

Carlyle makes UK return with £671m portfolio purchase

Washington-based The Carlyle Group has made its first UK acquisitions since 2008 with the £671m purchase of six office assets in London. The investment was made from its €2.2 billion Carlyle European Real Estate Partners III fund.

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The Carlyle Group has made a return to the UK investment market following a two-year absence with the £671 million (€803 million; \$1.02 billion) purchase of a six office properties in London.

Carlyle announced today it had purchased the assets, which formed part of the former "White Tower" portfolio - now renamed the "Thames Portfolio" - on behalf of its Carlyle European Real Estate Partners III fund. The vehicle closed on €2.2 billion of equity in June 2008.

The White Tower portfolio made the headlines last year as one of the UK's standout CMBS deals gone wrong. The assets were originally acquired by entrepreneur Simon Halabi and refinanced via a CMBS structured by Societe Generale. When Halabi ran into financial difficulties in the aftermath of the credit crunch, bondholders found themselves embroiled in a situation where he was unable to service the debt. As the value of the portfolio fell below the amount borrowed, special servicer Hatfield Phillips was nominated to restructure the loan.

It is unclear at present how much the bondholders will receive from the sale, said CB Richard Ellis Loan Servicing, which replaced Hatfield Phillips as special servicer last year.

Boasting a strong tenant list, including one building fully let to JP Morgan, and able to produce an annual rent of \$62 million a year, the portfolio was likely to grab the attention of opportunistic businesses like Carlyle which was mooted as the frontrunner to clinch the deal early last month.

Labeling the acquisition a "long-term" play Robert Hodges, managing director at Carlyle European Real Estate, said: "This acquisition has provided us with a rare opportunity to acquire six landmark assets in strong locations, let to a number of global high quality occupiers. Whilst each property benefits from an existing secure income profile, there are considerable longer term opportunities across the portfolio for active asset management and redevelopment, where we believe we can add significant value."

He went on to say: "We are especially pleased to secure long term, flexible financing from a syndicate of strong relationship banks led by Société Générale, for such a large portfolio, especially given current debt market conditions."

The lenders involved in the deal also included BNP Paribas and Credit Agricole. Carlyle also said AXA Real Estate Investment Managers "participated in the financing" of the portfolio.