Property Markets

GE Capital To Sell Medical Office

GE Capital is looking to sell Genesee Executive Plaza, a two-building medical office complex in San Diego. GE recently foreclosed on the 160,000-square-foot property after the previous owner, Janez Properties, defaulted on a $45.9 million mortgage. The sale should recoup the cost of the loan, local brokers said, with some estimating it could sell for more than $50 million, or around $310 per square foot.

Located along Genesee Avenue, the property is being marketed as a medical office repositioning play. Around 72,000 square feet has already been approved for medical office space, which bodes well for the current sale because of the strength of the surrounding medical office market, one broker said. The space is 74% leased, largely to health and medical services tenants. Around 20,000 square feet is set to turn over in the next year. The two four-story buildings were built in the mid-1980s.

Calls to officials at GE Capital were not returned by press time. Officials at Colliers, which is brokering the deal, declined to comment.

Manhattan Office Market

Leasing Strengthens But Absorption Still Lags

Manhattan leasing activity continued to strengthen in the first quarter, leading to slightly positive absorption and rental rate growth in all three of the city's major office submarkets, according to a report by Cresa Partners. Deals totaling 7.3 million square feet closed in the quarter, but brought about only 1.1 million square feet of absorption. Most of the space that came off the market was in Midtown North. But even the downtown market, which saw negative absorption in the fourth quarter, saw a slight improvement in leasing activity. This suggests the recovery is also beginning to reach that part of the city, said Bob Stella executive v.p. at Cresa.

Class A office space continues to lead Class B space in deal volume, as tenants look to sign new long-term deals or trade up from Class B space in the anticipation of rental increases. "The Class A options in Midtown are starting to shrink, no question, especially for large tenants. We've seen a number of large transactions over the last three to four months that are gradually bringing the inventory of space down," Stella said, citing Wells Fargo's 275,000-square-foot lease at 150 East 42nd Street and Bloomberg's 400,000-square-foot lease at 120 Park Avenue. Downtown will remain attractive to larger users because there are more options, he added. The submarket has a Class A availability rate of nearly 14.5%, compared to 13% in Midtown North and 10.7% in Midtown South.

Still, few of the large deals are having a significant effect on absorption, according to the report. Société Générale, for example, recently signed a lease for 444,000 square feet of space at 245 Park Avenue, but this was 156,000 feet less than its most recent lease at 1221 Sixth Avenue.

JCR Launches Second Fund

Denver-based JCR Capital has rolled out *JCR Capital Commercial Real Estate Fund II*, its second investment fund. The $100 million fund will focus on debt, participating debt, preferred equity and pari passu equity as opposed to being a buyer of real properties. "For the most part we are providing capital to an illiquid market," said Jay Rollins, managing principal.

The fund will target distressed, value-added and opportunistic investments in the hotel, office, retail, industrial, land, condo and multifamily sectors in the $2 million to

donedeal

We congratulate our client

CBL

CBL & ASSOCIATES PROPERTIES INC

on formation of a $1B joint venture with

TIAA-CREF

to invest in market-dominant

shopping malls nationally

goulston&storrs

think*results*

Want more info on our donedeals? Visit goulstonstorrs.com

$15 million range. JCR will explore opportunities west of the Mississippi River but could invest outside of its target area. "Most of [the properties] are over-leveraged assets and we are resetting the basis. In some cases, there have been some income issues or tenancy loss," Rollins added.

The firm's first fund has made 11 investments and is 75% invested. Returns on the second fund are expected to mimic the 18-22% internal rate of return seen on the first fund, Rollins noted. Fund II is expected to hold its first close in September or October, and already has $11 million invested.

HFF Markets Two Tri-State Offices

Holliday Fenoglio Fowler is brokering two office sales in the New York Tri-State area. Urdang Capital Management and Ivy Realty are selling 2929 Expressway Drive North, a 151,000-square-foot office building on Long Island. Separately, LNR Partners has listed a 200,000-square-foot building in Stamford, Conn., that it recently took back from a borrower.

Urdang and Ivy purchased the Islandia, N.Y., office from MetLife in 2005 in a partial sale-leaseback. The partners paid $15 million, or around $100 per square foot. At the time, MetLife chose to lease back only about half of the space. After the owners increased the occupancy level to 87%, the building is expected to sell for around $25 million. The tenant roster includes small law and financial services firms.

Meanwhile, LNR's nine-story office building at 9 West Broad Street is expected to sell for around $20 million. The property was last sold in 2007 by Louis Dreyfus Property Group and AREA Property Partners, which bought it as a distressed asset in 1999 and then repositioned and leased up the building, primarily to education sector organizations. The building once again has significant vacancy, with a 36% occupancy rate, and is being sold as a value-added deal. Built in the mid-1980s, River Plaza is 40 miles from New York.

Officials at Urdang, Ivy, LNR and HFF did not immediately return calls.

Capital Markets

Fannie Mae Prices DUS Securitization

Fannie Mae priced on Tuesday Fannie Mae Series 2011-M, a $584 million securitization of mortgages originated under its Delegated Underwriting and Servicing (DUS) program. The agency is planning more securitizations of this kind, but future deals will have more shorter-duration tranches. "We're looking for ways to create more short bonds in the future, through collateral and structural changes," said Kimberly Johnson, v.p.

Demand for tranches with a shorter weighted average life (WAL) means that future deals are likely to include larger A1 tranches, which typically have a WAL of about three years, Johnson said. Fannie Mae Series 2011-M1 has a $30.2 million A1 class with a WAL of three years, a $59.8 million A2 class with a WAL of about nine years and a $353.8 million class of A3 bonds with a WAL of about 10 years. There is also a $140.1 million floating-rate tranche.

The A1 class was priced at swaps plus 45 basis points. The A2 and A3 classes were priced at 67 and 65 basis points over swaps, respectively. The floating-rate tranche cleared at LIBOR plus 45 basis points. Demand for the floating-rate bonds was so strong that the size of the tranche was increased by $20 million before final pricing, Johnson added. "We are seeing more buyers from large real-money funds, as well as increased hedge fund interest," Johnson said.

The deal is collateralized by 109 fixed-rate multifamily mortgages, with concentrations in New York, California and Texas. The debt service coverage ratio of the deal is 1.79x, with a loan to value ratio of 62%. Credit Suisse was the lead manager.

Deutsche Bank Unveils Euro CMBS Comeback Deal

Deutsche Bank has formally rolled out DECO 2011-E5, a £302 million securitization of a mortgage on Chiswick Park, a West London business center, according to sister publication *Total Securitization*. The deal is the first public European securitization since the start of the financial crisis. Its senior bonds are seeing price talk that is about 10 basis points tighter than early market chatter. The Blackstone Group is the borrower.

The £235 million ($380.2 million) AAA-rated senior bond is being shopped at LIBOR plus 165 basis points. The remainder of the capital structure includes a £30 million ($48.5 million) AA tranche, with guidance of 250-300 basis points, while the £37.2 million ($60.1 million) A-rated note is expected to fetch 300-350 basis points. The bonds are expected to price mid-June.

Deutsche Bank is the sole lead manager on the deal, which appears to be denominated wholly in sterling. Recent rumors indicated the deal may be heavily pitched to U.S. buyers eager to pick up yield in the U.K. markets. U.S. CMBS deals typically have been offering spreads 25-50 basis points tighter.

Calls to officials at Blackstone and Deutsche Bank in London were not returned immediately.

©Institutional Investor News 2011. Reproduction requires publisher's prior permission.