

CASE STUDY

Real Estate Interest Rate Hedge

Central London Real Estate Asset



THE CHALLENGE

Hayfin and Capreon forged a joint venture to acquire a central London real estate asset, securing a floating rate facility from two leading European banks to support the acquisition. The significant exposure to interest rate volatility required a sophisticated hedging solution within a tight post-close timeline.

THE PROCESS

Hayfin approached Validus to identify an optimal hedging solution, and to execute the chosen strategy. The analysis took into account pricing, timing and hedge constraints. Validus worked with the banks on standardizing quotes and ensuring a consistent and fair methodology was used for calculating the costs of the hedges as well as periodically benchmarking pricing against the market.

THE VALIDUS SOLUTION

After evaluating swaps, caps, and collars, Validus recommended deferred premium caps be executed with the facility providers. The structured and teamwork-based approach Validus adhered to was especially important in this case, as the facility agreements required hedges to be put in place within a short period of closing.

IMPACT

16%

Trading Fee Reduction
Negotiated with Lender

1.5%

Funding Spread Secured
On Deferred Premium

~£20K

Exposure Per 1bp
Rate Movement



SERVICES UTILIZED

Interest Rate Risk Management
Hedge Advisory · Execution Support

Results & Value Delivered

• Risk Quantification

Identified £20K annual exposure per basis point increase without hedges in place

• Competitive Tension

Leveraged panel competition to achieve better pricing terms

• Price Transparency

Standardized methodology and benchmarked all quotes against market

• Smooth Execution

Proactive issue identification ensured timely post-close implementation

• Strategic Guidance

Evaluated swaps, caps, and collars to recommend optimal structure



We had a tight post-close window. Validus moved quickly, benchmarked the market properly, and secured fees our internal teams may not have achieved alone.

James Mason
Principal, HAYFIN