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REAL ESTATE DEBT

roundtable

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portfolio institutional
February 2025

DISCUSSION: REAL ESTATE DEBT

With institutional investors needing diversification and higher returns, assets such as real estate have come to fore. But how are investors navigating an evolving asset class and managing the illiquidity? *portfolio institutional* sat down with a panel of insiders to find out.

Not so long ago, a colleague of mine went on maternity leave. It was congratulations all-round to her, but it left a 12-month hole in my already under-staffed team.

So I was relieved to hear that my request to hire a replacement had been approved. But as I was writing the job spec, it dawned on me that due to improving connectivity, I didn't have to target someone living in London. The world was my oyster.

We eventually hired a guy living in Yorkshire, which illustrates how the world is changing. Thanks to advances in technology, many people can work from anywhere or buy anything at the touch of a button while sitting at home.

Such societal changes are reflected in our demand for property, but it is not only residential and commercial needs that are changing. Debt is a crucial funding market for real estate and investor expectations from the asset class are also shifting.

Ludo Mackenzie, co-head of real estate debt at Octopus Investments, opened our discussion by explaining the changes he has witnessed in what institutional investors want from their debt portfolios.

In the past two years, he has heard investors switch from discussing the benefits of the 60-40 model (equities and fixed income), to that traditional portfolio allocation model not working anymore. "Fixed income has performed so badly over the past 10 years that investors are looking for an alternative," Mackenzie said.

At a conference he attended in early 2024, talk had turned to the 60-20-20 model, with higher-yielding credit added to the mix.

"Investors need predictable fixed income distributions, but they also need some higher yield," Mackenzie said.

But alongside levelling out the volatility of equities, offering some certainty of return and matching liabilities, there is another issue on their wish-list. "Some investors want their money to do something more productive," he added.

In Rachel Reeves' Mansion House speech in November, she said local authority pension schemes need to invest more in UK infrastructure. "This is the essence of productive finance," Mackenzie said.

Other changes include the pandemic and the gilt sell-off back in 2022, which have "had lasting impacts on the market", Mackenzie said.

These events forced the biggest market corrections since 2008's financial crisis, with some parts of the market hit particularly hard by the rapid rise in interest rates.

"It has challenged values," Mackenzie said. "It has challenged

counterparties. It has put the market under pressure. Whilst that results in performance issues for debt and equity, it has also helped managers stress test their strategy and processes. It's only when it's raining that you spot whether you have any holes in your roof.

"We have learned a lot through this correction," he added. "We are hopefully at the turn with yields being stable for the last six months. A shakeout may still come through, but hopefully we can move forward with confidence."

So is this a permanent change or will normality return?

Mackenzie believes that we are at the beginning of a new cycle. "This is exciting. You can lend and invest into a reset market. You are trying to invest in alpha strategies, which generate positive returns, but if you have a following wind of systemic beta, you should make very good returns over the medium term."

Living with the consequences

Real estate debt could bring diversity to portfolios and much needed stable cashflows. But for professional trustee Andrew Cole, this is not the full story.

What it does not bring is liquidity. In the defined benefit world, many pension schemes are close to looking at insurance buy-outs. And if a defined benefit scheme is invested in real estate, the trustees will struggle to make that transition.

"Real estate is a long-term asset; you can't just get rid of it," said Cole, who chairs five pension schemes and is a trustee for two others with all seven schemes collectively managing £3bn worth of assets.

Two or three years ago, the theme was that infrastructure's illiquidity could help portfolios. Then Liz Truss arrived in Number 10, who, despite only being in power for 49 days, created a lot of problems. As gilt yields jumped after her first and only Budget, DB schemes with liability-driven investing (LDI) portfolios had to raise cash quickly to meet their collateral calls.

The situation was worse for schemes who were long illiquid assets, which have a two to five-year draw-down phase.

"For me, it is a great asset class for particular types of pension scheme, but my impression of real estate is that there are always unknown consequences," Cole said.

As an example, he explained that 10 years ago asset managers told him to invest in real estate for the certainty of income. This involved lending to shopping centres or properties let to the government on long leases. "And guess what? The world changed," Cole said.

THE PANEL

Simon Blowes
Senior investment manager
Phoenix Group

Andrew Cole
Professional trustee
Best Trustees

Tom Goodwin
Principal, lead specialist, real estate – alternatives, Mercer

Joe Howley
Head of property research
XPS Pensions

Ludo Mackenzie
Co-head of real estate debt
Octopus Investments

"We had Covid, and therefore the way people work now is completely different to how they were working five years ago.

"The properties are fine, but the people occupying those houses, offices or warehouses have changed as we have all changed over the past four or five years.

"That can create huge problems, which also means that if you don't have the right manager, or the right diversification within a particular portfolio, you can come unstuck quite quickly.

"I come from a markets background," Cole added. "If my position historically has not worked, you sell it. You cut and run. With real estate, you can't do that. You have to sit there and take the pain.

"For pension schemes, [real estate] becomes more and more problematic, I'm afraid to say," Cole said.

Managing the illiquidity

Joe Howley, who heads up property research for XPS Pensions, picked up the theme of managing the illiquidity.

He described the mix of highly leveraged LDI portfolios, Liz Truss' premiership and allocations to illiquids as "a real challenge", particularly when closed-ended vehicles were used, which were drawn-down quite quickly during that period.

"There is a lot of value in private market assets over the long term, so managing the liquidity at a total portfolio level is important," he said.

This is not just a case of addressing the issue through carrying lower leverage. The type of vehicle used to access private market assets is also important.

"Open-ended vehicles have had many challenges over the last two years. They have generally been unable to meet whatever redemption terms they set, whether they are quarterly or even six months or nine months.

"Having liquidity has become much more of a focus for pension scheme trustees. It has shown that if you are taking a huge amount of leverage while holding illiquid assets, you need to take a whole portfolio approach to weigh up the liquidity. It is a real challenge.

"For most investors there is not a one-size-fits-all vehicle to access illiquids that isn't without compromise," Howley said. "Whether you prefer evergreen funds or a more traditional closed-ended approach, there are compromises with either option."

But Tom Goodwin, who focuses on real estate equity and debt in the UK and Europe, believes that illiquidity is a broader private markets issue.

As an example, he returned to the theme of DB schemes and their endgame. When schemes invest in a closed-ended private markets fund, they had perhaps a more than 10-year time horizon before targeting buy-in or buyout. Based on that, the investment likely made sense for their risk and return needs, but as rates moved out, those timelines came in and suddenly they couldn't leave. In effect, whilst the illiquidity premium had been attractive, the cost of illiquidity had changed.

"In that case, it is more the illiquidity of private markets in general, rather than just real estate equity and debt," Goodwin said. "But for certain structures like real estate debt funds, which are self-liquidating, and more income orientated, it is

potentially easier to manage some of that liquidity risk, rather than more capital appreciation-focused strategies."

The intention is that the increased income returns you receive from lending money against property will ease some concerns over the illiquidity of the portfolio. But given where gilt yields have gone, schemes are getting smaller.

One of Cole's schemes have been caught in this "perfect storm". The scheme allocated 15% to private market assets, of which 5% was in real estate, just before Liz Truss came to power. "That 15% is now 42% of our portfolio, which is a huge problem, and the scheme still has potentially another 5% to 10% to invest.

"From a trustee's perspective, it is an uncomfortable position to be in," he added. "There are a number of schemes like that."

A selective approach

Simon Blowes, who looks after a commercial real estate debt portfolio for pensions and insurance group Pheonix, offered a different perspective. He said that the bulk purchase annuity market is becoming more competitive as new players enter the space. "Winning bids on schemes typically have high allocations to private markets, capturing additional yield," Blowes said.

> **There will be much opportunity in real estate debt in 2025.**
>
> Simon Blowes, Phoenix Group

"Private market allocations have increased from 10% to 20% up to 40% and beyond," he added. "However, firms need to be comfortable taking this illiquidity risk in their portfolios to capture this additional premium. Our way of getting comfortable with that is by being super selective on the assets we choose.

"We are not investing in funds where we don't have great visibility on assets," he added. "We are investing on an asset-by-asset basis, looking closely at the underlying properties in the case of real estate; asking ourselves are we happy to lend against this for the next five, seven or 10 years because there is no exit in real estate debt. Once you are in, you are in."

Phoenix has been scaling up this selective approach, being cognizant of the illiquidity it is taking on and lending at conservative leverage levels. Indeed, a few years ago, it lent at 60% leverage, but it now averages 45% on new loans.

"That conservative stance is one way to increase your private markets allocation whilst minimising the incremental risk," Blowes said.

Timing

Timing is also an issue. Cole explained that he was pitched a real estate fund seven or eight years ago where the implementation of that investment could take a year.

"I can't control the price of which I get in, and 12 months could well have been 24 months, so am I getting in at the time when the real estate market is going south? Conversely, I can't control the pricing on the way out.

"That liquidity issue becomes problematic," Cole said, explaining that they decided not to invest as a result.

"If you cannot kick the tires hard enough, it is a challenging asset class, unless your pension scheme is going to be in place for another 10 or 15 years, then it makes sense.

"It is not that the asset is bad, you just have to think about your particular circumstances," Cole said.

When it comes to mitigating the timing element of investing in real estate debt, Goodwin made the case for vintage diversification. "How do you know when the time is right? If you are waiting to see three quarters of positive performance, contributing to a closed-ended fund, which may only start deploying next year, you may be missing the point when you want to deploy," he said.

From a timing and return risk standpoint, but also, as a secondary benefit, a liquidity standpoint, being diversified by vintage is likely the better way to go than investing in private markets at a single point or two in time, Goodwin said.

Cole's schemes are invested across vintages, but unfortunately, the sponsor of one scheme was advised to go into private markets to get the returns needed.

The scheme carried out an investment review, but the trustees were against it, as they didn't want to over allocate. However, it

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invested in three vintages over five years. “All of the assets were performing well, so I am not worried about the assets, it is more to do with the vintages,” Cole said.

“We were then encouraged by the sponsor over a short period of time to invest a reasonable amount of money to move our allocation from perhaps 5% up to 20% to improve returns. Since we have a strong covenant, the trustees finally agreed. That hasn’t tipped us over, but it has become a headache,” he added.

On the point around allocating to credit is more cashflow generative than the equity side, a lot of funds are extending and there is little cashflow coming through, Howley said. “Having cashflow-generative assets in closed-ended vehicles helps with those liquidity requirements.

“But, particularly on the equity side, we have seen a lot of challenges around funds extending,” Howley added. “The debt side mitigates some of those concerns and the time horizon is a lot more understood than with a lot of the private equity time horizons.”

When things go wrong

When it comes to real estate debt, despite his concerns over liquidity, Cole is generally happy with the performance of the assets.

“The loan-to-values on these are pretty good, so we have a reasonable amount of protection,” he said. “And the returns, to be frank, are north of 10%, which is fantastic when gilts are yielding around 4%.”

But like many areas of the market, performance varies. When investors ask Goodwin what return they can expect from real estate debt, he replies: “Everything from investment-grade credit returns to private equity returns,” he said. “It’s a tailorable asset class so it depends on what risks an investor wants to take.”

Investors who have been in lower risk senior real estate debt, which hasn’t struggled as much in the recent downturn, will probably be happier than those in higher yielding or more subordinated structures, where some loans were affected by the retail and office sector repricing in particular. Goodwin points out that although overall fund-level returns have been generally positive, the total performance of some funds in the market was not what investors were expecting.

> **My impression of real estate is that there are always unknown consequences.**
>
> Andrew Cole, Best Trustees

The returns are not a concern for Cole, but what happens when something goes wrong is.

“With most private market assets, you may have the strong credit teams and analysis of the property market, but something always happens,” he said. “I have been around way too long and there are always black swan events.

“It’s important to understand the skillsets that a particular manager has in terms of work-out and in trying to optimise the value of a particular property when something goes wrong. Because unless you are incredibly lucky, and I would use the word lucky, something tends to go wrong.

“A lot of investors don’t think about the dark side,” Cole added. “They focus on making the high returns. This sounds fantastic, and we have good fund managers, but what happens if it goes wrong is something you have to look at.”

Mackenzie agrees. "What is refreshing about where we are now, after the period we have been through, is that managers and investors are more realistic about error or failure, that things don't always work out.

"For a long time in my career, managers were pitching perfection to people who wanted perfection," he added. "You still see that, whether it is real estate funds telling you they are going to do make 2x consistently, which is incredibly difficult to do, or mezzanine funds saying they are going to deliver 18% and it won't go wrong. Of course, it can and when it does, it is quite spectacular with mezzanine.

"As a manager, I have often felt that gap between realism and what investors were asking for. Everyone says that they can deliver an exceptional return, which usually returns lower in practice."

Mackenzie then pointed to his visit to South Korea and Japan a few months earlier, countries which have endured a rocky ride in real estate. He found that managers were more open about the problems in their portfolios. Once you start having "realistic" conversations, you get down to how you are going to deal with those problems.

This, Mackenzie said, comes back to the point about proving yourself in bad markets. "I'm a sailor and sailing is easy in a good wind. The tough stuff is in the middle of the night when there isn't a breath of wind and you are trying to eke anything out of the boat. That is genuinely where the race is won or lost, not when it is blowing 15 knots and you are flying along. There is more realism about that now," Mackenzie added.

Even at the conservative end of the risk spectrum, in the senior investment-grade space where Phoenix sits, its assets are performing well, however the market has been challenging during the past 18 months to two years, as, according to Blowes, borrowers have not been able to sell, or are unwilling to sell, their assets at the bids that they are receiving. Alternatively, they cannot refinance the loans because the lender pool has diminished.

"You are doing the right thing, selecting the right assets, but some factors are just out of your control and things will go wrong in your portfolio. It is how you respond and get through those periods," Blowes said.

In response, Mackenzie said that Octopus Real Estate's latest fundraise includes default rates in its model for the first time. "That seems extraordinary now when I look back," he said.

"That is what I mean about pitching perfection. If all of our deals work, we will make X return, whereas clearly the right thing to say is that a small percentage probably won't. Let's factor that into the forecast returns."

Octopus' other approach is to quote a range instead of saying that the fund will make a specific return. "You can't predict fund returns to single number, so a range is a far more honest guide," Mackenzie said.

Show me the money

Mercer tracks around 50 real estate debt funds across the UK and Europe, so what trends are they seeing when it comes to fundraisings.

"It has been a difficult time," Goodwin said. "It was pretty quiet from a capital raising perspective in 2023 and into 24, with many new funds coming to market but struggling to raise capital.

"Over the last couple of quarters, half a dozen funds managed to raise a fair amount of capital, but it tends to be at certain risk levels," he added.

What Goodwin finds notable is that the money is going into various structures. "Europe, from a fund structure standpoint, is mostly closed-ended, so it is interesting to see some capital going into the newer open-ended products as well.

"But it is still generally at the higher-octane level, which is more commonly real estate equity money, rather than more traditional fixed income or investment grade-focused capital. That lower-risk capital is still there, but the capital we have seen turning up in the last couple of months has been at the higher-octane end," Goodwin said.

> **The [real estate] debt market offers good relative value, particularly on a risk-adjusted basis, if we are confident that valuations have stabilised and will potentially grow going forward.**
>
> Tom Goodwin, Mercer

XPS Pensions' clients generally prefer open-ended structures. Howley and his colleagues are having conversations with investors about pricing, which in real estate debt looks attractive. However, they are seeing little demand for the asset class.

"We have seen a lot of managers raising capital in this space," he said. "The opportunity looks attractive, so what is that missing piece of the puzzle to get those two together?"

Goodwin added that most of the late-stage queries in this space tend to come from parties that have previously invested in real estate debt. "Investors with experience in the asset class tend to like it and recognise when the market can offer strong risk-adjusted returns."

He said that many of the earlier conversations may not necessarily materialise into allocations. If they do, it could be a fair bit later. "There is still a connection with how people's real estate equity portfolios have performed, recognising that there has been a lot of re-pricing in the last two years."

Goodwin added that those who invest in real estate debt commonly see it as an asset-backed part of their private debt portfolio. "It can be a difficult conversation to try and compare corporate private debt to real estate debt, which have different risk profiles.

"The more active participants tend to be those who have been in a few vintages and see this as a good vintage, or the return of the higher-octane money thinking that they have more likelihood of achieving their target returns in a leveraged loan-type strategy, rather than a value-add equity strategy," Goodwin said.

Many of XPS Pensions' clients access real estate debt through a multi-sector credit or a wider private debt mandate. "Given the relative attractiveness of real estate debt in terms of pricing compared to some other forms of credit, it will be interesting to see if those clients look for more specialist allocations in future. From an equity perspective, the real estate market feels like it has bottomed out, at least temporarily," Howley said.

Sustainable thinking

Sustainability is one of the biggest issues of our time. And property is one of the biggest barriers to building a sustainable world. Indeed, the asset class is responsible for 40% of greenhouse gas emissions globally, the UN says.

But the asset class does not only have a negative effect on our climate. Property can also have a positive impact over our well-being through providing better spaces for us to live and work as well as providing access to education and healthcare.

The issue is embedded into Octopus Investments' mission statement of investing in the people, ideas and companies that will change the world. "That sounds lofty and slightly pretentious, but it is true," Mackenzie said.

As an example, he points to Octopus Energy. The company was established to provide power in a more customer-centric way. "The Octopus Energy team saw a market that was broken," Mackenzie said. "A few large operators were peddling the same old model of poor customer service and bringing people in on teaser rates. They wanted to change the market entirely, putting customers at the centre of a fantastic service.

"It is about going into places where you can genuinely make a difference," he added.

Debt is another area where investors have influence. There was a time when lenders saw themselves as just a facilitator and that they could not do anything ESG related because they didn't own the assets. Yet it is they who decide how billions of pounds of capital are invested.

"You can either choose to put that into best-in-class developers who are regenerating brownfield land and tackling energy efficiency, or not," Mackenzie said.

"This is what we mean by productive finance. We want to use the money that we are custodians of to make an impact on our environment, from an E, S and G point of view.

"The zeitgeist is now here, well and truly," Mackenzie added. This, he continued, is why Rachel Reeves' Mansion House speech is interesting given the huge amount of pension money local authorities are managing and the improvements it could make to the UK's infrastructure.

"That is the load it should be carrying. It is not just about making money but making money in a productive way," Mackenzie said.

For Howley, this point is crucial. When it comes to levelling up or national renewal, what is expected of local government pension schemes. "Rather than buying readymade infrastructure assets and taking the cashflows, should they instead finance the debt to develop new infrastructure or real estate or provide the capital for businesses to grow?"

This is a strategy Pheonix has been working on. For example, the group approved a loan for a London borough so they could buy and refurbish houses for temporary and emergency accommodation. The 55-year, fully amortising debt enabled the authority to cut their hotel budget for emergency housing by £1m a year.

"So there are many ways you can introduce institutional money into the public sector, or work with the public sector for outcomes that are beneficial for society, which is what people are demanding from their pension funds," Blowes said.

> **"For most investors there is not a one-size-fits-all vehicle to access illiquids that isn't without compromise.**
>
> Joe Howley, XPS Pensions

Cole reminded the panel that while we all want to live in a better world with better infrastructure, investors need to earn an appropriate return. "My fiduciary responsibility as a trustee is to make sure my members get paid," he added.

It is an issue Howley accepts. "If trustees can't pay their pensions, but say that they built a hospital, it won't wash.

"While it is laudable, there is no mandate for it," he added.

"Trustees feel quite strongly when they are told that they have to invest in line with government rhetoric when their duty is to act in the best interest of their members, which involves investing for the long-term.

"The ever-evolving government policy when it comes to UK infrastructure investing does not help build investor confidence," Howley said.

If you can't measure it…

New developments are not just an opportunity from an investment perspective, they are needed to upgrade the UK's aging and outdated infrastructure. Yet while these assets are designed to be energy efficient, they are still fuelling climate change.

Tons of concrete is used in new builds, which emits tons of carbon. Indeed, for every kilogram of cement produced, a kilogram of carbon dioxide is released into the atmosphere. Concrete is responsible for 8% of all human CO_2 emissions.

So the question is, how should investors assess the carbon footprint of their property portfolios? Should they include the construction phase or just look at the sustainability of the building as an operating asset?

"Whole life carbon assessments are achievable," Mackenzie replied.

Owner-developers are already doing this, but it is harder for lenders, he added. Octopus navigates this challenge by partnering with developers who are working to limit an asset's carbon emissions over its entire lifetime.

"Market forces are demanding that," Mackenzie said, adding that it is not only about making the world more sustainable; it makes commercial sense, too.

"Fixed income has performed so badly over the past 10 years that investors are looking for an alternative.

Ludo Mackenzie, Octopus Investments

For example, Octopus Investments works with Verto Homes to build environmentally friendly homes, which are powered by Octopus Energy. "They sell faster than a regular house and at a premium," Mackenzie said. "So it is good business for the developer, it is better security for the lender and it is better for the environment.

"It is easier in the living sectors than in the office world, because of the construction techniques. It has got a lot better but has a long way to go in terms of measurement and a single standard," Mackenzie said.

Yet there is a standard of how friendly a building is to the environment, which is called BREEAM, but Cole believes it needs work.

"The Bloomberg building, which is a lovely building in the City, received the highest tick in the box from a BREEAM perspective," Cole said.

But he pointed out that the building is cladded in Portland stone, which is locally produced but the finishing was done in Europe. It was shipped out there, they worked on it, it was shipped back and attached to the property.

"There is an inherent problem of embedded carbon within most commercial properties," Cole said. "Then there are the parts you don't know about, in terms of where do all the fixtures and fittings come from and are they environmentally friendly?

"How far down do you go and do you believe in the tick in the box from a BREEAM standard."

Looking ahead

With this discussion taking place as 2024 drew to a close, the conversation turned to what the panel expects to see in the year ahead.

And after a few difficult years, optimism appears to be returning to the markets, leaving Blowes to declare: "There will be much opportunity in real estate debt in 2025."

Such bullishness is being driven by expectations that inflation will be lower. This view may have been distorted by the outcome of the US election but given that costs jumped in the past few years on the back of supply-chain disruption and energy shortages "the worst of inflation is behind us", Blowes said.

This, along with expectations of further interest-rate cuts, is narrowing the spread between where buyers and sellers are looking to transact. "There is renewed optimism for acquisition and trading activity in the markets," Blowes said.

Goodwin is also feeling more upbeat. "The [real estate] debt market offers good relative value, particularly on a risk-adjusted basis, if we are confident that valuations have stabilised and will potentially grow going forward."

The difficulties of living with the illiquidity will, of course, remain, but there could be more interest in the asset class. "Perhaps from private debt portfolios looking to diversify into more asset-backed lending now that they have more confidence in asset values compared to the last year or two, when it was more difficult to deploy in significant volume," Goodwin said.

Following the market sell-off and with returns improving, real estate debt offers attractive long-term value and attractive income for trustees who are not intending to sell their scheme to an insurer in the medium-term.

Cole may have spent the past hour discussing the problems of being exposed to such an illiquid asset class, yet he ended the discussion on an optimistic note.

"Despite everything I have said, there is a real opportunity [in real estate debt]," Cole said. "So maybe this is a good time [to invest]."

Ludo Mackenzie is co-head of real estate debt at Octopus Investments.

POWERING THE UK'S REGENERATION: HOW TRANSITIONAL LENDING CAN DRIVE PROGRESS

Scattered across the UK are brownfield sites – relics of the past sitting empty and neglected for years. One example was the Nightingale Quarter, the former Royal Infirmary Hospital in Derby.

For decades, this hospital, which once served as a cornerstone of Derby's healthcare system, stood as a testament to missed opportunities and untapped potential. But today, thanks to innovative regeneration efforts, it has been transformed into a thriving modern community, bustling with life and possibility.

The brand-new development now boasts around 920 modern houses and flats.

As a nod to the site's history, two iconic facades from the original hospital have been meticulously restored and house a welcoming restaurant and a convenient gym, serving the needs of the new residents.

The Nightingale Quarter's remarkable transformation is a powerful example of the positive impact regeneration can have on a city's landscape and its people.

But across the UK, countless brownfield sites and outdated buildings remain untouched with only 45% of the land having planning permission.[1]

The UK's built environment needs transformation

More than 250,000 homes in England are classed as long-term empty homes, while office space vacancies in London have reached 20-year highs. Indeed, they hit 9% in the third quarter of 2023.[2]

With 340,000 new homes required annually in the UK to meet the demand[3], there is an ever-growing need to repurpose our redundant stock and regenerate underutilised spaces.

However, traditional lenders aren't prepared to support this challenge, leaving a significant gap in the market.

The roadblock

Traditional lenders, including banks, are reluctant to finance transformative projects due to the illiquidity associated with transitional real estate.

This means developers struggle to secure the capital needed to regenerate outdated buildings, leaving brownfields and derelict sites underutilised.

Octopus Real Estate's redevelopment of Derby's Nightingale Quarter

To unlock the potential of these sites, there's a growing need for flexible and innovative alternative financing solutions that cater to the specific needs of transitional real estate projects. This is where Octopus steps in as a catalyst for transformation.

Unlocking potential with transitional lending

Octopus Real Estate (ORE) is a leading non-bank real estate lender offering innovative transitional lending solutions designed to address the financing gaps left by traditional banks. Our strategy focuses on providing flexible funding to high-quality borrowers for transitional real estate projects.

By doing so, we support the transformation of UK real estate, offering benefits to investors, developers and communities.

Benefits for investors and communities

Real estate debt provides an attractive opportunity for investors with potential stable, compelling returns and downside protection through senior debt.

Although risks can be actively managed, due to the nature of real estate debt, investors will need to be comfortable placing their capital at risk, as well as accepting the potential lack of liquidity.

And, for communities, our approach means breathing new life into brownfield sites and derelict buildings, transforming neglected areas into vibrant, thriving communities.

A catalyst for real estate transformation

At Octopus, we are committed to driving positive transformation in real estate. We focus on regeneration and revitalising under-used spaces.

Our strategic role lies in providing flexible, innovative funding solutions that benefit investors, empower developers, and create lasting positive impacts on communities and the overall landscape.

1) https://environment-analyst.com/brn/108986/available-brownfield-land-in-england-increases-by-6
2) https://www.ft.com/content/698f41af-0d88-424b-80b0-241be01dac35
3) https://www.housing.org.uk/our-work/building-new-homes/#:~:text=England%20needs%20340%2C000%20new%20homes,the%20government%20to%20deliver%20more.

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