Loan
Market
Association
the authoritative voice
of the EMEA market

Appendix 1

1. What benefits will the new LMA document bring to the market?

The LMA document will bring numerous benefits to the market.

Firstly, increased efficiency resulting from the standardisation of boilerplate terms and the provision of a common and recognisable legal framework, with the ultimate aim of improving liquidity in the market. This is particularly important in the real estate finance market which, until fairly recently, has not benefited from standardised documents (each lender/law firm tended to have its own precedent forms). A lack of standardisation can lead to increased negotiation and time taken for transactions to complete, and can make a market less attractive to new investors.

Secondly, the LMA reviews its documents on a regular basis, thus ensuring that they reflect current market practice, accommodate the current regulatory and legal framework and continue to meet the needs of participants in the market.

Finally, simultaneously with the launch of the LMA document, the LMA will be holding its second annual real estate finance conference in Munich to discuss the background to the launch of the document, and will subsequently host a series of training events in Germany. These events are likely to be especially useful to new investors entering the market.

2. What type of real estate finance is this applicable to and what scale of investment – i.e large scale commercial real estate (or others)?

Firstly, the document is designed for syndicated loan transactions i.e. a loan where two or more institutions contract to provide credit to a particular corporate or group. Such a facility tends to be more suited to medium to large borrowers, with borrowing requirements in excess of £50 million.

Secondly, the document has been produced on the basis that the transaction is for multi-property investment. Please see appendix 2 for the assumed transaction structure. Within this remit however, various optional provisions have been included in square brackets in order that a "menu of clauses" is available to the draftsman should those clauses be required. This is not to say that the document will not need to be adapted – depending on the structure and the commercial terms, it will need to be tailored to each individual transaction. This is in keeping with other LMA documents, which are intended to provide a sensible starting point and do not attempt to deal with the potential complexities of every possible type of transaction.

3. Why would this documentation make institutional investors, such as pension funds and insurance companies, more likely to invest?

For new types of investor to the market, standardisation of documentation makes the market more accessible. It is hoped that the creation of LMA German law real estate documentation, which can be used as a starting point for individual transactions, will make this market more attractive to such investors. Furthermore, as part of the launch, the LMA will be engaged in various educational events, some of which will be aimed at explaining the workings of real estate finance transactions to new investors.

4. Why do you expect the new document to be adopted by market participants?

LMA documentation is widely recognised within the corporate loan markets as a good basis for negotiation, and the LMA's English law documentation for use in real estate finance multi-property investment transactions has already had significant uptake in the real estate finance sector. It is anticipated that the LMA's approach to appropriate standardisation will continue to be attractive in the German real estate finance sector in the same way as it has been in the UK. In addition, the LMA English law documents will already be familiar to many of the law firms and market participants active in the German market.

It should be highlighted that the project was originally launched at the request of LMA members, following the successful launch of the LMA English law REF document, many of whom are actively engaged in the real estate finance market and saw the need for greater efficiency by standardisation. Accordingly, the German law real estate finance document was put together and agreed by an experienced working party, consisting of major real estate players from banks (including in-house lawyers) and major German law firms. This process should mean that the document is widely acceptable as a starting point within these institutions.

Appendix 2

Transaction Structure Chart