1. NAMA VENDOR FINANCE

In 2012, NAMA announced that it would provide Vendor Finance to purchasers of commercial properties held by its debtors and receivers in both Ireland and the United Kingdom (UK). NAMA envisages that up to €2 billion/£1.6 billion in Vendor Finance will be made available over the next four years.

The availability of Vendor Finance is a direct response by NAMA to the lack of liquidity in debt markets in Ireland and the UK and is designed to support a timely sale of real estate/loans to credit-worthy counterparties through the provision of a debt package connected to the sales process.

Vendor Finance is a well-established mechanism used by existing financial institutions to attract new equity and to support transactional activity in target markets. Vendor Finance will be made available on a case by case basis in respect of the sale of commercial property by NAMA debtors; in the case of enforcement, by appointed insolvency practitioners; or by NAMA directly where it has assumed ownership of the asset.
2. COMMERCIAL TERMS

There is no single standard set of terms for Vendor Finance which NAMA will offer to parties acquiring commercial property. Terms quoted will vary to reflect the attributes of various commercial property categories and individual properties, the relative strengths of tenants and leases, and the strength of the counterparties/property purchasers. Only strong and reputable counterparties will be considered.

For prime investment properties, that is properties which are well located and have strong tenants on long leases at realistic rents, NAMA may offer up to 75% of the purchase price for a period of up to 7 years at a typical interest margin of 3% over cost of funds.

3. ASSETS FOR WHICH VENDOR FINANCE IS AVAILABLE

In general there will be a focus on investment assets (single buildings or portfolios) with a financial value of a minimum of £10 million, which are well tenanted and income-producing, including for example, office buildings, shopping centres, retail warehouses, and industrial estates.

The underwriting of the NAMA loan commitment will be based on the anticipated current asset value (loan to value maximum) and the future recurring rent cash flows from the occupational tenants.

Where finance for the acquisition of development properties is not available, NAMA may, in certain limited cases, be prepared to consider the application of Vendor Finance. In considering the availability of Vendor Finance for development properties, considerations including the following will be relevant:

- Significant equity contribution from the purchaser such that loan to value at origination does not exceed 60%
- Acceptable counterparty with a credible plan for the property
- A proven operator who can successfully develop out the property or improve it for onward sale
- Satisfactory location
- Maximum 4-year term
- First ranking security being retained by NAMA
- No subordination of NAMA’s position relative to new investor money
- Minimum interest margin of 350 basis points
- Debt Service Covenant in line with cashflows on a case by case basis.

4. NEXT STEPS

Whilst the availability of Vendor Finance will usually be marketed as part of the sales process relating to a qualifying asset/loan, NAMA is open to considering proposals, on an individual basis, from prospective purchasers in respect of commercial properties held by its debtors or receivers in both Ireland and the UK. Interested parties can contact NAMA using the following email address: vendorfinance@nama.ie