

## Marieninsel Frankfurt a.M., Germany € 267 million

Syndicated development financing  
February 2016

### Development financing in Frankfurt

In February 2016, pbb Deutsche Pfandbriefbank and Deutsche Hypothekenbank (Deutsche Hypo) jointly financed the "Marieninsel" development project in Frankfurt/Main. For this purpose, the partners provided two project companies of Perella Weinberg Real Estate Fund II LP with a total of approximately € 267 million.

"Marieninsel" is a building plot located in Frankfurt's city centre, at the junction of Taunusanlage and Mainzer Landstrasse, where the construction of two multi-storey buildings, with heights respectively of 155 and 40 metres, is being planned.

The property will mostly comprise office buildings. The project is currently one of the most attractive developments in Frankfurt's city centre.

### Lead Manager, Facility Agent and Security Agent

pbb has not only provided half of the financing for the "Marieninsel" project, but has also taken over various important roles in the lending approval and advisory process.

As such, the specialised lender has supported and structured the financing as Lead Manager. In addition, the bank acts as Facility Agent and Security Agent. Thus, pbb manages the loan on behalf of the syndicate, and acts as Security Trustee.

### Challenge "Marieninsel"

Financing the "Marieninsel" project is proving to be a major challenge for Lead Manager pbb in many ways. At the same time, the deal demonstrates the special expertise the bank's experts possess in this area.

The financing volume is notable: at € 267 million, it is relatively high. In the current market environment, there are hardly any providers capable of issuing a loan of this size on their own: a syndicated financing is a more likely scenario.

Thus, a first important step for the lead bank is to search for an experienced bank partner with whom financing can be arranged together.

Development financing projects are much more complex than financings for existing real estate assets as, in the latter case, an already available property yields revenues on which a credit analysis can then be based.

Thus, with development finance, a particularly thorough market analysis needs to be conducted by in-house surveyors before the actual project even starts. The first step, for example, is to clarify whether the local office market can absorb the planned floor space. In addition, the financing managers have to analyse whether the planned project addresses the demands of potential tenants. Furthermore, the plausibility of the estimated construction costs has to be reviewed, and the timeline confirmed.

Finally, in development finance, lenders have to deal with much more complex risk management issues: not only the risk of completion and cost risk, but also the rental and marketing risk all have to be taken into account. Compliance with the timeline, cost calculations and construction progress – all need to be monitored on an ongoing basis. In some cases, the registered office of borrowers and their shareholders (in Germany or abroad) also need to be considered, increasing complexity even further. This requires the corresponding know-how on the part of the financing institution.

Specifically, this includes risk management experts, legal professionals with particular knowledge in development finance, and surveyors with in-depth knowledge of the local market.

Professional construction monitoring also has to be closely linked to the financing experts, as loan disbursements are always tied to achieving specific milestones in a building project's progress.

### Professional client and strong partner

Another reason for the complexity of development finance is the possibility of changes occurring during the construction phase; in such cases, fast and flexible solutions are indispensable. Specific tenant requirements regarding the facilities, for example, may necessitate changes in the detailed planning and, as a result, can also lead to adjustments in the cost calculation.

In order to respond immediately, the client, the financing banks and all the other partners involved – including construction companies – have to work hand in hand. Only strong, reliable and experienced clients can handle projects of this size. Likewise, Deutsche Hypo is one of these strong, reliable partners with whom pbb has already successfully provided large-sized development financings in the past.

### pbb – a leading real estate financier

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pbb's regional focus is on Germany, the United Kingdom, France, the Nordic Countries as well as countries in Central and Eastern Europe. Its lending business in Germany constitutes approximately 50 percent of its total loan portfolio, making Germany (with the locations Berlin, Dusseldorf, Frankfurt, Hamburg and Munich) pbb's most important market. pbb provides local know-how throughout the entire process chain, ranging from origination to experts in real estate and real state law, financing experts, to the management of loan exposures (including an own Agency Desk) and syndicated lending. Our clients benefit from this expertise.

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