

Press release

19th Immobiliennetzwerk forum on: "Real estate financing of the future"

Crowdfunding is increasingly competing with traditional mezzanine financing

- **Alternative forms of financing are generally in the ascendant**

Berlin/Hamburg, 25 April 2016. Crowdfunding is becoming ever more popular and will increasingly compete for market share with traditional mezzanine capital in real estate financing. Such is the view on current trends of Michael Stephan, CEO of iEstate GmbH, who was on the podium at the Immobiliennetzwerk forum in Hamburg along with two other experts. At the start of April, **Rahim Bavandi**, Executive Director of Empira AG (Zug, Switzerland), **Alexander Schmitt**, Counsel at CMS Hasche Sigle in Berlin and **Michael Stephan**, moderated by **Jörg Scheidler**, Managing Director & Head of Capital Partners at Flatow AdvisoryPartners GmbH (FAP) came together to discuss "Real estate financing of the future".

According to Michael Stephan, the market for real estate crowd financing in Germany is still in its infancy compared with other nations but has gained traction over the last year. He believes German property developers have discovered the opportunities offered by this new and favourable form of financing with an additional digital marketing effect. "In a few years, alternative online financing will be just as established as financing via banks or mezzanine capital providers," Stephan added. "Real estate crowd financing has the potential to replace traditional mezzanine financing owing to the speed and simplicity of the transactions."

Financing consultants FAP have been working with alternative financing models for 11 years. FAP also regards crowdfunding as a nascent yet very exciting issue for real estate financing of the future. "The growth rates in real estate crowd financing over the last two years speak for themselves." Going forward, we will be involving it in appropriate deals as an additional component of potential financing structures, thus completing our offering," reported Jörg Scheidler, Managing Director and Head of Capital Partners at FAP at the Immobiliennetzwerk forum in Hamburg.

Besides real estate crowdfunding, equity bridge financing was another hot topic for the panel of experts. "As first movers in equity financing, we also believe equity bridge financing is a highly important issue," said Scheidler. "Particularly when it comes to

short-term solutions for resolving equity gaps, such forms of financing make sense and we have arranged them many times in the past."

The rise in mezzanine forms of financing was confirmed by Alexander Schmitt, Counsel at CMS Hasche Sigle, who says that they are increasingly common in real estate financing. "From a legal point of view, the objective is to regulate the interests of the primary banks and those of the mezzanine capital providers at an early stage in the structuring and via an inter-creditor agreement," said Schmitt. Mezzanine finance providers should be mindful of regulatory pitfalls so as to avoid licensing requirements when lending.

Rahim Bavandi believes a key reason for the popularity of mezzanine and equity bridge financing is the opportunity to combine rapid decision-making processes with individual lending structures and short maturities. He considers this a genuine unique selling proposition in the real estate financing market. "The central components of bridge financing are track record, business plan and the exit strategy of the borrower," said Bavandi.

In October, FAP will publish the second FAP Mezzanine Report at Expo Real in Munich. In keeping with the first edition in 2015, the report will provide a comprehensive overview of developments in the mezzanine finance market.

About Flatow AdvisoryPartners (FAP)

Flatow AdvisoryPartners GmbH (FAP) is the leading independent consultancy for the procurement and structuring of capital for real estate investments and development projects in Germany. As a one-stop agency, FAP secures overall financing comprising debt capital and, where necessary, equity replacement funds. FAP's involvement in transactions and projects means that our services are called upon by purchasers, vendors, agents, lenders and those seeking to raise capital. FAP, with its head office in Berlin, was founded in 2005 by Curth-C. Flatow, who heads the company as Managing Partner alongside Managing Director Jörg Scheidler. Co-operation partners include Savills, BNP and Engel & Völkers.

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