
KEYNOTE INTERVIEW

Finding opportunities in niche markets



Alejandro Moya and Martin Pommier of Madrid-based Incus Capital, winner of the 2021 Alternative Lender of the Year: Southern Europe award, explain why the firm occupies a unique position in the market

Q What were the key events for your firm last year?

Martin Pommier: In 2021, we launched our €500 million European specialty credit fund, Opportunity Credit Fund IV, which is a continuation of our previous three funds: identical strategy, working across the same Southern European markets of Spain, Portugal, France and Italy, and focused on mid-market specialty lending, including real estate. It is also attracting the same type of investors – big institutional investors, pension plans, large family offices and insurance companies – and 90 percent to 95 percent of our capital comes

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from outside of our main investment markets. We also launched a real estate equity fund, investing in those same four markets. For a long time, we have taken some minority equity positions through our credit funds, so this is just a spin-out of our credit fund to focus on real estate equity.

We're currently deploying the capital in Fund IV, and we have a separately managed account for senior real estate credit as it is a part of the business where we have been incredibly busy.

Q How were market conditions in 2021?

Alejandro Moya: We like to identify investment themes that may vary between countries or could potentially be global trends. We are focusing on new ways of living and working: the pandemic has changed demand for different products, and although we have always been present in the residential market, right now demand is accelerating.

For example, build-to-rent is a big theme in Spain, but not in Portugal and Italy yet, although it will be in the next few years. We want to be able to identify the players in the market and be

able to see the growth opportunities so that we can be their partner in different ways in the capital structure.

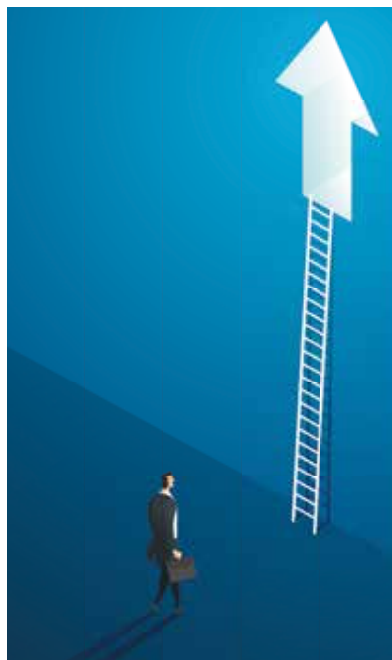
MP: At present, it is more office for us in the Portuguese market, more multi-family or student housing in Italy, and mostly build-to-rent in Spain. There are certain markets we are staying away from in Spain now because there is too much activity, but ultimately, we are agnostic; we don't have to be in one country versus another. One of the golden rules at Incus is do not lend to an asset that you're not ready to operate yourself. First and foremost, we look for downside protection.

AM: There is so much liquidity in the market chasing the same assets that it can be easy to lose perspective on the implied risk, which is one reason why we are so selective with the partners we operate with. We have a very thorough discipline of trying to measure that risk; which combined with our thematic and local approach is what makes us unique.

MP: As we move into this new way of living and new way of working, we are putting a lot of effort into making sure we are positively contributing to ESG [environmental, social and governance] because it is the right thing to do. The buildings in Portugal that we've been active in are environmentally efficient, which is a massive theme for us. Away from real estate, we're also very active in the renewables space.

Q How is the non-bank market changing in Southern Europe?

AM: During the pandemic, banks were quite binary about their decisions and decided not to go for things because it wasn't the right moment, based on factors such as the pre-let or pre-sales level. We like to have a long-term view on the assets and themes, so we were able to compete with banks by providing additional leverage or being more flexible.



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MARTIN POMMIER

We've been operating in markets for 10 years now and since we started, the environment for alternative lenders has totally changed. When we began, Spain, Italy and Portugal were dominated by banks and there was a huge opportunity for alternative lenders. We have taken advantage of that, but we still believe there is a big gap to be filled.

MP: We very much complement the banks, and when it comes to other

funds as competitors, we focus on a slightly different part of the market in terms of ticket sizes. While other funds are trying to grow their asset sizes, creating a need for bigger tickets, we really stay in our niche.

Q How is the fundraising environment at present?

MP: We have a very strong track record, and we have been delivering the returns that we have been marketing to the investor base across our products for 10 years. The fundraising process, although never easy, has been relatively straightforward. We enjoy deep relationships with institutional investors and large family offices, mostly in Europe, the US and Canada, and we are very much viewed as an extension to their own investment programme into Southern Europe.

Covid obviously complicated matters and the lack of face-to-face meetings has not been ideal but, like others, we've been coping with the situation and we've been successful.

Q What are the opportunities in Southern Europe in 2022?

AM: Our plan is to continue deploying. We have a very strong pipeline in all the countries we are in, and we will continue with this thematic focus. We are seeing huge opportunities in the residential markets and in hotel financing, mostly in Spain and Portugal. We also continue to be active in the Portuguese office sector. Lisbon is very undersupplied for quality product and we think it will be a destination for many international companies.

MP: For us, it has to be about relative value across our different countries. We identify themes and we deploy capital until that theme is no longer relevant. We could just stop something immediately and I think that's very important, particularly in real estate, as we've seen many corrections over the years. We aim to be fluid across the cycle. ■