

Chenavari Invests in Ireland's Crisis-Hit Mortgage Market

30th January 2017

By Luca Casiraghi and Alastair Marsh

(Bloomberg) -- Chenavari Investment Managers is putting money into Irish residential mortgages, pushing into a market that suffered heavily in Europe's financial crisis.

The alternative credit investor's Toro Ltd. fund has teamed with a bank to fund buy-to-let mortgages through Dilosk Ltd., a local mortgage lender, said Benoit Pellegrini, a partner and portfolio manager at Chenavari, which manages about 5 billion euros (\$5.4 billion). The first two mortgages, which were issued this month, had a combined value of 700,000 euros and were used to finance properties in Dublin, he said.

"We spotted an opportunity in Ireland because rental yields are high but banks are still reluctant to lend," London-based Pellegrini said. "We think there's still room to grow there."

Ireland's home prices tumbled more than 50 percent in the five years ended 2012, due to an economic slowdown and bank failures, and they remain more than 30 percent below their peak. The nation's central bank eased lending restrictions for first-time buyers in November to help revive the mortgage market.

Dilosk intends to issue 200 million euros of new buy-to-let mortgages before selling mortgage-backed securities, said Fergal McGrath, the lender's co-founder and chief executive officer.

Dilosk and Chenavari also see opportunities to buy mortgage portfolios from other banks and funds, he said. Chenavari has acquired a minority stake in the lender.

Ireland's buy-to-let sector has particularly suffered since the property market collapse, deterring banks from making new loans. About 20 percent of buy-to-let mortgages were in arrears as of September, compared with 11 percent for primary homes, according to the central bank.