

First Investments May 2010

FIRST RESTRUCTURES £240M OF DEBT

Knowles' group strikes agreement with Deutsche Bank over Lea Valley portfolio

Tim Knowles' First Investments has carried out a significant restructuring of £240m debt secured against its Lea Valley property portfolio.

Valley view: Knowles heralds "largest successful extension of its type"

It has agreed with Deutsche Bank, its principal lender, and other sublenders to extend the loan from 2012 to 2016.

As part of the extension it has agreed to inject £10m of equity, with an upfront injection of £4m, and the remaining £6m at a later date.

The Lea Valley portfolio, which is 100% owned by First Investments, comprises a mix of UK office and industrial assets that total 7m sq ft and has annual rental income of around £23m.

In 2006, Deutsche Bank securitised the loan, which is the biggest in the £630m Deco 8 — UK Conduit 2 commercial mortgage-backed securities (CMBS) vehicle.

The Deco 8 presale document states that there are 22 loans in total. The Lea Valley loan accounts for around 36% of the vehicle.

The Lea Valley loan and three other, including one secured against London's Le Meridien Piccadilly hotel, make up 86% of the total outstanding debt.

Last year, Deutsche Bank suspended amortisation for one year on the Lea Valley loan, freeing up £2.85m for pre-agreed capital expenditure.

Rating agency Moodys downgraded five classes of notes in the Deco 8 vehicle and highlighted potential refinancing risks last June.

Knowles said the restructuring deal agreed with Deutsche Bank meant the portfolio could now benefit from "long-term, well-structured financing to post 2016" and was to the advantage of all the noteholders.

"This extension enabled First Investments to blend a new lower swap significantly reducing the annual finance costs, which in turn increased the amount of capital available to reinvest into the assets," he added. "This is probably the largest successful extension to this type of loan and everybody should take their lead from this. It is 100% the right thing to do."

Knowles said that First Investments, which is a fully integrated management company that employs more than 200 people, had strong backing from several equity investors. He added the company planned to build up a large multi-let industrial portfolio during the next three to five years and had significant equity backing from investors including Knowles' personal "war chest of around £20m".

He said it continues to work closely with DTZ, which was appointed Law of Property Act (LPA) receiver to its Pro First portfolio earlier this month.

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