REF Conference
16 May 2018
London

Introduction

On 16 May 2018, the Loan Market Association (**LMA**) held its sixth annual Real Estate Finance (**REF**) Conference at One Bishops Square, London. With interest in the European real estate market as strong as ever, the LMA was delighted to see over 400 market participants in attendance. The programme comprised an impressive line-up of speakers who shared their views on the key issues and challenges currently shaping the REF industry.

A Year of Stability? Outlook For 2018

2018 has seen a positive outlook in many key European countries for the REF market. High demand has been maintained in the low interest rate environment. But, there are warning signs to be aware of going into the second half of the year. Low yields and scarcity of core assets are leading to a pressure to invest, with an interest rate rise expected by year end.

A key question is where the market is currently sitting in the real estate cycle. The answer differs depending on region and sector. The UK office sector currently holds a strong position in the cycle due to continuing low unemployment rates, low vacancy levels and a move away from a reliance on the financial sector. Nevertheless, the strength of the office sector is skewed by the dominance of WeWork, an American company that provides shared workspaces. Furthermore the office sector has seen the recent withdrawal of Chinese investors and is under threat of rising interest rates. Not unlike the European retail sector, the British retail sector is in a current state of instability and narrowing due to the contracting market, consumer sentiment and high cost of staff. The logistics sector currently has a mixed outlook with generally high yields. The US market is estimated to be two years ahead of the UK in the cycle and is experiencing a softening. The European market is behind both the UK and USA due to higher levels of regulation and slower construction times. The UK market is currently enjoying opportunities stemming from leases ending. It is at this point of the cycle that lenders must be particularly mindful of which borrower to invest with. Where the market sits in the yield compensation cycle depends on the jurisdiction and the debt market. Across the market the trend of for covenant-lite documentation is prevailing, however pricing is holding up.

The London REF market remains a recipient of a high amount of inflow of foreign capital, with domestic capital flowing through to the UK's other regions and major cities. Equity demand has slowed in the UK, however the debt market remains healthy, as the market is seeing a large appetite to lend in the UK from across the globe. The investment value in the regions is up by 58% over the last years, with investment in transport making

Birmingham and Manchester more accessible to the capital. There will continue to be a need for residential investment in the UK, with high levels of demand in this sector. Furthermore, the market is very liquid currently to "alternatives" such as PRS, student houses and assisted living. Notwithstanding uncertainty over Brexit, UK assets remain in demand, due to advantages of the UK rule of law and currency exchanges. Though Brexit has moved the UK up the risk scale, the political turmoil has been priced into the market. There has been slowing of Chinese investment into the London REF market in the last year, partly due to pressure put on Hong Kong investors from the Chinese government. However, there has been an increase in the diversity of investors in the past few years, especially with the influx of Middle Eastern capital.

Looking at the European REF market, many European Jurisdictions have been abstracting institutional capital from private capital. Investors are always looking to new territories and opportunities, whilst also investing in the traditional European cities. German banks are expanding and creating new competition. Though countries such as Greece, Spain and Italy have a large NPL portfolio build up, they are still abundant with activity, with large pools of loans and a lot of active investors. Local banks are increasingly active in the construction element of real estate financing, creating small pools of highly competitive behaviour. Europe has experience a price flattening generally, with convergence across the market. However, the range in the peripheral markets in pricing is still large. All in all, 2018 is set to be a busy year.

Borrower Interview

This year's interview with Blackstone touched upon current trends and developments in relation to commercial real estate (CRE) investment. The interview covered several pertinent topics relating to Blackstone's ever increasing involvement in the global debt markets.

2017 was Europe's third most active year ever for commercial real estate investment – dubbed "the year of the megadeal"; Blackstone itself borrowed around $58 billion worldwide, and was party to over including $20 billion worth of transactions in Europe alone (Blackstone’s largest quantum of European borrowing in a single year). Whilst the number of European transactions in 2017 was lower than Blackstone's 2015 peak, the firm has forayed into the top-end of the debt market where transactions are fewer and much larger – which demonstrates that the corporate lending sector exhibits high levels of liquidity and is becoming increasingly robust. Changes in investor demand and sentiment toward certain products have led Blackstone to increase its involvement with core-plus deals; a step away from its traditional stance of pursuing highly opportunistic investments.

This change in structure and the risk-profile has given Blackstone opportunities to pursue more long-term investments, and has allowed their investors to gain better access to the infrastructure and expertise that Blackstone provides. Going forward, Blackstone is opening itself up to more sporadic thematic and specialist investments, the open ended nature of Blackstone's core-plus fund means that it has no long-stop date to return capital – and this is set to form an increasingly large proportion of the firm's business. These specialist investments are being pursued at a time when market liquidity is seen as being high, and although the risk appetite of many senior lenders has plateaued recently, there are new entrants at junior levels who have turned to the debt markets given relatively subdued yields in the equity markets over recent years.

Blackstone has seen the commercial mortgage-backed securities (CMBS) market opening up again, although confidence levels are long way off what they were in 2006-07. Despite having a shaky reputation, CMBS gives firms like Blackstone the opportunity to gain exposure to untapped markets and allows for more efficient use of assets and capital. When it comes to choosing a lender, Blackstone takes a deal-by-deal approach. Blackstone's financing requests can be complex and very specific; they may make use of debt advisories or brokers where they lack access to relationship banks with respect to certain types of debt financing. Finding the correct lenders for a transaction is a broad process, and given the high number of relationships Blackstone has opted to make, its decisions are based on holistic criteria, rather than simply who can provide the tightest pricing or fastest execution.

Key areas for Blackstone's CRE investment over the last 12 months have been logistics, residential and flexible office space. Looking more specifically at Blackstone's residential property investment, the firm has been able

to gain a sizeable foothold in the Spanish residential property market. Blackstone's initial investment strategy involved buying out a Spanish real-estate loan servicing company, which gave them the ability to go after more complicated transactions, buying portfolios of non-performing loans from several domestic banks. As a result, Blackstone now controls over 100,000 units across the jurisdiction.

In terms of its approach to deals in this area generally, Blackstone remains focused on achieving deal terms which will allow it deal with its investments in the way that it feels will bring about the best outcome the necessary flexibility to implement its business plan.

The Key to Negotiation is...

This panel began with a discussion of how the composition of the commercial REF market has changed; noting that increased regulation has limited the types of transactions the traditional banks can engage in, opening up the market to new entrants. This change of landscape has widened the net liquidity available for more varied projects. Also discussed was the increased use of the 'originate to distribute' model and the challenges this model can pose for lawyers given the need to try and anticipate and negotiate all options and make sure the agreement is flexible enough that the arrangement can change at a later date. That said, it does mean advantages for the borrower in terms of certainty of execution and better pricing.

The panel then moved to discuss trends in the context of insurance companies and debt funds. There have been some document trends arising, predominantly out of necessity, because of how non-bank lenders execute their balance sheets, meaning that there are various options appearing, which is being reflected in the documentation. Whilst there is some consistency, there isn't a lot. Similarly it was noted that non-bank lenders tend to approach transactions differently, for example in terms of average term life and amount, and as such there tends to be a more granular approach to due diligence.

The panel noted an increase in lenders engaging insurance experts to review insurance contracts, removing the need to engage in lengthy negotiations on the broker letter. There has also been an increase in the use of debt-yield covenants, predominantly used by debt funds, which are a good measure while interest rates are low. From a lender perspective it was felt that there was a rise in the number of deals with cash traps, which is good for the borrower given that there is no 'cliff-edge', and enables strong sponsors to utilise a cash trap as opposed to a cash sweep.

Debt portability and change of control provisions for sponsors have also been a topic for negotiation in recent deals. Bond holders tend to be more relaxed with regard to qualifying transferees and therefore lenders looking to securitised their deals going forward tend to take a more relaxed stance on debt portability. Insurance providers also typically have greater portability, in part due to their tenor of, typically, 10 to 20 years. However it is important to bear in mind that the KYC requirements are consistent across the board. An audience questioned the proliferance of cov-lite deals and the panel felt that this depends on liquidity, on the strength of the borrower (and the assets in favour at the time), and on the lender (particularly in terms of the regulation they are subject to). However it was noted that generally only very high and/or top-end sponsors can attract such an arrangement. Negotiation therefore typically continues to be driven by market settlement, the strength of the borrower and the part of the risk curve in which lenders are operating.

Changing the Horizon

Key market drivers currently seen in the real estate development market include the large range of clients, a move to non-bank lenders and increased liquidity and debt in the market. The market has seen a growing appetite in PRS from development builds, with "build to rent" becoming ever more popular. The demand for PRS is a challenge in London due to the high land prices. This is making regional cities, such as Manchester and Liverpool increasingly inviting. Though there is development activity in the European market, the entity price remains a challenge, which makes it difficult for investors to make a return. This in turn is impacting how debt is priced in Europe. There have been changes in the structure of debt, with capital coming in from equity. Traditional lending on safer terms is on the rise; however a "blended" approach to the term loans is also becoming frequent. The market is currently experiencing pressure to deploy cash; however this is a natural shift in terms of where the market is.

Borrowers seeking out development finance are looking for terms with the most control on their side and the least penalties. Trust between the lender and the borrower in this scenario is vital. The borrower needs a lender who can handle the flexibilities and unpredictable events of a development real estate project, so using an experienced lender here is highly beneficial. For a development covenant package, the loan amount and cost of scheme will be determined on the outset. However, the information section, reporting and obligations of the borrower are likely to change. For the borrower, having a lender who understands the supply chain is imperative to the trust relationship. A good project monitor will be able to drill into these.

Through the core package the lender can manage construction risk of the development project. This will cover specification quantity, cost and timing. An experienced lender will understand that these are dynamic factors and that there are correction mechanisms for any specific event that occurs in the process. Lender will obtain more rights and abilities over the asset by holding collateral warranties from contractors and sub-contracts. Procurement methods will either be 'Traditional', which is when the borrower manages the contractors, or 'Build', which is when a contractor will manage subcontractors. The market will drive which procurement method is chosen. Milestones are used in real estate development to force the lender to take a pause in the process and review the business plan. Triggers are flexible and can be negotiated between the parties, and even if there is not always an issue, it allows for dedicated time for the parties to enter into open dialogue. Insolvency does occur in development real estate. How this is dealt with is closely aligned with the state of the relationship between the parties. When considering potential insolvency or enforcement events, the lender should consider whether packages of security or parents support can be provided. The lender should also consider whether the termination has actually happened, and whether this process can be safely managed. To avoid insolvency procedures, the borrower should work closely with the lender to advice on the practical stages and process of construction.

Key Note: Is diversification the trend to watch?

This year's key note put the theme of diversification in the context of the property cycle; asking whether diversification of CRE investment is necessarily symptomatic of the peak of the cycle being reached. The discussion also took a deeper look at recent market trends, as well as looking at drivers for the future of CRE investment.

In terms of market sentiment, there has been a marked increase in the proportion of investors expecting to increase their spending in 2018, with over 88% of investors expecting to spend the same or more this year, and a third anticipating a 10% or greater rise in expenditure. Despite rising geopolitical and economic tensions, EMEA is the most atomistic of all regions; over one in five investors are planning on increasing their spending by 20% or more in 2018. Risk appetite is also increasing, with 40% of investors in EMEA expecting their purchase activity to increase relative to 2016. What this demonstrates is a welcome reversal of the trend over the last three years, where investors were seen to be tightening their expenditure year-on-year due to extreme levels of economic and geopolitical uncertainty.

The specific threats to this boon in the CRE market are the threefold: a global economic shock undermining demand from occupiers; key interest rates rising faster than anticipation; and the fact that many believe property is being continually overpriced. There is of course a causal link between interest rates and property prices, the low interest rate environment has persisted for a decade and recent rate rises in the US have already caused some panic in US equity markets. The issue of overpriced property is also the result of a large pool of capital competing for a limited number of assets, but any change in interest rates would be anticipated to have far-reaching effects on property prices, and would therefore affect levels of CRE investment.

Globally, CRE investor motivations in 2016 were mainly the generation of income and the expectation that property would provide greater capital value growth relative to other asset classes. Now in 2018, the main focus of investors is still to generate income, but expectations of capital growth have fallen dramatically. Interestingly, a quarter of investors have moved into the CRE arena as a result of their desire to diversify their portfolios, but the market is still placing strong emphasis on the importance of investment yields. In EMEA, the sectors that investors are most involved in are those relating to industrial and logistics premises, as well as residential properties. The biggest drop in interest is seen in relation to retail, which has fallen dramatically since 2016 in the wake of a logistics boom. This downward trend is exemplified by the rental growth statistics

for retail which, despite overall UK rental growth being positive, has fallen by around 0.5% on average across standard shops and shopping centres combined.

Positive sentiment in relation to CRE investment is of course a welcome prospect; however, within the macro context there are several wider issues which we need to be mindful of. The equities cycle will undoubtedly come to an end, but it is difficult to say when and to what extent a downturn will occur. Investors are treating the equities markets with caution; coupled with the prospect that we may be nearing the end of the property cycle; a synchronisation in market downturns could cause significant problems for CRE investment further down the line. A turbulent geopolitical outlook could be worsened by the rise of populism seen in Europe and US, which would give rise to further economic uncertainty. Alongside this, QE unwinding worldwide adds another element of unpredictability for the future; with different jurisdictions at different stages in the process, we can only wait and see.

The future of the CRE market is dependent on a multitude of variable factors, but in spite of the uncertainty surrounding the CRE market, economists are anticipating that any changes will be moderate as opposed to severe. It is predicted that interest rate rises will be gradual, giving the market time to adjust, and any downturn is expected to arrive in the form of a general slowdown as opposed to the major recession experienced worldwide just over a decade ago. Looking back to the trend of diversification, it is easier to form a view as to investor motivations against the context given above. The simple, partial answer is that investors are searching for the best relative yield on their capital; diversification toward CRE investments is largely favoured for this reason alone. On top of this, property is felt to be more 'recession proof' compared to securities and equities – such caution is understandable given the consensus that a downturn is on the horizon. Within this trend, the key question is whether diversification is being driven by pivotal changes in demographics, technology and the behaviour of financial market actors or whether it is just a symptom of the ever-nearing end of the economic cycle.

From contracts to buildings – how smart is technology?

A particularly popular topic across markets generally is technology and its applications. The CRE market is no exception, with the panel discussing blockchain and its potential uses in the market. It was noted that on the credit side of real estate there is often a replication of parts and blockchain is a useful tool to help record this information in a secure, transparent way which prevents such duplication. It can aid with the negotiation process, with credit approval and can also help make transferring and selling loans much easier. On the topic of how secure blockchain is, it was explained that it is encrypted and that the user can decide who can see what, and in what circumstances, paving the way for multiple arrangers to use the platform as it is all permissions based. The question was then raised about whether blockchain is a solution to a problem that doesn't exist. In response many of the panel felt that the answer was both yes and no – many of the companies represented could do what they do now without utilising blockchain, but that it would be much more cumbersome. This also led to a discussion about the adoption of new technologies, with many of the panel observing that numerous firms are utilising new technologies in tandem with old systems. In part this was felt to be due to not knowing what adoption looks like (but knowing that they will need to/are going to use it) and waiting to see who goes first and how they do it. Further it was noted that this is not "taxis and takeaways" but people's money, and in this instance large sums of it, and as such it needs to be proved and trusted before there is a complete shift.

The question was then raised about where we currently are in the tech cycle and the panel felt that it was considerably easier to convince people of the value of more advanced technologies now than it was a year, or even six months, ago. This was seemingly due to businesses being able to see the operational problems and pain points that these technologies could help fix, and thus they are more able to see the value add. This is visible in the considerable increase in investment in LegalTech and FinTech which was felt to be reflective of the shift in attitudes and people and businesses starting to understand the technologies better.

In terms of business structure it was noted by the panel that ownership of technical strategy is still extremely fragmented, and that progress could be aided by having more people at senior and board levels who understand tech. The difficulty also lies in how you title people in such roles as many businesses have someone with "innovation" in their title, all of whom have completely different mindsets and ideas about what this looks like moving forward. This led onto discussion of how to future-proof such technologies and the answers

varied between ensuring that you're providing real solutions to real problems to focusing on user experience when historically user experience gets left behind. Other answers included focusing on disrupting the process and not the market, building within businesses and getting them comfortable with talking about technology and collaborating with other businesses.

With the acceleration in technological advances, institutions are becoming more mindful of security concerns and individuals are becoming more increasingly concerned about the longevity of employment. Going forward businesses and teams will have to adapt and we will see new roles and new ways of working, with technology ultimately being utilised to assist the right people in the right places and to make their jobs more efficient.

Sustainability – MEES and beyond

The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the Regulations) were made on 26 March 2015 and introduce minimum energy efficiency standards (MEES) for the private rented sector. Subject to certain exemptions and exceptions, the Regulations will prohibit the letting of properties in the domestic and non-domestic private rented sector in England and Wales, which do not meet the minimum energy performance standard, currently set at Energy Performance Certificate (EPC) rating “E”. This applies to all new leases of properties, (falling within the scope of the Regulations) from 1 April 2018, and to all existing leases from 1 April 2023. Compliance with MEES is to be enforced by the Local Weights and Measures Authorities who have the power to impose civil penalties (financial and publication penalties).

The UK government estimates that 18% of commercial properties hold the lowest EPC ratings of F or G. The Regulations are, therefore, likely to impact investor decisions and real estate pricing, as portfolio managers seek to avoid assets, which have low energy performance ratings.

However, MEES is just one of a number of regulatory measures on sustainability, which the Real Estate Finance Sector will have to grapple with. Another example is the Energy Performance of Buildings Directive, which is currently being recast - the Council of the European Union having recently approved the final version of the revised Directive. This includes provisions aimed at accelerating the renovation and decarbonisation of existing building stock, as well as encouraging the greater use of Information and Communications Technology and smart technologies to ensure buildings operate efficiently. Whilst it remains to be seen how exactly the revised directive will be implemented in the UK (particularly in view of Brexit), the message from Government, so far, is that there is unlikely to be a significant watering down of measures to promote energy efficiency, particularly in light of the UK's commitment to the Paris Agreement on climate change and its emissions reduction targets under the Climate Change Act 2008.

Over the past 5 years real estate lenders have started to "wake up" to the sustainability agenda and a need for a green strategy. Out of this movement came the Lender Sustainability Working Group of the Better Building Buildings Partnership (BBP), a collaborative working party created to share direct sustainable strategies on real finance. The BBP Working Group is made up of banks, investors and debt funds, and focuses on the issues risk and opportunities arising from climate change and energy transition. The BBP It also look looks at the drivers of the sustainability agenda, such as leadership, reputation, the ability to raise funds and the interest from regulators. They also discuss case studies of green practises, for example green lending and green mortgages.

Green lending is taking shape in many forms, depending on the lender. Responding to market demand, the LMA produced the Green Lending Principles (**GLP**), a high-level framework of market standards and guidelines surrounding green lending. The GLP aim to provide a consistent methodology for use across the green loan market, whilst allowing the loan product to retain its flexibility. Green loans are shaping up to be a bespoke and innovative option for a borrower. The green loan market is driven by a mixture of corporate social responsibility and the need for better security collateral.

Grounded in the philosophy of providing funding to address green issues, MEES sets the way for further loan disclosure of climate related risk. Furthermore, following the publication of the GLP, it is likely that in the future lenders will see more borrowers looking for a green lending strategy that fall in-line with their own sustainability goals.

LIBOR, Brexit and everything in-between

The last panel took the opportunity to look at the commercial ramifications of some of the wider challenges facing the CRE market. Brexit is an obvious concern for all market participants, given the conundrum it raises as to the likely outcome of negotiations between the UK and the EU-27. The panel also provided an overview of the transition away from LIBOR to risk-free rates, and the likely impact that this could have within REF.

When asked, the audience favoured a middle-ground Brexit as the most likely outcome, expecting the UK to achieve a bespoke deal that works well for both sides. However, the panel was less sure. Citing the difficulty of actually conducting negotiations with the EU, some argued that the process would likely be drawn out, and that the UK will end up needing to make serious concessions to avoid a 'no-deal' scenario. Others felt that a middle-ground agreement was the least likely scenario but, given the uncertainty the surrounding key questions of the Irish border and the applicability of the four fundamental freedoms of the EU, it would be hard to provide concrete predictions as to which side of the fence the UK is going to fall.

In the immediate aftermath of the Brexit vote there was a pause in CRE investment activity for a period of at least 12 months; however, since mid-2017, REF liquidity has risen again to a level where CRE investment can continue to be conducted effectively. Over the past year, UK property has demonstrated a remarkable degree of resilience to the political, economic and social uncertainties propagated by the Brexit vote. There was a tangible drop in senior leverage across the REF market, as lenders priced 'Brexit-risk' into their transactions but, again, in recent months we have seen leverage levels creep back up due to a bounce-back in liquidity. A suggestion for the continued resilience of the REF market was the "carry-on" attitude of many market participants, who felt that they could not be expected to hold-off on major opportunities until Brexit took its shape.

Against the backdrop of Brexit, we have seen jurisdictional divergence in the approaches being taken toward foreign investment into the UK CRE market. Whilst the US is continually tapering its investment into UK real estate, investors from Asia are still ramping up their efforts to secure key pieces of UK property. This could be the result of a better understanding of the implications of Brexit by US investors; however, some panellists felt Brexit simply exacerbated a trend which has been ongoing for a number of years. The increasing prevalence of Asian economies is a telltale sign of the way in which the commercial landscape is set to change, and a shift towards Asian dominance shows how effective recent efforts to further push for increased globalisation of financial services have been. The onward march of disruptive technological, social and political change is promulgating a scenario where commerce is being transformed on a global scale via what is being dubbed the "fourth industrial revolution". Brexit is but a part of this rapid and disruptive transformation in relation to how business is conducted worldwide, made more substantial by the influx of Asian capital snapping up prime CRE assets across key European jurisdictions.

In terms of the specific areas of REF impacted by Brexit, the panel highlighted several important considerations. In terms of documentation trends, Brexit has been remarkably benign so far. English law and the London market itself are renowned for the stability they provide, and despite changes on the fringe of the market, such as sponsors pushing for increased debt portability, there appears to be no "Brexit dagger" looming over the UK. Brexit obviously has institutions thinking about where their staff are located and what difficulties could arise in respect of their multi-jurisdictional presence and cross-border transactions, but UK's financial stability and resilience to changes in market sentiment provide foreign investors with a wealth of opportunities. A key draw for opportunistic foreign investment into the UK, as a consequence of Brexit, is the subdued value of the Sterling, which makes investing into the UK relatively cheaper than investments elsewhere. Furthermore, the volatility that Brexit provides (as a result of uncertainty) is another avenue through which opportunistic investment into the UK can be encouraged.

Turning to LIBOR, the LMA is heavily involved in efforts to ensure that the financial markets, including CRE markets, can continue to operate as effectively as they currently do. Transitioning to a new benchmark is no easy task, and the challenges associated with a movement to risk-free rates have been made clear time and time again. For CRE lending, the key requirements for a benchmark interest rate are that it needs to: (i) offer a forward-looking view of funding costs for both borrowers and lenders; (ii) provide a means for adjustment of the rate in respect of any credit risk or liquidity premium; and (iii) be available for the same tenors that the market is accustomed to. Other key problems are that firms lack the infrastructure to meet the operational

requirements of servicing and administering a loan back by a risk-free rate; moreover, the process of amending legacy facility agreements to refer to a new rate will be an inarguably complicated and expensive task.

The degree of uncertainty stemming from transition away from LIBOR is palpable; but the UK market is cognisant of some key issues, namely that SONIA (the UK's chosen risk-free rate) is entirely inappropriate for use in CRE transactions as it currently exists. The LMA is leading efforts in this area to ensure that regulators and legislators are aware of the needs of the lending market in respect of this transition. The panel also highlighted the need for market participants to make their voices heard to ensure that any movement away from LIBOR is done in a coordinated fashion across currencies and jurisdictions. The UK and US have taken the reins in respect of finding ways to mitigate the unsuitability of risk-free rates for commercial lending transactions; but even if a forward-looking term rates can be designed, there is no guarantee that their metrics will be at all similar to LIBOR.

The panel also provided brief consideration of key concerns for CRE in terms of taxation in the UK financial markets. Firstly, the UK Government is introducing restrictions on corporate interest deductibility within commercial transactions, affecting both domestic corporates and (in 2020) those registered offshore. The new regime will introduce a complex overlay to the UK corporate tax regime; in particular it will impact group's ability to obtain tax relief for financing costs. General attitude towards this change is that, if the required carve-outs can be agreed, this should hopefully not be catastrophic for the tax arrangements of UK corporates, as was initially feared. Another upcoming change relates to increased rates of capital gains tax for non-resident investors in commercial, as well as residential, property. Arguably, people should not be worrying about this change as it is simply bringing the UK in line with the OECD recommendations made in 2015; any impact on financing for property transactions should be minor. Part of the reason that these changes are being so widely discussed is the timing of their introduction; when the consensus is that we are reaching the end of the property cycle, and yields are already tightening, such jarring changes introduce new uncertainty and provoke increased caution, potentially having an accelerative impact on approach of any slowdown for the UK property market.