Messeausgabe

The alternative financing options for owner-occupier businesses in Europe

Because Europe's bank crisis and an increased regulation lead to a restriction of the bank borrowing – especially stronger capital rules –, enterprises must disclose alternative financing options for the expansion or the restructuring of balance sheet. Besides increases of capital, corporate bonds, convertible bonds and hybrid bonds or mezzanine capital are possible. Another way is the activation of the equity capital which is bound in the corporate properties. To reach this, the author recommends sale leaseback because it also represents a form of the very long-term financing with durations of up to 25 years. But sale leaseback isn't only an alternative to the bank loan for stock buildings but also for developer. (Red.)

Economic instability in the Eurozone continues to stifle the traditional credit markets making availability of debt financing increasingly difficult to obtain. The threat of a "double-dip" recession together with the potential for high profile EU member state exits means that companies seeing to expand their existing operations are turning to alternative forms of financing to support their growth strategy.

Monetisation of operational assets

As a result, organisations are choosing to monetise their operational assets as a source of asset-based financing and as a capital raising tool. Credit-worthy companies benefitting from strong management and a solid business strategy are able to take advantage of real estate asset-based financing, either in the form of traditional corporate sale leaseback models or build to suit schemes.

Many real estate investors are now tending to move away from traditional high leverage deals to a more income-oriented approach where previous capital gains strategies have become largely unavailable due to these tightened credit conditions.

Sale-leaseback transactions and similar forms of asset-based financing offer companies the ability to release the full equity value embedded in their corporate real estate. This capital can then be re-deployed for a range of purposes including restructuring balance sheets, paying down existing debt, funding operating costs and enabling expansion strategies.

The long term of sale leaseback financing, usually a period of 15 to 25 years, coupled with maturing lines of credit and other short and medium term debt maturities, has made real estate asset-based financing an appealing alternative source of capital offering CFOs and senior management the chance to improve their on-going financing costs.

Three examples

W. P. Carey has provided three different variations of long-term sale leaseback financing in response to the changing economic environment over the past two years. The first type was for a company needing to pay down debt. In this instance W. P. Carey completed a 155 million euro long-term sale leaseback financing transaction with C1000 B.V., the second largest food retailer in the Netherlands. As a result the company was able to convert illiquid fixed assets into cash with the transaction allowing C1000 B.V. to reinvest the capital into its retail business to support its growth initiatives, and importantly, pay down debt.

A second opportunity was with a company looking to restructure and recapitalise its balance sheet. W. P. Carey acquired the headquarters of Distribuidora de Television Digital S.A.U., the largest provider of digital pay television in Spain, in an 86 million euro transaction at the end of 2010. The deal was completed as part of the company's restructuring, which included the sale of a 44per cent stake in the Pay TV business. Additionally the company entered into an agreement with US-based Liberty Acquisition Holdings Corporation under which Liberty acquired a stake of approximately 30 per cent of the parent company PRISA's equity. The sale leaseback on DTS's headquarters, a critical asset for the business, was the third element in the restructuring and typified the benefits these forms of transaction have for both the owner and the tenant.

The third transaction provided the opportunity for a corporate real estate investment to help a company secure long term financing on its longest term assets. W. P. Carey's acquisition of a portfolio of key retail facilities in Croatia for a total consideration of 49 million

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Weil Europas Bankenkrise und die zunehmende Regulierung zu einer Verringerung der Kreditvergabe führen, müssen auch Unternehmen, die nicht aus dem Immobiliensektor stammen, nach alternativen Finanzierungen suchen, wenn sie expandieren oder ihre Bilanz restrukturieren wollen. Neben Kapitalerhöhungen sind Unternehmens-, Wandel- und Hybridanleihen sowie die Aufnahme von Mezzaninkapital erprobte Instrumente. Ein weiterer Weg ist die Aktivierung des in den firmeneigenen Immobilien gebundenen Eigenkapitals. Das kann zum Beispiel über Sale-and-Lease-back-Finanzierungen erfolgen, bei denen auch sehr lange Laufzeiten von bis zu 25 Jahren möglich sind, wie der Autor erläutert. (Red.)

euro from Agrokor, the country's largest food producer, followed a similar 77 million euro transaction with the company on its key logistics properties. The portfolio was leased on a long term triple-net basis and allowed the company to fund its growth strategy in the region with secure long-term financing.

Construction financing

More recently, developers and their prospective tenants are turning to real estate investors to help fund their construction costs. This provides a win-win situation for the tenant who leases the finished facility, allowing them full operational control of a facility tailored to their needs and for the developer who receives construction and permanent financing to fund the project. In April 2012 W. P. Carey provided a 20 million euro construction financing package for Nippon Sheet Glass Co., Ltd for the development of a new warehouse facility in Poland. W. P. Carey delivered 100 per cent of the funds needed for the construction in conjunction with Panattoni Europe. The asset was then leased under a long-term, triple-net basis to a Polish subsidiary of NSG Group.

Nippon Sheet Glass Co., Ltd – new warehouse facility in Poland

In terms of geographical and sector development, a large source of potential growth lies in Central and Eastern Europe where real estate developers are being squeezed both indirectly and directly with regards to their financing options. The indirect issue is due to the difficult economic environment making securing a "forward purchaser" very challenging. Secondly, country ratings and related economic indicators can move outside an investor's comfort zone and, given the lead time of many months, forward purchase investors are also having trouble securing the debt commitments they need for an acquisition to make sense for them. Without the forward purchaser to ensure a take-out upon completion, the traditional financing structure of a developer becomes very challenging. In these situations build to suit financing, a form of sale-leaseback financing which can fund 100 per cent of the development costs and provide a take-out on completion, can be the solution when the properties are pre-leased to credit-worthy tenants under long term leases. W. P. Carey has recently undertaken a number of build-to-suit transactions benefiting both clients and developers.