

CBRE Buys Office Debt at Discount

CBRE Capital Partners has paid roughly \$34 million for the defaulted debt on an iconic Seattle office tower and a small adjacent building that were once slated for condominium conversion and now are mostly vacant.

The distressed-debt fund, operated by CBRE Investors, paid about 80 cents on the dollar to German lender **Munchener Hypothekbank** for two loans, totaling \$42.5 million, backed jointly by the 264,000-square-foot Smith Tower and an 8,000-sf building next door. The deal, which closed late last month, puts the fund in line to take control of the properties from fund shop **Walton Street Capital**.

The sale, brokered by **HFF**, came after aggressive bidding that drove the price above the \$30 million that market players had expected.

Chicago-based Walton Street acquired the buildings in 2006 for \$45.6 million and later secured approvals to convert them into 150 residential condos. But that plan foundered when Seattle's condo market collapsed in the downturn. Walton Street was unable to repay the loan when it matured in May 2010.

Meanwhile, major office tenants including **Microsoft** and **Pixar** moved out, and the buildings are now just 20% occupied. If it takes over the properties, CBRE would likely abandon the conversion effort and focus on leasing up the office space, pitching it to other high-tech firms.

When it was built in 1914, the 42-story Smith Tower was the world's tallest office building outside New York City. It stands at 506 Second Avenue in downtown Seattle. ❖

JCR Launches Bridge-Loan Program

JCR Capital is seeking to originate \$100 million of bridge loans on a range of property types.

The Denver investment manager will deploy the capital on behalf of an unidentified institutional client, believed to be a foreign bank. JCR finalized the equity commitment about a week ago for the separate account, which is unleveraged.

JCR is looking to write loans of \$5 million to \$20 million on condominium, industrial, multi-family, office and retail properties nationwide, with a focus on the Western U.S. The shop will also consider financing buyers of nonperforming loan portfolios. The program will generally provide fixed-rate loans with coupons of 6-9% and terms of six months to two years. Typical loan-to-value ratios will be 60-75%.

JCR, headed by **GMAC Commercial Mortgage** alumni **Jay Rollins** and **Maren Steinberg**, is separately seeking to raise at least \$100 million of equity for its second commingled vehicle, JCR Commercial Real Estate Finance Fund 2. That vehicle would shoot for a return of roughly 16-18% through opportunistic and value-added commercial real estate investments. It would write senior and mezzanine loans, for example, and finance buyers of loan portfolios and borrowers that buy back their outstanding debt. The fund's marketing campaign began in April. A first close is expected within a few weeks. JCR lined up \$30 million of equity for its first fund. ❖

AREA Seeks Loan for Conversion

An **AREA Property** partnership is shopping for a \$51 million loan to help convert a former school building in downtown Boston into luxury apartments.

The partnership plans to reconfigure the 198,000-square-foot property, at 100 Arlington Street, into 128 rental units, with roughly 10,000 sf of retail space at street level.

The redevelopment is projected to cost about \$96 million. That price would put the loan-to-cost ratio at 53%. The partnership, which is being advised by **HFF**, prefers a three-year mortgage, with two one-year extension options. It will consider both fixed- and floating-rate proposals and is looking to close on a loan by yearend.

New York-based AREA teamed up with **Congress Group** of Boston to buy the property in 2008 for \$45 million from **Boston Renaissance Charter Public School**, which operated the city's largest elementary school at the site. The school, which has 1,200 students, relocated last year to Hyde Park, Mass., on the outskirts of Boston.

The 14-story Arlington Street building is three blocks southwest of Boston Common, between the theater district and the Back Bay district. Its features include distinctive arched windows on the ground level and top floor.

According to a presentation that the AREA partnership made last year to the **Boston Redevelopment Authority**, the conversion will replace the roof and windows, upgrade the plumbing, heating and electrical systems, and improve the exterior. ❖

Small Nonperformers Bundled for Sale

Bank of the West is marketing \$95 million of distressed and mostly small-balance loans backed by a broad assortment of property types in more than a dozen states.

The 57 notes range in size from roughly \$50,000 to nearly \$10 million, with an average balance of \$1.7 million. All but a handful are nonperforming, defaulted or in bankruptcy.

The bank's advisor, **Mission Capital**, has divided the portfolio into seven pools. Offers are due Nov. 2. Investors can bid on pools, combinations of pools or the entire portfolio. Sales are expected to close by Nov. 30.

The largest pool contains 42 loans with a combined balance of \$46.8 million that are backed by a hodgepodge of property types. The collateral consists mostly of industrial (\$12.4 million), office (\$11.2 million) and retail (\$10.3 million) properties, most of them in Colorado and California.

The other pools are separated by asset classes: apartments, land, dairy farms and a vineyard.

The largest loans being offered are in single-loan pools. One is a \$9.9 million mortgage on Eagles Crest apartments, a 166-unit complex in Davenport, Iowa, that is 83% occupied. The property was appraised last year at \$9 million, pegging the loan-to-value ratio at about 110%. Another single-loan pool is a \$9.9 million mortgage on 5.9 undeveloped acres in South Gate, Calif., about 7 miles south of downtown Los Angeles. ❖