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NEO makes London debut backed by Deutsche floating-rate facility

Gulf investment house NEO Capital has made its debut acquisition in the UK with the £67.5m purchase of Hammersmith office development, 43 Brook Green, with debt financing from Deutsche Asset Management.



NEO, advised by Knight Frank, bought the building from TRIUVA Kapitalverwaltungsgesellschaft, Germany's largest investment manager, advised by Colliers International.

HFF Real Estate arranged a £27.6m bilateral floating-rate facility from Deutsche for NEO's acquisition of the 85,000 sq ft single-tenant office building. The financing represents a loan-to-value ratio of 40.88%.

The property is fully leased to CH2M, a US-based global engineering company. CH2M's predecessor company, Halcrow Group, began occupying the transit-oriented building in 2003 with CH2M executing a lease extension in 2014 guaranteeing occupancy through 2030.

The building, also known as Elms House, W6, was last bought in December 2014 for £54.9m, reflecting a net initial yield of 4.95%.

NEO Capital was founded by two seasoned investment bankers bringing together over 30 years of experience. The firm fronts Gulf investors on commercial real estate and private equity deals. With a presence in London, NEO's investment strategies are focused on the developed markets of the UK, Germany and the US.

The HFF debt placement team representing the borrower was led by senior director Claudio Sgobba.

"This was a very competitive financing assignment given the high-quality asset and well-margined loan request," said senior managing director and leader of HFF London's debt advisory platform Michael Kavanau.

"We are pleased to support NEO on their first UK real estate acquisition," Sgobba added. "NEO has been actively looking for a compelling "deep value" strategic location and asset in London, and 43 Brook Green represents a high-quality investment with a blue chip tenant we had previously financed in the US"

"The average rent in Hammersmith is 50% higher than the passing rent of £33 per sq ft, and the Hammersmith submarket is 60% below the average leasing rates seen in Mayfair," Sgobba said.

"Lenders are comfortable with the supply and demand fundamentals in Hammersmith, and we expect to see more capital from Asia and the Middle East on the hunt for the six to eight percent cash-on-cash return the location delivers."

Andrea Vanni, head of European Real Estate Debt Investments at Deutsche Asset Management said: "We are very excited about this new relationship with both HFF and NEO, and we are very pleased to add this new investment to our senior real estate debt fund."

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