

## European CRE/CMBS: decreasing refinancing hurdles

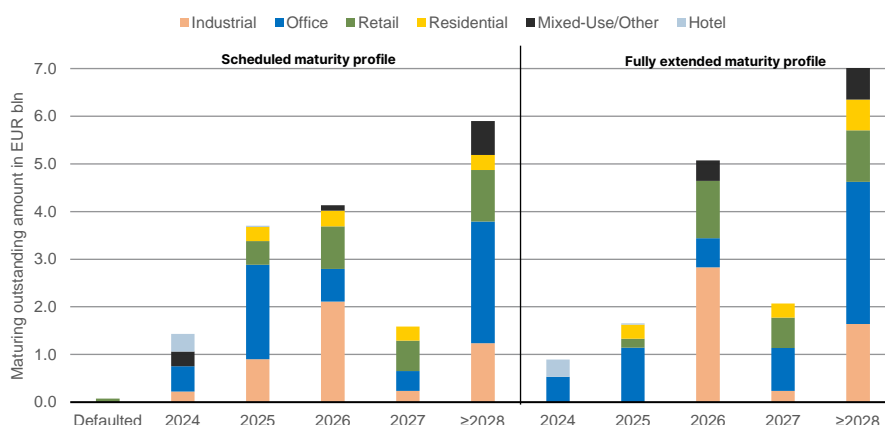
Almost two thirds of the 20 loans due for refinancing in 2024 have been modified or extended; only six have been repaid.

Decreasing market values, higher-for-longer interest rates, and the office sector's ongoing structural challenges continue to negatively impact borrowers' capacity or willingness to refinance. Nine of the 20 loans due to refinance this year have been modified, three have been extended and two remain to be dealt with. Only six were repaid or refinanced. These outcomes are consistent with our expectations expressed in previous research that most loans due to refinance this year would fail to do so.

The fully extended maturity profile of securitised European loans appears more manageable than at the end of 2023, however. Excluding the industrial sector, between EUR 1.65bn and EUR 2.25bn of loans are due in each of the next three years (see Figure 1). Most modified loans (six amounting to EUR 723m) have been pushed to 2027, three (EUR 118m) to 2026, while extended loans (EUR 405m) were pushed to next year.

Three CMBS including one secured against serviced office properties have been priced year-to-date (to September) and another transaction secured by industrial assets is being marketed. This will push issuance above 2023. The expectation of further gradual rates reductions from the European Central Bank and the Bank of England, coupled with a soft landing of the economy and a tight labour market, is positive for transaction performance, and further issuance.

**Figure 1: Scheduled vs fully extended maturity profile of the European securitised CRE loans**



Source: Investor reports, Score Ratings CMBS tracker

The nine modified loans were modified through extensive liability management. The three loans of Pietra Nera Uno S.R.L., secured against Italian retail outlets were extended by three years to May 2027 in exchange for a 100bp margin increase on the notes, an equity injection reducing the portfolio LTV from 77.0% in May to 72.3% in August and improving the debt yield from 12.3% to 13.8% over the same period, an increase in the strike rates of each loan cap, and keeping the loans in cash trap until maturity.

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Nine loans (EUR 861m) were modified and extended by two to three years

The two loans of Deco 2019-Vivaldi S.R.L., secured against an Italian retail outlet were also extended by three years to August 2027 under similar terms as Pietra Nera Uno S.R.L.

The three remaining loans of ERNA S.R.L. secured by telecom exchanges and mixed-use properties in Italy were extended by two years despite extremely robust metrics in exchange for 50bp and 140bp margin increases on the Class A and B notes, voluntary repayment of a portion of the loans leading to the full redemption of the Class C notes, deleveraging of the loans, and an increase in the strike rate.

The senior loan of Taurus 2021-2 SP secured against office properties in Italy was extended by three years in exchange for an equity injection, a top-up of working capital and capex reserves, an increase in the strike rate, and a cash sweep of the excess amount to maturity.

Regarding the three loans that were granted extensions for the Viridis, ELOC No. 38 loan, secured against the Aldgate tower in London, the borrower attained all necessary internal approvals at the last minute to participate in a refinancing scheduled for January 2025.

Sellar, one of the last two sterling-denominated loans, secured against three hotels in the UK, also extended to January 2025 with substantial concessions to the lender

The senior loan of Taurus 2019-4 FIN secured against a shopping centre in Finland, was extended by a year in exchange for an extension fee, a cash sweep of the excess amount to maturity, and a duty to report on the sponsor's exit strategy.

In addition to the two logistics loans refinanced early in February 2024, four other loans repaid:

Ermete, one of the four loans of ERNA S.R.L., secured against telecom exchanges in Italy repaid in July 2024. Phoenix, the last remaining loan of ELOC No. 32, secured predominantly against office properties in the Netherlands repaid in August 2024. Node, the last euro-denominated loan of Starz 2021-1, secured against a residential property in Ireland also repaid in August 2024. The Mauve, Magenta 2020 loan, secured against 17 hotels across the UK repaid in September 2024.

Three loans (EUR 406m) were extended by up to a year

Excluding the two logistics loans that refinanced early in the year, four other loans (EUR 299m) repaid

**Figure 2: Refinancing risk status of securitised loans dealt with in 2024**

Transaction	Loan	Country	Sector	Refinancing risk	Status	New Maturity
Pietra Nera Uno	Fashion District	Italy	Retail	Very high	Modified	May-27
Pietra Nera Uno	Palermo	Italy	Retail	Very high	Modified	May-27
Pietra Nera Uno	Valdichiana	Italy	Retail	Very high	Modified	May-27
Deco 2019 Vivaldi	Franciacorta	Italy	Retail	Very high	Modified	Aug-27
Deco 2019 Vivaldi	Palmanova	Italy	Retail	Very high	Modified	Aug-27
ELOC 38	Viridis	UK	Office	Very high	Extended	Jan-25
Starz 2021-1	Node	Ireland	Residential	High	Repaid	-
Starz 2021-1	Sellar	UK	Hotel	Moderate	Extended	Jan-25
Magenta 2020	Mauve	UK	Hotel	Moderate	Repaid	-
Taurus 2021-2 SP	Figo	Spain	Office	Moderate	Modified	Sep-27
ELOC 32	Phoenix	Netherlands	Office	Moderate	Repaid	-
ERNA S.R.L.	Nucleus	Italy	Mixed-use	Moderate	Modified	Jul-26
ERNA S.R.L.	Raissa	Italy	Mixed-use	Moderate	Modified	Jul-26
ERNA S.R.L.	Aries	Italy	Mixed-use	Moderate	Modified	Jul-26
ERNA S.R.L.	Ermete	Italy	Mixed-use	Moderate	Repaid	
Taurus 2019-4 FIN	Senior	Finland	Office	Low	Extended	Aug-25

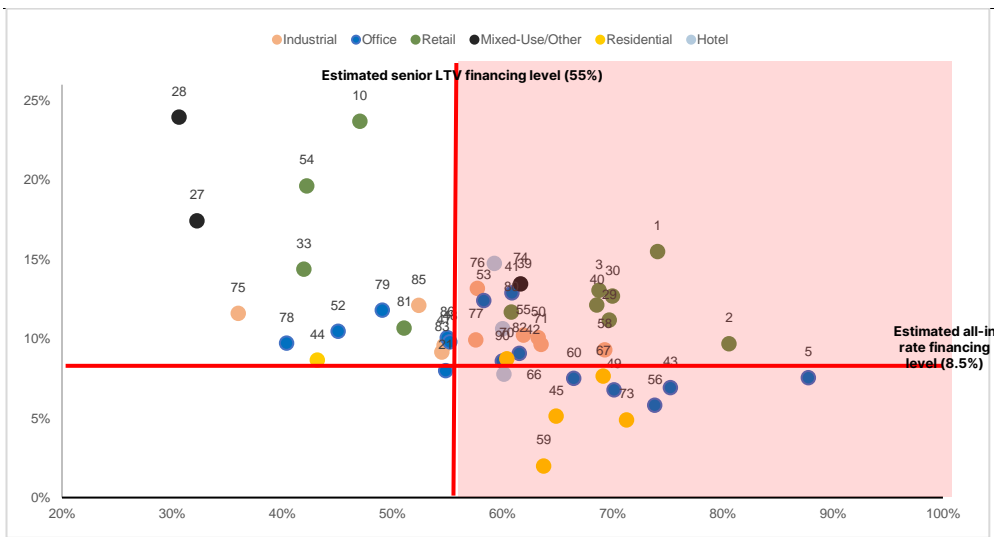
Source: Investor reports, Score Ratings CMBS tracker

### Refinancing risk: what's in store for the next 15 months?

Two thirds of securitised loans in European CMBS continue to fail bank lenders' refinancing requirements<sup>1</sup> (Figure 3), down from 75% last year. Interestingly, the five loans securitised this year not only exhibit higher leverage at closing than in 2023 (59.5% on a weighted-average basis compared to 53.7%) but also a lower debt yield (8.5% compared to 10.2%). This includes the Vantage Data Center UK deal, which had a relatively high debt yield (10%) and a relatively low LTV (54.8%). Whether we are at the trough or not, we certainly expect more pain and equity injections from borrowers to refinance.

67% of securitised loans in European CMBS continue to fail bank refinancing requirements

**Figure 3: European securitised CRE loans: latest LTV and debt yield ratios**



Sources: Investor reports, Scope Ratings CMBS tracker

Four loans are of particular concern: The Squire, secured against the iconic office and hotel property next to Frankfurt airport; the senior loan of Taurus 2017-1 IT, which is seriously over-leveraged; Salus, the loan secured against the CityPoint office tower in London and recently put up for sale by its sponsor Brookfield; and the senior loan of Taurus 2020-1 NL secured predominantly against office properties in the Netherlands.

Office loans remain challenged by high vacancy rates, low debt yields and high leverage

**Figure 4: Refinancing risk status of securitised loans dealt with in 2024**

Transaction	Loan	Country	Sector	Vacancy	DY	LTV	Refinancing risk	Maturity
Taurus 2021-3 DEU	The Squire	Germany	Office	19.00%	6.80%	70.14%	High	Dec-24
ELOC No. 37	Helios	UK	Hotel	18.60%	14.75%	59.27%	Moderate	Dec-24
Starz 2021-1	Sellar	UK	Hotel	20.14%	7.77%	60.14%	High	Jan-25
ELOC No. 33	Salus	UK	Office	18.39%	8.00%	54.85%	High	Jan-25
ELOC No. 38	Viridis	UK	Office	20.10%	5.82%	73.85%	High	Jan-25
Taurus 2017-1 IT	Senior	Italy	Office	15.56%	6.88%	129.56%	Very high	Feb-25
Taurus 2020-1 NL	Loonie	Netherlands	Office	22.18%	6.94%	75.25%	High	Feb-25
Starz 2021-1	Zamek	UK	Residential	3.10%	7.65%	69.16%	Moderate	Apr-25
Deco 2019-RAM	Derby	Italy	Retail	10.61%	27.86%	18.08%	Very low	Jul-25
Taurus 2019-4 FIN	Senior	Finland	Retail	12.08%	12.13%	68.58%	Moderate	Aug-25
Sage AR Funding No. 1	Senior	UK	Residential	1.14%	5.14%	64.89%	Moderate	Nov-25

Source: Investor reports, Score Ratings CMBS tracker

<sup>1</sup> Current estimated average senior bank loan LTV and debt yield are 55% and 8.5%. 36 of the 54 outstanding securitised loans have either lower debt yield (1 loan), higher LTV (20) or both (15).

## Appendix I: Outstanding securitised CRE loans

Loan ID	Loan name	Transaction ID	Transaction name	Asset type	Reporting date	Status
76	Jupiter	69	Cassia 2022-1 S.R.L.	Industrial	Aug-24	
77	Thunder II	69	Cassia 2022-1 S.R.L.	Industrial	Aug-24	
31	Scorpio	29	ELoC 34 Scorpio	Industrial	Nov-23	Repaid
32	EOS	31	ELoC 35 EOS	Industrial	Oct-23	Repaid
37	Usil	36	ELoC 36 Usil	Industrial	Nov-23	Repaid
71	Senior loan	64	Frost CMBS 2021-1 EUR/GBP	Industrial	Aug-24	
55	Senior loan	55	Last Mile Logistics Pan Euro Finance	Industrial	Aug-24	
50	Senior loan	51	Last mile Securities 2021-1X	Industrial	Aug-24	
83	Senior loan	76	Last Mile Logistics 2023-1 UK	Industrial	Aug-24	
75	Senior loan	68	Logicor 2019-1	Industrial	Aug-24	
46	Senior loan	46	Pearl Finance 2020	Industrial	Nov-23	Repaid
85	Senior loan	78	Stark Financing 2023-1	Industrial	Aug-24	
34	Senior loan	34	Taurus 2019-2 UK	Industrial	Nov-23	Repaid
47	Senior loan	47	Taurus 2021-1 UK	Industrial	Aug-24	
57	Fulham	57	Taurus 2021-4 UK	Industrial	Nov-23	Repaid
58	United VI	57	Taurus 2021-4 UK	Industrial	Aug-24	
87	St Modwen	81	UK Logistics 2024-1	Industrial	Apr-24	New
88	Mileway	81	UK Logistics 2024-1	Industrial	Apr-24	New
91	Senior loan	84	Thunder Logistics 2024-1	Industrial	Aug-24	Marketed
60	Senior loan	59	Atom Mortgage Securities	Office	Jul-24	
52	Sirocco	52	BERG Finance 2021	Office	Jul-24	
78	Senior loan	71	Broadgate Financing	Office	Mar-24	
53	Senior loan	53	Bruegel 2021	Office	Aug-24	
79	Senior loan	72	Canary Wharf Finance II	Office	Mar-24	
19	Phoenix	20	ELoC 32 Oranje	Office	Aug-24	Repaid
21	Salus	23	ELoC 33 Salus	Office	Jul-24	Extended
56	Viridis	56	ELoC 38 Viridis	Office	Jul-24	Extended
5	Senior loan	13	FROSN 2018-1	Office	Aug-24	Corrected
90	For a	83	HERA Financing 2024-1	Office	Sep-24	New
86	Senior loan	79	Magritte 2023-1	Office	Jul-24	
41	Senior loan	40	River Green Finance 2020	Office	Jul-24	Corrected
84	Senior loan	77	Taurus 2017-1 IT	Office	Feb-24	Extended
43	Senior loan	42	Taurus 2020-1 NL	Office	Aug-24	
48	Senior loan	48	Taurus 2021-2 SP	Office	Aug-24	Modified
49	Senior loan	49	Taurus 2021-3 DEU	Office	Jun-24	
82	Senior loan	75	Vita Scientia 2022-1	Office	Aug-24	
54	Senior loan	54	Agora Securities UK 2021	Retail	Jul-24	
35	Senior loan	34	Deco 2019-RAM	Retail	Jul-24	
29	Franciacorta	28	Deco 2019-Vivaldi S.R.L.	Retail	Aug-24	Modified
30	Palmanova	28	Deco 2019-Vivaldi S.R.L.	Retail	Aug-24	Modified
7	Maroon	15	Elizabeth 2018-1	Retail	Jul-24	Defaulted

38	Everest	37	Emerald Italy 2019 SRL	Retail	Jun-24	Corrected
80	Senior loan	73	Meadowhall Finance PLC	Retail	Mar-24	
1	Fashion District	11	Pietra Nera Uno S.R.L.	Retail	Aug-24	Modified
2	Palermo	11	Pietra Nera Uno S.R.L.	Retail	Aug-24	Modified
3	Valdichiana	11	Pietra Nera Uno S.R.L.	Retail	Aug-24	Modified
10	Bel Air	17	Taurus 2018-1 IT	Retail	Aug-24	Extended
40	Senior loan	39	Taurus 2019-4 FIN	Retail	Aug-24	Modified
81	Senior loan	74	The Trafford Centre	Retail	Jul-24	
33	Senior loan	32	Westfield Stratford City No.2	Retail	Jul-24	
25	Aries	26	ERNA S.R.L.	Mixed-Use/Other	Jul-24	Modified
26	Ermete	26	ERNA S.R.L.	Mixed-Use/Other	Jul-24	Repaid
27	Nucleus	26	ERNA S.R.L.	Mixed-Use/Other	Jul-24	Modified
28	Raissa	26	ERNA S.R.L.	Mixed-Use/Other	Jul-24	Modified
74	Senior loan	66	Highways 2021	Mixed-Use/Other	Jun-24	
89	Vantage	82	Vantage Data Centers UK 2024-1	Mixed-Use/Other	Aug-24	New
59	Haus	58	ELoC 39 Haus	Residential	Aug-24	
44	Folio	44	Folio Residential Finance No. 1	Residential	Jul-24	
45	Senior loan	45	Sage AR Funding No. 1	Residential	Aug-24	
73	Senior loan	65	Sage AR Funding 2021	Residential	Aug-24	
69	Node	61	Starz 2021-1 EUR	Residential	Jun-24	Repaid
67	Zamek	60	Starz 2021-1 GBP	Residential	Aug-24	
70	Senior loan	62	Taurus 2021-5 UK	Residential	Aug-24	Repaid
39	Helios	38	ELoC 37 Helios	Hotel	Aug-24	
42	Senior loan	41	Magenta 2020	Hotel	Jun-24	Repaid
66	Sellar	60	Starz 2021-1 GBP	Hotel	Aug-24	Extended

## Webinar: Data Centre Financing in Europe

Tuesday, October 15th 2024 - 3:00 PM (CEST)

Data centres are vital to the growth and evolution of digitalised economies. Where does Europe stand in this area, and which segments and geographies will drive growth?

Vantage Data Center's recent green securitisation was a landmark as the first data-centre ABS in Europe. What are the transaction's key takeaways and what does it tell us about how the European DC market might be financed?

Join us for this very timely webinar, where Guillaume Genin, Director of Capital Markets at Vantage Data Centers; Tobias Butte, Director, Asset Securitisation, SMBC Nikko Capital Markets, Syed Ahmed, Managing Director at Apterra Infrastructure Capital LLC and analysts from Scope Ratings' structured finance team, will tackle these questions and more and be available to answer your questions.

[Register here](#)

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