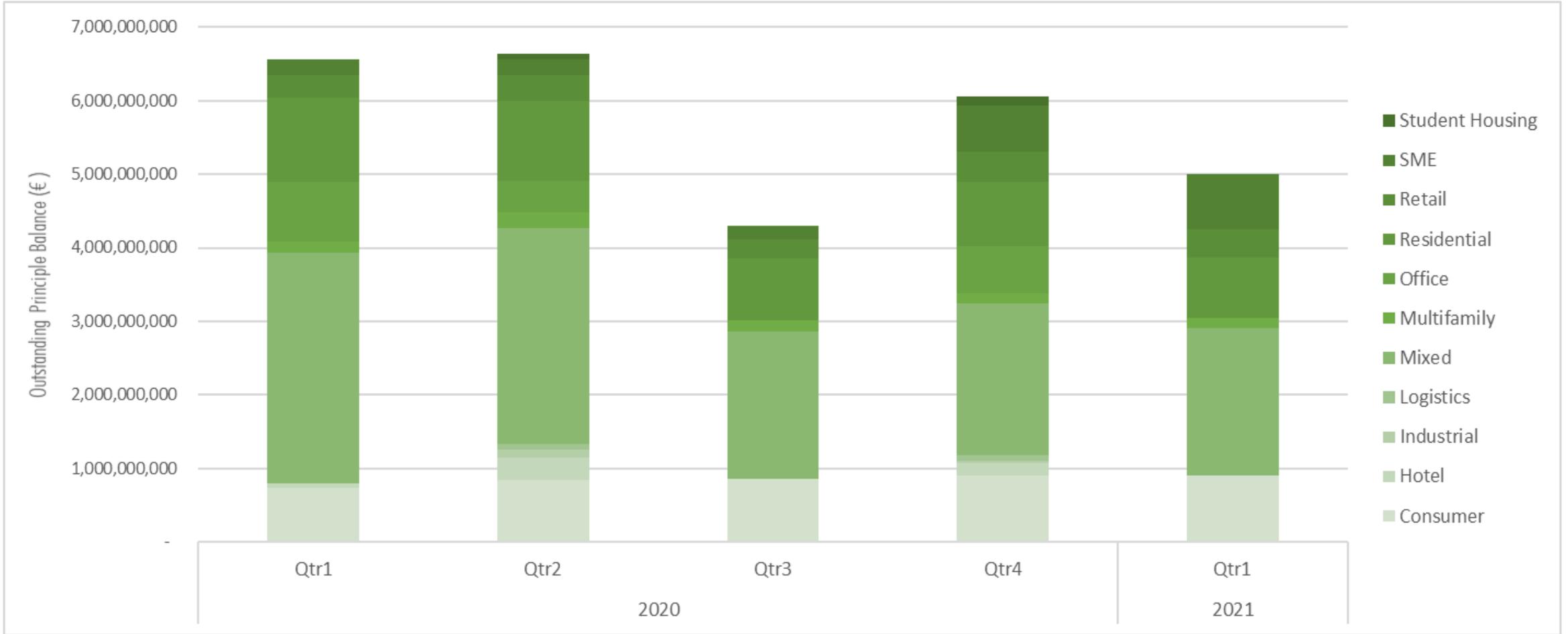
Loan Valuation Heat Map



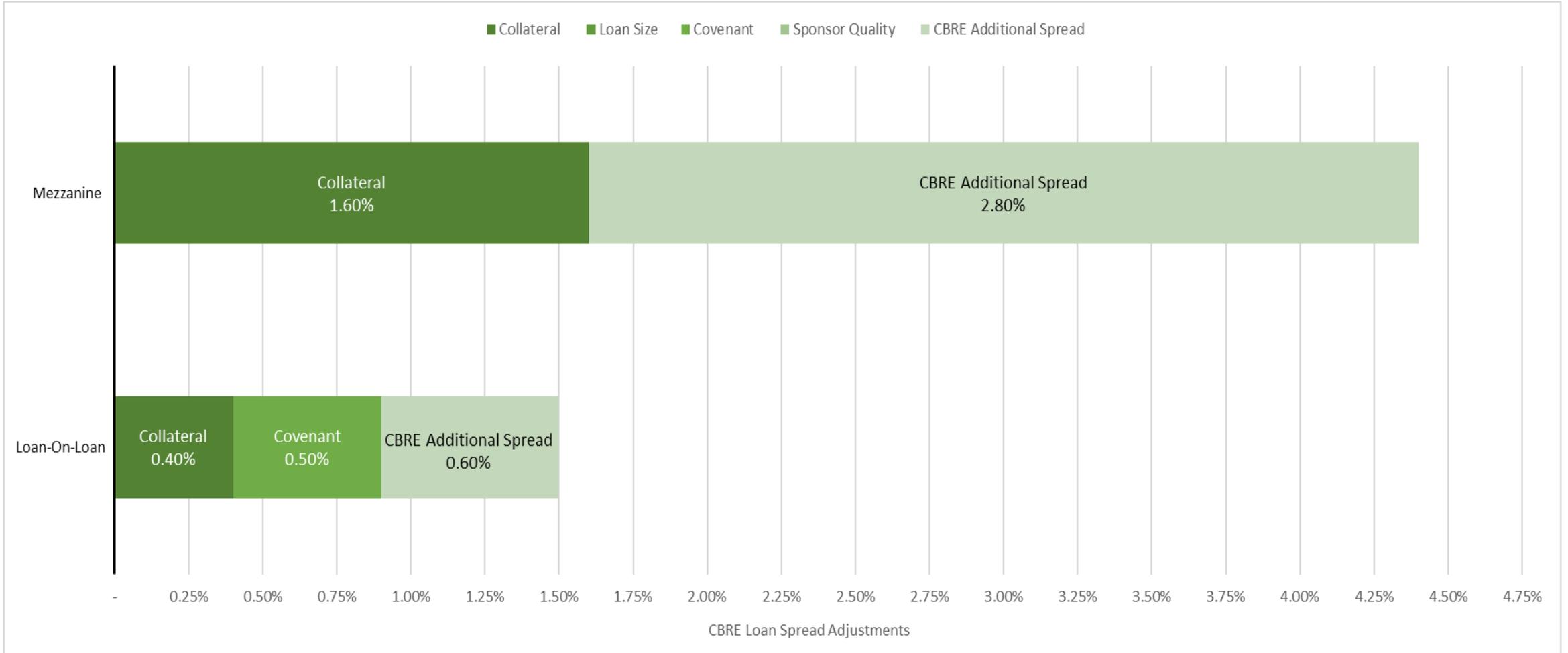
**Total Loans Valued By Loan Type
Q1 2020 - Q1 2021**



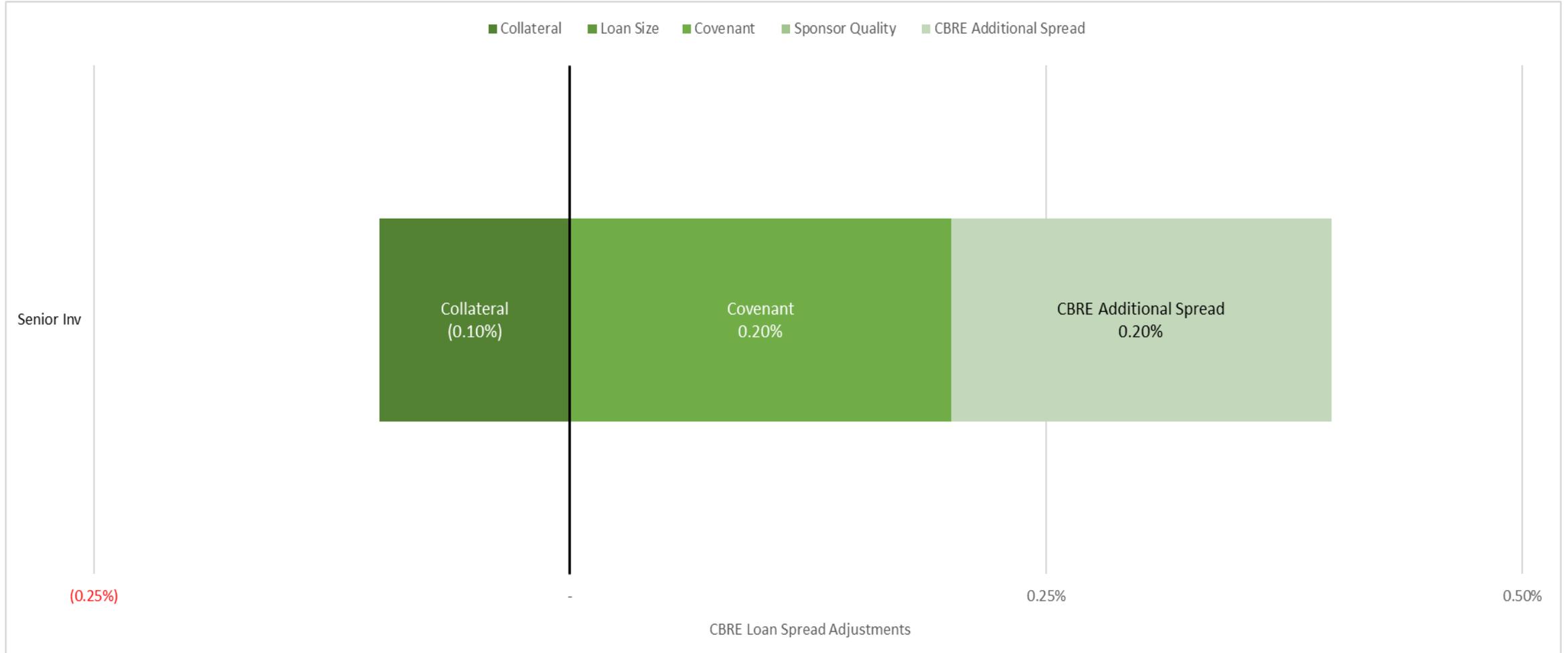
Total Loans Valued By Collateral
Q1 2020 - Q1 2021



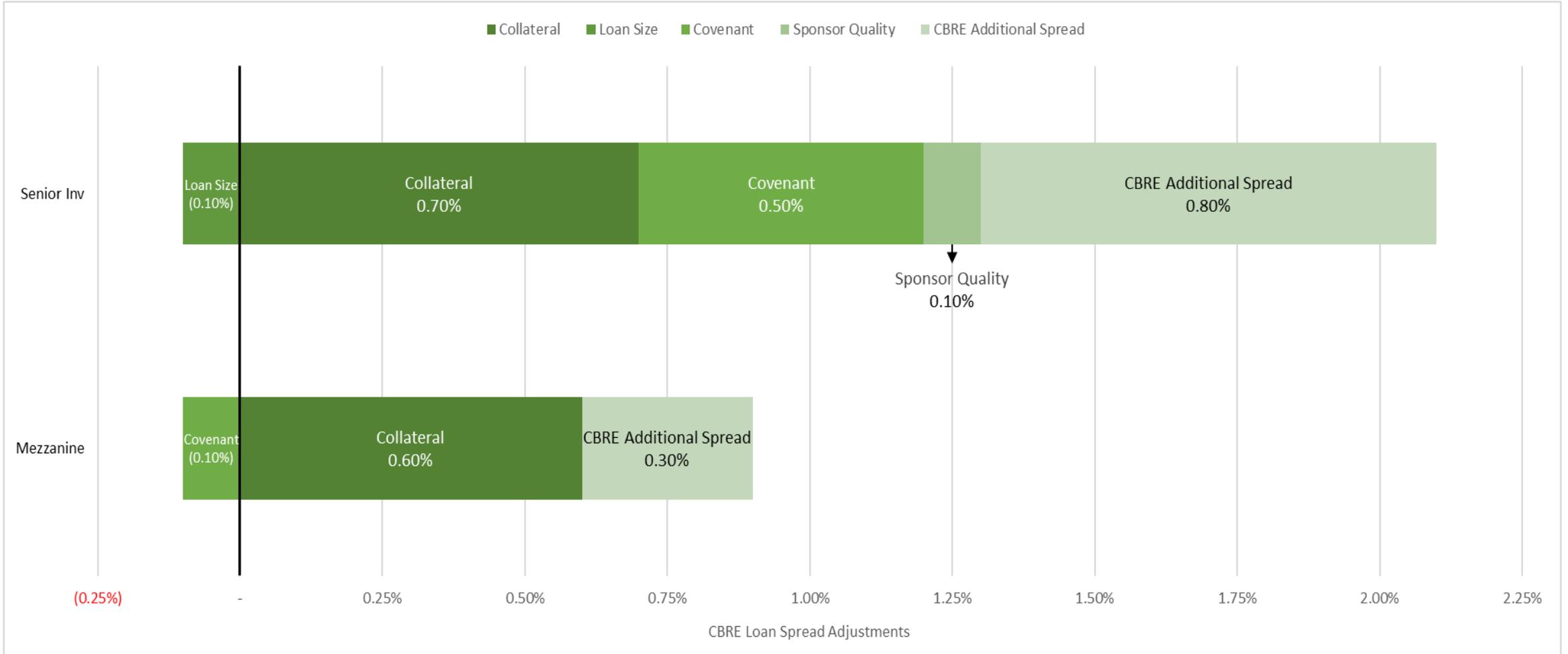
**CBRE Weighted Average Loan Spread Adjustments
UK Residential Collateral | Q1 2020 - Q1 2021**



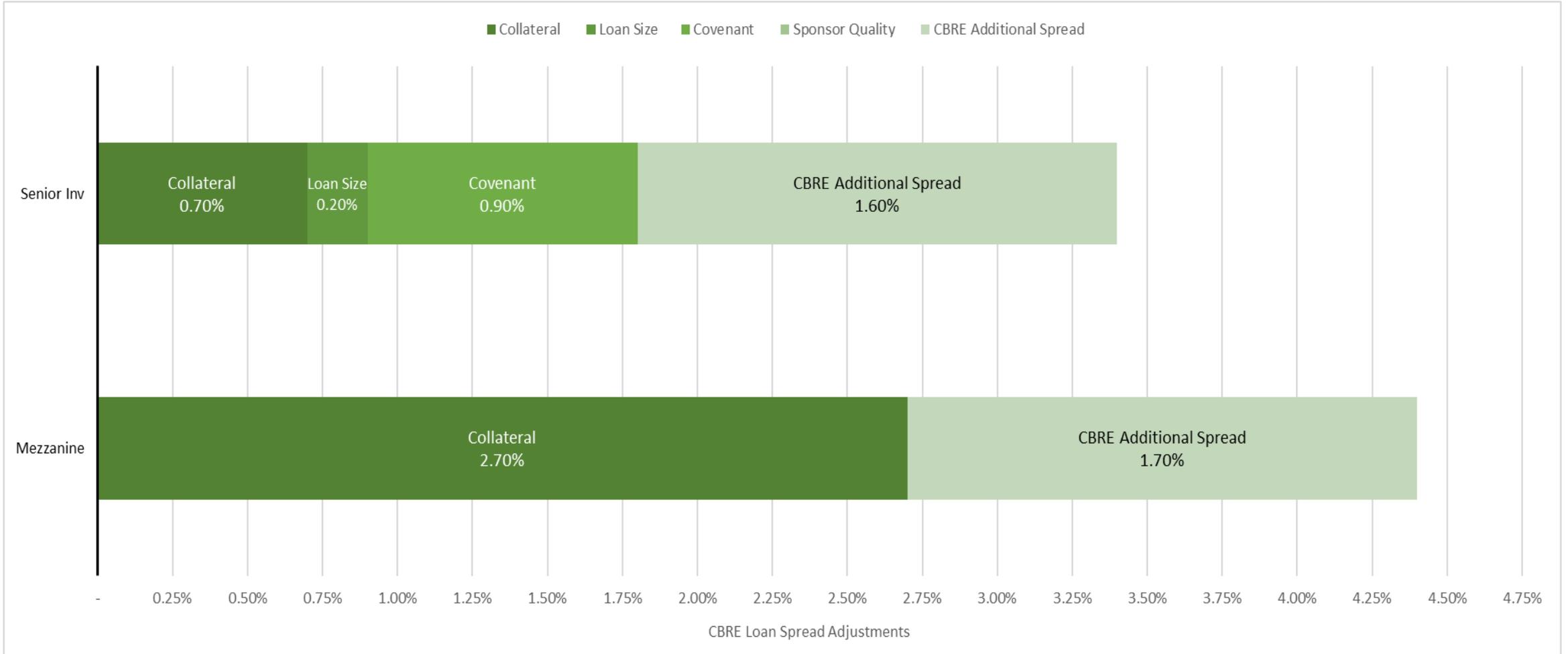
CBRE Weighted Average Loan Spread Adjustments
UK Office Collateral | Q1 2020 - Q1 2021



CBRE Weighted Average Loan Spread Adjustments
UK Mixed-Use Collateral | Q1 2020 - Q1 2021



**CBRE Weighted Average Loan Spread Adjustments
UK Retail Collateral | Q1 2020 - Q1 2021**



LOAN MARK-TO-MARKET VALUATION

CBRE has developed a proprietary financial model which is used to measure and value large, complex and bespoke loan structures. These include Senior Loans, Mezzanine Loans, Equity Structures, Loan on Loan and Securitised products.

Yield to maturity cash flow modelling methodology applies to performing loans using a discounted cash flow method by estimating the remaining principal and interest payments calculated to the loan's anticipated repayment date. We apply a discount rate to the cash flow that a market participant would require on a debt instrument. The output reflects a Net Present Value of the cash flow, which is then compared to the current face value of the loan to arrive at a value percentage.

CBRE LOAN ANALYSIS

Prevailing Debt Markets

CBRE will analyse recently originated loans from our unrivalled loan databases comparable to the target facility.

Collateral

CBRE will assess the underlying collateral quality including the security of income, lease length, tenant mix and pre-lets.

Loan Size

CBRE will consider the specific credit risk associated with total facility size.

Loan Covenants

CBRE will evaluate the loan's inherent risk and the financial covenants against historical performance and prevailing debt markets.

Sponsor Quality

CBRE will assess the strength of the sponsor and capability to carry out the proposed business, disposal, and repayment plan.

Specialise Loan Advisors

CBRE's dedicated debt team reviews all pricing contributors to ensure clients receive a market facing view, not just an automated model output.

CBRE CURRENTLY VALUES €8Bn+ LOANS ANNUALLY



LOAN SERVICES DATABASE:

CBRE Loan Services is the largest European loan servicer and services over £51bn of loans. This provides us with a substantial benchmarking data-set to value loans.



LOAN VALUATIONS DATABASE

CBRE values €8bn of loans across Europe including Performing, Sub-Performing, Non-Performing, Loan on Loan, ABS, CMBS, and RMBS.



LOAN SALES DATABASE

CBRE tracks secured loan sales across Europe and leverages its €78bn track record to check pricing on debt transactions.



CBRE GLOBAL RESEARCH

CBRE is the largest real estate advisor globally. CBRE's European Debt Map, which examines lending terms across 23 European countries on a quarterly basis, gives us a unique view of the prevailing debt markets.





THANK YOU