



Urban Partners secures €136m first close for fourth Velo Capital fund, with a focus on Northern European ‘brown to green’ projects

- Investor support proves attractiveness of green alternative financing in currently dislocated real estate lending markets
- With €500+m active pipeline, the fund will provide alternative financing to accelerate the sustainable urban transition in Northern Europe

June 29 2023 – Urban Partners, the platform of vision-aligned investment verticals shaped around urban problem solving, announces a €136m first close of a new fund for its alternative credit adviser Velo Capital. The fund (Velo Mezzanine Credit Fund, or ‘VMC’) is Velo Capital’s fourth advisory mandate. The closed-ended fund is targeting +10 percent net IRR by investing in real estate developments and existing assets across Northern Europe, including Germany and the Nordics.

Urban Partners, which has €20 billion in assets under management, is the new umbrella platform housing credit adviser Velo Capital, alongside real estate investor Nrep, venture capital firm 2150, and private equity investor Luma Equity.

Velo Capital’s focus on green finance through the new fund supports Urban Partners’ strategy of drawing on constructive capital and expertise from its various arms to respond to the social, economic, health, and environmental challenges faced by cities.

VMC’s first close is timely in light of rapidly evolving real estate financing markets in Europe. Regulatory pressures, together with challenging macro-economic and geopolitical conditions are exerting pressure on traditional lenders, creating an increased need for alternative credit solutions to fill a growing structural funding gap for both existing assets and new construction. The fund’s Northern European remit combines strong macroeconomic fundamentals with real estate financing markets being dislocated.

The real estate world requires a multi-trillion cash injection to pay for the green transition towards net zero. Offering predominantly mezzanine loans, VMC will provide green financing to drive sustainability across the capital structure, with ‘brown to green’ projects prioritised as a key pillar of the investment strategy. In an environment where development and heavy retrofitting are made difficult by restrictive bank lending conditions, the new VMC will support safe and meaningful projects while maintaining attractive risk exposure levels.

Claus Mathisen, CEO, Urban Partners, said: “In the current market, some banks are pulling back. They are leaving a financing gap that represents a significant opportunity for alternative lenders. Business opportunities are immense, and with this new fund, we want to demonstrate how alternative credit solutions can propel a green financing wave with the urban transition in focus.”

Claus Mathisen added that the need for alternative green financing will only keep increasing:

“Evidence is mounting that for the real estate sector to achieve net zero emissions, we need a massive capital allocation towards buildings and cities. The green transition needs to be three times faster than what we are doing today. The good news is that this opportunity is more compelling for alternative lenders than ever.”

VMC's loans are anchored in a third party-validated proprietary green framework, oriented around CRREM decarbonization pathways with a duration of compliance of 5 years in addition to the initial loan term. The fund is an Article 8 fund, which allows for investment in both developments and transitioning assets, and the framework caters for a range of ambition levels.

Velo Capital advises on flexible real estate credit solutions, supporting borrowers focusing on sustainability. With 10 years of alternative real estate credit track record, Velo Capital oversees three active funds with approximately €1bn AUM focused on real estate assets in Germany's top cities, with VMC expanding beyond Germany to include other Northern European markets.

Emanuele Bena, Managing Partner, Velo Capital, said: "At Velo Capital, we believe that we have the right skillset to be a flexible long-term partner and to play a key role in the green transition. Our investment advice philosophy and processes are structured to ensure that we can deliver through the cycle, with an in-depth approach to asset management and risk underwriting, local market knowledge and strong industry relationships. We are excited to assist counterparties with strong green developments or existing assets. VMC can be selective today, to deliver the most attractive risk-adjusted returns for investors."

With growing interest in real estate credit as an attractive and diversifying asset class, the first close in VMC attracted capital from a number of Urban Partners' existing institutional investors. The fund has a target of raising €600m and is expected to close within the first half of 2024.

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About Urban Partners

Urban Partners is a platform of vision-aligned investment verticals shaped around urban problem solving. By uniting insights, stakeholders and capital, its ambition is to deliver a long-term positive impact for all stakeholders. With a purpose to power the progress of cities, its focus is to help decarbonize the built environment and (re)generate urban neighbourhoods. The platform includes four ESG-focused investment verticals: European real estate investor Nrep, the venture capital firm 2150, private equity investor Luma, and the credit service vertical Velo Capital. With €20bn under management, Urban Partners invest in assets, companies, technologies, and solutions. Founded in 2005, the platform today manages investments in more than 15 countries and employs 700 employees. For more information, visit: www.urban.partners

About Velo Capital

Velo Capital advises on flexible real estate credit solutions, supporting borrowers focused on sustainable assets. With 10 years of alternative real estate credit track record, Velo Capital exclusively advises three active funds with approximately €1bn AUM focused on real estate assets in Germany's top cities. Velo Capital's most recent mandate relates to the fund 'VMC' which expands its sustainability focused credit strategies further into Northern Europe. Velo Capital has offices in four countries and employs 30 employees, part of which through its local German sub-advisory subsidiary Flins Capital Partners GmbH.

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