

News

PARTNER QUOTED IN 'REAL ESTATE CAPITAL EUROPE' ON RISING COST OF BACK LEVERAGE

Dec 02, 2022

Partner Will Trotman was quoted Nov. 30 by *Real Estate Capital Europe* (subscription required) on alternative debt providers that use leverage to boost their real estate lending returns, and are now facing rising funding costs as providers of loan-on-loan finance, also known as back leverage, price in higher interest rates. Will noted that he does not believe the increase in the cost of funds, per se, will dissuade debt fund managers from using loan-on-loan financing. This is because they will likely see a commensurate increase in the interest cash-flows received by them on the underlying loans they advance to sponsor borrowers (which should help off-set any increase in back-leverage funding costs). However, the amount of leverage debt funds will be able to secure may be reduced. "This is similar to what people expect to see more widely in the senior real estate finance lending market," he said. "While the fundamental drivers to use back leverage remain in place, [a reduction in advance rates] could impact the extent to which leveraged debt funds are able to use back leverage to enhance returns to the same degree that they could earlier in the cycle."

RELATED PRACTICE AREAS

- Real Estate Finance

MEET THE TEAM



William Trotman

London

william.trotman@bclplaw.com

[+44 \(0\) 20 3400 4738](tel:+442034004738)

This material is not comprehensive, is for informational purposes only, and is not legal advice. Your use or receipt of this material does not create an attorney-client relationship between us. If you require legal advice, you should consult an attorney regarding your particular circumstances. The choice of a lawyer is an important decision and should not be based solely upon advertisements. This material may be “Attorney Advertising” under the ethics and professional rules of certain jurisdictions. For advertising purposes, St. Louis, Missouri, is designated BCLP’s principal office and Kathrine Dixon (kathrine.dixon@bclplaw.com) as the responsible attorney.