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Patron, Mountgrange buy £184m UK portfolio

Two London-based private equity real estate firms have joined forces to acquire a portfolio of 24 office, industrial and retail properties from the Henderson Caspar fund, which was faced with a CMBS maturity.

Two London-based private equity real estate firms have combined to acquire a £184 million (€228 million; \$292 million) 'distressed' property portfolio from Henderson Global Investors.

Patron Capital and Mountgrange have invested in 24 office, industrial and retail properties in the Henderson Caspar fund, with finance coming from Spanish bank, Santander.

The package of assets is called the Mercury portfolio and is held within four separate trusts. The assets are located in London and the south east of England are let to tenants such as accountant Deloitte, retailer B&Q, and Royal Mail Group. The joint ventuer buyers have subsequently sold seven assets to CBRE Global Investors, one to pension fund Royal London and one to F&C Reit.

The sale was prompted by a looming CMBS debt maturity. In a statement on the transaction, the buyers said Henderson Caspar would now be able to repay noteholders in full.

It is being billed as the largest balanced UK portfolio to have reached the market for more than three years.

Patron is making the investment on behalf of investors in Fund IV while Mountgrange is investing for Mountgrange Real Estate Opportunity Fund.

John Rodgers, head of UK business space investment at Drivers Jonas Deloitte, which advised Henderson, explained: "The portfolio sale marks the end of a long journey for the Caspar fund, which began as a fund recapitalisation and ultimately ended as a complete exit of all the assets in the vehicle. The Mercury portfolio is the largest UK multi-sector portfolio sale in over three years, and given the far-reaching appeal for the portfolio demonstrates there is a considerable weight of capital in the market place for portfolios of scale and quality, principally driven by private equity."

Martin Payne, the fund's manager said that strategic disposals earlier in the fund's life coupled with the completion of an extensive programme of asset management maximised investment value and returns to the unit holders in the four funds.

"It has been a tense and challenging process between managing the debt expiry at the same time as trying to conclude a very complex disposal transaction," said Payne. He added: "We are delighted to have concluded a satisfactory outcome which means we are able to return equity to investors from a fund whose loan-to-value had gone well above 100 per cent. The key to that is in identifying the right purchasers and working together to find solutions."

Keith Breslauer, managing partner at Patron, called it a complex, distressed deal with potential to add value. He added: "We believe significant opportunities exist in complex and distressed markets across Europe.

It follows the firm's investment together with US private equity firm TPG Capital in buying Dutch property company Uni-Invest.

Manish Chande, senior partner at Mountgrange, said the portfolio was diverse and the yield was already "healthy".

See the December issue of PERE for an in-depth interview with Patron.