

# German banks lead in funding property deals

## REAL ESTATE Most lenders limit loans, Savills finds HBOS and RBS used to dominate

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German banks have emerged as virtually the only lenders willing to spend significant amounts of money regularly on large new deals in UK commercial property.

Savills, the property consultancy, will say today that eight of the 12 lenders willing to consistently back deals of more than £25m to new borrowers in the UK market this year are German.

Only two are UK lenders and one of those, Abbey, is backed by Santander of Spain. This is a marked change from this time last year, when lending was dominated by HBOS and Royal Bank of Scotland, as well as Irish banks such as Anglo Irish.

Their enthusiasm to lend on commercial property has proven to be one of the main reasons for recent difficulties, given the amount of loans in default of covenants owing to the real estate crash. Savills says that the large US investment banks, which had been another major source of money, have also left the market.

Savills interviewed more than 100 global lenders, of which more than 40 claimed to have an appetite to lend to UK property.

However, Savills says many are lending to existing customers only, will only lend on deals below £25m and are offering punitive terms that could deter many borrowers. German banks are clearly the most willing to lend consistently for sizeable deals, it says. These include Deka Bank, Deutsche Postbank, Landesbank Berlin, D G Hyp, Helaba, LBBW (Stuttgart), Munich Hyp and West Immo.

They have been less caught up in the property boom - and subsequent crash - while funding from covered bonds also gives an advantage. They have also been able to take advantage of devalued sterling.

Savills said that other lenders, including those in the UK, would lend on large deals, but that the level of actual loans committed was too variable to count on its list. William Newsom, head of Savills UK valuation, said the situation was similar to the 1990s crash. "Secondary investment properties and development projects are in general unfinanceable," he added.

Mr Newsom believes that other UK banks are more happy to lend at lower levels, while life companies such as Norwich Union are becoming more important.

Nationwide was the only UK lender willing to say it would consistently back deals of more than £25m, and Santander-backed Abbey was also in the market. For the first time, an Islamic bank, the Bank of London and the Middle East, features on the list of top UK lenders.

Banks are taking longer to go through approval processes, and are lending at margins of more than 200 basis points and at higher fees. The average loan-to-value terms was

60 per cent, much lower than typical terms during the boom, when deals were almost entirely financed by debt.