Case Study

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

pbb
DEUTSCHE
PFANDBRIEFBANK

Schwabinger Tor
Munich
€ 388 mn

Development and Investment Financing in a Consortium
March 2014

A special inner-city development project

The „Schwabinger Tor“ is currently one of the largest inner-city real estate development projects in Germany. On the old site of a wholesale company, a new quarter is being created in a prominent position on Munich's Leopoldstraße. The Schwabinger Tor will consist of an area of approximately 3.5 hectares and a total of 9 buildings, with a usable space of approximately 90,000 square meters. The space will be used for very different purposes: retail, gastronomy, a child care centre, 200 appartments, 18,000 square meters of office space, a 5 star-plus hotel, with around 280 rooms and an integrated conference centre, and 900 underground parking spaces. The individual buildings will be designed by well-known German and international architects. The project manager and land owner is Jost Hurler Beteiligungs- und Verwaltungsgellschaft GmbH & Co. KG, which plans to retain the property in its asset portfolio in the long term.

Role of pbb Deutsche Pfandbriefbank

pbb Deutsche Pfandbriefbank is one of the leading specialist banks for real estate finance in Europe. Its lending business in Germany makes up approximately 50 percent of its total loan portfolio. As a result, Germany is the most important market for pbb, which has offices in Berlin, Dusseldorf, Frankfurt, Hamburg and Munich. pbb provides local expertise throughout the entire process chain, from origination over real estate experts and financial experts to credit risk management . Customers benefit from this range of competencies.

In Munich, where the company has its Head Office, pbb has an excellent standing as a funding partner in the real estate industry. With Jost Hurler, pbb has been successful in establishing a very interesting, new business connection.

Financing for the Schwabinger Tor project

The financing for the Schwabinger Tor was particularly challenging for a number of reasons. On the one hand its volume of approximately €390 mn is relatively high. On the other, the loan period of 20 years is considerably longer than the standard periods for lending done by Pfandbrief banks, which is determined by funding. In addition, the development financing, or investment financing with developmental components, is more difficult to set up than purely asset based funding in which the property is already showing returns. For this reason, pbb - as Arranger - structured the loan and involved ERGO life insurance as a partner at an early stage. As financer, pbb takes a part of the loan on its balance sheet whilst the larger share is provided in the long term by ERGO. The consortium also benefited from a change in the regulatory framework: As of 1st January 2014, mortgages – previously only available with banks – can also be held in trust by insurance companies via a refinancing register. In addition, the project has received promotional funds from the German promotional bank KfW Group.

During the development and investment phase, the consortium will be led and managed by pbb, providing further services in its role as Consortium Leader.

Co-operation between funding partners

In its financing activities, pbb regularly works together with third parties in consortia which it organises or to which it is invited. Depending on the requirements of the particular transaction, pbb works together with different partners and uses its network of banking and finance partners with varying profiles, for example in the areas of mezzanine or private equity. The network consists of partners both in Germany and abroad, to which the customer has access, independent of their regional focus.

Insurers, which have been expanding their investments in property loans over the past few years, are also part of this network. These partners benefit from pbb's access, as a specialist bank, to professional real estate investors, from its competencies in underwriting of real estate loans and from the infrastructure for loan management. In return, they provide additional capital for financing to the real estate industry.

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