



PRESS RELEASE

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Arcona Capital closes € 53 million refinancing deal on Dutch property portfolio

Arcona Capital, a specialist real estate fund manager active across Northern and Central Europe, has significantly expanded its fund and asset management activities in the Dutch market. Arcona Capital executed the discounted purchase of existing debt, refinanced by a fund advised by DRC Capital LLP and a consortium of private investors, secured against a 15-asset portfolio. This is a key step for the firm and its clients, and an important milestone for the Dutch market. Arcona Capital is keen to apply the knowledge and expertise gained in this transaction to other similar situations in the local market.

In mid-2016 Arcona Capital assumed the management of a distressed property portfolio from Steenwell Beheer and AE Beheer, based in Groningen. The 15 properties, mainly modern office buildings, were located throughout the Netherlands. At the time, the Loan-to-Value ratio of the portfolio was significantly above 100%, the majority of the loans were in default and the relationship of trust between the lending banks and the investors (mainly private individuals investing through partnership structures) was under strain.

After 18 months of complex negotiations Arcona Capital purchased the original loans at a discount and refinanced the portfolio with new facilities obtained from a debt fund advised by DRC Capital LLP and a consortium of local private investors.

The refinancing involved a significant reduction (ca 50%) of the senior debt and thus moves this portfolio firmly back into positive equity, a significant portion of which accrues to the benefit of the original 700 investors in the limited partnerships. These investors gave their prior approval to the proposed restructuring, which initially grants them a share of the value gains achieved through the new structure. These original investors will now have the possibility to invest further into the new structure, with participations of € 2,500 upwards. The plan is to replace short term financing with new equity of up to € 7 million, which will also create a reserve for capital expenditure for the portfolio. This further step in the restructuring of the funds will, however, need the formal approval of the Dutch Financial Markets Authority.

“This successful refinancing of the portfolio was only possible with the support and trust of the original investors in the various funds”, explained Peter Mars, managing director of Arcona Capital. “In consultation with the original lenders we were able to stabilise the portfolio and agree a redemption of the old loans. In parallel, we succeeded in convincing the original investors of the viability of our plans for the future. As participants in the new structure, they can now participate in coming years in the surplus value created by the refinancing.”

With this restructuring, Arcona Capital has adopted a very different approach from other parties engaged in the work-out of distressed limited partnerships. Many Dutch partnerships of this nature have been sold to foreign private equity investors in recent years, leaving little for the original

investors other than the booking of their losses. In contrast, the approach chosen by Arcona Capital enables the original investors to recover, as a first step, a part of their original investment, coupled with the opportunity to invest further in a good quality real estate portfolio with sensible valuation fundamentals.

Arcona Capital are now keen to broaden their activities in the property sector in the Netherlands, with a particular focus on the restructuring of existing real estate funds and their related asset management challenges.

Rodney Pereira, portfolio manager at Arcona Capital, says: “Our focus is on value creation or value recovery for investors and stakeholders through an active asset management approach. We have a broad market view and are open to the specific challenges posed by troubled investment structures and real estate portfolios. As we have shown with the Steenwell and Aefides deal, complex restructuring is what we can do.”

Arcona Capital were represented in the deal by Loyens & Loeff (Dutch legal and tax advice) and Barlow Robbins (English legal advice). Van Doorne and Paul Hastings acted as legal advisors to DRC Capital LLP.

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Arcona Capital is an independent owner-managed asset and fund manager with ca. € 650 million of assets under management for institutional and private investors across Northern and Central Europe. In the Netherlands Arcona Capital holds a licence from the Dutch Financial Markets Authority for the issuance and management of investment funds.

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