FINANCING UK & IRELAND

Five questions for Leumi UK's head of property finance

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Peter Clayton discusses the lender's growth plans and a competitive debt market

Leumi UK has had a busy start the year. In the past couple of weeks alone, it has agreed a £39.1m senior loan to Praxis Capital and Veld Capital, secured against a portfolio of six office assets, and advanced another £63.1m finance package in partnership with Martley Capital, secured against an industrial portfolio owned by Mercia Real Estate.

The lender is on the expansion trail. After growing its loan book to more than £2bn in 2024, it is looking to reach between £3bn and £4bn by the end of the decade.

The challenge over the past couple of years has been the slowdown in the investment market, coupled with high availability of credit from different lending groups. This has made for a competitive landscape for the lender to operate in. At the same time, parts of the market – including residential development – have faced significant challenges.

Green Street News caught up with Peter Clayton, head of property finance at Leumi UK, to find out how the lender has navigated the challenging market backdrop and where it is seeing the best lending opportunities today.

How did you manage to grow the loan book last year? And how are you navigating the competitive lending market?

Ultimately, in this industry success comes down to proactivity and the building of relationships. The more meaningful conversations you're having across the market, the more chances you have to unearth the types of transactions that marry up with credit appetite.

Last year we made a concerted effort to leverage the full team's network, knocking on doors and pounding the pavements to secure as many opportunities as we could. We then worked to determine which were the right opportunities for us.

> *"We consider each opportunity on its individual merits, with a heavy focus on the quality of sponsor"*

Importantly, we always work hard to understand the underlying real estate – to get under the skin of a sector and to truly understand the sponsor's business plan for the underlying real estate. Over time, we've built a reputation for being able to do that quickly, while maintaining depth of analysis, and for delivering on what we say we will. This credibility allows us to be discerning and selective with the transactions we ultimately progress.

None of this would be possible without a strong team and culture. We have brought together an incredibly talented group of experienced, resourceful individuals, and that allows us to punch above our weight. Last year we originated about £900m of new business across 31 deals – for a relatively small team, that feels like quite an achievement.

Have you changed your approach at all to remain competitive?

Throughout the past five years, the key to our success has been our commitment to being flexible and a willingness to pivot from subsector to subsector depending on both the opportunity and the market fundamentals, and that hasn't changed.

Telford Business Park is one of the assets in the Mercia portfolio, recently financed by Leumi

We truly are a sector-agnostic lender – we consider each opportunity on its individual merits, with a heavy focus on the quality of sponsor, including a detailed assessment of track record and experience in the relevant subsector.

If you look at the deals we completed last year, that flexible approach really shines through. We completed transactions across a whole host of subsectors, from data centres and retail through to purpose-built student accommodation, student HMO, later living, care homes, offices, and residential development – reflecting our ability to respond pragmatically to differing opportunities and changing market dynamics.

How has the loan book been impacted by some of the challenges in the sector – particularly the problems with residential development viability?

Undoubtedly when you deploy debt capital, you are doing so on a risk-based approach – and not every transaction will pan out precisely as you envisioned. There are clearly some pressures in the residential markets, particularly with regard to build-to-rent. We are not completely ringfenced from those pressures, but given our position in the capital stack we're usually protected by a reasonable equity buffer.

> *"Nothing we have encountered has in any way weakened our commitment to building our platform"*

With problem loans, the key is to spot the early warning signs and to react quickly. Strong portfolio management and governance is critical to achieve this. On occasion, like any lender, we have had to have difficult conversations – but nothing we have encountered has in any way weakened our commitment to building our platform or supporting the right sponsors through the cycle.

We pride ourselves on fostering a culture where people can excel, but we're only human and inevitably people make mistakes occasionally. What is important is that people quickly identify and take account for any mistakes. Crucially, whenever something goes wrong, we learn from it to ensure it doesn't happen again.

Where are you looking to lend in today's market?

We are now operating in a highly liquid credit market, and in the past 12 months price has shifted on the lending side as there aren't enough deals to meet the volumes of available senior debt. This means that in this high liquid debt environment, we have to be resolutely committed to maintaining our rigour and discipline, and continue to be discerning about the deals we progress. It means we have to work that little bit harder and faster to compete, rather than pushing risk or price.

Importantly, because we have built a strong reputation and the capability to provide both investment and development financing – and can lend in excess of £100m if the deal is right – we benefit from a significant volume of opportunities crossing our desks. The breadth of flow allows us to be selective and to only pursue transactions where we perceive there to be the right balance to the risk and reward.

Leumi provided finance for Limelight in Borehamwood, as part of a wider office portfolio finance deal with Praxis and Veld Capital

Overall, there is no change in our desire to deploy into UK real estate across the market, although naturally some subsectors currently look more attractive than others to the sponsors we are engaged with. For example, we are seeing an increasing volume of office transactions coming through, as there is a clear perception that values have, overall, reached a floor. That said, there is clearly a continued bifurcation of the office market, with a marked distinction between what occupiers perceive to be “good” and “bad”.

It doesn’t mean offices can’t be transformed from “bad” to “good” with the right investment and business plan, but this only works if aligned with the right occupational demands in a particular location. Ensuring we understand this is of paramount importance when deploying debt against office assets, especially transitional ones. Otherwise, we continue to deploy capital across all subsectors of the real estate market on a selective basis.

Do you expect to see more investment financing opportunities this year?

In short, yes. I am an optimist and this has felt like one of the fastest starts to a year that I have experienced in a long time. We have a great pipeline of deals across a range of subsectors, all in line with our philosophy of being discerning, undertaking thorough due diligence, and partnering with trusted sponsors. Encouragingly, a number of those deals are new purchase transactions, signalling a shift from the past few years which have certainly been more reliant on refinancings.

Entering January, we probably thought that the first quarter of 2026 would be slightly slower, with more businesses adopting a wait-and-see approach. Instead we have hit the ground running, and as a result are very optimistic about the rest of the year and achieving our 20%+ net loan book growth ambitions.