

Commercial Mortgage

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THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION **ALERT**

SEPTEMBER 17, 2010

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THE GRAPEVINE

Anthony "A.J." Sfarra started work this week as a director in the real estate finance area of **Wells Fargo**. He is helping to expand the bank's commercial real estate lending business, with a focus on identifying securitization opportunities and developing strategies for limiting the risk of warehousing loans. He reports to the bank's real estate capital-markets chief, **Kara McShane**. Sfarra was dismissed in July from **Deutsche Bank** along with **Warren Friend** and **Chuck Lee**. Since then, Lee has landed at **J.P. Morgan** as an executive director in **Jon Strain's** commercial MBS capital-markets team, and Friend is said to be in talks with potential employers.

Alan Todd of **J.P. Morgan** has been named the No. 1 CMBS research analyst
See GRAPEVINE on Back Page

Cunningham Seen on Way Out at Trade Group

Dottie Cunningham's days as head of the **CRE Finance Council** appear to be numbered.

Cunningham's future came up last Friday at her annual review by members of the trade group's executive committee, according to a person familiar with the matter. It was decided that Cunningham, who took the trade group's reins in 1999 and has led it during the commercial MBS market's dramatic boom and bust, would leave in December, the person said, adding that severance benefits were also discussed.

Lisa Pendergast, the council's president and head of the executive committee, confirmed that Cunningham's future was raised, but denied that any decision had been reached or that Cunningham was being forced out. Pendergast, who was at the meeting along with president-elect **John D'Amico**, said it was Cunningham who brought up the possibility of leaving the organization or switching to another role.

Pendergast said the subject came up as part of a discussion about the future

See CUNNINGHAM on Page 12

CIBC Jumps Back Into Conduit-Lending Fray

CIBC World Markets has re-launched its conduit lending business.

The Toronto bank has set the goal of originating \$2 billion of commercial MBS loans over the next 12 months.

Borrowers said CIBC, which resumed writing loans for securitization in the past few weeks, has been showing term sheets that offer fairly standard terms: fixed-rate loans of \$10 million to \$75 million on stabilized properties of all major types in primary and secondary markets. Terms can be 5, 7 or 10 years, with loan-to-value ratios of 65-75%. Rates range from 5.25% to 7%, depending on term, property type, leverage and credit characteristics.

Like every other operator of a securitization program, CIBC halted the origination of CMBS loans when the market crashed in 2008, although it continued to write floating-rate portfolio loans.

CIBC plans to write \$2 billion to \$4 billion of floaters over the next year, in

See CIBC on Page 6

\$400 Million of Sour Hotel Loans on Block

LNR Partners and two other special servicers are jointly shopping more than \$400 million of nonperforming hotel mortgages — the largest offering of distressed loans on a single property type since the market collapse.

LNR is supplying most of the roughly 60 securitized loans, with **C-III Asset Management** and **J.E. Roberts Cos.** kicking in the others.

A two-day online auction will start Nov. 1, run by a partnership between **Jones Lang LaSalle** and **REDC**. Bidders can make offers on individual loans. Unlike with sealed-bid auctions, offers will be posted live and seen by all participants, although the bidders' identities remain anonymous. Investors can then increase their bids, akin to public-outcry auctions.

The offering is by no means the largest in recent months. For example, LNR this summer sold \$950 million of soured commercial MBS loans to multiple buyers for an average of 45 cents on the dollar. But other large offerings have included loans

See SOUR on Page 7

Garrison Shops Distressed-Asset Fund

Garrison Investment hopes to raise \$500 million of equity for a distressed real estate fund it just began marketing.

The New York money manager is in preliminary talks with investors who have backed the firm's vehicles in the past, and it will soon launch a wider marketing campaign for Garrison Real Estate Fund 2. The vehicle would acquire distressed commercial mortgages, write new loans and buy foreclosed properties, although market players expect the fund to invest more in debt. It will shoot for a 20%-plus return.

Investors have heard the fund will have the capacity to invest anywhere in the U.S., and will look at all asset classes. Garrison probably won't complete its first round of fundraising until it lines up at least \$150 million of commitments.

Like many operators launching vehicles in recent months, the exact strategy of the fund appears to be in flux as Garrison executives gauge the response of potential backers. Garrison's past real estate plays focused on acquiring distressed mortgages with face values of \$10 million to \$30 million. The firm usually targeted senior debt, telling investors that less-complex investments offer the best chances of capturing gains. The planned fund would likely use some leverage, but the operator has not specified how much.

Garrison operates one other fund dedicated to real estate, Garrison Real Estate Fund 1, in addition to its hedge funds and private equity vehicles focused on distressed debt. Last year, real estate investor **Hawkeye Partners** of Austin, Texas, committed \$150 million to a separate account that Garrison manages.

The new Garrison vehicle is expected to charge a 1.5% management fee on capital committed to the planned fund, and 1.25% for commitments of more than \$75 million. After investors receive a 10% preferred return, Garrison is entitled to half of the profits until it has amassed 20% of cumulative profits. Garrison then gets 20% of any additional profits.

Garrison, which has \$1.4 billion under management, was launched in 2007 by former **Fortress Investment** managing directors **Steve Stuart** and **Joseph Tansey**. The investment team also includes the firm's real estate executives, **Lawrence Bizjack** and **Steve Malone**.

New York-based Fortress, which seeded Garrison with \$100 million, notified the manager late last year that it intended to withdraw all of its money, but retain its ownership stake. Investors in the firm's hedge fund, Garrison Special Opportunities, were told their redemptions would be paid over time. ❖

NOTHING FINANCED NOTHING GAINED



Loan Acquisition Financing
Multi-Family
\$8,000,000
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Refinancing
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Senior Loan, *New York City*

Refinancing
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\$70,000,000
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Loan Acquisition Financing
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Pyramid Taps MetLife to Refi Mall

Pyramid Cos. has refinanced a New York mall with a \$133 million fixed-rate loan from **MetLife**.

The company used the proceeds to retire a securitized loan of the same size on the 1.1 million-square-foot Galleria at Crystal Run in Middletown, about 60 miles north of Manhattan.

Deutsche Bank wrote the floating-rate commercial MBS loan in 2005 and securitized it via a \$2.1 billion deal (COMM, 2005-FL10). The loan, whose original balance was \$140 million, had a two-year term, with three one-year extension options.

When the options ran out in March, Pyramid negotiated another extension with special servicer **CT Investment**, an affiliate of **Capital Trust** of New York. As part of the agreement, Pyramid paid down \$7 million of principal.

The new extension carried a one-year term, with an option for another year — potentially pushing the maturity out to 2012. But Pyramid, a mall operator in Syracuse, N.Y., decided to refinance and lock in a seven-year loan with MetLife. The loan is equal to less than 60% of the mall's value.

The two-level Galleria at Crystal Run is 94% occupied. The anchors are Macy's, JC Penney, Sears and Target. Other major tenants include Dick's Sporting Goods, H&M, Borders and Old Navy.

The property, which was built in 1992 and renovated in 1994, is near the juncture of Interstate 84 and Route 17 (the future Interstate 86). The average annual household income in the area is \$91,000. ❖

BlackRock Circles Deutsche B-Piece

In its second B-piece purchase this year, **BlackRock Realty Advisors** has bagged the below-investment-grade portion of an upcoming commercial MBS deal led by **Deutsche Bank**.

The bond offering, scheduled to hit the market in the next few weeks, will be backed by roughly \$800 million of commercial mortgages contributed by Deutsche, **Ladder Capital** and **Natixis**.

BlackRock beat out competing investors by bidding a price that would translate to an internal rate of return in the mid-teens, according to market players.

BlackRock also nabbed the B-piece of a \$716.3 million multi-borrower offering that **J.P. Morgan** and Ladder priced in June. That was the first B-piece auction since the securitization market seized up in 2008.

New York-based BlackRock made that acquisition via its

\$461 million Carbon Capital Fund 3, which is also presumably buying the B-piece of the Deutsche deal. The vehicle, overseen by managing director **Chris Milner**, invests in a variety of high-yield debt, including B-notes, bridge loans and mezzanine loans, as well as preferred equity. Its limited partners include **New York City Retirement** (a \$105 million commitment) and **New York State Teachers** (\$75 million).

New players have swarmed into the B-piece market since CMBS issuance resumed, searching for high yields. BlackRock hadn't been a traditional buyer of B-pieces from new issues. The two other buyers of B-pieces in recent months were also new to the sector. Hedge fund shop **Elliott Management** took the junior portion of a \$788.5 million offering that **Goldman Sachs**, **Citigroup** and **Starwood Property** priced last month. And high-yield investment shop **H/2 Capital** has agreed to buy the B-piece from an upcoming \$1.2 billion deal that J.P. Morgan is preparing to bring to market. ❖

Conseco Shops Seasoned Portfolio

Conseco is offering \$115.6 million of commercial mortgages.

The mixed bag of performing and subperforming loans is backed mostly by mixed-use, retail and office properties. Based on weighted averages, the loans are 4.1 years old, mature in 9.3 years, have a 5.9% coupon and offer an 8% debt yield, according to marketing materials provided to investors.

The Carmel, Ind., insurer listed a \$161.4 million portfolio last summer, only to pull it after bids were taken. One market player said offers came in around 70-80 cents on the dollar, and the insurer declined to take that much of a haircut.

The current portfolio contains different loans. One potential bidder said this week he hadn't received any pricing guidance, so it was unclear what discount Conseco might be willing to take this time around. The portfolio is held by **40/86 Advisors**, Conseco's asset-management arm.

Conseco's advisor, **Eastdil Secured**, has divided the loans into five pools. Three have one asset each (aggregate unpaid balance: \$80.5 million). One pool contains two multi-family loans totaling \$6.4 million. The remaining pool has 11 small-balance loans totaling \$28.7 million.

Investors can bid on individual pools or any combination. Eastdil was scheduled to take bids yesterday, with final offers expected the first week of October.

More than 80% of the underlying properties were built after 2004. There are large concentrations of mixed-use (38% by balance), retail (32%) and office (20%) loans. The properties are spread over 11 states.

The largest mortgage is a \$39.9 million fixed-rate loan on an office/retail building in the Midwood section of Brooklyn. The loan, which had an original balance of \$42.5 million, matures in November 2017. The 130,000-square-foot property, at 1630 East 15th Street, includes a two-level underground garage. The occupancy rate is roughly 80%. The New York Sports Club is among the tenants. The site is owned by developer **Allan Rose**, who runs **AVR Realty** of Yonkers, N.Y. ❖

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Bridge Loan Sought on Miami Offices

A local developer backed by wealthy foreign families is seeking a \$70 million bridge loan to finish construction of the first building in a high-rise Miami office complex called Brickell Financial Centre.

Foram Group has completed about 75% of the 606,000-square-foot initial building, at 600 Brickell Avenue. Construction of the complex's other building, with 800,000 sf of mixed-use space, hasn't yet started.

So far, Foram has spent about \$170 million since kicking off

construction three years ago. The loan amount being sought roughly jibes with Foram's original construction-cost estimate of \$245 million. Miami-based **CGI Capital**, as sole arranger, is expected to line up one or more lenders for the facility within a month.

Foram is shooting for an interest-only loan with a rate of about 8% and no prepayment penalty. It would consider a fixed or floating rate. The preferred term is three years, plus a one-year extension option that could be contingent on paying down some principal.

Construction on the first building, which is currently unencumbered, should be completed by next August. **CB Richard Ellis**, which is in charge of leasing and management, projects that it will be worth \$206.5 million when finished and \$265 million when stabilized.

The 40-story building will encompass 28 upper floors of office space, 11 floors of parking and ground-level retail space. The bridge loan would also cover the cost of developing a 30,000-sf outdoor plaza for the complex that's modeled after Manhattan's Rockefeller Center, including waterfalls, trees, gardens and public-event space.

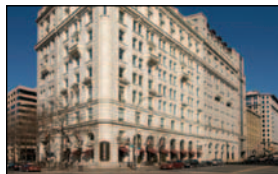
The site is at the southwest corner of Brickell Avenue and Southeast Sixth Street. The second tower is slated to have 70 floors of office, retail, hotel and residential space. The property is the first Florida project pre-certified as LEED energy-efficient by the **U.S. Green Building Council**.

Foram, which is largely backed by Asian investors, started amassing parcels at the site almost 20 years ago. The company, which was founded in 1978 by chief executive **Loretta Cockrum**, started out managing large farm, ranch and timber properties owned by wealthy families outside the U.S.

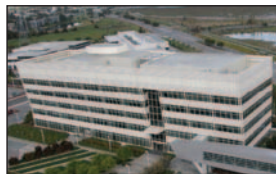
Foram now manages 20,000 acres of such properties and master-planned communities in Georgia, South Carolina, Florida and Colorado. It also manages office properties in Fort Lauderdale, Fla. The firm launched its development arm in 2005. ❖

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Washington, D.C.
Office property sale
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301 Velocity Way
Foster City, California
Office property and land sale
\$137,500,000



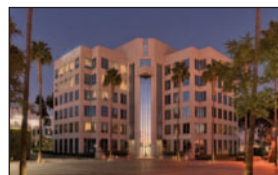
Ashley Park
Raleigh, North Carolina
Multifamily property sale
\$39,000,000



Ramz Hall and Capital Garage
Richmond, Virginia
Student housing property sale
\$19,300,000



PGGM Portfolio
Minneapolis and Chicago
Retail advisory
\$200,000,000



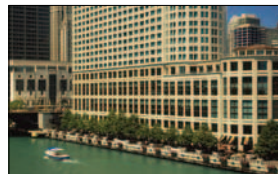
Mission City Corporate Center
San Diego, California
Office property sale
\$70,500,000



Lakeside Joondalup Shopping Centre
Perth, Australia
Retail property sale
\$400,000,000



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Real value in a changing world

Cohen Hires Debt-Advisory Chief

A commercial MBS veteran has joined **Cohen Financial** as head of the firm's debt-advisory group.

Former **Marcus & Millichap** executive **Deborah Schiavo** started after Labor Day as a managing director for the Chicago firm. Schiavo, based in New York, will work with borrowers on commercial mortgage workouts. She will scout out her own clients, but also work via the relationships of Cohen's staff. Schiavo also plans to bring in business through brokers from **Colliers International**, an affiliated firm.

She replaces **Joseph Franzetti**, who left Cohen in April for a senior position at **Berkadia Commercial Mortgage**. Schiavo reports to chief operating officer **Manny Brown**.

Schiavo most recently was senior director and co-head of Marcus & Millichap's debt-advisory group. Prior to that, she was an executive director at **Bear Stearns** before it was absorbed by **J.P. Morgan** in 2008. She previously had stints at **Smith Barney** and **PaineWebber**.

At Cohen, Schiavo will also work with the firm's asset-management unit, which recently doubled in size by winning an assignment to service a portfolio of **FDIC** loans.

Mariner Real Estate Management of Leawood, Kan., which owns a majority interest in Cohen, tapped Cohen to service a portfolio of about 1,100 commercial mortgages

that it purchased several weeks ago. The portfolio has a combined face value of \$760 million.

Mariner purchased a 40% stake of the portfolio from the FDIC, paying about 31 cents on the dollar, which values the portfolio at about \$260 million. The FDIC, which retained a 60% interest in the assets, supplied debt financing for half the purchase, reducing Mariner's cash outlay to about \$52 million.

Cohen is targeting other servicing assignments. Last month it was named by **S&P** as an approved primary and special servicer of commercial mortgages. Cohen is working on obtaining a similar rating from **Fitch**. ❖

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Sour Dayton Office Loan for Sale

Special servicer **CWCcapital** is shopping a defaulted \$35.1 million mortgage on an office building in Dayton, Ohio.

The 484,000-square-foot Kettering Tower is 65% occupied, down from 80% when **Lehman Brothers** originated the loan in 2007.

The 5.9% loan is scheduled to mature in 2017, but the borrower fell behind on payments after the cash flow from the property dropped below the amount needed for debt service. The borrower is listed in securitization documents as a group that includes investors **Jack Chitayat, Uri Mermelstein** and **Hertzl Moezinia**.

The mortgage is being marketed jointly by **Jones Lang LaSalle** and **REDC**, formerly known as **Real Estate Disposition Corp.** The bidding deadline is Oct. 13.

The 30-story Kettering Tower, at 40 North Main Street in the downtown district, is the largest and tallest building in Dayton. It opened in 1972 and was renovated in 2006. The property includes ground-floor retail space, an attached nine-story garage with 450 spaces and a separate 90-space parking lot.

The mortgage consists of a \$27.6 million A-note and a \$7.5 million B-note. Lehman securitized the senior portion via a \$1 billion pooled offering (LB-UBS Commercial Mortgage Trust, 2008-C1). The B-note was placed with an unidentified investor. Both portions of the loan are being offered. ❖

Agency Lender Seeks Originators

A new **HUD** lender is looking to staff up.

Radcliff Capital Mortgage was formed over the summer by former Wall Street lender and loan trader **Mark Dubrinsky**. The New York firm has secured a pre-approved lending license from HUD and is seeking to line up a capital source.

Dubrinsky, who is a managing partner, is seeking to hire 3-4 originators and underwriters with agency-lending experience. He is also recruiting a chief underwriter. The underwriter positions require experience with HUD's Multifamily Accelerated Processing platform.

Dubrinsky previously was a vice president on the commercial-mortgage trading desk of **Goldman Sachs**. Before that, he was an originator at **UBS/Dillon Reed** and also had a stint at **Salomon Brothers**. ❖

CIBC ... From Page 1

in addition to the CMBS loans. The bank's floating-rate program targets loans on stabilized and transitional properties of all major types. CIBC will lend up to \$100 million for its own book and higher amounts for loans that can be syndicated. Terms are 1-3 years, with loan-to-value ratios of 65-70%. Spreads generally are 250-400 bp over Libor.

CIBC expects to be among the largest originators of CMBS loans as the market picks up. In 2007 — the last year before the crash — the bank contributed \$3.9 billion of loans to CMBS deals, ranking it 19th in the U.S. among conduit shops, according to **Commercial Mortgage Alert's** CMBS Database. Managing director **Michael Higgins** is head of real estate finance.

A number of lenders have revived CMBS programs in the expectation that the market will rebound. "Property values have begun to level out in many markets, which lenders see as a signal of better times ahead," said one lending veteran.

Among the players that have resumed CMBS lending are **Bank of America, Bridger Commercial, Citigroup, Deutsche Bank, Goldman Sachs, J.P. Morgan, Morgan Stanley, Natixis, RBS** and **Wells Fargo**. New entrants to the sector include **Cantor Fitzgerald, C-III Capital, Ladder Capital, and Starwood Property**.

C-III, which was formerly a part of Centerline but is now controlled by **Andrew Farkas' Island Capital**, recently launched a conduit origination program with an annual target of \$400 million. It is offering to write loans of \$5 million to \$35 million with terms of 5, 7 or 10 years and loan-to-value ratios in the neighborhood of 70%.

C-III has the capacity to write loans with more flexible terms via existing CDOs that it manages. As existing collateral loans in those vehicles pay off, C-III can recycle the proceeds into new originations.

Island executive managing director **Paul Hughson** oversees C-III's lending operation. ❖

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MetLife Inks LA Apartment Loan

MetLife has originated a \$71 million fixed-rate loan on an apartment complex in Los Angeles.

The insurer competed against a slew of other shops, including **Fannie Mae** and **Freddie Mac** lenders, to land the five-year mortgage on the 430-unit Pacific Place Apartments. The loan-to-value ratio is less than 60%.

The borrower is a joint venture between **Cornerstone Real Estate** of Hartford and developer **Windstar Communities** of San Diego. The duo used the proceeds to help retire a \$75 million construction loan.

Pacific Place Apartments, which was completed in 2008, is 99% occupied. The units range from studios to three-bedroom apartments, with rents of \$1,300 to \$3,675. The two-building complex, on a 4.5-acre site at 5211 Pacific Concourse Drive, has an 805-space garage, two swimming pools, a spa, a fitness center, a business center and a clubhouse.

Holliday Fenoglio Fowler arranged the loan, which closed about two weeks ago. ❖

Sour ... From Page 1

on a mix of property types. This is the largest sale of loans to multiple borrowers on one property type.

The portfolio is likely to draw interest from both debt managers interested in restructuring the loans and so-called "loan-to-own" investors eager to gain control of the underlying properties. Improving fundamentals in the hotel sector will likely spur interest.

The hotels range from full- to select-service properties. They are spread across 23 states, with concentrations in Florida, California and Georgia. Investors have yet to see final due-diligence materials, however, so the portfolio's characteristics may change slightly.

Among the largest loans is a \$34 million mortgage on a full-service Courtyard by Marriot hotel in Lyndhurst, N.J. The 227-room hotel was built in 1990 and renovated in 2002. The average occupancy was listed at 66% in the most recent servicer report. The 10-year

loan, originated by **Citigroup**, is scheduled to mature in September 2017. The unidentified sponsor began struggling with payments late last year, and the loan turned delinquent in January.

The offering is the largest currently on the market from a special servicer. As previously reported, **CWCcapital** is marketing \$305.8 million of defaulted CMBS loans, divided into two offerings: a \$207 million portfolio being handled by **Mission Capital** and a \$98.8 million package via **CB Richard Ellis**. In both auctions, investors can bid on any combination of loans. CWCcapital took bids this week on the smaller portfolio. Investors have until Monday to bid on the larger one. ❖

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Highland Hospitality Portfolio

UCC Foreclosure Auction – October 15, 2010

Jones Lang LaSalle Hotels has been retained by PIM Ashford Subsidiary, the Secured Creditor, to offer for sale at auction, in connection with a Uniform Commercial Code Sale, security interests in mezzanine loan borrowers who own indirect interests in the Portfolio. The Secured Creditor as the Mezzanine 6 lender holds a \$96,053,199.00 loan (the "Mezz 6 Loan") to the Entities set forth on Schedule (a) attached to the Mezzanine 6 Loan Agreement (the "Borrower"). Secured Creditor is offering interests for sale in connection with the foreclosure consisting of the equity interests secured by, among other things, a certain Pledge and Security Agreement granted to Secured Creditor by the Borrower. The Borrower owns 100% of the membership interests in Mezzanine 5 Borrower and has granted to Secured Creditor a first priority lien on 100% of the equity interests held by Borrower in HH Mezz Borrower A-5 LLC, HH Mezz Borrower C-5 LLC, HH Mezz Borrower D-5 LLC, HH Mezz Borrower F-5 LLC and HH Mezz Borrower G-5 LLC and 49% of the equity interests in HH Mezz Borrower B-5 LLC and HH Mezz Borrower E-5 LLC (collectively, the "Interests"). The Mezz 6 Loan is subordinate to a mortgage loan, five other mezzanine loans and other obligations and liabilities of the more senior borrowers or otherwise affecting the properties. The Interests consist of 100% of the indirect equity interests owned by the Borrower in a portfolio of 28 hotels and 49% of the interests in the ultimate property owner of Point Hilton Tapatio Cliffs Resort. The Interests will be sold at public auction on Friday, October 15, 2010 at 2:00 PM ET at the offices of Goodwin Procter LLP, 620 Eighth Avenue, New York, New York 10018.

Qualifications and the Terms of Public Auction can be found at www.jllh-HighlandHospitalityPortfolio.com

The Secured Creditor reserves the right to reject all bids and terminate or adjourn the sale to another time, without further publication.

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Bond Buyers Await Liberty, Mack-Cali

Buysiders expect **Liberty Property** and **Mack-Cali Realty** to soon join the growing list of REITs taking advantage of the rock-bottom yields in the corporate-bond market.

Those two companies are among several REITs that have been viewed for several months as poised to tap the market, based on their previous patterns, as well as statements in first-half earnings reports.

Two companies on that list came to market this week — **Commonwealth REIT** of Newton, Mass., and **BRE Properties** of San Francisco. Many market players expect Liberty and Mack-Cali to follow suit within a few weeks.

"They've run up their credit lines a little," one rating-agency analyst said. "They usually issue in that case, and the price is right."

Meanwhile, bond buyers noted that the issuance rumors were propping up demand for Liberty and Mack-Cali paper in the secondary market.

Liberty, a Malvern, Pa., company that owns offices and industrial properties, hasn't floated bonds since a \$300 million sale of 10-year paper in September 2007. Some of those bonds, rated Baa2/BBB/BBB+ by **Moody's**, **S&P** and **Fitch**, changed hands last Friday at a spread of 213 bp over U.S. Treasuries. The going rate was 235-245 bp just a few days earlier.

Mack-Cali, of Edison, N.J., most recently came to market in August 2009, when it sold \$250 million of 10-year bonds. That triple-B paper was trading on Wednesday at 250 bp, down 23 bp from late last week.

Seven REITs have issued \$2.8 billion of unsecured paper since Aug. 4. The flood of offerings was prompted by plunging bond yields amid a prolonged rally in U.S. Treasuries. This month's surge in corporate-bond trading has only added to the frenzy.

Commonwealth on Tuesday offered \$250 million of 10-year notes rated Baa2/BBB by Moody's and S&P. The 5.875% paper was priced to yield 6.166%, or 350 bp over Treasuries, in line with price talk from bookrunners **Bank of America**, **Citigroup** and **UBS**. The office-and-industrial REIT, formerly known as HRPT Properties, will use the proceeds to reduce the \$333 million balance on a \$750 million revolving credit facility that was arranged last month from a bank syndicate led by BofA and **Wells Fargo**.

On Wednesday, BRE issued \$300 million of 10.5-year bonds, rated Baa2/BBB/BBB- by Moody's, S&P and Fitch. The 5.2% offering, which was increased by \$50 million, was priced to yield 5.224%, or 250 bp over Treasuries, also in line with initial price talk. **Deutsche Bank**, **J.P. Morgan**, **Mitsubishi UFJ**, **RBS** and **UBS** ran the books. BRE, an apartment REIT, will use the proceeds to pay down its own \$750 million credit facility and possibly buy back some convertible senior paper that matures in 2026. ❖

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- Government Regulation Update: Including the Dodd/Frank Bill
- Meet the Special Servicers
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AUCTION

MULTI-STATE REO

Bank Orders Immediate Auction on September 21

EACH TO BE OFFERED WITH PUBLISHED RESERVE

#101: Residential Land

1112 - 1116 N. Ocean Blvd., Pompano Beach, FL
2.6 Acres with 258 ft. frontage on Atlantic Ocean

#102: Office/Retail

1700 SW Commerce Dr., Bentonville, AR
15 Acres with 10 single story commercial bldgs.

#103: Residential Land

Redwood St. & Nokomis Ct. (NWC), Fort Collins, CO
47 Unit residential development site

#104: Residential Land

Linden Gate Ct. & North Lemay Ave. (SWC), Fort Collins, CO
11 Single family lots ranging from 12,941 to 22,473 sf

#105: Res Land/Homes

NE & SE Quadrant of Edgewood Ave. & Collin Falls Dr., Mesquite, NV
3 Model homes and 170 finished residential lots on 35 acres



#106: 5550 Painted Mirage Rd., Las Vegas, NV

#106: Office/Land

5550 Painted Mirage Rd., Las Vegas, NV
117,590 SF five-story Class A office building

#107: Office/Retail

6325 & 6455 S. Rainbow Blvd., Las Vegas, NV
107,931 SF Class A office building, plus 7,227 restaurant bldg.

#108: Retail

11 S. Stephanie St., Henderson, NV
91,000 SF neighborhood shopping center on I-215

#109: Commercial Land

East Jensen & South Clovis Ave. (NWC), Fresno, CA
3 assessed parcels on 16.23 acres incorporated area

#110: Commercial Land

Empire Ave. & Neroly Rd. (SEC), Oakley, CA
304,208 SF parcel

#111: Raw Land

SE Corner of SE Stevens Rd. & SE Causey Ave., Happy Valley, OR
5.56 acres of developable area

#112: Commercial Land

62950 18th St., 62970 18th St., & 20860 Redside Ct., Bend, OR
3 industrial lots on 9.46 acres

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Registration and due diligence materials available online.

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BROKER CO-OP

Large Loans Recently Transferred to Special Servicing

	Current Balance (\$Mil.)	Type	Loan Date	Maturity Date	Sent to Special Servicer	Status	Securitization
Lynnewood Gardens, Elkins Park, Pa. (Multi-family)	\$129.5	Fixed	6/1/07	6/6/17	8/10/10	90+ days late	GSMS 07-GG10
Century Centre Office, Irvine, Calif.	95.5	Fixed	1/18/05	2/6/15	8/13/10	Current	GSMS 05-GG4
Moreno Valley Mall, Moreno Valley, Calif.	85.9	Fixed	8/14/06	9/6/13	8/16/10	Current	CGCMT 07-C6
Met Park East, Seattle (Office)	79.7	Fixed	10/20/05	11/6/10	9/7/10	Current	GSMS 06-GG6
Temecula Town Center, Temecula, Calif. (Retail)	67.2	Fixed	3/24/05	4/1/15	8/5/10	90+ days late	BACM 06-5
Citizens Bank portfolio (Retail)	56.5	Fixed	6/29/06	7/1/11	8/30/10	Current	BACM 06-5
Cheltenham Square Mall, Philadelphia (Retail)	54.2	Fixed	6/30/04	7/1/14	8/17/10	Current	BACM 04-5
Sherman Oaks Marriott, Sherman Oaks, Calif.	53.3	Fixed	11/19/07	12/1/17	8/30/10	Current	BACM 07-5
Lowell Hotel, New York	45.0	Floating	8/1/05	9/1/10	8/10/10	Current	GCCFC 05-FL3
Tri-Star Estates Manuf. Housing, Bourbonnais, Ill.	41.1	Fixed	12/29/04	1/1/12	8/24/10	60-89 days late	BACM 05-1
Lakeview Square Mall, Battle Creek, Mich.	40.5	Fixed	3/1/06	3/1/16	8/16/10	Current	COMM 06-C7
Titan industrial portfolio	30.1	Fixed	4/28/06	5/1/36	8/11/10	90+ days late	BSCMS 06-PWR12
Crossings at Canton, Canton, Mich. (Multi-family)	29.3	Fixed	2/14/07	3/8/12	9/7/10	60-89 days late	MLCFC 07-6
Innovation Center of Vt., Burlington, Vt. (Mixed-use)	21.5	Fixed	9/30/04	10/1/14	8/26/10	Current	MLMT 04-BPC1
Roseville Corporate Center, Roseville, Minn. (Office)	20.7	Fixed	4/14/05	5/5/15	8/10/10	In foreclosure	BSCMS 05-PWR8

Source: Trepp



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Boutique Forms Small Mezz Fund

A boutique lender has set up a small fund that originates mezzanine loans, supplementing the company's balance-sheet lending program.

The lender, **A10 Capital** of Boise, Idaho, got started in 2007 with an initial focus on writing short-term senior loans of up to \$10 million on transitional properties. It has also financed investors that buy debt on such properties.

When clients clamored for higher leverage, A10 decided to launch the closed-end fund, seeking to raise \$25 million of equity. It exceeded that goal at the final close last month, potential investors were told, but the exact total wasn't known.

The vehicle, dubbed A10 Defensive Opportunity Fund 1, writes mezzanine loans, typically of less than \$5 million, that increase the loan-to-value ratios on properties to as much as 80-85%. It also supplies preferred equity. The operator, which plans to use leverage sparingly, is expected to invest the capital quickly and begin raising a follow-up fund next year.

A10 will offer mezzanine loans to senior-mortgage customers that need to employ higher leverage to reach their targeted loan size. It will also write mezzanine loans for borrowers that have obtained senior mortgages elsewhere.

The company, headed by chief executive **Jerry Dunn**, has expanded its origination platform over the past two months. **Kyle Knox**, who previously had stints in the conduit operations of **Credit Suisse** and **Morgan Stanley**, joined as an executive vice president. Knox is based in Dallas, but will focus on the origination of loans in the Pacific Northwest.

A10 also opened an office in San Francisco that covers Central and Northern California. That operation is led by executive vice president **John Neff**. He left **Prudential Mortgage Capital** last year after a five-year tenure. He previously worked at **KeyBank Real Estate**.

The company previously opened offices in Chicago, Dallas and Denver. ❖

Hancock Finances Seattle Apartments

John Hancock has originated a low-leverage, \$52 million mortgage on a luxury apartment building in Seattle owned by **Microsoft** co-founder **Paul Allen**.

The newly completed property, called Rollin Street Flats, was originally designed for condominiums, but was switched to rentals when the market softened. **Vulcan Real Estate**, which invests on behalf of Allen, used the proceeds to retire a construction loan of roughly the same size that **KeyBank** originated in 2007.

Newmark Realty Capital of Seattle arranged the fixed-rate mortgage, which has a five-year term and closed two weeks ago. The loan-to-value ratio is about 55%, market players said.

The fully occupied building, at Westlake and Denny Avenues in the South Lake Union neighborhood, has 208 units, with 1-2 bedrooms. Rents range from \$1,500 to \$3,500. There is also 16,000 square feet of retail space.

Seattle-based Vulcan has some \$2 billion of assets. ❖

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Cunningham ... From Page 1

direction of the CRE Finance Council, which is in the midst of a sweeping change in its mandate aimed at broadening its focus beyond the securitization market. Pendergast said that no timeline for a departure was discussed and that talks were ongoing.

"We didn't take it lightly when she brought it up as a possibility, but it certainly wasn't instigated by us," Pendergast said on Thursday, referring to the suggestion that Cunningham might step down as chief executive. "We are having discussions about what she would like to do."

But Cunningham herself denied that any discussions about her exit had occurred. "We discussed the future of the organization, and what that means for me," she said Thursday. "My leaving is not part of the discussion . . . I am denying that anything is happening."

Cunningham has maintained a lower profile than typical for a trade group chief. She is known primarily as an inside administrator, rather than as a spokeswoman for the commercial real estate finance industry. With the sector under siege and facing new legislation and regulations, some have questioned whether the organization needs a more visible leader. Indeed, the person familiar with the matter said that Cunningham was being pushed out because the executive committee wants a leader who will play a more-public role and specifically have a higher profile in Washington.

The market crash took a toll on the New York-based trade group, causing it to lose about one-quarter of its 400 member companies, hurting its conference business and forcing it to dramatically scale back its staff.

That led the organization to reconsider its strategy. The group is led by a fulltime staff, headed by Cunningham, and a board of governors, made up of industry executives who sign off on policy. Pendergast, head of CMBS strategy and trading at **Jefferies & Co.**, currently heads the board's executive committee. D'Amico, formerly general counsel of **Centerline Capital**, is also on the committee and will succeed Pendergast as president next June.

Late last year, the group decided to move beyond its core membership of CMBS lenders, servicers and investors, and to more actively solicit portfolio lenders, such as insurers, pension funds, commercial banks and mortgage REITs. In conjunction with the strategy, the group changed its name from the Commercial Mortgage Securities Association to the CRE Finance Council.

The association is now pitching itself as a one-stop shop for any commercial real estate finance firm that wants a say in proposed laws, regulations and market standards. The same goes for any executive who simply wants to network or keep tabs on what's going on in those arenas.

The question for the group now is whether Cunningham is the right person to lead the charge. Over the years, her management style has occasionally caused friction with industry executives and staffers of the group, according to multiple sources.

The Commercial Mortgage Securities Association, which was founded in 1994, was initially run by industry executives on the side. But as the CMBS market grew rapidly in the 1990s, it was determined that a fulltime leader was needed. After an extensive search, Cunningham, a former managing director of **Cigna Investment Management**, beat out 33 other applicants and was named chief executive in January 1999. ❖

CALENDAR

Main Events

Dates	Event	Location	Sponsor	Information
Oct. 25-26	CRE Finance Council Europe Autumn Conference	London	CRE Finance Council	www.crefc.org
Jan. 18-20, 2011	CRE Finance Council January Conference	Washington	CRE Finance Council	www.crefc.org
Feb. 6-9	CREF/Multifamily Housing Convention & Expo	San Diego	MBA	www.mortgagebankers.org
June 13-15	CRE Finance Council Annual Convention	New York	CRE Finance Council	www.crefc.org

Events in US

Dates	Event	Location	Sponsor	Information
Sept. 19-22	Default Servicing Conference	Dallas	DS News	www.fivestarconference.com
Sept. 20	Latest Developments in CMBS	Boston	S&P	www.standardandpoors.com
Sept. 21	Breakfast Meeting	New York	RELA	www.rela.org
Sept. 22	Latest Developments in CMBS	New York	S&P	www.standardandpoors.com
Sept. 22	Evening of Monopoly	New York	NYU Schack	content.scps.nyu.edu
Sept. 23	InterFaceNet Lease	New York	France Publications	interfaceconferencegroup.com
Sept. 23-24	Distressed Commercial Real Estate Forum	New York	IMN	www.imn.org
Sept. 27-28	Distressed Real Estate	Los Angeles	IMN	www.imn.org

To view the complete conference calendar, visit [The Marketplace section of CMAAlert.com](http://TheMarketplace.com)

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RECENT CMBS RATING CHANGES

Sep. 9 - Sep. 15

Moody's

	Class	Current Balance (\$Mil.)	Orig. Rating	Most Recent Rating	New Rating
LaSalle Commercial Mortgage, 2006-MF2	A X(10)	288.9 298.4	Aaa Aaa	Caa3 Caa3	C C
LaSalle Commercial Mortgage, 2006-MF3	A B X(10)	295.5 6.7 134.3	Aaa Aa2 Aaa	B1 Ca B1	C C C
LaSalle Commercial Mortgage, 2006-MF4	A X(10)	312.9 339.9	Aaa Aaa	Caa2 Caa2	C C
PNC Mortgage Acceptance, 2000-C2	J K L M N	29.6 8.1 8.1 10.8 5.4	Ba2 Ba3 B1 B2 B3	Ba1 Ba3 B1 B2 B3	B1 B3 Ca C C
Salomon Brothers Commercial, 2001-C2	H J K L M N P	10.8 18.4 14.1 6.5 5.4 6.5 5.4	Baa3 Ba1 Ba2 Ba3 B1 B2 B3	Baa2 Ba1 Ba2 Ba3 B2 Caa1 Caa2	Ba1 B3 Ca Ca C C C

	Class	Current Balance (\$Mil.)	Orig. Rating	Most Recent Rating	New Rating
Wachovia Bank Comm. Mortgage, 2005-C20	A-MFL A-MFX A-J B C D E F G H	100.0 266.4 274.8 77.9 27.5 68.7 41.2 41.2 32.1 41.2	Aaa Aaa Aaa Aa2 Aa3 A2 A3 Baa1 Baa2 Baa3	Aaa Aaa Aaa Aa3 A1 Baa1 Baa2 Ba2 B2 Caa3	Aa1 Aa1 A3 Baa2 Ba1 B2 Caa1 Caa3 Ca C

S&P

	Class	Current Balance (\$Mil.)	Orig. Rating	Most Recent Rating	New Rating
CBAC, 2006-2	M-4	2.3	BBB	CCC-	D
First Union National Bank Comm., 2001-C3	H J K L M N O	12.3 18.4 14.3 6.1 4.1 6.1 4.1	BBB- BB+ BB BB- B+ B B-	A+ A- BBB BB+ BB B+ B	A BBB- BB- B- CCC+ CCC CCC-
GMAC Comm., 1999-C1	E	20.0	BBB-	AA	AAA
GMAC Commercial Mortgage, 2003-C2	F G H J K L M N O	21.0 11.3 16.1 21.0 8.1 8.1 9.7 4.8 4.8	BBB+ BBB BBB- BB+ BB BB- B+ B B-	A+ A BBB+ BB+ BB BB- B+ B- CCC	BBB+ BBB BB+ B+ B B- CCC+ CCC CCC-

Fitch

	Class	Current Balance (\$Mil.)	Orig. Rating	Most Recent Rating	New Rating
Banc of America, 2001-1	N	5.1	B	C	D
Credit Suisse, 2004-C3	O	0.0	B-	C	D
First Union-BofA Commercial, 2001-C1	M N	2.0 0.0	BB- B+	C C	D D
GMAC Commercial Mortgage, 2006-C1	M N O	6.8 0.0 0.0	BB- B+ B	CC CC CC	D D D
Heller Financial Comm. Mortgage, 1999-PH1	L M	0.0 0.0	B B-	C C	D D
Heller, 2000-PH1	L	5.3	B	CC	D
Hometown, 2006-1	D	0.2	A	C	D
JPMCC, 2002-CIBC4	L	7.8	B	C	D
JPMCC, 2005-CIBC13	N	5.9	B	CC	D
LaSalle Commercial Mortgage, 2006-MF4	D E	7.3 0.0	BBB+ BBB	C C	D D
LaSalle, 2007-MF5	D	6.7	BBB+	C	D
LB-UBS, 2001-C2	L	2.5	B+	C	D
LB-UBS, 2006-C1	M	7.8	BB	B-	D
M. Stanley, 2006-XLF	L	6.3	BBB	C	D
M. Stanley, 2000-LIFE1	L	12.6	B	C	D

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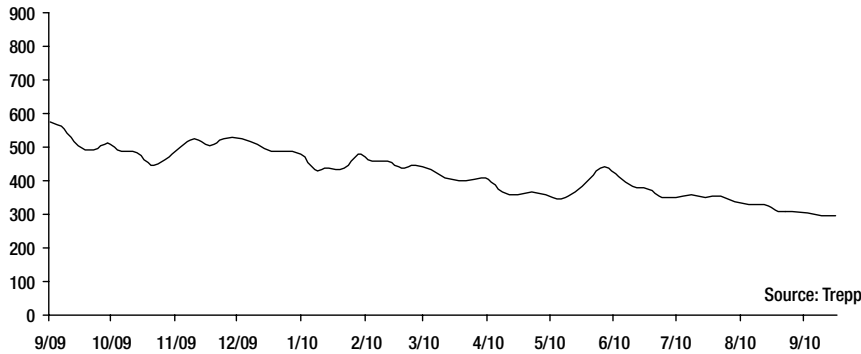
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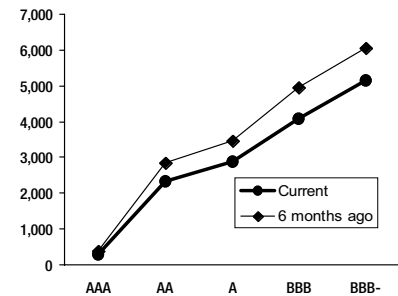
MARKET MONITOR

CMBS SPREADS

10YR, AAA SPREAD OVER SWAPS

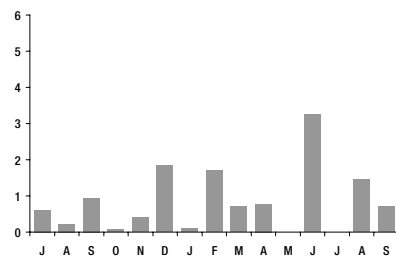


CMBS SPREADS OVER SWAPS



WORLDWIDE CMBS

MONTHLY ISSUANCE (\$Bil.)



Category	YTD 2010	YTD 2009	2009
US Total	4.4	0.6	2.7
Non-US (Central bank facility)	1.7	18.6	18.6
Non-US (Other)	2.7	3.5	4.6
Non-US Total	4.4	22.1	23.2
TOTAL	8.8	22.7	25.9

Fixed Rate (Conduit)	Avg. Life	Spread (bp)		
		9/15	Week Earlier	52-wk Avg.
AAA	5.0	S+168	S+167	+216
	10.0	S+298	S+297	+415
AA	10.0	S+2,348	S+2,347	+2,748
A	10.0	S+2,880	S+2,879	+3,337
BBB	10.0	T+4,093	T+4,088	+4,795

Market CMBS 05-1	Dollar Price		
	9/15	Week Earlier	52-wk Avg.
AAA	92.0	91.6	85.3
AA	40.2	39.7	36.3
A	31.1	30.9	29.1
BBB	18.9	18.9	18.9
BB	5.0	5.0	5.2

Sources: Trepp, Markit

LOAN SPREADS

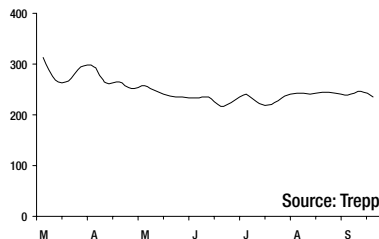
ASKING SPREADS OVER TREASURYS

10-year loans with 50-59% LTV

	9/10	Month Earlier
Office	236	244
Retail	221	234
Multi-family	208	215
Industrial	220	229

Source: Trepp

ASKING OFFICE SPREADS



CMBS TOTAL RETURNS

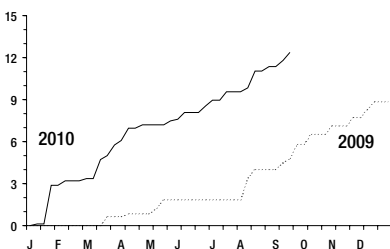
CMBS INDEX

As of 9/15	Avg. Life	Total Return (%)		
		Month to Date	Year to Date	Since 1/1/97
Inv.-grade	4.4	0.8	17.9	144.4
AAA	3.8	0.5	13.7	145.5
AA	5.3	1.3	24.1	44.1
A	5.7	1.3	28.1	28.3
BBB	5.7	2.7	38.1	17.5

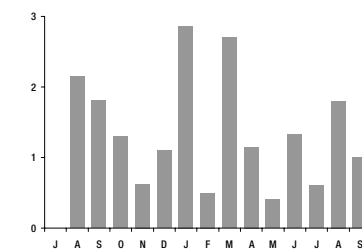
Source: Barclays

REIT BOND ISSUANCE

UNSECURED NOTES, MTNs (\$Bil.)



MONTHLY ISSUANCE (\$Bil.)



SPREADS

9/10	Maturity	Rating (M/S)	Amount (\$Mil.)	Spread (bp)	CDS (bp)
Kimco	10/19	Baa1/BBB+	300	T+220	185
Simon Property			900	T+165	144
Equity Residential	7/20	Baa1/BBB+	600	T+175	130
Prologis	3/20	Baa2/BBB-	800	T+475	425
AvalonBay	3/20	Baa1/BBB+	250	T+155	123
Duke Realty	3/20	Baa2/BBB-	250	T+270	200
Boston Properties	11/20	Baa2/A-	700	T+190	150
Health Care Property	1/18	Baa3/BBB	600	T+260	200
Regency Centers	6/20	Baa2/BBB	150	T+230	
Liquid REIT Average		Baa2/BBB+	506	T+238	195

Source: Wells Fargo

Data points for all charts can be found in The Marketplace section of CMAAlert.com

THE GRAPEVINE

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for the second consecutive year, according to an annual survey by **Institutional Investor** magazine. The CMBS research team at **Barclays** ranked second on the magazine's All-America Fixed Income Team, followed by **Roger Lehman** of **Bank of America**. Former BofA researcher **Julia Tcherkassova** took over the Barclays team upon joining the bank in June. But Barclays owes its ranking to **Aaron Bryson**, who ran the bank's CMBS research before resigning in April to join New York fund shop **Spring Hill Capital**.

Patrick Connell joined **CB Richard Ellis** in Washington this week as a managing director in the firm's recovery and restructuring unit. Connell will be working with special servicers to help resolve troubled commercial mortgages. He reports to senior managing director **Spencer Levy**, who heads that business. Connell previously worked at **CWC Capital**, where he was an asset-man-

agement team leader. He also did stints with **New Boston Fund** and **Deutsche Bank's RREEF** unit.

Realpoint has hired a loan-underwriting specialist to help rate CMBS offerings. **Sheila Bjornstad**, who previously spent 10 years at **Lehman Brothers**, will begin at the Horsham, Pa., rating agency next week as a senior vice president. She will report to managing director **Ken Cheng**, who runs the group that rates CMBS. She'll also work closely with senior vice president **Troy Doll**, who oversees analysis of the underlying loans. Bjornstad left Lehman in October 2008, just after the bank collapsed — she was in charge of credit reviews for syndicated commercial mortgages.

Mortgage-bond salesman **Todd Arbuckle** has signed on with **J.P. Morgan** in Chicago. Earlier this month, he left the Chicago office of **PrinceRidge**, about six months after being hired by the New York-based broker-dealer as an executive director. Arbuckle is said to be playing a sales role, focused on a mix of fixed-income

products at the bank. He previously worked on the structured-product sales desks at **RBS, ABN Amro** and **Bank of America**.

Thomas Fish is back with **Jones Lang LaSalle** in Houston. Fish rejoined the brokerage this week as executive managing director and co-head of the real estate investment banking operation. It's the same post Fish took in March, when he and brothers **Michael** and **Thomas Melody** were named co-heads of the business. But in June, Fish left unexpectedly to become chief executive of Houston real estate investment firm **Redstone Cos.**

Bruce Lowrey last month started at fund operator **RockBridge Capital**, where he leads the firm's hotel lending program. Lowrey, a managing director in the firm's Columbus, Ohio, headquarters, will report to chief executive **James Merkel**. Lowrey jumped from **DB Capital Ventures**, where he was a principal and co-head of lodging investments. Before that, he spent 14 years at **Capmark**, where he was co-head of hospitality lending.

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