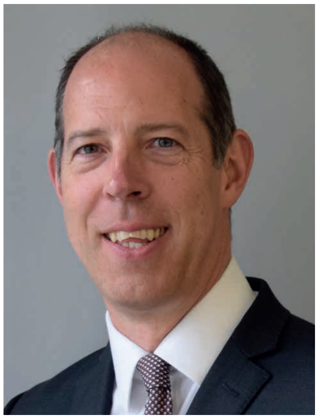
KEYNOTE INTERVIEW

Market demands patience and agility



After a difficult 2023, this year may offer more certainty, says Mount Street's Paul Lloyd

In 2024, interest rates should start falling and valuations normalise, which will lead to an uptick in transactions. But the looming refi gap and lenders' patience with non-performing loans is likely to run out, notes Paul Lloyd, CEO and co-founder of Mount Street Group, a global loan services and financial technology company.

SPONSOR
MOUNT STREET

Q What was the operating environment like in 2023 and what were the challenges?
Last year, in itself, was a cycle. It started off with a lot of optimism and appetite for lending, but then we saw inflation and higher interest rates get in the way. That optimism gradually waned throughout the year with a lot of extensions being undertaken, which took the place of new origination.

If you look at our loan book, 70-75 percent of our commercial real estate book was extended and renewed for another six to 18 months, with the majority being moved from 2023 to 2024. Some of these deals featured improved terms, such as extension fees and pay downs to prevent loan-to-value breaches and defaults.

It has been an unprecedented few years since the pandemic, so being agile, thick-skinned and patient has been crucial. We have used this time to look at additional ways to help our clients, such as in the extra surveillance of loans and portfolios alike.

Q Your firm was voted Loan Servicer of the Year: Europe. To what do you attribute your success in that market?
First and foremost, this achievement – our seventh award in eight years – is testament to the team at Mount Street. I'm incredibly proud of the team and the recognition for the exceptional service they deliver to our clients, day in and day out, is fantastic.

We were able to grow our commercial real estate assets under management to €95 billion in 2023 due to our relationships and razor-sharp focus on client service. We think like the client, so we are always challenging ourselves to be better. We see the client as our partner, and this creates a level of trust between us.

We have also worked on some market-leading transactions, such as our appointment as creditors' representative and agent on the €1.5 billion financing for the redevelopment of FC Barcelona's stadium. We also successfully closed a transaction with Dexia, migrating an experienced team of eight people across to our Dublin office. This type of transaction sets us apart from the competition; we are product agnostic, and our experience means clients see us as a trusted pair of hands.

Q In addition, you were voted Real Estate Finance Industry Figure of the Year: Europe. Why do you think our readers voted for you?

Maybe because I have been around a long time! On a serious note, I've always been honest and open with clients and colleagues. Honesty and integrity are fundamental requirements in the servicing world, as well as good communication.

I set up two businesses before Mount Street and one thing I have learned is that you cannot do any of this alone, and I have been lucky enough to have amazing people around me who have lived that journey with me along the way. I would also like to view this award as a testament to the value a servicer can bring to clients.

I also really value mentoring and have focused over the years on nurturing talent, from as wide a base as possible. Mount Street is an active member of the Academy of Real Assets, which aims to open real estate careers to people from all sorts of backgrounds. We have also instigated a mentoring initiative at Mount Street where employees give presentations on their career pathways and tips for entering the finance industry.

Q How did demand for loan servicers' offerings change in 2023?

We increased dialogue with our lender and sponsor clients to ensure we were ready to assist if problems started to appear. This led to us doing an increased amount of asset surveillance and oversight work, particularly focused on development and construction loans. For example, we did a lot of work looking at how supply-chain issues and raw materials pricing would affect the cost and delivery of projects, and from that we were able to tell lenders how these factors might impact completion timelines.

The other initiative we have been very active on is loan valuations. Over the past few years, the market has been very reluctant to allow funds and banks to mark their own pools of loans, however, this has become a growing business line and came about from us listening to the market.

Q What do you anticipate will be the focus for the loan servicing industry in 2024?

I think 2024 will be a tale of two halves, with more of the same for the early part of 2024 and more visibility by mid-year, followed by potential green shoots and increased lending activity as that visibility improves. If the macro-economic environment continues to improve, we expect activity to increase as interest rates come down. Importantly, our bespoke technology and platform will enable us to take on new loans and portfolios very quickly and move with the market as it returns.

Q Across Europe, what do you see as the main challenges and opportunities for real estate markets this year?

"It has been an unprecedented few years since the pandemic, so being agile, thick-skinned and patient has been crucial"

We saw members of the Bank of England's Monetary Policy Committee split between views on whether to hold, lower or increase rates, and this uncertainty continues to impact values. The supply-chain challenges in the Red Sea regions may also have a negative impact on inflation, and close monitoring of construction and development loans will remain important.

A lot of 2019-20 vintage loans will mature this year, but also the extensions from 2023 will come to a head, which will likely cause a funding gap – with the better assets being refinanced or sold, and those assets left behind will likely default. ■