

European Portfolio Advisory Group

Market update

March 2014

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pwc



European non-core asset outlook and transactions in key markets



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Welcome to our latest market update. In this issue, we provide an overview of the 2013 activity levels in the European non core asset market and give you our forecast as to likely trends in 2014.

Overall, 2013 has seen market activity levels increased significantly compared to 2012, making 2013 a record year from a transaction perspective. We estimate that loans with a face value of c€64bn have traded across Europe, exceeding our estimate at the beginning of 2013 of €60bn.

Increased activity levels were mainly driven by the UK and Ireland along with Spain and Germany, even after excluding the large one off sale of the Fortis bad bank. Commercial real estate and generally property backed lending remained the most popular asset class among investors with an estimated €18bn (face value) of commercial real estate loans changing hands during 2013.

Unsecured retail lending was the second most popular asset class. There was a record increase of c50% in 2013 compared to 2012.

We expect that 2014 will be another record year for the European non core asset market, with activity levels expected to reach c€80bn. We estimate that loan portfolios with a total face value of more than €30bn have closed or are in the process as at the time of publication, while our team is working on transactions involving assets with a face value of c€10bn.

Private Equity funds have been the most active buyers in 2013. We expect that to continue in 2014 taking into consideration the significant amounts of investment funds raised and also the availability of debt financing, especially for the more established players in the sector.

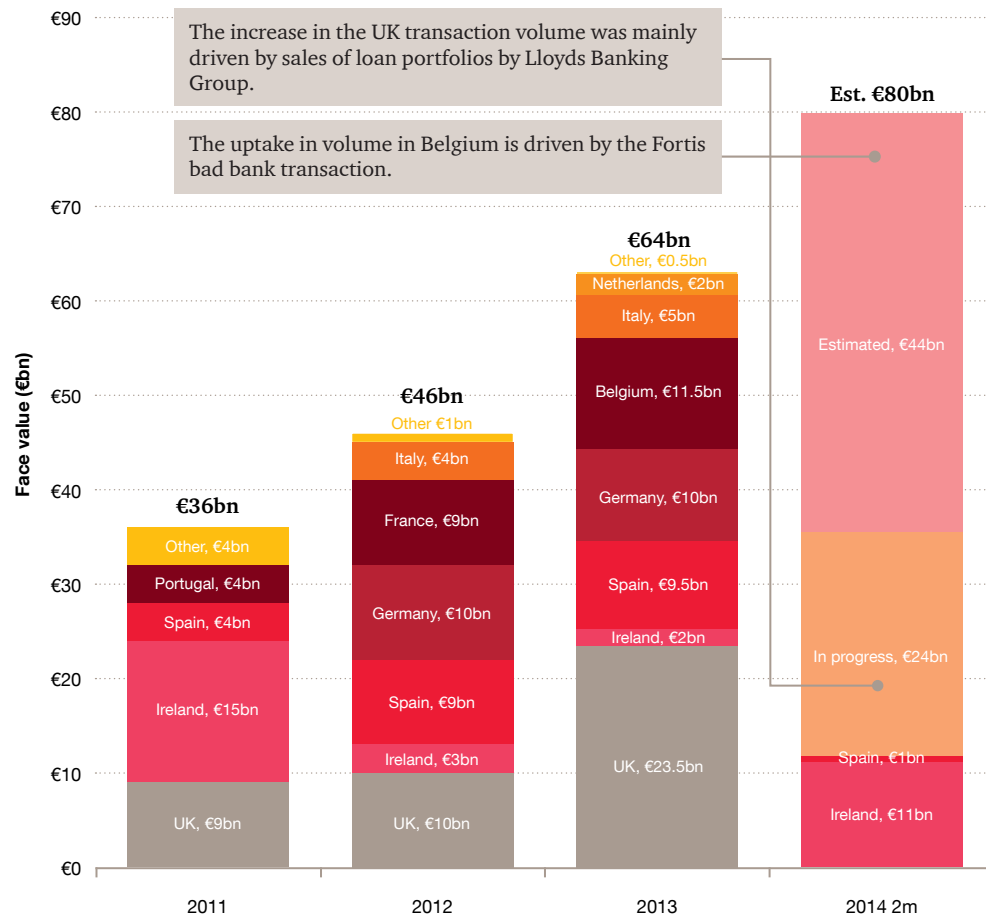
For 2014, we expect property backed lending to remain the most active asset class and activity levels in a number of Southern European markets and CEE to see a gradual increase, albeit from a relatively small base.

I hope you find this publication useful, and if you would like any further information please contact me or any of my colleagues listed at the end of this document.

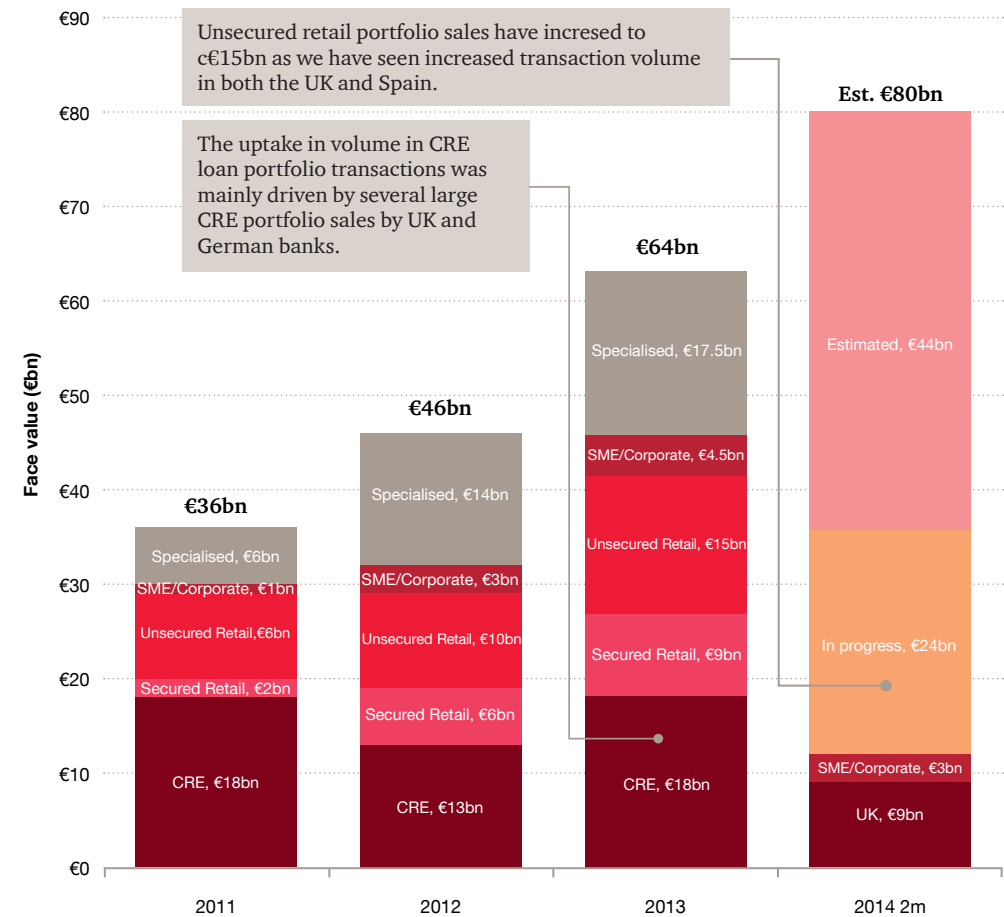
2013 was a record year for non core loan transactions

The UK experienced the highest increase in activity compared to 2012.

Commercial real estate remained the most popular asset class being traded.



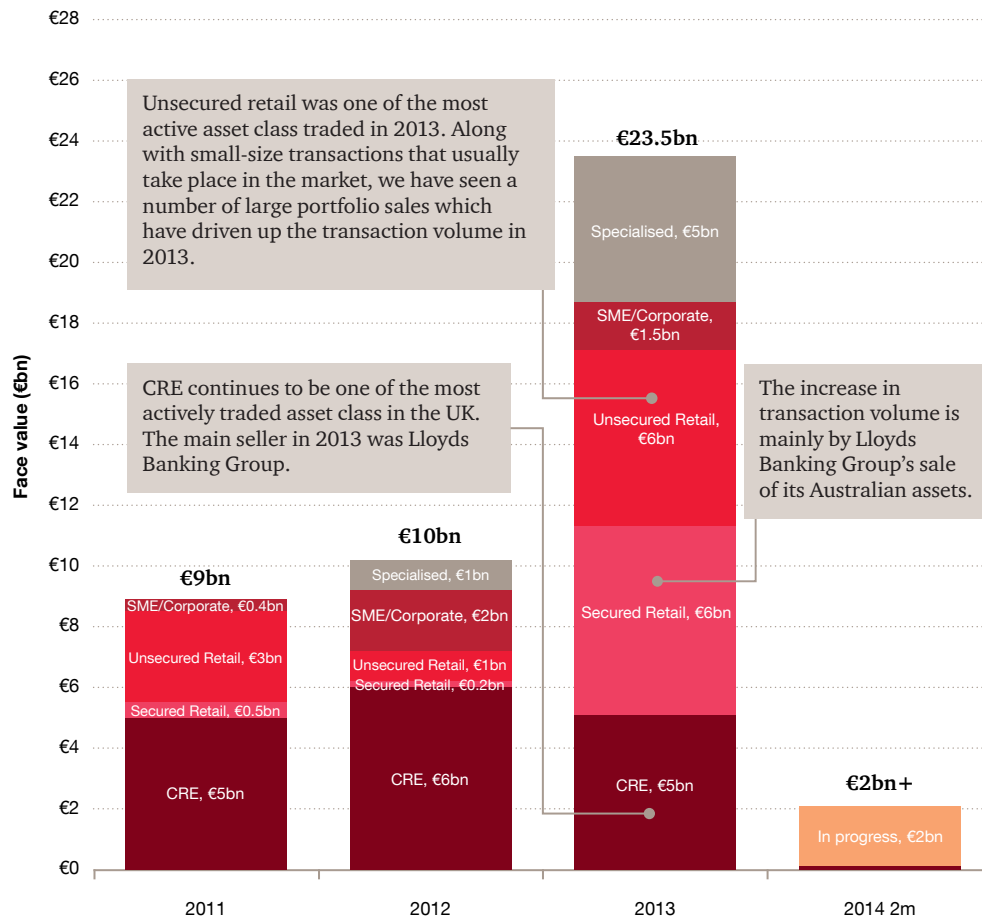
Note: Based on the location of the head office of the bank selling the assets
Source: Publicly available information, PwC information, estimate and analysis



Note: 'Specialised' includes certain structured and asset backed products along with shipping, infrastructure, energy and aviation loans

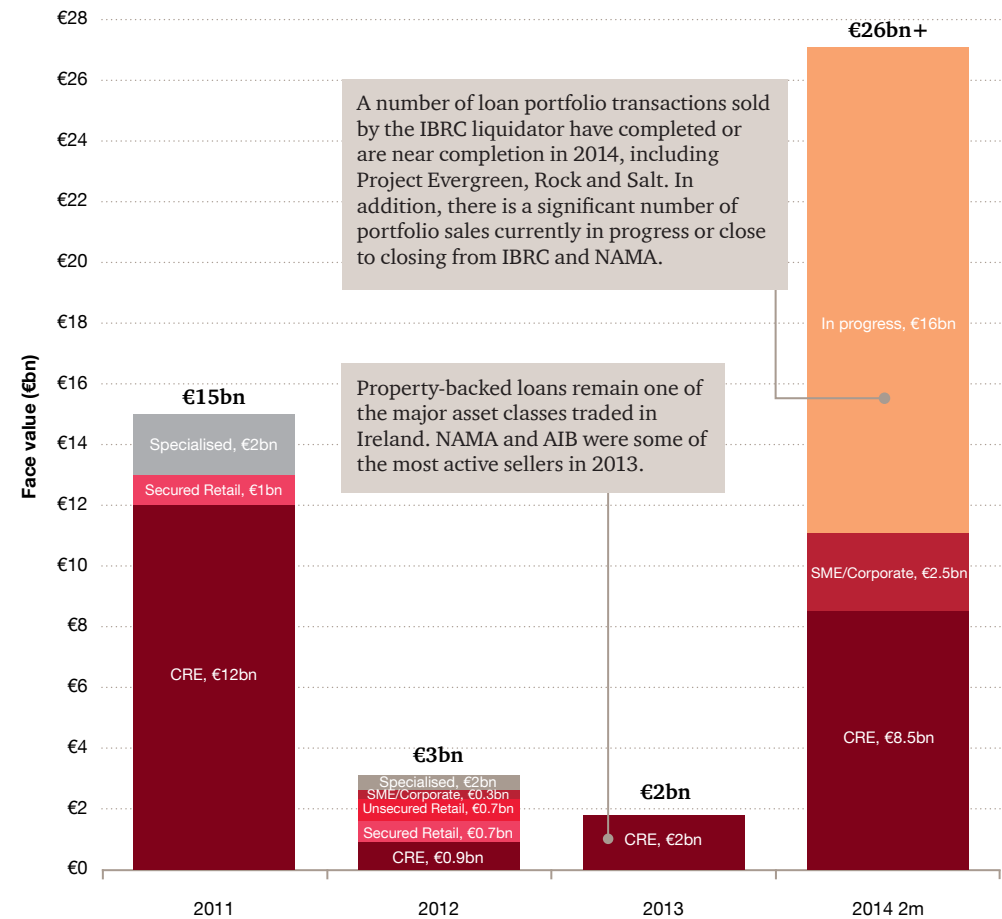
2013 deals in key markets

UK



Note: Based on the location of the head office of the bank selling the assets
Source: Publicly available information, PwC information, estimate and analysis

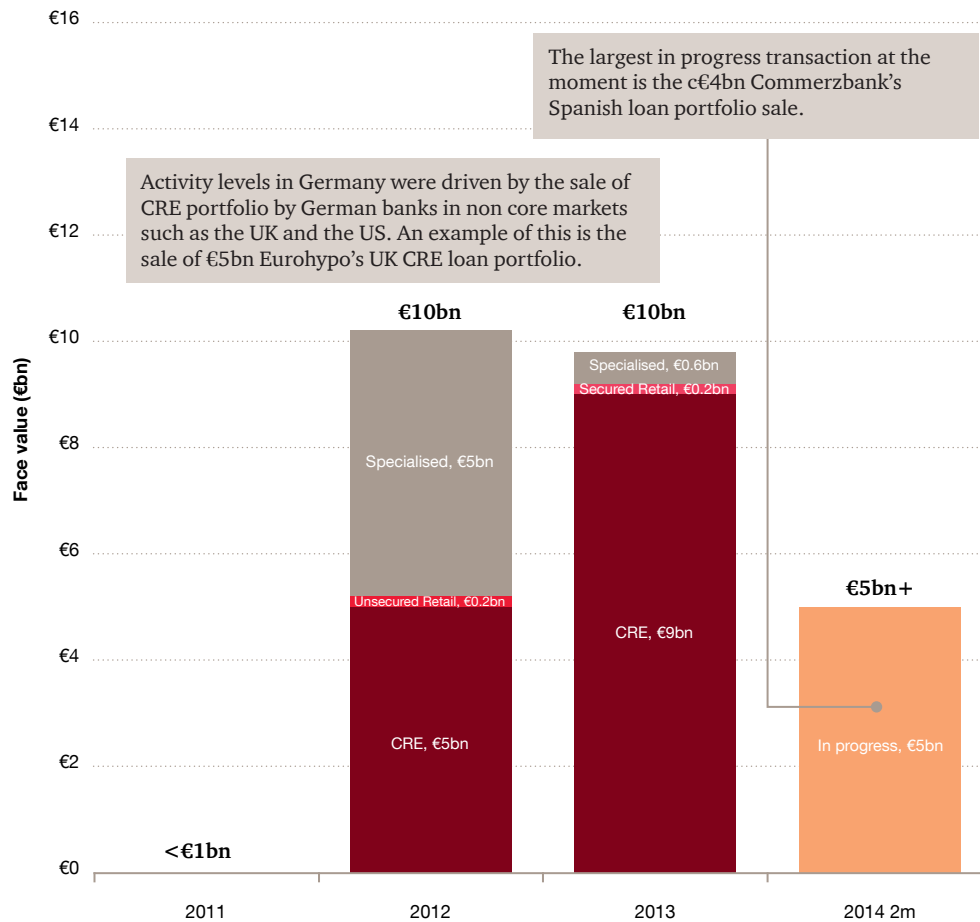
Ireland



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2013 deals in key markets

Germany



Note: Based on the location of the head office of the bank selling the assets
Source: Publicly available information, PwC information and analysis

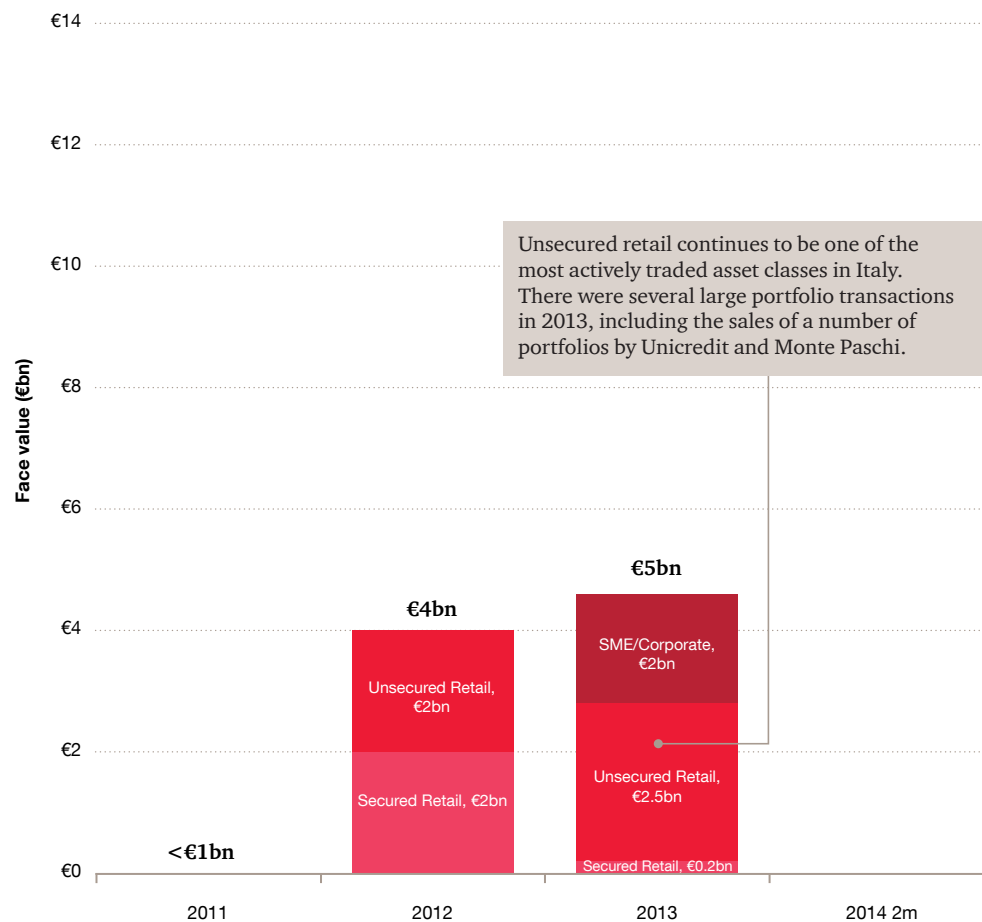
Spain



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2013 deals in key markets

Italy



Note: Based on the location of the head office of the bank selling the assets. 'Specialised' includes certain structured and asset backed products along with shipping, infrastructure, energy and aviation loans

Source: Publicly available information, PwC information, estimate and analysis

