



News Release

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Europe's loan portfolio market to top €100bn in 2015

London, 30 Jan 2015 - European loan portfolios with a face value of €91bn were sold in 2014, up from €64bn the previous year, says PwC in a Q4 update from its Portfolio Advisory Group. PwC say the European secondary market for loan portfolios is set to grow to €100bn in 2015, with around €40bn of that figure already in progress.

In 2014 commercial real estate lending dominated transactions, accounting for over half deals done – €49bn in face value, up from €18bn the previous year. In second place was consumer mortgage lending, accounting for just under €20bn, double the previous year. The UK, Irish and Spanish markets saw the most transaction activity, with banks based in these countries accounting for more than 75% of all transaction volumes.

Richard Thompson, PwC partner, said:

“As we predicted, the loan portfolio market really came alive in 2014. Increased certainty over asset prices sustained high demand from a number of leading financial investors, and greater availability of debt to leverage deals contributed to high transaction volumes. Real estate backed assets continue to be a major focus for the largest investors and we expect this asset class to dominate deals in 2015.

“The Asset Quality Review brought to light €136bn of troubled bank loans which may require reclassification on balance sheets. Whilst some of the 2014 deals were in part AQR driven, I expect this to play a bigger role in deals in 2015 and beyond.”

PwC research shows that banks continue to hold more than €2 trillion of unwanted lending. Whilst much of this lending will be refinanced in the ordinary course of business, there remains a sizeable pool of loans that will eventually be sold. Even at current transaction volumes, the market for loan portfolios is expected to remain buoyant for many years to come.



Richard Thompson continues:

“We’re looking at the geographical spread of deals and predicting the next portfolio transaction boom. Ireland, Spain and the UK will continue to be strong this year but there’s likely to be significant growth in the Italian, Dutch and Central & Eastern European markets. These markets accounted for less than 10% of transaction volumes in 2014 (€9bn) and we expect them to more than double in size in 2015, to around €20bn.

“The market continues to be dominated by the major financial investors, all of which have significant committed funding; many are looking at emerging European economies to escape the high levels of competition in UK, Irish and Spanish markets.”

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