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is bringing banks and
debt funds together

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Strategies Delancey joins forces with growing challenger bank

A real estate credit partnership with plans for £1.5 billion (£1.7 billion) of UK lending in the next three years highlights increasing collaboration between alternative debt providers and the banking sector, **writes Silvia Saccardi.**

In July, *Real Estate Capital Europe* revealed London-based real estate manager Delancey and Cynergy Bank, a fast-growing UK challenger bank, had joined forces for the strategic partnership.

The joint venture aims to originate senior and whole loans of between £10 million and £80 million, targeting office, residential, industrial, logistics, retail and mixed-use assets. The JV can finance development, transitional and investment deals across London and core UK regional cities.

Loans originated by the partnership will be funded either solely by Cynergy Bank or jointly by both parties. In instances of co-funding, Cynergy will provide the senior tranche of the loan and Delancey will provide the junior tranche. Delancey plans to lead sourcing and structuring activities through its network of sponsors.

The partnership, which Cynergy

said is its first collaboration of this kind with an alternative lender, will help the bank broaden its access to UK real estate lending products and asset categories.

Cynergy, which lends to SME borrowers, was spun out of Bank of Cyprus and has been trading under the current brand since 2018. In July, *Sky News* reported Cynergy was aiming to sell a minority stake at a valuation of up to £1 billion.

Martin Farinola, head of real estate debt strategies at Delancey, tells *REC Europe* the partnership provides a combination of strengths. "Delancey brings deep UK real estate expertise, an established network and strong origination capabilities to Cynergy's solid lending."

He says it makes sense to launch the strategy now because traditional bank lenders are stepping back from parts of the market, and sponsors increasingly want more bespoke

capital solutions in a competitive environment. "This partnership is designed to meet that need with flexible, tailored financing with greater execution certainty," Farinola says.

Co-operation vs competition

Banks and alternative lenders have long danced the fine line between collaborating with each other and competing for some of the same deals. Banks are increasingly providing back leverage to alternative lenders in Europe, as debt funds continue to increase their market share and regulation, such as Basel IV, leads to some bank retrenchment.

Cynergy has provided back leverage this year. In May, the bank provided a £45 million three-year funding facility to London-based real estate credit manager Zenic Capital for its residential development finance arm.

One month prior, Cynergy and Leumi UK, the UK subsidiary of Israeli lender Bank Leumi, provided a £43 million loan-on-loan refinancing of London-based manager Martley Capital Group's existing loan book secured against 20 underlying assets.

Origination partnerships between banks and alternative lenders have been seen in the direct lending space for many years. For example, US bank Citi and New York-headquartered manager Apollo Global Management announced a \$25 billion private credit direct lending programme in September 2024, targeting North America.

Such partnerships are beginning to be seen in the real estate debt market. In October 2024, US manager Starwood Capital Group and pbb Deutsche Pfandbriefbank, one of Germany's biggest property lending banks, pooled resources to form a lending partnership. ■

£1.5bn

Volume of lending targeted through Delancey and Cynergy's partnership in the coming three years



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Editor's letter

The drive for efficiency brings lenders together



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Banks and alternative lenders are putting their heads together when it comes to real estate financing. Co-operation between the two groups is not new – senior-mezzanine structures have long been a feature of the market, for instance. But interactions are becoming more innovative, signalling a new era of collaboration.

Back leverage is an obvious area in which banks and debt fund managers are pooling resources to more efficiently deploy capital into Europe's real estate markets. However, lending partnerships are also being formed in which banks and non-banks are bringing to the table different sources of capital and origination capabilities, to mutual benefit.

One such partnership was launched by manager Delancey and challenger bank Cynergy in June. German property lending stalwart pbb Deutsche Pfandbriefbank is also joining forces with non-bank lenders as it realigns its business model.

Another area to watch, and which is analysed in this edition's cover story, is synthetic risk transfer. Regulation is forcing banks to think hard about how much risk they can afford to keep on their books. Through SRTs, they can transfer a portion of the credit risk from their portfolios to debt funds. For the banks, this means effective loan book management. For the debt funds, this is another route to returns.

The market for commercial real estate SRTs remains relatively small in Europe. But recent activity suggests banks and non-banks view it as another area to explore as their collaboration in the sector intensifies.

Enjoy the issue.

Daniel Cunningham

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