



# steinberg

real estate + finance

**Case Study:** Workout of a real estate backed NPL portfolio.

Collateral: 20 commercial real estate assets (across Germany)

# Initial situation

- Following the acquisition of a portfolio of non-performing real estate collateralised loans (NPL) by an Anglo-Saxon financial investor, the portfolio was managed by our team as part of a service mandate starting Q4 2015.

- Loan level :           The portfolio comprised nine complex, legally and economically demanding individual and syndicated loans with a total loan volume of approximately EUR 230m. The portfolio was sold by a large German bank, after many years of intensive but unsuccessful workout.

The borrower side consisted mainly of fund structures in different European jurisdictions. The loans were in different stages of workout, including insolvencies, trust relationships as a result of share pledge enforcement and consensual strategies.

- Property level:       The collateral comprised 20 properties valued at around EUR 175m. The properties were located exclusively in Germany, mainly office, retail and mixed-use buildings. The total area of the portfolio comprised about 240,000 sqm in B and C locations with considerable maintenance backlog, vacancies or low marketability.

# Strategy

Within the scope of the servicing mandate, the objective was to maximise return on investment for our client and therefore the following priorities were set:

1. Analysis of workout strategies already (pre-)negotiated or implemented by the bank with the aim of realizing higher repayments in a shorter period of time. Our analysis included real estate, loan agreements and workout history. Following the assessment alternative strategies were implemented.
2. The portfolio was to be clustered by strategy and loans that did not meet the investor's short- to medium-term yield expectations were to be sold separately. Subsequently, the sales processes of aforementioned sub-portfolios was to be structured and executed in accordance with the agreed strategy which included the creation of data rooms , Q&A as well as participation in contract drafting.
3. Amicable settlement of any disputes with syndicate partners, administrators and trustees as far as possible in order to facilitate the swift and successful realisation of all collateral. This included consideration of cost-benefit aspects and an appropriate balance of interests. Where an amicable solution was not possible, all legal possibilities were to be consequently used to recover the claim.
4. Regular reporting and coordination with the client with regard to the management of borrowers, assets and transaction managers. The basis for this was a customized reporting system that was coordinated with the customer.

# Realisation and result

## Realisation

- After a brief assessment phase, the first sub-portfolio with four loans was sold to an investor in the spring of 2016.
- On the remaining promising cases, all collateral was gradually realized by spring 2017.
- Lengthy and thus costly wind-down work will be avoided through the sale of the remaining receivables to an investor.

## Result

- The business plan was already **exceeded by around 30%**.
- In addition, the sale of the remaining portfolio is expected to result in a higher single-digit million amount.

The case described above was solved by a member of the team before Steinberg Real Estate Management GmbH was founded.

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