

## Moor Park's Spanish deal extends strategy of providing equity against good real estate

Private equity group Moor Park Capital's €403m investment in Spain's Banco Sabadell in April was the latest corporate finance-led deal in which the three partners specialise - providing equity to institutions needing to raise capital against strong real estate portfolios.



Moor Park Capital's SHEMEEL KHAN, GARY WILDER, and JAGDEEP KAPOOR (left to right) are looking for more corporate finance-led deals around Europe like April's €403m Banco Sabadell transaction.

**G**ary Wilder, SHEMEEL KHAN and JAGDEEP KAPOOR came out of Nomura's European Funds Group in London four years ago, bringing experience of structuring and investing in €22bn of real estate transactions since 1995. In Moor Park they have backing from European and US pension funds, insurance companies and ultra high net worth individuals – all looking for strong returns from an opportunistic risk profile. With some €2.5bn in AUM, the group focuses on European corporate and government divestitures, sale-leasebacks, structured sales, sale-manage-backs and OpCo / PropCo transactions.

"We're very focused on the Sabadell type of transactions, which for us are really corporate finance-led

real estate deals - all the way to transactions that require single asset level or smaller portfolios with a very significant element of property and asset management," Wilder told PIE in an interview. "They are transactions really driven by achieving objectives presented to us by owner-occupiers around business-critical assets."

Banco Sabadell fit the bill well. It incorporates a sale-leaseback in which Sabadell remains as tenants across 367 bank branches located mainly in Cataluña, Madrid and Asturias. Advised by realtor CB Richard Ellis, it is Moor Park's first transaction in Spain but is unlikely to be the last, the partners say; one or two more may be in the pipeline. They see Spain and western Europe providing an

counter-cyclical play for an opportunistic fund.

"It's not geography dependent," Kapoor told PIE. "What we look for is quality of the real estate and the underlying covenants, so we see a lot of opportunity in current markets. A lot of big companies are constrained because they can't raise funds in capital markets to provide solutions for their balance sheets, yet at the same time they are heavily impregnated with real estate. We've been doing this for many years, and see the current situation like a return to the early '90s with the whole cycle repeating itself. It would have been impossible to deliver this in Spain with a client like a bank, say, four years ago, because at that time they could easily go and raise very cheap money elsewhere."

Since 1996, the three partners have invested €2.7bn equity into transactions with GAV of €12.2bn and generated a weighted average compound annual return of 41%. One of the first deals after going independent was an acquisition by its Moor Park Real Estate Fund I and II in a sale-leaseback purchase of 91 hotels in Germany and the Netherlands from Paris-based operator Accor. The deal involved managing a €93m renovation program and a repositioning. Just prior to this, Moor Park had acquired a property portfolio in Germany, underpinned by the Max Bahr brand owned by two wealthy families, linked to the acquisition by the nation's second largest home improvement chain Praktiker and a real estate portfolio of 65 DIY stores.

"There are a lot of challenges in these transactions," says Wilder, "structure being one, where reliability of tenant can come in different shapes and forms, and the tenancy can be driven by a very good covenant. But it also means we concentrate on alternative real estate sectors where you don't necessarily have a fun-

damentally good tenant. We do a lot of credit work to ensure good coverage relative to EBITDA, and that we have assets with very good vacant possession value, potentially attractive to other operators. We have been very focused historically on consumer-facing assets - assets that have an end-user activity such as hospitals, self storage, student accommodation, bank branches, retail, specialist retail, and leisure."

He adds: "The transactions are really driven by, firstly, the desire from the current users to achieve a certain objective. So for example, in the case of Spanish banks, a need to raise new capital to offset non-performing loans by using the gain generated from selling operating real estate, ie their branch networks." Other factors include the ability to engineer deals to meet the risk profile of Moor Park's investors and to deploy large amounts of capital from its plentiful equity commitments. Adds Kapoor: "The other thing is that we don't have any legacy issues - which a lot of other funds are subject to. So we see a lot less competition currently than we used to." ■ pie

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