

# Commercial Mortgage

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

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## THE GRAPEVINE

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**Bank of America's** hiring of **Mike Mazzei** this week took industry pros by surprise. When he resigned from a top real estate post at **Barclays** in June, Mazzei had indicated he was finished with Wall Street and planned to move to a smaller, more nimble outfit that wouldn't be saddled by problem loans and capital constraints. But now he has ended up in the top commercial mortgage post at the country's biggest bank. Mazzei will oversee the origination and securitization of commercial mortgages, while also managing the ongoing integration of the BofA and **Merrill Lynch** real estate operations, which have a massive \$13.5 billion legacy portfolio. **Rochelle Dobbs**, who was head of real estate finance, now reports to Mazzei.

Senior executives **Ian McColough** and **Joel Friedman** left the structured real

See **GRAPEVINE** on Back Page

## First New-Issue TALF Deal Set for October

**Developers Diversified Realty** is on track to unveil the first commercial MBS transaction under the TALF program in mid-October, but two other potential issuers — **Simon Property** and **Westfield** — have dropped out of the picture.

The developments add some clarity to the murky CMBS pipeline, which has been the source of much speculation since May, when the **Federal Reserve** unveiled the TALF program for new-issue CMBS transactions.

The current indications are that **Developers Diversified** will launch the first two deals: one in October and the other possibly in November. **Vornado Realty** is next in the queue, followed by a third, unidentified REIT. At some point, **Inland Real Estate Group** is also expected to come to market.

If those deals go well, other issuers could follow. "Everyone is sitting on the sidelines to wait for the other guy to go first," said one market veteran.

But the defections of **Simon** and **Westfield** are blows to the TALF program,

See **TALF** on Page 12

## Ex-Merrill Pros Launch Finance Company

A dozen former members of **Merrill Lynch's** commercial real estate lending operation have teamed up with private equity firm **Black Creek** to launch a commercial mortgage company.

The New York shop, dubbed **FundCore Finance**, is headed by **Steven Ball**, who ran Merrill's real estate finance operation for eight years. The other senior executives are managing principals **John Mulligan** and **George Kok**, as well as principal **Kevin Davis**.

**FundCore**, which opened last month, is aiming to write \$1 billion of mortgages in its first year of operation. It will target the niche between conservative insurance-company loans and higher-risk bridge loans and preferred equity. "We see a strong opportunity to fill an unmet gap in the commercial real estate lending market," said **Evan Zucker**, managing principal of Denver-based **Black Creek**.

The plan is to focus on nonrecourse, fixed-rate loans of \$10 million to \$50 million

See **PROS** on Page 12

## CMBS Writedowns Eased in Second Quarter

Commercial real estate writedowns at the capital-markets units of major banks continued to fall in the second quarter, signaling that the bulk of losses from the market crash have now been recognized.

Thirteen big lenders took aggregate net writedowns of \$2 billion from April through June, according a review by **Commercial Mortgage Alert**. That was down from \$2.7 billion in the first quarter and was the lowest total since huge real estate writedowns started emerging in late 2007. Writedowns have now declined for three quarters in a row, from the \$6.7 billion peak in last year's third quarter (see table on Page 10).

**Goldman Sachs** had the biggest writedown for the second quarter in a row — \$700 million, on top of \$1.3 billion in the first quarter. Next came **Bank of America** (\$458 million), **Credit Suisse** (\$283 million) and **Deutsche Bank** (\$278 million).

After declining rapidly for several quarters, the surveyed lenders' net exposure

See **WRITEDOWNS** on Page 10

adaptability

maneuverability

sustainability

stability

first mortgages

mezzanine financing

sale-leasebacks

loan originations

loan purchases



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## Broker PrinceRidge on Hiring Spree

Broker-dealer startup **PrinceRidge** wants to add a number of structured-finance specialists, including commercial MBS pros, to its sales, trading and investment-banking teams by yearend.

The New York firm, led by former **UBS** executives **John Costas** and **Mike Hutchins**, has amassed about 50 employees since it was founded late last year. It now plans to significantly expand a 20-member sales and trading desk run by **Ronald Garner**, who focuses on structured products. The recruits would work in New York or at offices that the firm plans to open in Boston, Chicago and on the West Coast.

PrinceRidge also wants to add 5-10 corporate-finance and commercial real estate specialists to a 10-member unit in New York, headed by **Ahmed Alali**, that handles investment banking and advisory business.

The company joins a crowded field of small and mid-size brokerage firms that have recently enlarged or created fixed-income desks to take advantage of the pullback by major firms. Some are already well-established Wall Street players, such as **Cantor Fitzgerald**, **Jefferies & Co.** and **Raymond James**.

For its part, PrinceRidge aspires to grow into a mid-size investment bank — comparable to the sizes of **Donaldson Lufkin & Jenrette** and **Greenwich Capital** in the mid-1990s.

In building their teams, both Garner and Alali said they expect to hire some senior staffers with commercial-mortgage experience. The pair previously worked together for many years in the commercial real estate areas at UBS and, before that, at **Credit Suisse**.

Garner's sales and trading desk buys and sells CMBS, residential mortgage bonds, asset-backed securities and CDOs in the secondary market. His head CMBS trader is **Darren King**, another UBS alumnus who came on board when PrinceRidge started trading bonds in early July.

Garner is looking for senior bond traders and sales staffers to work in New York. He's also recruiting sales pros, most of whom would be based elsewhere, to fill out the rest of his group.

For the most part, PrinceRidge currently serves as middle-man on trades involving CMBS and other structured-finance securities with ratings ranging from double-A to triple-B. However, it will eventually take positions and build an inventory of bonds, drawing on an undisclosed amount of capital provided by the firm's principals.

As for Alali, he's mostly on the lookout for corporate-finance specialists to work on unsecured-debt transactions, perform advisory work, handle mergers and acquisitions, or underwrite asset- and mortgage-backed issues.

He expects to hire at least one or two real estate specialists who could work on a wide variety of transactions. As the market recovers, those efforts could include REIT-bond issues, securitizations and originations via the syndication or CMBS markets. Alali's chief lieutenant in the real estate area is

See **BROKER** on Page 11

## Pensions Urged to Consider Lending

A leading consultant is encouraging public pension systems to step into the lending void caused by the woes of securitization programs and insurance companies.

**Townsend Group** said pension funds could garner unleveraged yields of 8% by originating first mortgages on Class-A properties. Returns could range up to 20% from bridge loans or debt financing provided to funds that buy distressed assets, the consultant added.

Pension executives said that while the suggestion is logical, most systems lack the infrastructure to implement it. "I suspect being a direct lender has more of an appeal," one longtime pension official said after receiving the report. "Where the banks have withdrawn, other capital will flow in at some point."

But pros noted that few systems either have or could easily build platforms for sourcing and originating loans. "It's a consultant's recommendation," said one official. "Whether people can act on it is an entirely different thing."

One pension official said direct lending would be "going down too far on the food chain" for many systems. Also, many pensions have limited capital available for investment after suffering big losses in the market crash.

Few public pension systems currently lend directly. To the extent that they invest in real estate debt, systems usually do so by acquiring stakes in debt funds. At the end of the first quarter, state and local retirement funds held \$7.9 billion of commercial mortgages directly — representing a minuscule 0.2% of the \$3.5 trillion of outstanding commercial and multi-family mortgage debt, according to **Federal Reserve** data.

Representatives from four of the nation's largest systems — **California State Teachers, Calpers, Pennsylvania Public School Employees** and **Texas Teachers** — said the pensions have no intention of sourcing and originating loans directly. Calpers does invest in mortgages, but does so via joint ventures with **Bank of America**, which sources the loans.

But one pension that received the Townsend report — **San Bernardino County Employees** — will begin looking at originations in the first quarter of 2010. And a few other pensions, notably **New York State Teachers** and **TIAA-CREF**, already have fairly active lending profiles.

For example, New York State Teachers wrote \$130 million of fixed-rate mortgages this summer. One was a \$40 million loan that added to debt it had already provided on the office building at 625 Madison Avenue in Midtown Manhattan. The other was a \$90 million note on five office buildings in Annapolis Junction, Md. A New York State Teachers spokesman said the system will continue to opportunistically originate senior debt, but only on "large institutional quality commercial properties that are owned by experienced, well-capitalized parties."

The mortgage recommendation was in a 20-page overview of the commercial real estate market that Townsend started distributing to clients in July. The report, which included potential investment strategies, accompanied the distribution

of first-quarter returns of fund investments.

Cleveland-based Townsend, which declined to elaborate on the report, is the most-active real estate consultant to public pension funds. Last year, it had assignments with 23 of the Top 50 systems, according to a survey by sister publication **Real Estate Alert**. ❖

## Rockpoint Returns Equity to Investors

Unable to find suitable investments, **Rockpoint Group** has pulled the plug on a \$479 million debt fund after investing only \$19 million of its equity.

Rockpoint informed the limited partners two weeks ago that it was releasing them from roughly \$460 million of unfunded commitments. That marks the first time in the current downturn that a debt-fund operator is effectively returning equity to investors in the wake of a tough investment environment.

The vehicle, launched in 2006, was the first debt fund sponsored by Rockpoint, a veteran operator of property funds. Lead investor **California State Teachers** committed \$270 million. The goal was to produce a 15% return by providing mezzanine loans and preferred equity to developers of single-family homes. But the crash of the housing market, beginning in 2007, left Rockpoint with more money than it could put to work.

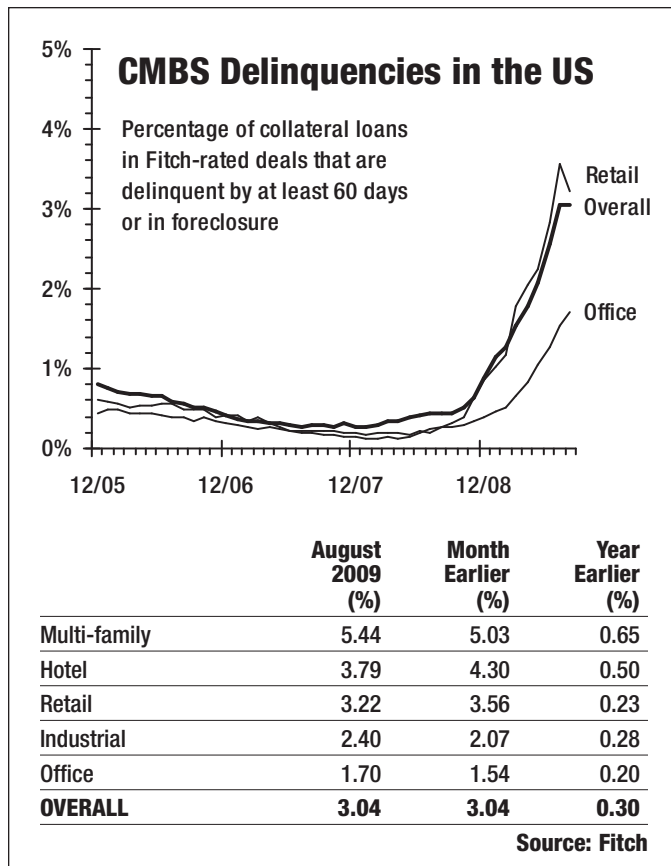
Earlier this year, Rockpoint told investors it would broaden the strategy by originating senior debt as well, but no deals were struck.

The three-year investment period of the vehicle, called Rockpoint Finance Fund, was scheduled to expire at yearend. Boston-based Rockpoint and the limited partners had discussed the possibility of a one-year extension. However, the manager eventually concluded that it didn't see enough investment opportunities to justify the extension. Rockpoint early on decided against using the vehicle to invest in distressed debt, instead opting to pursue those plays via its property-fund series.

Market watchers expect other funds to release investors from at least some portion of their pledges. Other operators are also having trouble lining up suitable investments and will likely conclude it's better to return equity rather than risk the chance of entering into dicey investments. Indeed, such a strategy might build goodwill with investors for future fund raising.

The few investments that the fund made, between 2006 and the summer of last year, haven't turned out well. The vehicle wrote down the value of its investments by 78.1% between the vehicle's inception and the end of the first quarter.

While Rockpoint's move is rare, it isn't unheard-of. **Sunburst Hospitality**, of Silver Spring, Md., last year released investors from some \$270 million in commitments to a \$300 million property fund. The vehicle, Colesville Partners, invested roughly \$30 million in multi-family and hotel properties in the Southeast before folding. ❖



## Spike in Delinquency Rate Pauses

The U.S. commercial MBS delinquency rate held steady last month, belying an ongoing slide in loan performance.

The 60-day delinquency rate stood at 3.04% on Aug. 31, the same as a month earlier. That broke a 19-month string of increases after the rate hit bottom at 0.27% in January 2008, according to an index maintained by **Fitch**.

But the stability was attributed to technical factors, rather than any improvement in credit quality, and is likely to be short-lived, according to Fitch, which still expects delinquencies to reach 5-6% within six months.

The flat performance last month “does not reflect a sign of broader recovery in commercial real estate fundamentals,” said Fitch managing director **Susan Merrick**. “Several large imminent defaults in the pipeline, including \$668 million in hotel loans tied to the gaming industry and three additional loans above \$100 million that are 30-days delinquent, suggest that performance deterioration will continue.”

Another \$1.7 billion of commercial MBS loans defaulted last month. But that was more than offset by the reclassification of loans to **General Growth Properties** and **Red Roof Inn** that were previously 60-days delinquent. Loan modifications ordered by a bankruptcy court prompted servicers to reclassify \$819 million of General Growth loans last month as current. That reduced the delinquency rate by 18 bp. Some \$294 million of Red Roof Inn loans originated in 2007 dropped out of the index as well. The hotel loans were switched to the 30-day-late category after an additional payment was made.

As a result of the reclassifications, the overall volume of delinquent CMBS loans declined slightly last month, to \$14.2 billion.

The new defaults included a \$195.1 million loan to **Babcock & Brown** on a multi-family portfolio. That loan, which was securitized in 2006, is now the largest in Fitch’s delinquency index. The addition helped boost the delinquency rate for apartment and condominium loans by 41 bp, to 5.44%. That’s the highest rate for any sector, followed by hotels at 3.79% (down 51 bp from a month earlier) and retail loans at 3.22% (down 34 bp). The hotel and retail rates declined because of the reclassifications. Meanwhile, the delinquency rates for industrial (2.4%, up 33 bp) and office (1.7%, up 16 bp) remain well below average.

The delinquency index tracks loans in U.S. securitizations rated by Fitch that are overdue by at least 60 days or in foreclosure. At the end of last month, 1,967 loans totaling \$14.2 billion were in that category. Another \$3.6 billion of loans were delinquent by 30-59 days, up from \$2.7 billion a month earlier. Overall, Fitch rates some \$467 billion of CMBS transactions backed by about 42,000 commercial mortgages. ❖

## FALL ALERT For Hotel Loan Servicing

### Five Danger Areas:

- 1. End of summer income drop off** - borrower got his, now you get the hotel.
- 2. False recovery data in October** - remember hotel fallout started Oct '08, after Lehman fell, so the magnitude of decline will lessen from -18% to about 5%- but that’s roughly a 23% cumulative drop from '07.
- 3. End of year** - get it off the books, so I get a shot at my 2010 bonus.
- 4. Distressed sales drop values.**
- 5. Appraisals now have comps** - and they aren’t pretty.

Contact Kevin Gallagher at Prism Hotels & Resorts for help (214) 257-1039



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## CWCapital Shops Defaulted Loans

Special servicer **CWCapital** will take bids this month on \$121 million of defaulted commercial MBS loans, its third such offering since July.

The portfolio consists of roughly 20 loans on multi-family, retail and office properties in Texas, Georgia and Florida. The loans are from the collateral pools of more than a dozen CMBS deals that priced between 1996 and 2007. Bids are due by Sept. 22. **Eastdil Secured** is handling the auction.

CWCapital is the only special servicer that is aggressively using note sales as an exit strategy for nonperforming CMBS loans. "A lot could follow — if it works," one market player said.

CWCapital took initial bids last week on roughly \$252 million of defaulted CMBS loans, mostly on Michigan and Ohio properties. Investors said interest from national players was limited because many investors refuse to consider commercial real estate opportunities in hard-hit Michigan. However, local investors bid on much of the offering.

More than half of the mortgages that Eastdil is marketing are secured by multi-family properties. The largest mortgage, with an unpaid balance of \$17.6 million, is backed by a 424-unit complex in Riverdale, Ga. The offering also includes \$37.6 million of loans backed by four Houston apartment complexes with 1,235 total units.

Special servicers are expected to increasingly turn to the secondary market as the volume of distressed CMBS loans rises. Some \$50 billion of securitized U.S. mortgages — or 6.8% of the total outstanding balance — are in special servicing, up from 1.6% at the end of last year, according to **Trepp** (see article on Page 8). ❖

## Intex Preps TALF Analytical Tool

Research and analytics firm **Intex** is preparing to roll out a financial-analysis tool this fall that will help investors model structured bonds purchased with loans from the **Federal Reserve's** TALF program.

The tool will enable buyers of commercial MBS and asset-backed securities to integrate bond analysis, such as prepayment and default projections, with analysis of TALF financing costs.

"Clients without access to such a tool would have to build and maintain their own model," said an Intex spokesman.

The modeling tool is now being tested and should be formally introduced next month. It will be available via the firm's Intex Desktop application. Pricing hasn't yet been determined.

Under the TALF program, formally known as the Term Asset-Backed Securities Loan Facility, investors can get low-cost financing from the government to buy super-senior CMBS. Loan terms range from three to five years. ❖

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Please take notice that 100% of the membership interests in each of 100 Church Owner LLC ("Owner") and 100 Church Mezzanine LLC ("Mezzanine"), owned respectively by Mezzanine and 100 Church Member LLC ("Member"), will be offered for sale at a public auction by Green Loan Services LLC as special servicer for Gramercy Warehouse Funding I LLC ("Secured Party") as secured party and sold to the highest **Qualified Bidder** on October 15, 2009 at 10:00 a.m. at the law offices of Herrick, Feinstein LLP, 2 Park Avenue, New York, NY 10016. The principal asset of Member is its 100% membership interest in Mezzanine. The principal asset of Mezzanine is its 100% membership interest in 100 Church Owner LLC, the owner of an office building located at 100 Church Street, New York, New York.

This sale is held to enforce the rights of the Secured Party under those certain pledge agreements executed by (i) Member, as debtor, dated August 9, 2007 and (ii) Mezzanine, as debtor, dated August 9, 2007. The Secured Party reserves the right to reject all bids and terminate or adjourn the sale to another time, without further publication.

Interested parties who would like additional information regarding the collateral, the requirements to be a "Qualified Bidder" or the terms of the sale should visit the website [www.eastdilsecured.com/notices/100Church.pdf](http://www.eastdilsecured.com/notices/100Church.pdf) or contact Adam Spies of Eastdil Secured, L.L.C. at (212) 315-7200 or at 40 West 57th Street, 22nd Floor, New York, NY 10019 or by email at [ASpies@eastdilsecured.com](mailto:ASpies@eastdilsecured.com).

This notice is published by the Secured Party, as secured party under the above-referenced pledge agreement executed by Mezzanine.

## JCR Investment Platform Takes Shape

**JCR Capital** is moving ahead with its plan to invest in distressed loans and property partnerships.

The year-old firm, led by former **GMAC Commercial Mortgage** executive **Jay Rollins**, is operating three programs under which it provides capital to:

- Property owners with maturing debt that they are unable to refinance;
- Buyers of loans or properties who are having a hard time lining up debt financing;
- Banks saddled with problem loans.

The Denver company is willing to make both debt and equity investments, although its initial plays have mostly been structured as equity.

JCR expects to deploy at least \$250 million over the next few years. Its main backer is **JAM Equity Partners**, which last year bought a 40% stake in JCR. JAM is headed by **Sy Jacobs**, founder of **Jacobs Asset Management**, a money-management firm in New York with \$314 million of assets under management. JCR plans to raise the balance of its equity from outside investors.

The firm has actively invested via all three programs since the spring, according to Rollins, who declined to specify amounts. He added that there is no shortage of investment opportunities. "We are looking at four or five situations a day where we could play a role," he said. "We are private capital, so we look to hold the risk, and do everything on an unleveraged basis. We are part deal doctor and part psychologist. The price is relatively high, but the capital is available."

Rollins said JCR is negotiating to help a borrower buy back a loan for 70 cents on the dollar. The debt is backed by finished lots at a townhouse development in Colorado. The borrower would kick in 5% of fresh equity, and JCR would also supply capital. JCR will own the lots, and sell them back to the borrower over time.

The firm has also set up a joint venture with a community bank in which JCR acquired a majority interest in a troubled loan portfolio. The bank is continuing to manage the assets and retains some upside potential. Rollins called the investment a "Private TARP" program, referring to the **U.S. Treasury's** Troubled Asset Relief Program.

As he has built out the platform, Rollins has added two staffers as directors: **Pablo Fuenzalida** and **Zak Kessler**. Fuenzalida was previously an underwriter and originator at **Transwestern Investment**. Kessler was formerly a financial analyst at **Vantage Pointe Capital**.

At JCR, both work on underwriting and structuring. They join Rollins and his longtime lieutenant **Maren Steinberg**, who worked with him at both GMAC Commercial and **Eastern Realty**. ❖

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## Special-Servicing Volume Hits \$50 Bil.

Commercial mortgages in special servicing reached the \$50 billion threshold last month, more than double the level just four months earlier.

A net 199 loans were transferred to special servicing in August, increasing the total to 2,953, according to **Trepp**. Those loans totaled \$3 billion, driving up the percentage of securitized U.S. commercial mortgages in special servicing to 6.8% of the total balance, from 6.4% at the end of July.

The special-servicing rate has now climbed for 16 months in a row, reflecting the growing distress in commercial real estate. The rate is 17 times higher than the record low of 0.40% in August 2007. The bulk of the increase has come in recent months. At the end of April, \$23.8 billion of loans were in special servicing.

In a possible silver lining, the rate of growth slowed somewhat last month. The 38-bp increase in the special-servicing rate was the lowest since February. And the net number of loans added, while up slightly from July, was down from 271 in June and 260 in May. Nevertheless, the special-servicing rate is expected to continue to climb for the foreseeable future as borrowers struggle to refinance the coming wave of maturing loans.

Last month, the proportion of loans in special servicing grew for each property type. Some 12.1% of securitized hotel loans, by balance, were in special servicing, up from 11.6% in July. The share of multi-family loans in special servicing rose to 8.9%, from 8.6%. And the share of retail mortgages jumped to 8.2%, from 7.9%.

Office mortgages — which make up 30% of outstanding commercial MBS loans — continue to account for a relatively

See **SERVICING** on Page 9

## Large Securitized Loans in Special Servicing

Office	Current Balance (\$Mil.)	Type	Loan Date	Maturity Date	Sent to Special Servicer	Status	Securitization
RFR Realty Office portfolio, Stamford, Conn.	\$301.5	Floating	8/1/07	8/6/12	7/29/09	Current	BALL 07-BMB1
Second & Seneca, Seattle	175.0	Fixed	4/10/07	5/1/17	6/24/09	Current	BACM 07-3
119 West 40th Street, New York	160.0	Fixed	4/2/07	4/6/17	6/18/09	30-59 days overdue	GSMS 07-GG10
Gateway at Lake Success, Lake Success, N.Y.	110.0	Fixed	8/26/05	9/6/10	4/8/09	Current	GCCFC 05-GG5
WaMu Irvine Campus, Irvine, Calif.	106.0	Fixed	12/1/04	12/11/11	5/22/09	60-89 days overdue	CSFB 05-C2
<b>Retail</b>							
Providence Place, Providence, R.I.	258.5	Fixed	3/9/05	3/11/10	4/29/09	Current	LBUBS 05-C5
Lynnhaven Mall, Virginia Beach, Va.	237.0	Fixed	6/16/05	7/6/10	4/22/09	Current	GCCFC 05-GG5
North Star Mall, San Antonio	232.6	Fixed	11/12/04	1/1/10	4/21/09	Current	GCCFC 05-GG3
Grand Canal Shoppes, Las Vegas	218.5	Fixed	5/17/04	5/1/09	4/24/09	Current	GCCFC 05-GG3
Woodbridge Center, Woodbridge, N.J.	206.5	Fixed	11/12/04	6/1/09	4/28/09	Matured, perf.	JPMCC 05-LDP1
<b>Multi-family</b>							
Riverton Apartments, New York	225.0	Fixed	12/21/06	1/1/12	8/7/08	Current	CD 07-CD4
Babcock & Brown/Alliance portfolio-1	197.9	Fixed	1/1/06	1/11/16	2/4/09	Current	CSCMT 06-C3
Babcock & Brown/Alliance portfolio-2	195.1	Fixed	1/1/06	1/11/16	2/4/09	In foreclosure	CSCMT 06-C4
Dawnay Day portfolio, New York	195.0	Fixed	3/19/07	4/1/12	9/8/08	Current	MSC 07-IQ14
Babcock & Brown/Alliance portfolio-3	193.9	Fixed	1/1/06	1/11/16	2/6/09	Current	CSCMT 06-C5
<b>Hotel</b>							
Extended Stay Hotels	4,091.8	Mixed	2006-2007	2010/2012	6/16/09	Current	WBCMT 07-ESH
Pointe South Mountain Resort, Phoenix	190.0	Fixed	7/31/06	8/6/16	3/18/09	90+ days overdue	GSMS 06-GG8
Red Roof Inn portfolio	182.4	Fixed	9/6/07	9/1/17	6/8/09	30-59 days overdue	BSCMS 07-PWR17
HRO Hotel portfolio	133.3	Floating	10/5/06	10/9/11	4/14/09	Current	MSC 07-XLF
DLJ West Coast Hotel portfolio	130.1	Fixed	6/29/07	7/6/12	5/15/09	Current	MLCFC 07-9
<b>Other</b>							
Ala Moana portfolio, Honolulu (Mixed-use)	402.1	Fixed	8/14/06	9/1/11	4/21/09	Current	CD 07-CD4
	298.6						CD 06-CD3
	199.1						CWCI 06-C1
Solana, Westlake, Texas (Mixed-use)	220.0	Fixed	12/8/06	12/11/13	3/2/09	Current	BACM 07-1
	140.0						JPMCC 07-LDP10

Source: Trepp

## Servicing ... From Page 8

low proportion of the loans in special servicing, largely because long-term leases have shielded office properties from the immediate impact of the recession. But problems are expected to appear over time, and, indeed, there were signs of that last month. The proportion of office mortgages in special servicing jumped to 3.5%, from 3% in July. Office loans now account for 15.5% of loans in special servicing, up from 14.3% in July.

Among the large office mortgages transferred last month:

the \$301.5 million senior portion of a \$400 million loan to **RFR Realty** on seven properties, encompassing 1.7 million square feet, in Stamford, Conn.; the \$83.2 million senior portion of a \$100 million loan to **Maguire Properties** on the 257,000-sf Stadium Towers Plaza in Anaheim, Calif.; a \$60 million senior portion of a \$165 million mortgage to **George Comfort & Sons** and **Loeb Partners Realty** on the 797,000-sf building at 63 Madison Avenue in Manhattan; and a \$50.5 million mortgage to **Transwestern Investment** on the 260,000-sf Tower Place 200 in Atlanta. ❖

## Large Loans Recently Transferred to Special Servicing

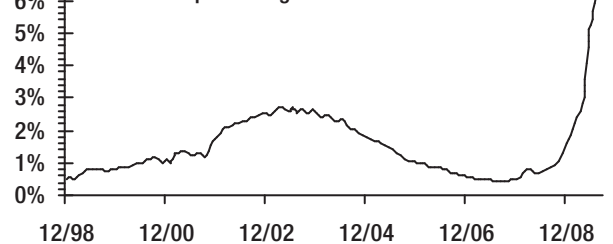
	Current Balance (\$Mil.)	Type	Loan Date	Maturity Date	Sent to Special Servicer	Status	Securitization
Sheraton Universal Hotel, Universal City, Calif.	\$84.0	Fixed	2/1/07	2/5/12	7/20/09	30-59 days overdue	BSCMT 07-PWR15
Midwest Retail Portfolio	81.5	Fixed	4/18/06	5/1/16	7/9/09	Current	JPMCC 06-CIBC15
63 Madison Avenue, New York (Office)	60.0	Fixed	1/1/05	1/1/10	7/24/09	Current	GECMC 05-C1
Tower Place 200, Atlanta (Office)	50.5	Fixed	9/18/06	10/6/11	7/16/09	30-59 days overdue	GSMS 06-GG8
Crowne Plaza - LaGuardia, East Elmhurt, N.Y.	49.4	Fixed	2/13/07	3/1/17	7/10/09	Current	JPMCC 07-CIBC18
1150 18th Street NW, Washington (Office)	47.0	Fixed	9/1/07	9/1/17	8/5/09	60-89 days overdue	CD 07-CD5
Graves 601, Minneapolis (Hotel)	37.2	Fixed	11/16/05	12/1/15	7/23/09	Current	BACM 05-6
Valley Square Office Park, Blue Bell, Pa.	37.0	Fixed	4/27/06	5/1/16	7/20/09	30-59 days overdue	BACM 06-4
Villas of Sage Creek Apartments, Austin	33.3	Fixed	3/21/05	4/1/15	7/2/09	Current	MLMT 05-MCP1
Belmont, Fredericksburg, Va. (Multi-family)	32.8	Fixed	4/1/06	5/11/11	7/29/09	60-89 days overdue	LBUBS 06-C4

Source: Trepp

## Breakdown of Special Servicing

Collateral	Balance (\$Mil.)	Portion of Loan Type In Special Servicing (%)	Share of Special Servicing (%)	Share of All CMBS Loans (%)
Retail	\$17,852.4	8.2	35.7	29.6
Multi-family	9,809.3	8.9	19.6	15.0
Hotel	8,941.4	12.1	17.9	10.0
Office	7,742.5	3.5	15.5	30.2
Industrial	1,309.5	3.6	2.6	4.9
Other	4,332.3	5.7	8.7	10.4
TOTAL	49,987.4	6.8	100.0	100.0

**CMBS Loans in Special Servicing**  
Balance as percentage of all U.S. CMBS loans



Source: Trepp

One of the leading hotel owners/operators in the country is seeking financing for a portfolio of hotel properties

### Portfolio Consists of 10 Hotels:

- Brands include: Marriott, Hilton, and Sheraton
- Geographically Diverse
- Recently Renovated

Properties can be financed either individually or crossed

### Portfolio Summary

- TTM EBITDA as of 7/31/09: \$29,740,000
- PROJECTED 2010 EBITDA: \$32,000,000
- LOAN BALANCE (Est. 12/31/2009): \$215,000,000

For more information on this opportunity, please contact:

**Derek Haught 859-578-1116**  
**Fredrik Lanner 859-578-1157**

## Commercial Real Estate Net Writedowns

	4Q-07 (\$Mil.)	1Q-08 (\$Mil.)	2Q-08 (\$Mil.)	3Q-08 (\$Mil.)	4Q-08 (\$Mil.)	1Q-09 (\$Mil.)	2Q-09 (\$Mil.)	TOTAL (\$Mil.)
Credit Suisse	\$340.0	\$850.0	\$470.0	\$900.0	\$926.0	\$1,229.0	\$283.0	\$4,998.0
Lehman Brothers	900.0	1,000.0	1,300.0	1,600.0	NR	NR	NR	4,800.0
Goldman Sachs	NR	0.0	375.0	325.0	700.0	1,325.0	700.0	3,425.0
Citigroup	NR	573.0	545.0	518.0	991.0	186.0	32.0	2,845.0
Bear Stearns/NY Fed	450.0	150.0	0.0	1,600.0	530.0	NR	NR	2,730.0
Deutsche Bank	564.0	697.0	487.0	230.0	298.0	64.0	278.0	2,618.0
Wachovia	1,088.0	521.0	209.0	347.0	NR	26.0	99.0	2,290.0
Bank of America	134.0	191.0	263.0	182.0	853.0	174.0	458.0	2,255.0
Merrill Lynch	230.0	NR	37.0	854.0	1,131.0	(181.0)	0.0	2,071.0
J.P. Morgan	NR	266.0	190.0	365.0	723.0	223.0	(94.0)	1,673.0
RBS	NR	NR	187.0	NR	139.0	74.0	41.0	441.0
UBS	116.0	443.0	(318.0)	(29.0)	NR	NR	0.0	212.0
Morgan Stanley	400.0	(500.0)	100.0	(200.0)	(200.0)	(400.0)	200.0	(600.0)
TOTAL	4,222.0	4,191.0	3,845.0	6,692.0	6,091.0	2,720.0	1,997.0	29,758.0

## Commercial Real Estate Net Exposures

	4Q-07 (\$Bil.)	1Q-08 (\$Bil.)	2Q-08 (\$Bil.)	3Q-08 (\$Bil.)	4Q-08 (\$Bil.)	1Q-09 (\$Bil.)	2Q-09 (\$Bil.)	Change 12/07-6/09 (\$Bil.)	(%)
Credit Suisse	\$22.9	\$19.5	\$14.7	\$11.4	\$8.2	\$6.1	\$6.1	-\$16.8	-73.5
Lehman Brothers	38.9	36.1	29.4	24.0	24.0	24.0	24.0	-14.9	-38.3
Goldman Sachs	19.0	19.4	16.6	14.6	10.9	8.8	8.0	-11.0	-57.9
Citigroup	23.8	22.3	19.1	16.9	5.8	5.7	5.1	-18.7	-78.6
Bear Stearns/NY Fed	15.2	7.7	7.7	6.9	5.6	5.6	5.6	-9.6	-63.3
Deutsche Bank	23.4	24.2	19.1	13.2	4.5	2.7	3.0	-20.4	-87.1
Wachovia	7.6	3.0	0.8	0.6	0.6	0.6	2.3	-5.2	-69.2
Bank of America	15.8	11.9	9.2	8.2	7.6	7.3	6.3	-9.5	-60.3
Merrill Lynch	18.0	18.0	14.9	12.8	9.7	7.0	7.2	-10.8	-60.2
J.P. Morgan	8.3	7.2	6.1	5.5	3.6	4.1	4.0	-4.3	-52.1
RBS	3.6	NR	2.9	NR	0.7	0.7	2.1	-1.5	-41.6
UBS	7.8	6.3	8.2	6.4	2.5	0.0	0.0	-7.8	-100.0
Morgan Stanley	17.5	11.6	6.4	7.7	2.9	4.0	3.3	-14.2	-81.1
TOTAL	221.7	187.2	155.1	128.3	86.7	76.6	76.9	-144.8	-65.3

Figures are for global capital-markets operations, except for UBS and Royal Bank of Scotland, which show U.S. operations. Parentheses indicate net gain. NR means not reported. Writedown figures for Goldman, J.P. Morgan and Morgan Stanley are actually losses (or profits). Lehman's writedown in 4Q-07 is actually for full-year 2007, while Wachovia's 4Q-07 writedown includes \$488 million taken in 3Q-07. UBS transferred \$8.2 billion of assets since mid-2008 to a fund owned by Switzerland's central bank without specifying the associated writedowns. Writedowns by Goldman and Morgan Stanley in 1Q-09 include December 2008. Exposures are for last day of quarter. Exposures are estimated for Lehman since 3Q-08 and Bear since 4Q-08. Exposures are estimated for Wachovia in 4Q-08 and J.P. Morgan in 4Q-07. Credit Suisse's exposure figures are on a gross basis. Lehman's figures include equity investments.

## Writedowns ... From Page 1

to commercial mortgages and commercial MBS was roughly flat, at \$76.9 billion. But over the past six quarters, the banks have chopped their exposure by two-thirds, or \$144.8 billion, from \$221.7 billion at yearend 2007.

Net writedowns over the past six quarters totaled \$29.7 billion. On average, that equaled 13% of net exposure for the sample group when the crisis started (based on the earliest available 2007 figures — as of either Sept. 30 or Dec. 31).

The figures for net writedowns take into account any benefits from offsetting hedges. So gross writedowns were significantly higher.

After taking relatively small writedowns in the first year of the crash, Goldman has ramped up its totals over the past three quarters. The bank has now taken aggregate net writedowns of \$3.4 billion, second only to Credit Suisse (\$5 billion) and **Lehman Brothers** (\$4.8 billion).

Goldman's exposure to commercial real estate debt at the

See **WRITEDOWNS** on Page 11

## Writedowns ... From Page 10

end of June was \$8 billion, down from \$8.8 billion on March 31. In a conference call with analysts, chief financial officer **David Viniar** said the exposure encompassed \$6.4 billion of loans and \$1.6 billion of securities. He indicated that Goldman marked down the value of the loans to “the low 50s.” That was down from the “the high 50s” at the end of March.

**Morgan Stanley**, despite a \$200 million writedown, continued as the only major CMBS operation in the black since the financial crisis began. Thanks to successful hedging, the bank has reported a net gain of \$600 million on its commercial real estate capital-markets operation since the fourth quarter of 2007. However, the bank has taken its lumps on investments in commercial properties.

The writedown review was based on financial statements, company presentations to analysts and other sources. It tracked global holdings of both commercial mortgages and CMBS for the capital-markets operations of 13 big lenders. Portfolio loans, including construction loans, and equity investments in real estate generally were excluded.

While the figures present a broadly accurate view of industry writedowns and exposure, it's important to note that the data presented for individual lenders are subject to some inconsistencies, because the companies don't report commercial real estate data uniformly.

The figures for Lehman and the legacy **Bear Stearns** portfolios are especially problematic because of the scarcity of recent data. The **Federal Reserve Bank of New York**, which assumed \$7.7 billion of Bear commercial mortgages in March 2007 in conjunction with **J.P. Morgan's** takeover of Bear, hasn't released financial data since yearend. As for Lehman, there has been no updated information since the company went into bankruptcy last September. **Alvarez & Marsal**, the liquidation firm appointed by the bankruptcy court, was put in charge of Lehman's \$24 billion of remaining real estate assets. It's unclear to what degree those assets have been liquidated or how much further they might have fallen in value. ♦

## Broker ... From Page 2

**Matt Kirsch**, who also worked with him at UBS and Credit Suisse.

PrinceRidge, formerly known as **VinsonForbes**, received approval from the **SEC** and the **Financial Industry Regulatory Authority** to operate as a broker-dealer about two months ago. All six of its founding partners previously worked at UBS and then the bank's hedge-fund unit, **Dillon Read Capital**, until that operation was shut down in 2007. The partners are Costas, Hutchins, Alali, Garner, chief operating officer **Colette Dow** and **Matthew Johnson**, who runs corporate credit sales and trading. The firm also employs about five other UBS alumni. ♦



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## Grosvenor Fund Eyes Investments

After giving up on efforts to raise additional capital, a \$100 million debt fund operated by **Grosvenor Investment Management** and **KeyBank Real Estate Capital** will now focus on lining up investments.

The vehicle, Grosvenor Residential Investment Partners 1, provides loans to cash-strapped developers of residential properties. So far, it has originated three loans totaling about \$15 million.

Grosvenor and KeyBank had a first close with \$100 million of equity in March 2007. They subsequently tried to raise another \$100 million, but didn't attract additional capital. So they formally closed the vehicle in July.

Soon after, the fund took a \$3.4 million participation interest in a senior mortgage on a planned mixed-use community near Raleigh, N.C. — its first investment this year. The vehicle, which doesn't use leverage, must deploy its roughly \$85 million of remaining capital by the middle of 2011. The return goal is 20%. ❖

## Index Shows Lending Pickup in July

Some \$810 million of newly originated loans were added to the Giliberto-Levy Survey index in July, making it the strongest month for commercial-mortgage origination activity since September 2008.

Loan terms remained conservative, with loan-to-value ratios in the 50-60% range, and spreads in the mid-400s, according to the survey's findings. The survey, published by **CoStar** unit **Property and Portfolio Research**, measures loans written by pension plans and insurance companies.

"Activity is picking up slowly, but people remain skittish," said **John Levy**, who compiles the index with **Michael Giliberto**. ❖

## TALF ... From Page 1

formally known as the Term Asset-Backed Securities Loan Facility, which enables investors to get low-cost financing from the government to buy super-senior CMBS.

While Simon and Westfield were exploring CMBS transactions, the REIT bond market suddenly thawed out, so both firms rushed to float unsecured debt instead. Simon priced \$500 million of bonds on Aug. 6, and Westfield followed with \$2 billion of paper on Aug. 26. That enabled the mall REITs to lock in financing at relatively attractive rates, rather than waiting to float untried CMBS deals under the TALF umbrella.

Developers Diversified hasn't yet decided how to divide its shopping-center collateral between the two transactions, so the relative sizes have not yet been set. But they are expected to fall in the \$500 million to \$600 million range.

**Goldman Sachs** is leading the first transaction, which is scheduled to hit the market by mid-October. That would

give Goldman time to place the bonds before the monthly deadline — Oct. 21 in this case — that investors face for applying for TALF loans.

Citi will lead the second Developers Diversified offering. **J.P. Morgan** is believed to be working with Vornado and Inland.

The new-issue CMBS program under TALF has gotten off to a slow start, partly because of concerns about the difficulty of placing bonds below the super-senior tranches — which are not eligible for TALF financing.

That uncertainty could hang over the market until the first offering is unveiled and market players get a look at the rating structure. "After we get the first deal done, the market will open up," said one veteran CMBS player.

There are signs that more prospective borrowers are eyeing CMBS. Last month, the Fed agreed to make self-storage collateral eligible for TALF financing, in addition to the main property types, according to advisory firm **Park Bridge Financial**, which is advising self-storage REITs about possible CMBS transactions. ❖

## Pros ... From Page 1

with terms of 3-7 years. The collateral can include office, retail, multi-family, industrial and hotel properties in the 50 largest U.S. cities. Loan-to-value ratios will range up to 75%, and coupons will be in the high single-digits. Insurers, by contrast, are now writing loans equal to 50-60% of collateral value with coupons of 6-8%.

"Most of our potential borrowers will be people with short-term maturities who need to refinance," said Ball. The firm will also seek to finance buyers of distressed properties.

FundCore will also selectively write B-notes, mezzanine loans and bridge loans. It plans to retain loans on its balance sheet — at least until the credit markets thaw out and real estate values stabilize. It may consider securitization as an exit strategy as that market revives.

FundCore, which also has offices in Denver and Los Angeles, is capitalized with \$500 million from institutional investors and wealthy individuals. That includes \$150 million from **Dividend Capital**, an investment firm sponsored by Black Creek.

Black Creek, which was formed in 1991 by **John Blumberg**, **Jim Mulvihill** and Zucker, has a long track record of buying or backing real estate companies and then playing a hands-on role in their management. In addition to Dividend Capital, it controls eight other real estate operations, including **Keystone Property**, **DCT Industrial**, **Mexico Retail Properties** and **Corporate Properties of America**.

Ball, who is president of FundCore, said the startup has built up a preliminary pipeline of loans.

Mulligan heads trading and risk management, Kok is head of credit and Davis focuses on business development. At Merrill, Mulligan led syndicated lending, Kok oversaw conduit lending and Davis was a senior originator. Nine other former Merrill staffers have also signed on. ❖

## Debt Funds See More 'Green Shoots'

The latest wave of debt-fund returns provided further signs that the sector is close to hitting bottom.

While a number of vehicles still ended up well in the red for the first quarter, others inched into the black. Fund managers weren't ready to issue the all-clear signal, but they considered it bullish that some vehicles returned to positive territory for the first time in several quarters. "Up is better than down," deadpanned one sponsor.

Fund managers, which report their results on a lagging basis, began distributing first-quarter returns to investors in July. In the first wave of returns, a handful of funds reported gains. And now several more have as well.

For example, a \$460 million fund sponsored by **Fillmore Capital** gained 3.4% in the first quarter. An \$806 million fund operated by **Square Mile Capital** posted a 1.5% increase. Two **Invesco** vehicles, with \$130 million of combined equity, had returns of 8.4% and 1.5%. A \$2.5 billion debt vehicle operated by **Lone Star Funds** and a \$300 million **Canyon Capital Realty Advisors** vehicle each reported a 1.2% uptick. And a \$630 million **Starwood Capital** fund eked out a 0.7% gain.

To be sure, many funds still took hefty writedowns. A separate Square Mile fund, with \$561 million of equity, wrote down the value of its holdings by 21%. A \$247 million **Tricon Capital** fund took a 39% hit. And a \$150 million vehicle sponsored by **Low Enterprises Investment** posted a 1.7% decline.

It's important to remember that quarterly returns can be misleading for funds that have investment horizons of at least five years. For one thing, writedowns often don't reflect realized losses, and valuations could still rebound. Also, comparisons of fund results can be misleading, depending on where funds are in their relative investment cycles. Still, the figures provide a broad view on the sector's performance.

Almost all of the funds, including the ones that reported gains in the first quarter, are still down since inception. For example, the \$100 million Invesco High-Yield Debt Fund has written down the value of its holdings by 53% since it began investing last year. The \$561 million Square Mile Capital Partners 2 fund is off 43% since late 2007, and the follow-up \$806 million Square Mile Partners 3 is down 10.7% since last year. The Lowe Enterprises fund, Lowe Resort Finance Investment Partners, has fallen 41.6% since 2007. Tricon's vehicle, Tricon Fund 7, is down 26.3% since in 2005. The Canyon Capital vehicle, Canyon Value Opportunity Fund, is down 22% since 2007. And the Fillmore fund, dubbed Fillmore East, is off 1.8% since 2006. Lone Star Real Estate Fund is nearly flat since it began investing last year. ❖

## AvalonBay Boards Bond Bandwagon

An unexpected \$500 million bond offering by **AvalonBay Communities** this week may have cracked the door for other apartment REITs to test the debt market.

After AvalonBay's issue flew off the shelves on Tuesday, investors speculated that at least one or two other multi-fami-

ly REITs with investment-grade ratings would follow suit over the next month or so. That's partly because AvalonBay found its borrowing costs in the REIT-bond market to be only slightly higher than it would have paid for agency mortgages — far from the case only two months ago.

"This is a chance to get some funding diversity," one bond buyer said. "There's no reason not to come to market right now."

AvalonBay's unsecured bonds, split evenly between 7.5-year notes with a 5.7% coupon and 10-year paper with a 6.1% tag, all carried a spread of 270 bp over U.S. Treasuries. The securities, rated Baa1/BBB+ by **Moody's** and **S&P**, priced at slightly under par value. **Bank of America**, **J.P. Morgan**, **Morgan Stanley** and **Wells Fargo** led the deal.

AvalonBay's offering was the first unsecured-bond issue by a multi-family REIT since May 2007, when **Equity Residential** floated \$1 billion of paper. It was AvalonBay's first issue since a \$500 million deal in September 2006.

The offering's success will likely attract other multi-family REITs, especially those worried about building up too much mortgage debt. REITs face the prospect of downgrades if secured-debt ratios rise too high.

For its part, AvalonBay will use the funds from its latest issue to pay down a credit line and refinance up to \$300 million of bonds with shorter remaining terms. The Alexandria, Va., REIT floated a tender offer for those outstanding securities on Tuesday as well. "It's the trend right now" among REITs in general, one investor said. "They're tendering for their shorter bonds and trying to get their maturities out farther by issuing new stuff, while rates are favorable."

AvalonBay's bond sale followed a rally that prompted seven issuers in other sectors to bring \$2.2 billion of unsecured bonds to market between Aug. 5 and Aug. 12. The year-to-date total issuance of unsecured bonds by U.S. REITs now stands at \$4.5 billion, surpassing last year's total of \$3.5 billion. In addition, Australian property investor **Westfield** priced a massive \$2 billion offering on Aug. 26 — a follow-up to its \$700 million issue in May. ❖

## Fitch Servicing Report Goes Monthly

Deteriorating market conditions have prompted **Fitch** to increase the frequency of its quarterly report on the condition of 30 major securitized commercial mortgages.

The rating agency is now publishing its "What's in Special Servicing?" report on a monthly basis. Its first monthly report, based on July's data, was released Sept. 3.

The agency had been producing the reports on a quarterly basis since October, focusing on loans only in Fitch-rated securitizations and sometimes moving loans in and out of the report to suit its guidelines.

It offers snapshots of the 10 largest delinquent loans that have been turned over to special servicers, the 10 largest performing loans in special servicing and the 10 largest credits that Fitch considers "loans of concern," even though they are still with master servicers.

The agency will report on August results by Sept. 30. ❖

**RECENT CMBS RATING CHANGES**

Sep. 4 - Sep. 9

**S&P**

	Class	Current Balance (\$Mil.)	Orig. Rating	Most Recent Rating	New Rating
ARCap Resecuritization Inc., 2005-RR5	H	\$15.7	BBB	CCC-	D
	J	6.3	BBB-	CCC-	D
Citigroup Commercial Mortgage, 2008-C7	A-1A	172.3	AAA	AAA	A+
	A-4	623.5	AAA	AAA	A+
	A-M	160.3	AAA	AAA	BBB+
	A-MA	24.6	AAA	AAA	BBB+
	A-J	124.3	AAA	AAA	BB+
	A-JA	19.1	AAA	AAA	BB+
	B	18.5	AA+	AA+	BB
	C	18.5	AA	AA	BB-
	D	18.5	AA-	AA-	B+
	E	9.3	A+	A+	B+
	F	16.2	A	A	B+
	G	18.5	A-	A-	B+
	H	18.5	BBB+	BBB+	B
	J	16.2	BBB	BBB	B
	K	18.5	BBB-	BBB-	B-
	L	11.6	BB+	BB+	B-
	M	6.9	BB	BB	B-
	N	6.9	BB-	BB-	CCC+
	O	6.9	B+	B+	CCC
P	6.9	B	B	CCC-	
Q	4.6	B-	B-	CCC-	
J.P. Morgan Chase Comm., 2007-CIBC19	A-1A	593.3	AAA	AAA	A+
	A-4	1,195.0	AAA	AAA	A+
	A-SB	117.6	AAA	AAA	A+
	A-M	327.6	AAA	AAA	BBB
	A-J	262.0	AAA	AAA	BB
	B	24.6	AA+	AA+	BB-
	C	36.9	AA	AA	B+
	D	32.8	AA-	AA-	B+
	E	49.1	A	A	B+
	F	36.9	A-	A-	B
	G	40.9	BBB+	BBB+	B
	H	32.8	BBB	BBB-	B-
	J	40.9	BBB-	BB	B-
	K	8.2	BB+	BB-	CCC+
	L	8.2	BB	B+	CCC+
	M	16.4	BB-	B	CCC
	N	8.2	B+	B-	CCC
	P	4.1	B	CCC+	CCC
	Q	12.3	B-	CCC	CCC-

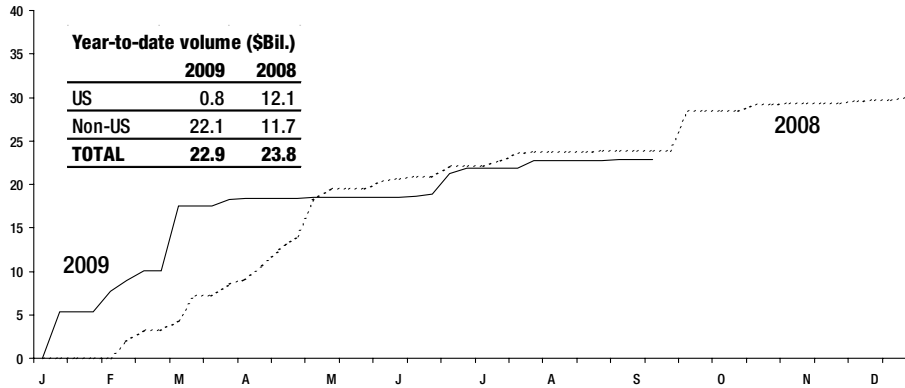
	Class	Current Balance (\$Mil.)	Orig. Rating	Most Recent Rating	New Rating
ML-CFC Commercial Mortgage, 2007-7	A-1A	601.1	AAA	AAA	A-
	A-4	787.9	AAA	AAA	A-
	A-4FL	55.0	AAA	AAA	A-
	A-M	223.6	AAA	AAA	BB+
	A-MFL	45.0	AAA	AAA	BB+
	A-J	174.4	AAA	AAA	B+
	A-JFL	45.0	AAA	AAA	B+
	B	55.7	AA	AA	B
	C	27.9	AA-	AA-	B
	D	45.3	A	A	B-
	E	27.9	A-	A-	B-
	F	34.8	BBB+	BBB+	CCC+
	G	27.9	BBB	BBB	CCC
	H	24.4	BBB-	BBB-	CCC
	J	10.4	BB+	BB+	CCC-
	K	10.4	BB	BB	CCC-
Morgan Stanley Capital I Trust, 2006-IQ12	L	10.4	BB-	BB-	CCC-
	M	7.0	B+	B+	CCC-
	N	7.0	B	B	CCC-
	P	7.0	B-	B-	CCC-
	A-M	173.0	AAA	AAA	A
	A-MFL	100.0	AAA	AAA	A
	A-J	242.3	AAA	AAA	BB+
	B	17.1	AA+	AA+	BB
	C	44.4	AA	AA	B+
	D	27.3	AA-	AA-	B
Fitch	E	13.7	A+	A+	B-
	F	23.9	A	A	B-
	G	23.9	A-	BBB+	CCC
	H	27.3	BBB+	BBB	CCC-
	J	27.3	BBB	BBB-	CCC-
	K	34.1	BBB-	BB	D
	L	3.4	BB+	BB-	D
	M	6.8	BB	B+	D
	N	13.7	BB-	CCC+	D

**Fitch**

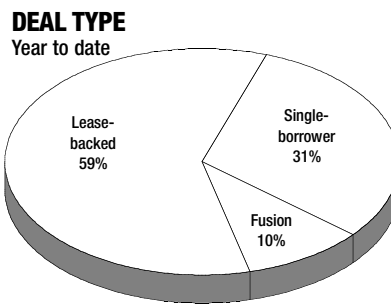
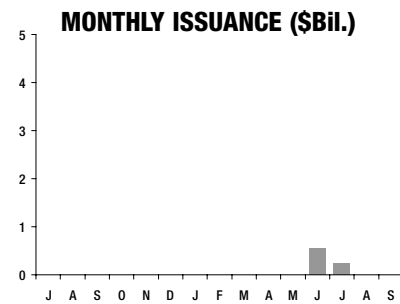
	Class	Current Balance (\$Mil.)	Orig. Rating	Most Recent Rating	New Rating
Morgan Stanley Capital I Trust, 2006-IQ11	A-J	147.5	AAA	AAA	AA
	B	30.3	AA	AA	A
	C	12.1	AA-	AA-	A
	D	22.2	A	A	BBB
	E	16.2	A-	A-	BB
	F	14.1	BBB+	BBB+	BB
	G	18.2	BBB	BBB-	B
	H	14.1	BBB-	BB+	B-
	J	8.1	BB+	B+	B-
	K	4.0	BB	B	B-

## MARKET MONITOR

### WORLDWIDE CMBS

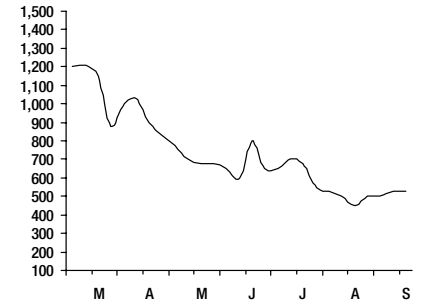


### US CMBS



### CMBS SPREADS

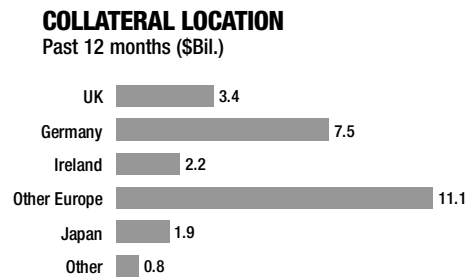
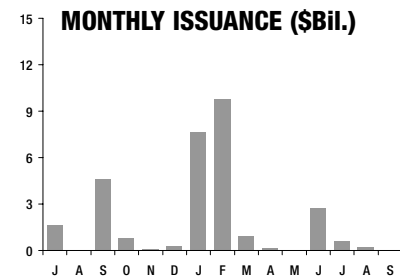
#### 10YR, AAA SPREAD OVER SWAPS



Fixed Rate (Conduit)	Avg. Life	Spread (bp)		
		9/2	Earlier	Week 52-wk Avg.
AAA	5.0	S+450	S+450	+854
	10.0	S+525	S+525	+757
AAA Junior	10.0	S+1,750	S+1,975	+2,192
AA	10.0	S+3,400	S+3,300	+3,273
A	10.0	S+4,100	S+4,100	+3,921
BBB	10.0	T+6,821	T+6,824	+5,286
<b>Markit CMBX 05-1</b>		<b>Dollar Price</b>		
AAA		75.5	76.6	72.6
AA		25.0	25.9	29.4
A		19.0	20.0	26.7
BBB		14.4	15.0	21.3
BB		5.4	5.9	12.8

Sources: Morgan Stanley, Markit

### NON-US CMBS



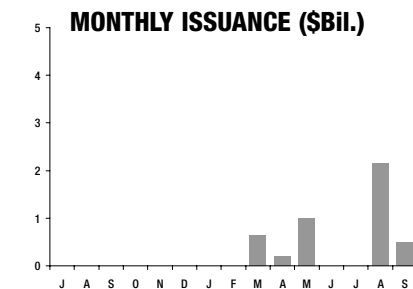
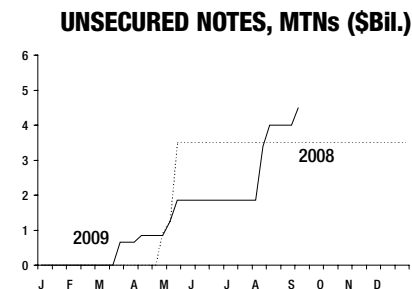
### CMBS TOTAL RETURNS

#### CMBS INDEX

As of 9/9	Avg. Life	Total Return (%)		
		Month To Date	Year to Date	Since 1/1/97
Inv.-grade	4.9	0.3	21.8	97.1
AAA	4.8	0.3	21.8	106.8
AA	5.1	0.4	18.6	3.5
A	6.1	0.2	25.6	-8.1
BBB	5.8	0.5	24.3	-21.4

Source: Barclays

### REIT BOND ISSUANCE



### SPREADS

9/4	Maturity	Rating (M/S)	Amount (\$Mil.)	Spread (bp)	CDS (bp)
Kimco	5/17	Baa1/BBB+	300	T+415	345
Simon Property	4/19	A3/A-	650	T+375	340
Equity Residential	6/17	Baa1/BBB+	650	T+295	220
Prologis	5/18	Baa2/BBB-	600	T+520	440
AvalonBay	9/16	Baa1/BBB+	250	T+270	215
Duke Realty	8/19	Baa2/BBB	250	T+480	330
Boston Properties	4/15	Baa2/A-	300	T+380	240
Health Care Property	1/18	Baa3/BBB	600	T+455	275
Regency Centers	6/17	Baa2/BBB+	400	T+415	
<b>Liquid REIT Average</b>		<b>Baa1/BBB+</b>	<b>444</b>	<b>T+398</b>	<b>301</b>

Source: Wells Fargo

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

**THE GRAPEVINE**

... From Page 1

estate group at **Guggenheim Partners** within the past few of weeks. McColough was a managing director, while Friedman was a director. Both were with the group, led by **Ed Shugrue**, when it launched in 2003. Friedman, a trader, and McColough, a banker, worked on troubled funds that invested in whole loans, B-notes, mezzanine loans and commercial MBS. McColough worked at **Deutsche Bank** for six years before joining Guggenheim. Friedman previously spent five years at **Morgan Stanley**.

**Michael Krull**, the former CMBS chief at **Hypo Real Estate**, has landed at the New York office of **StormHarbour Securities**, a London broker-dealer and advisor. At StormHarbour, Krull is focused on loans and securities backed by commercial real estate and on advising borrowers on loan restructuring and recapitalization. He ran the Hypo unit from 2006 until earlier this year. Before that, he spent nine years at **GE Real Estate**,

where he rose to head the capital-markets group.

New York law firm **Nixon Peabody** is talking with several senior lawyers who may soon join its growing securitization practice. Former **McKee Nelson** attorney **Ali Yenai** started Aug. 28 as a senior associate focusing on asset- and mortgage-backed securities — including commercial MBS. The move reunited him with partners **Keith Krasney** and **Peter Morreale**, who were brought in a month ago to spearhead an expansion of the structured-finance group. Krasney and Morreale also came from McKee, which was taken over last month by **Bingham McCutchen**. Meanwhile, commercial mortgage specialist **Lawrence Ceriello** has left **Dechert** to become a partner in Nixon's real estate group, which is headed by **Justine Wilcox**.

**Walker & Dunlop** wants to hire a producer in Chicago by yearend, giving the firm its first office there. The Bethesda, Md., firm is also looking to hire up to two producers in Dallas. The moves are part of an expansion highlighted by last

week's addition of former **Column Financial** executive **Vic Clark**, who joined Walker & Dunlop's Dallas office as senior vice president in charge of the central U.S. At Column, the conduit arm of **Credit Suisse**, Clark was most recently co-head of production with **John Luka** until both were laid off several months ago.

Coincidentally, **John Luka** has also landed a new job. He starts Monday as a managing director at **Freddie Mac**, also responsible for loans in the central U.S. He takes over for **Richard Martinez**, who moved to Freddie's central office as a managing director responsible for multi-family loans in the Southeast U.S. Luka spent roughly 15 years at Column.

**Stewart Rubin**, formerly with the asset-management area of **Guggenheim Partners**, started last week as a vice president of portfolio management for CMBS and other related products at **New York Life**. He reports to **Brian Furlong** and works alongside **Adam Hayden**. Rubin held similar responsibilities at Guggenheim.

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