

# High Yield Bonds by German Real Estate Companies - UPDATE

In February, we published an article on [High Yield Bonds by German Real Estate Companies](#), in which we noted the increasing convergence/overlap between traditional real estate finance, leveraged finance and debt capital markets products, as exemplified by a small but increasing number of “corporate-style” high yield bond offerings by German real estate companies.

Last week, another name joined the growing list of high yield issuers in the sector. Luxembourg-based [Corestate Capital Holding S.A.](#) (S&P: BB+), one of the leading listed investment managers for real estate equity and debt in the German, Austrian and Swiss region of Europe and with market focus predominantly on Germany, priced its offering of €300,000,000 3.5% Senior Notes due 2023 with an issue price of 98.857%, for a 3.75% yield.

Just over €200,000,000 of the gross proceeds from the offering of the (unsecured) notes will be used to repay existing debt and transaction costs, fees and expenses, with the remainder intended to be used to finance general corporate purposes (including M&A transactions and the acquisition of warehousing assets). Because the issuer and its subsidiaries have significant secured debt and there is also significant debt at the issuer’s subsidiaries (none of which guarantee the notes), the notes essentially represent a junior piece in the overall capital structure.

Interestingly, the notes will not be callable prior to maturity (i.e. “make-whole for life”), which is highly unusual for a high yield bonds, but typical for investment-grade bonds and in line with relatively high (“cross-over”) rating of the issuer. In the same vein, the German law governed and “Reg. S only” notes do not contain a full, traditional high yield covenant package. For example, there are no limitations on restrictions

on distributions from subsidiaries, and there is also no affiliate transactions covenant. In addition, certain of the “high yield-style” covenants that are included in the terms and conditions of the notes contain significant weaknesses/flexibility (depending on the relevant perspective). We understand that there has been some investor pushback against this “high yield lite” documentation during the roadshow, which has resulted in a series of amendments to the terms of the notes from those described in the preliminary offering memorandum.

For more information generally about high yield bonds, please click on the following link to obtain a PDF copy of the [4th European Edition of our High Yield Bonds – An Issuer’s Guide](#). As with earlier editions, the Guide is primarily intended for (first-time) issuers of high yield bonds.

For further information or advice or to request a hard copy of the Guide, please contact [Bernd Bohr](#), [Fabian Hartwich](#), [Joachim Modlich](#) or your usual contact at Mayer Brown.

Learn more about our [High Yield Bonds](#), [Capital Markets](#) and [Real Estate](#) practices.



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