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National Asset Management Agency sells Irish property loans

By Jamie Smyth in Dublin

Ireland's National Asset Management Agency has sold its first big tranche of Irish commercial property loans to a company linked to US private equity group Starwood Capital and signalled further asset sales are in the pipeline.

Nama, the bad bank set up to clear toxic property loans from Irish bank balance sheets, on Wednesday sold loans linked to Irish property and land with a par value of €800m to a joint venture company in which it will retain a 20 per cent stake. The remaining 80 per cent equity is owned by a consortium led by Starwood Capital. Other consortium members include Key Capital Real Estate and Catalyst Capital.

The loans were sold for about €200m, which amounts to a 75 per cent haircut on the original loan value.

"This is our first big sale linked to Irish commercial property and a very important one to get away," said Frank Daly, Nama chairman.

"It is also the first time that Nama has provided significant vendor finance and partnered with a global investment firm. It sends a signal to investors," he said.

Nama was set up in the wake of Ireland's property and banking crisis, which eventually forced the country to accept a €67.5bn bailout from the EU and International Monetary Fund. It has had a difficult start, with loan losses much higher than initially anticipated and commercial property prices down at least 60 per cent.

But investor sentiment has been improving towards Ireland, which has met all of its targets under its EU-IMF programme and returned to modest growth.

Mr Daly said Nama received 50 or more expressions of interest for the loans, 90 per cent of them came from international investors.

The sale of the €800m loan portfolio, dubbed project Aspen, is expected to kick-start a much wider sale of Irish commercial property loans and assets by Nama. A separate €250m portfolio of Irish loans is currently being marketed by commercial property group

CBRE.

Nama's overall Irish portfolio is about €8bn. However, this is expected to rise considerably when several billion euros of loans previously held by Irish Bank Resolution Corp, the former Anglo Irish Bank, are transferred to Nama later this year.

Mr Daly said the agency's willingness to establish joint venture companies with interested bidders and its ability to offer vendor financing was bringing more players into the Irish market.

"There is a lot of interest in Ireland," he said.

He said the joint venture deal meant Nama would benefit from any upside if commercial property prices began to rise in Ireland. He said Nama expected to repay the cost of vendor financing and equity in the joint venture by 2017.

Starwood Capital, based in Connecticut, has \$22bn of assets under management, including the Louvre Hotel Group, the Etoile in Paris and Baccarat Hotel & Resorts.

Starwood said it had taken on more than €7bn in non-performing loans since 2009 and was looking forward to a successful working relationship with Nama.

Several other big private equity firms have recently invested in Ireland including Kennedy Wilson, Blackstone and Lone Star.

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