
Moelis enters cladding rectification game

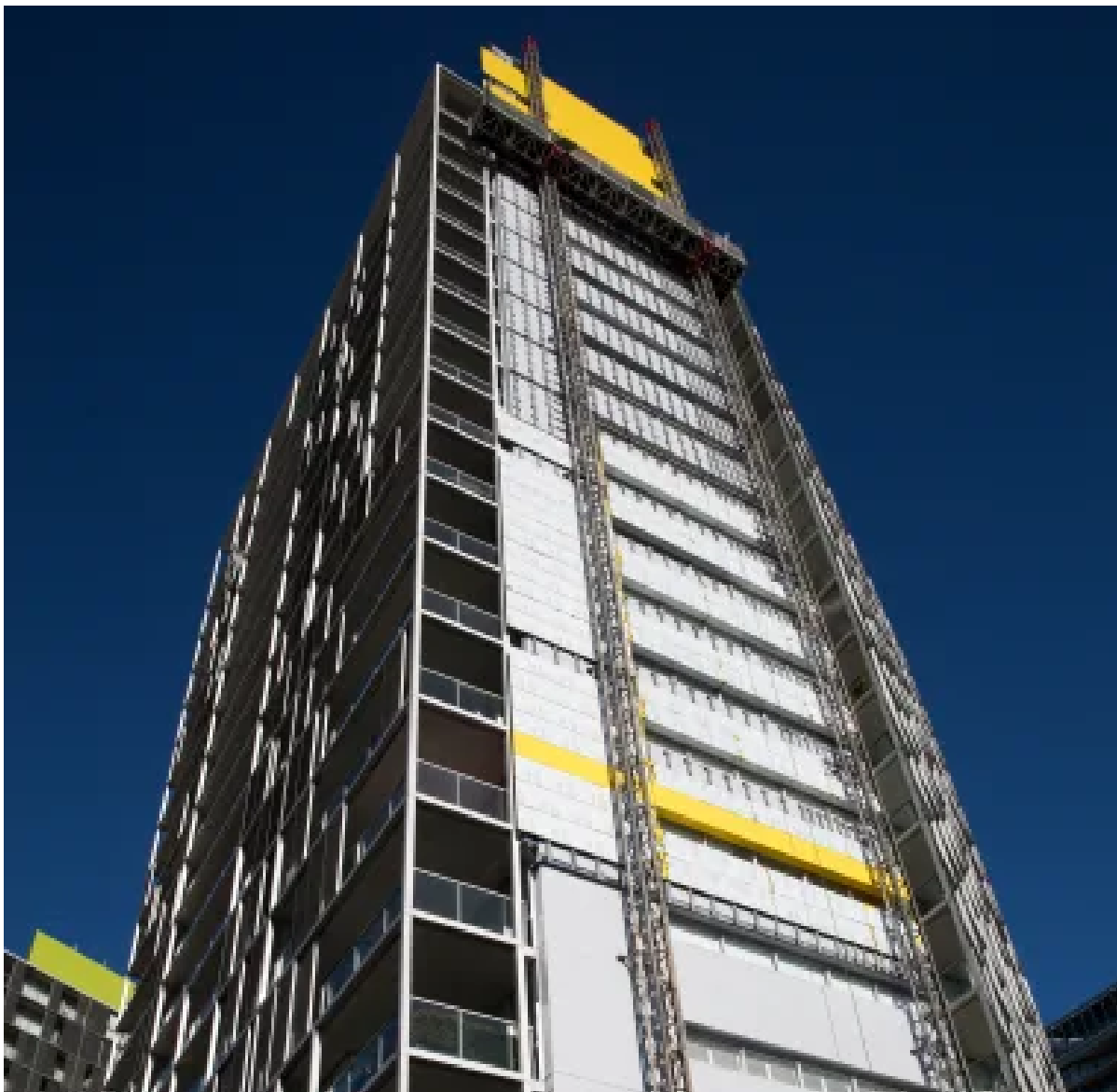
Michael Bleby *Senior reporter*

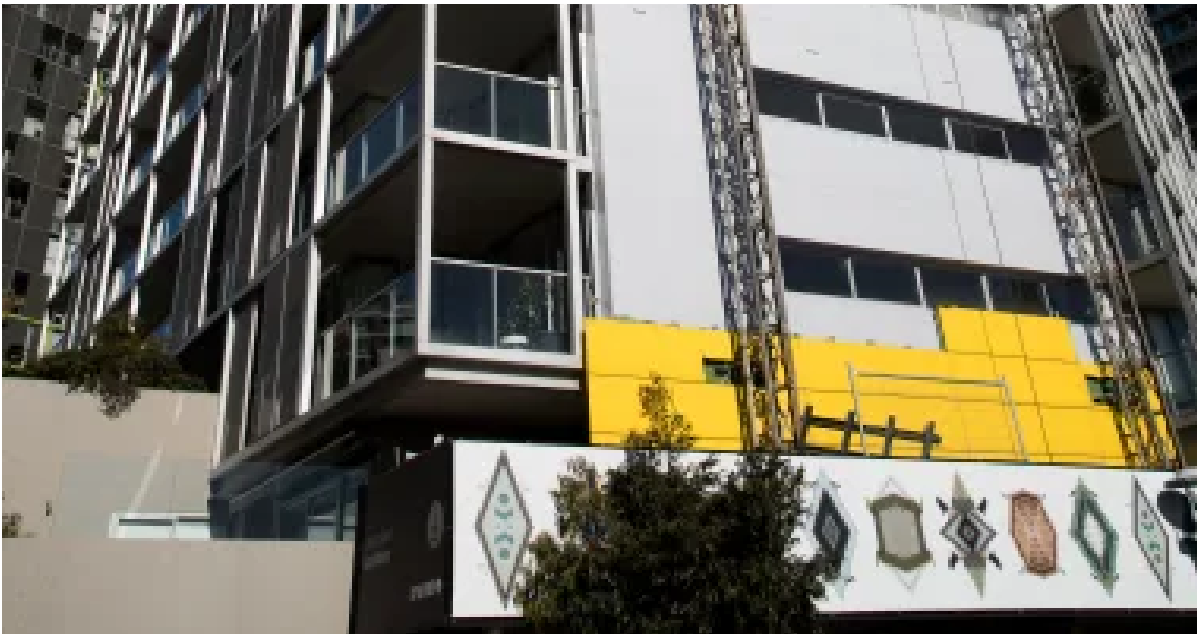


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Investment bank Moelis has entered the strata lending market to help apartment owners in NSW remediate their combustible cladding, after agreeing to fund specialist lender Lannock's warehouse facility and speed up moves to securitise cladding rectification loans.

Moelis will provide mezzanine finance worth tens of millions of dollars – adding to senior debt worth up to hundreds of millions Credit Suisse has already been providing – and allow Lannock to package up loans for cladding and other defect rectification and sell them to bond investors.





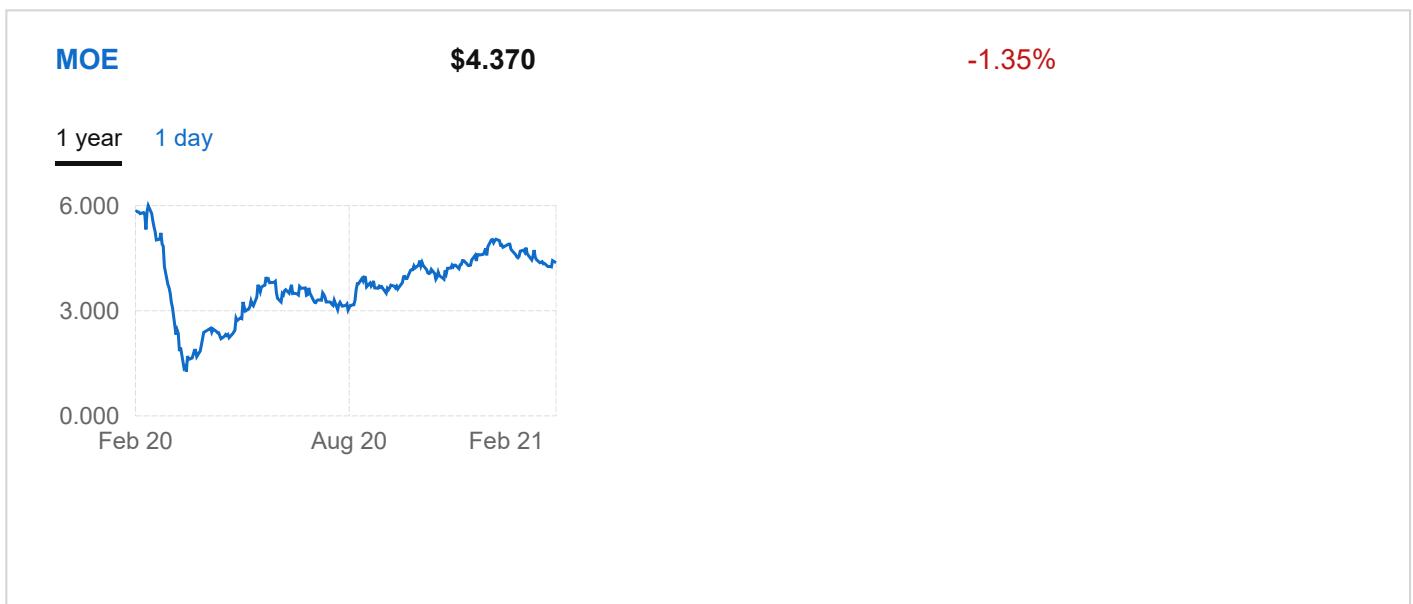
Coming off: Cladding rectification underway in Sydney's Pyrmont. **Janie Barrett**

“We can now fund 100 per cent of the strata sector’s requirements for other defect rectification, enhancement and litigation,” said Lannock chief executive Paul Morton. “If they think there’s someone they can effectively sue, we’ll lend to them to enable them to do so.”

NSW estimates it will cost \$1 billion to remediate 225 residential towers the state’s Cladding Taskforce has identified as most in need of work to replace combustible PE-core panels similar to those used on Melbourne’s Lacrosse or London’s Grenfell towers.

The state government set aside \$139 million in its November budget towards what it said would be a three-year rectification process for the 225 buildings, but hasn’t yet said how the process, which will help pay the interest costs of commercial loans, will work. A spokesman on Monday said the details were due to be signed off shortly.

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Credit Suisse funding over the past several years has already allowed Lannock to lend more than \$100 million to “several hundreds” of buildings across the country to fix general defects as well as cladding, Mr Morton said.

These loans are currently sitting in a so-called securitisation warehouse, the first – and to date, only – such facility for strata lending anywhere in the world. Moelis’ funding will expand that warehouse faster towards the point at which loans originated by Lannock can be sold as bonds.

“It will take 3-5 years to get to the point of a first bond issue,” Mr Morton said. “But we know in terms of international markets bond issuance is going to be the cheapest use of funds and the best interim step is a strata loan warehouse.”

The new funding will come from MA Asset Management, Moelis Australia’s asset management arm.

“We have been reviewing the strata financing landscape for some time now and are delighted to partner with the nation’s leading provider to leverage our respective expertise and develop an innovative solution,” Moelis Australia managing director Steve Bennett said.

Credit Suisse Australia head of asset finance Will Farrant said Moelis joining the scheme would help it grow.

“For Credit Suisse, it enables us to grow what we do with Lannock faster, especially funding for cladding rectification, but also to enter other markets where Lannock wants to expand and support them with funding in those markets,” Mr Farrant said.

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