



A Tale of Two Continents -- European CMBS v U.S. CMBS & CRE CLOs

U.S. CMBS issuance equalled approximately \$171^[1] billion during 2018. In the same period, European CMBS issuance equalled approximately €4 billion which, whilst not close to the issuance levels of the U.S. CMBS market, represents a significant increase for the European market compared to any other period since the financial crisis. Issuance of U.S. CRE CLOs during 2018 equalled approximately \$14.5 billion.^[2] The activity levels in 2019 for all of these products continue at a strong pace reflecting the global demand for commercial mortgage-backed securities.

Why is a comparison of European CMBS against U.S. CMBS & CRE CLOs important?

While both jurisdictions are seeing sustained growth in their markets, the European and U.S. markets are not always directly comparable. For example, European CMBS is secured by properties in various jurisdictions and, therefore, the legal frameworks^[3] and requirements, in addition to the associated risks, may vary from transaction to transaction. However, the size and consistency of the U.S. market and the presence of significant loan sponsors (which often have growing European operations) mean that developments in U.S. CMBS will have a strong influence on structural features that are incorporated into European CMBS. In addition, the growth of commercial mortgage direct lending and loan-on-loan finance in Europe (which will require additional sources of take-out financings) are strong indicators of the development of a CRE CLO market in Europe. To help anticipate the continued development of these products in Europe, we have set forth below a comparison of certain important considerations and trends in the CMBS and CRE CLO markets and related jurisdictions.

Read the full report [here](#).

^[1] Includes agency and pre-originated Senior Loans. See footnote 13 in <https://www.cadwalader.com/resources/clients-friends-memos/the-evolution-of-european-cmbs-20> for an explanation of agency v pre-originated.

^[2] Currently, there is not an equivalent market for CRE CLOs in Europe.

[3] Generally, the note level documentation is governed by the laws of England and Wales even if the assets are located outside the UK.