COMMERCIAL OBSERVER | FINANCE WEEKLY

The Insider's Weekly Guide to the Commercial Mortgage Industry

The Tel Aviv Stock Exchange building in Israel's largest city.

COURTESY GETTY IMAGES

Moinian Raises $170M With Latest Israeli Bond Offering

The LEAD

Moinian Limited, an Israel-based affiliate of **The Moinian Group**, raised nearly $170 million this week through a bond issuance on the **Tel Aviv Stock Exchange**—the second time the New York development firm has succeeded in raising funds in Israel to finance its U.S. real estate activities.

Moinian, which is among a wave of American real estate companies to tap the Israeli debt market recently, sealed the bonds at an interest rate of 3.05 percent—among the lowest coupons ever secured by a U.S. developer via a bond offering in Tel Aviv, according to sources with knowledge of the transaction.

The deal represents the company's second issuance of bonds, this one a Series B, on the Israeli bond market, after it raised more than $360 million in May 2015—at that time the largest debt offering by a U.S. real estate firm in Tel Aviv.

Combined, Moinian has now issued more than $530 million in bonds on the Tel Aviv Stock Exchange, according to sources, though the company pegged that amount at "approximately $550 million" in a statement announcing the deal. Moinian said it will use the funds raised to "provide greater flexibility in regards to acquisitions and financings."

The firm issued approximately 520 million shekels, or more than $152 million, through an institutional tender Monday open to Israeli

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In This Issue

"If you get rid of [Fannie Mae and Freddie Mac], that would hurt the multifamily market."

—**David Brickman**
from Q&A on page 12

Deutsche Bank Provides $308M Refi for One West End Condo Development

The **El AD Group** and **Silverstein Properties** have locked in a $308 million loan from **Deutsche Bank** to refinance **One West End**—a condominium that's part of the sprawling, seven-building **Riverside Center** residential development, according to records filed Wednesday with the New York City **Department of Finance**.

Deutsche Bank assumed roughly $184 million in existing debt on the building that was previously held by **Wells Fargo** and provided an additional $123.7 million in the form of a gap mortgage, bringing the new total debt to $308 million.

Records show the financing, in part, is dedicated to 109 of the building's 246 residential condo units and two parking garages adjacent to the building.

The 42-story luxury condominium building—completed in 2014—is at **One West End Avenue** with an alternate address of **601 West 59th Street**. The tower offers condos on floors

DEUTSCHE...continued on page 5


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Seeing Promise in an Eclectic Space, ACORE Lends $75M on Old Boston Globe HQ

A partnership of **Nordblom Development** and **Alcion Ventures** has reeled in a $75 million first mortgage from **ACORE** to acquire and renovate the former headquarters of *The Boston Globe*, Commercial Observer can exclusively report.

The pair of Massachusetts-based developers aim to use the proceeds of the 36-month all-in financing to begin the process of converting the formerly single-tenant media campus into office space attractive to a variety of creative tenants, according to ACORE executives. The site sold for a total of $81 million last month, according to *The Boston Globe*.

That project will require significant additional financing in the future, and ACORE expects the development pair to return for a second round of debt once the renovation plans win complete government approval.

The bespoke 700,000-square-foot complex, at **135 Morrissey Boulevard** in the Dorchester section of Boston, presents a unique redevelopment challenge for Nordblom, the property-management half of the ownership duo. The site, specially built for Boston's leading newspaper in 1956, was designed around the peculiar needs of a daily print publication. About half the building, more than 300,000 square feet, is devoted to traditional office space. But the balance contains supply areas, distribution space and the vast warehouse rooms that housed the paper's printing presses.

The building's northeast corner even has a cutout for a defunct railroad spur that used to facilitate freight deliveries.

The former headquarters of the Boston Globe.

COURTESY ACORE

But when the newspaper moved in 2017, splitting its space between an editorial office in downtown Boston and a printing facility in Taunton, Mass., about 30 miles south, the site became an attractive project for refurbishment by ambitious developers, an ACORE executive said.

The building "is pretty convoluted," said **Stuart Silberberg**, a managing director at ACORE. "It's got great nooks and crannies. But you've got to realize that this is still a downtown Boston asset."

The area's fundamental bona fides outweigh the uncertainty of development within the structure's unusual layout, the lender said.

"You've got really well-located but underutilized real estate," Silberberg said. "You've got solid borrowers who are going into a funky asset but with a solid basis and a solid business plan. It becomes a transformational-type asset."

Finding comparable assets for ACORE's credit evaluation was difficult, Silberberg acknowledged.

But Silberberg also emphasized that the building's particularity could play as a strength. As a well-known landmark with more than a thousand feet of frontage along a major thoroughfare, the old Globe headquarters has a firm place in the city's consciousness. The 2015 film *Spotlight*, about the newspaper's coverage of the Catholic Church's sex abuse scandal, is largely set in and around the building, and the complex is featured in a handful of exterior shots, although the scenes set inside the paper's newsroom were filmed on a set in Toronto.

The site, about three miles south of the **Massachusetts State Capitol** in the city's center, is sandwiched between Interstate 93 and a peninsula that juts into Boston Harbor. The area is home to the waterfront campus of the **John F. Kennedy Presidential Library**, as well as the **University of Massachusetts Boston**. The Massachusetts Bay Transportation Authority's Red Line carries riders to and from downtown.

John Henry, who bought the newspaper from the **New York Times Co.** in 2013, purchased its headquarters that same year for $70 million.

Alcion Ventures and Nordblom Development did not immediately respond to requests for comment.—*Matt Grossman*

MOINIAN...*continued from page 1*

banks, funds and institutional investors and raised north of 51 million shekels, or roughly $15 million, through a public tender on Wednesday that was open to the wider market in Tel Aviv.

The bonds—backed by a portfolio of Moinian commercial properties including **3 Columbus Circle**, **535-545 Fifth Avenue** and the **W New York Downtown** hotel—carry a duration of just under five years and maturity date of December 2024. Moinian was advised on the issuance by financial consultancy **Barzell Global**, which specializes in advising firms on Israeli debt offerings.

Tel Aviv market sources said the deal—and the exceptionally low coupon Moinian was able to secure on the issuance—speak to the Israeli market's comfort with the firm and its profile, as well as the overall positive state of capital markets globally and the success of a recently launched exchange-traded fund designed to track U.S. real estate companies trading on the Tel Aviv Stock Exchange.

"The [Israeli bond] market is booming for two main reasons: Overall, capital markets around the world are in a very, very good position, and the new ETF founded to invest in American bonds," said **Yossi Levi** of **InFin**, a Tel Aviv-based financial consultancy that has advised New York landlords including **Delshah Capital** and the **Klein Group** on their Israel bond offerings.

Levi noted that while the Moinian deal does feature a low initial coupon for an issuance by a U.S. firm, it has not been unusual for American real estate companies trading in Tel Aviv to see their bond yields drop below 3 percent on the open market—with Israeli investors continuing to drive strong demand for securities backed by U.S. real estate assets.

"This is the new benchmark for U.S.-related bonds—even though it seems to be very low. All of the market has gone to those kinds of [numbers]," Levi said. "I think you'll continue to see [U.S.] companies raise more, and it'll bring more companies to [the market]."

Other New York-based real estate firms to have tapped the Tel Aviv debt market include **Related Companies**, **Extell Development Company**, **All Year Management** and **Pinnacle Group**. Additionally, companies from outside of New York—such as Dallas-based **Encore Enterprises**—have been increasingly drawn to the Israeli market in recent years.—*Rey Mashayekhi*

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Short-term Bridge Loan
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$5,862,830

Short-term Bridge Loan
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$30,300,000

Short-term Bridge Loan
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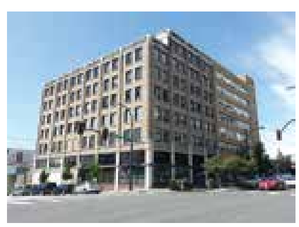

$8,075,000

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Square Mile Closes $130M Construction Loan on Delshah Rental Project

Delshah Capital has sealed a $130 million construction loan for the conversion of a five-building medical facility into a 205-unit luxury, 200,215-square-foot rental complex at **30 Morningside Drive** in Morningside Heights.

Square Mile Capital Management provided the debt in a deal brokered by **Eastern Consolidated**'s **Adam Hakim** and **James Murad**.

The Real Deal first reported news of the deal and that Square Mile was lined up to finance it.

"We ran a financing process both domestically and internationally and were down to choosing between three potential senior lenders," **Michael Delshah**, the principal and CEO of Delshah Capital, told CO. "We were getting approximately $52m from [an Israeli bond issuance] and planning an EB-5 component as well as a follow-on tax credit transaction. So, we needed a lender who was sophisticated and could understand the complexities associated with all of these pools of capital being involved in the deal and work with us on a structure that accommodated everyone's needs. Square Mile has a reputation in the marketplace for being just that."

Square Mile also provided a $17.5 million mezzanine loan when Delshah acquired 30 Morningside Drive in 2016 with **Bank of the Ozarks** providing a $60 million senior mortgage.

The Square Mile mezzanine loan was paid off with Israeli capital, Delshah said, then Square Mile returned with the $130 million construction loan, which paid off Bank of the Ozarks' acquisition loan.

30 Morningside Drive.

COURTESY DELSHAH CAPITAL

Delshah Capital first began working on the acquisition in 2014, bidding on the property when its broker, **Cushman & Wakefield,** brought it to market.

"The buildings are very unique," Delshah said of the property's initial appeal. "Its geography is pretty spectacular because it's on top of a hill and there are views of two parks from the upper floors but also right on Morningside Park."

Delshah had a competitive advantage in the bidding process due to the complex zoning at the site, Delshah said: "We knew it wouldn't necessarily go to the top dollar [bidder], but it would go to somebody who could understand the complexities and find a solution."

The five **Ernest Flagg**-designed buildings were constructed between 1896 and 1928. They are currently undergoing a complete as-of-right gut renovation, which is expected to be completed within two years. Prior to the construction loan closing, Delshah had been building and funding the development with its own balance sheet.

The preservation project's former carriage house is being renovated to a bi-level amenity space, which will include a residents lounge, a fitness center and sauna, a pet spa, a yoga studio and a landscaped courtyard and roofdeck. Additionally, Delshah is negotiating with Restoration Hardware to provide kitchen and bathroom finishes as well as design the amenity space interior.

Officials at Square Mile couldn't immediately be reached for comment.—*C.C.*

DEUTSCHE...*continued from page 1*

eight and above, according to the property's website.

Prices for currently available condos range from $5.2 million for 2,457-square-foot, three-bedroom units to $19.5 million for 5,302-square-foot, four-bedrooms units.

The property includes a doorman, a concierge, a children's playroom, a fitness center with a 75-foot-long indoor swimming pool and a spa, according to the the property's website.

In October 2014, Commercial Observer reported that Silverstein and El Ad were seeking $500 million in construction financing from a consortium of banks to begin the project. The syndicate of banks was led by Wells Fargo and **Bank of America**, both of which were involved in providing the development duo with a $123 million loan for the $160 million purchase of the Midtown West land from the **Carlyle Group** in December 2013, as CO previously reported.

Wells Fargo eventually led roughly $350 million in construction financing for the tower in 2014.

At the time of the construction financing, sources told CO that the project was particularly attractive to banks due to the low cost per square foot paid by Silverstein and Elad.

A spokesman for Deutsche Bank declined to comment. A representative for Silverstein Properties did not immediately respond to a request for comment. The El Ad Group could not immediately be reached. —*Mack Burke*

One West End.

COURTESY PROPERTY SHARK

1123 Broadway.

COURTESY DAVID LUBARSKY

NYCB Provides $89M Refi for Two NOMAD Office Properties

Kew Management has received an $89 million refinancing package from **New York Community Bank** for **The Townsend** and **The St. James**—two NOMAD office properties.

Meridian Capital Group's **Allan Lieberman** negotiated the financing, which consists of a seven-year, $33 million loan with a fixed-rate of 3.875 percent and a five-year, $56 million mortgage with a fixed-rate of 3.265 percent.

"With low interest rates available near the same levels as their soon-to-be-maturing loans on the buildings, Meridian advised Kew to structure a recapitalization," Lieberman said.

The Townsend is a 12-story, 97,300-square-foot office property at **1123 Broadway** and The St. James is a 16-story, 156,000-square-foot office property at **1133 Broadway**.

Following a previous refinance in July 2013—also provided by NYCB—the properties underwent a capital improvement program, signing new tenants including restaurant **La Pecora Bianca** and a **Rizzoli** bookstore.

"Allan and Meridian have provided invaluable counsel to Kew as we have enhanced our own portfolio and helped make NoMad a vital part of New York's economy," said **Leslie Spira Lopez**, the president and CEO of Kew Management.

A spokesman for NYCB declined to comment.—*C.C.*

Sonnenblick-Eichner Arranges $60M of Debt for Utah Ski Condos

The joint venture that owns the **St. Regis** hotel and condominium resort in Park City, Utah has secured a $60 million set of construction and refinancing loans, according to an announcement from **Sonnenblick-Eichner**, which represented the ownership group.

The 10-year financing, which consists of separate loans secured by hotel revenue and condo inventory, will serve to knock out existing debt on the property—on the slopes of the **Deer Valley** ski resort—as well as to construct more condominiums and amenities at the site.

Sources with knowledge of the deal identified the lender as **Guggenheim Commercial Real Estate Finance**, an arm of the insurance company Guggenheim, and the ownership group as a joint venture of **Falcon Investors** and **Deer Crest Associates**. The transaction parties declined to publicly name the source of the funds but confirmed that the loans were from a domestic life-insurance concern.

"From the borrowers' perspective [the lender] provided a great cost of capital—lower than they would have gotten from other lenders," said **David Sonnenblick**, a co-founder of Sonnenblick-Eichner. "From the life-insurance company's perspective, they know it's a great asset. They see what the sales have been so the company felt comfortable with the underwriting."

The loans mark the third financing that Sonnenblick-Eichner has arranged for the ownership, after a $212.5 million construction loan and a subsequent permanent loan.

Attracting financing from Wall Street banks can be difficult for condo projects, Sonnenblick explained. Those lenders often require loans to be secured by physical assets, a requirement complicated in the condo realm by the disparate ownership of the portfolio of units.

In the absence of that added security, large banks would feel compelled to charge an interest premium, raising the cost of capital.

"They have to put in a little bit of a cushion," Sonnenblick said.

The investment banker cited the market's high barriers to entry as an attractive component of the resort's creditworthiness. The hotel is one of only a handful that allow guests direct skiing access to Deer Valley, an iconic ski slope known for its genteel, thoroughly groomed trails and its prohibition on snowboarding.

Other condos at the mountain are dated or are on roads that are frequently closed in bad weather, Sonnenblick said.

On the other hand, some experts argue that climate change threatens to erode the ski industry's profits—although perhaps not over this loan's 10-year term.

Last year, a group of researchers from the **Arctic and Mountain Regions Development Institute** and the **University of Colorado**, among other institutions, used a climate model to predict that the length of the Rocky Mountains ski season could decline by more than 50 percent over the next three decades, resulting in tens of millions of fewer recreational visits to the area.

"We can't control the climate," Sonnenblick said, pointing out that Park City also attracts visitors for outdoor recreation over the summer and for cultural events like the Sundance Film Festival.

Representatives from Falcon Investments, Deer Crest Associates and Guggenheim did not immediately respond to requests for comment. —*M.G.*

The St. Regis in Deer Valley, Utah.

COURTESY SONNENBLICK-EICHNER

ESRT Nabs $160M Prudential Refi for Broadway Office Properties

Empire State Realty Trust has scored $160 million from **PGIM Real Estate Finance** to refinance two Herald Square mixed-use office properties at **1333 Broadway** and **1400 Broadway**, according to records filed yesterday with the New York City Department of Finance.

The debt replaces and consolidates roughly $142 million in previous debt on both 1333 and 1400 Broadway. The consolidation included roughly $66.5 million in previous PGIM (the real estate investment arm of Prudential) debt from December 2007 with approximately $75.7 million in additional, consolidated and previous debt to form the $142 million senior portion. Prudential capped off the financing package with approximately $17.8 million in new financing in the form of a gap mortgage. The deal closed on Jan. 8.

Representatives of Empire State Realty Trust (ESRT) did not immediately return a request for comment on the financing.

ESRT acquired its leasehold at 1400 Broadway for $310 million, or approximately $346 per square foot, in July 2014, according to a July, 2014 report from the company. The acquisition consisted of the assumption of $80 million in existing debt, $79.7 million in cash and just over $150 million in shares of common stock and Series PR operating partnership units—or a series of nonvoting securities.

Built in 1915, the 12-story, mixed-use office building at 1333 Broadway—also called the Johnson Building—comprises 359,630 square feet of rentable space, according to information from ESRT's website, and it currently houses Global Brands Group and New York Outdoor as office tenants as well as **Urban Outfitters**, **Rituals**, **Dr. Martens** and **Shake Shack** in its retail space.


1333 Broadway.

COURTESY PROPERTY SHARK

The 37-story office tower at 1400 Broadway was built in 1930 and has 927,683 square feet of rentable space, according to ESRT's website. The building currently hosts the executive offices of **Burlington Coat Factory** and **Kohl**'s and houses the **Interpublic Group of Companies**, **OnDeck Capital**, **Mott MacDonald** and law firm **Fragomen**. The retail tenants include **Maison Kayse**r, **Chipotle** and **Subway**.

PGIM Real Estate Finance declined to comment on the transaction.—*M.B.*

Urban Offerings, ESI Secure $122M Financing for LA Office Developments

The ownership team of **Urban Offerings** and **ESI Ventures** has secured $122 million in financing on a pair of adjacent Los Angeles buildings it will convert to office space, according to an announcement from **Dekel Capital**, which arranged the financing for the owners.

The financing, a mixture of $80 million in short-term bridge debt and $42 million in junior equity, was arranged by **George Smith Partners**, an L.A.-based real estate investments firm. ESI and Urban Offerings will put the capital influx to two purposes, Dekel said.

First, the group will refinance its stake in the **Norton Building** at **755 South Los Angeles Street**, a site that the team acquired in September 2016 for $17.6 million. The five-story warehouse building, built in 1906, had most recently served as home to a variety of garment and manufacturing firms. Renovations are already underway to create about 60,000 square feet of office space at the site, following a design by Los Angeles-based architect **Omgivning**.


Los Angeles' Norton Building.

COURTESY DEKEL CAPITAL

Second, the ownership group will use the proceeds to acquire and renovate another building at **700 South Main Street** on the same block as the Norton. The building, which also dates to the first decade of the 20th century, has hosted a **Dearden's** department store since it was built.

When **Ronny Bensimon**—the owner of Dearden's—and his family decided to sell the site last summer, ESI and Urban Offerings jumped at the chance to consolidate their office investment on the block, according to **Shlomi Ronen**, the managing principal at Dekel.

The team "didn't want to have a competitor property a block away," Ronen said.

That arrangement made it easy to secure additional financing.

"The ownership team was the same, so [the lender] was open to including the Norton building as part of the overall capitalization," Ronen said.

A spokeswoman for Dekel declined to identify the lender and equity partner.—*M.G.*

The Takeaway

Lodging Sector Posted Highest Losses Last December

"The total volume of CMBS loans disposed with losses in December 2017 was $1.02 billion across 76 notes, compared with the 12-month average monthly disposition volume of $960.6 million," said Sean Barrie, an analyst at Trepp. "Last month the average loan size dropped to $13.4 million, which is lower than the 12-month average of $16.4 million. The average loss severity for loans disposed with losses rose to 61.4 percent last month. The lodging sector posted the highest loss severity among property types with 85.4 percent in December. Retail and office loan loss severity rates were the next highest, as both exceeded 60 percent. Retail loans incurred the highest realized loss total with $249.5 million for December, which comprises nearly 40 percent of the aggregate realized losses tied to all property sectors. Office loans had the second-highest realized loss amount last month with $191.3 million for a loss severity rate of 66.8 percent."

Source: Trepp

Realized Losses by Property Type

Property Type	Loan Count	Loan Balance	Realized Losses	Loss Severity (Percentage)
Retail	27	$402,725,021	$249,451,052	61.9
Office	27	$286,492,273	$191,310,371	66.8
Multifamily	5	$63,782,634	$37,436,430	58.7
Lodging	6	$113,235,590	$96,669,989	85.4
Industrial	6	$87,795,006	$39,075,482	44.5
Mixed-Use	4	$59,883,616	$13,569,256	22.7
Mobile Home	1	$7,405,210	$516	0.01
Total	**76**	**$1,021,319,349**	**$627,513,095**	

Realized Losses by Month

Date	Loan Count	Loan Balance	Realized Losses	Average Loss Severity (Percentage)
January 2017	99	$1,443,377,560	$834,679,286	57.8
February 2017	47	$956,750,158	$466,510,818	48.8
March 2017	73	$1,499,819,674	$482,433,517	32.2
April 2017	37	$814,265,981	$282,966,313	34.8
May 2017	25	$532,899,139	$132,726,329	24.9
June-17	57	$1,411,428,282	$517,838,767	36.7
July 2017	93	$1,382,810,793	$766,969,394	55.5
August 2017	59	$495,050,942	$217,138,225	43.9
September 2017	47	$478,393,985	$208,331,027	43.6
October 2017	37	$609,627,651	$219,312,601	36
November 2017	54	$881,149,509	$483,961,818	54.9
December 2017	76	$1,021,319,349	$627,513,095	61.4
2017 Total	**704**	**$11,526,893,023**	**$5,240,381,191**	

Q+A

David Brickman

Head of Freddie Mac's Multifamily Business

Commercial Observer: How does Freddie Mac understand its mission?

David Brickman: We have liquidity, stability and affordability tattooed on our forehead. Those are our three mandates. But our business model resembles that of a direct lender. We make all economic decisions relating to loans and all credit decisions. We think that that model makes us that much more "real estate people."

How is your group organized?

We have a regional model, different than people's typical view of government-sponsored entities. In New York, our staff is very much made up of New Yorkers, real estate people. When it comes to providing liquidity, we compete like a lender. The other lenders perhaps wish we would compete a little less. But we take very seriously the view that we're supposed to act like a private lender.

To what extent does the affordability mandate limit what kinds of deals you'll get involved in?

We will do deals that aren't, per se, affordable. But we will proportionately lean in and be more aggressive and do more, if it's got higher affordability. It's a more nuanced model than just yes or no, but it's absolutely there in the sense that the more affordable a project is, the more important it is to get involved.

So is that the primary driver of your decision-making?

As a business matter, I want to earn a reasonable rate of return on what we do. We view ourselves as a fiduciary, and I think we've been a good fiduciary for our shareholders—mainly the U.S. taxpayer.

What level of risk can you tolerate on your balance sheet?

We want to distribute the significant majority of risk, given that we are owned by the taxpayer. We look to support affordability. For any business activity we do, I like to ring all three bells to some extent: If there's no affordability, I should earn a little bit more money on it. If it's affordable, maybe I can earn a little bit less return. When it comes to liquidity, the good news is that we were able to do that while achieving the other objectives [during the financial crisis]. We were able to earn a reasonable return during that period of time. Our market share grew during the crisis, and then it shrank again after.

David Brickman.

How would the market be different if the government-sponsored entities disappeared?

We actually did an extensive analysis of this in 2012 or 2013. We concluded that if you were to get rid of Fannie Mae and Freddie Mac, mortgage rates would go up by about 50 to 100 basis points, cap rates would go up by a similar amount, construction activity would decrease significantly in the short term, and there would be a diminishing supply of multifamily for some time. As a result, multifamily rents would be higher, all else being equal.

So the data vindicates your job.

It's certainly a reasonable thing to ask: Do we need Fannie or Freddie? Some have suggested that there's no economic consequence to [our presence], and I think we'd probably say, no, that's not accurate. If you get rid of us, that would hurt the multifamily market.

With such high student-debt levels and stagnant wages, are young Americans less interested in homeownership than their parents were?

Those factors certainly contribute, as does the shift to information-based employment, which lends itself to a little bit more urbanization. I think there is a trend toward delayed marriage and delayed childbirth, which aligns with renting longer. I'm not sure that any fewer Americans will own a home today than in the past, but maybe they will own a home for a lower percentage of their lives. The idea of millennials renting more, I think that's true, but what's really happening is that people are just a little older when they transition into owned housing.

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