COMMERCIAL OBSERVER | FINANCE WEEKLY

The Insider's Weekly Guide to the Commercial Mortgage Industry

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"The credit officers at TIAA Direct are taking a prudent approach by starting the program with relatively small deals with the intent to gradually grow investment size."

—**Gary Simonetti**
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Colliers Seeking $217M in Debt and Equity for Texas Multifamily Development

The LEAD

Everything really is bigger in Texas—at least for **Colliers International**'s structured finance team.

EXCLUSIVE

Legend Communities, an Austin-based development firm, tapped the brokerage's Executive Director **Jeffrey Donnelly** and Director **Ulrike Ahrens** to secure $217 million in debt and equity financing for a 474-unit multifamily project, Commercial Observer Finance has learned.

Mr. Donnelly told COF that of the total $217 million financing package, he and Ms. Ahrens are looking to place roughly $180 million in debt and anywhere from $35 million to $40 million in preferred equity or mezzanine debt on behalf of the development company.

Legend Communities—which is led by **Haythem Dawlett**, **John Scardino** and **Tim Hendon**—will begin construction on **One Two East**, which will be comprised of two, 15-story towers, by mid-2016. One tower will be devoted to senior living and the other building will hold purely market-rate rental units, **Bill Hayes**,

*See **Colliers...** continued on page 5*

Fed Move Spooks Markets, Real Estate Industry Focused on Fundamentals

Real estate analysts breathed a sigh of relief as the **U.S. Federal Reserve** held the line on interest rates at its monthly January meeting on Wednesday, but markets fell sharply after the central bank issued a tightly worded statement on the future economy.

The Dow Jones Industrial Average fell 222.77 points to 15,944.46 in late trading after the Federal Reserve issued its afternoon statement that day.

The **Federal Open Market Committee** decided to maintain the target range of the federal funds rate at 0.25 to 0.5 percent, based on a cautious outlook about the

*See **FED...** continued on page 7*

Times Square Hotel Operating at a Loss, Requests Loan Mod

A $70 million commercial mortgage-backed securities loan on the **TRYP by Wyndham New York Times Square**—

EXCLUSIVE

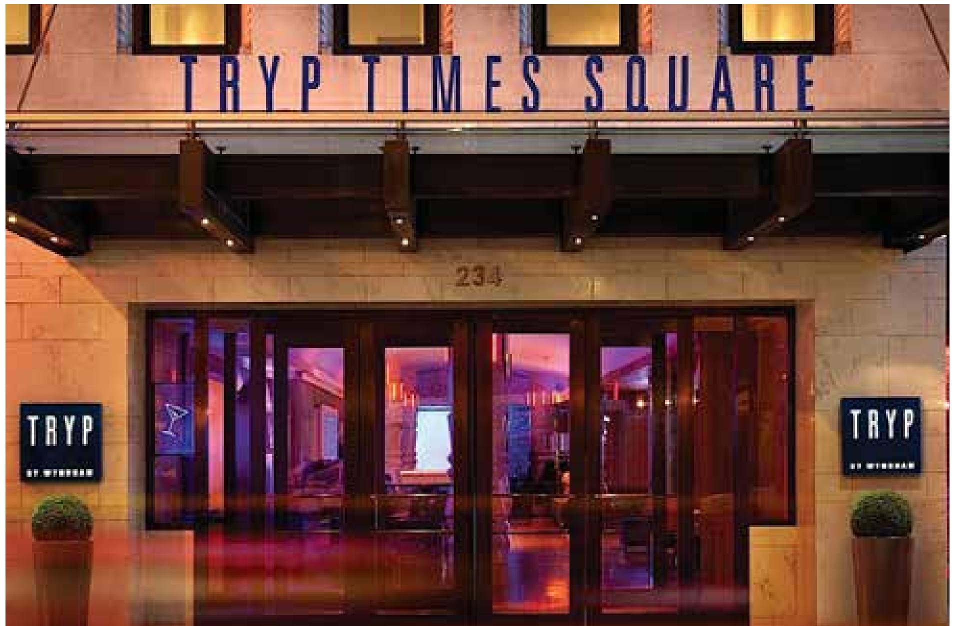
formerly **Best Western Plus President Hotel at Times Square**—has been returned to the special servicer, with the borrower currently seeking a loan modification.

New York-based **Dream Hotel Group**, which was rebranded from **Hampshire Hotel & Resorts**, is requesting a second modification on its remaining $70 million in debt, according to data provided exclusively to Commercial Observer Finance by **Trepp**.

The loan, which is dubbed "Best Western President," was securitized in the **Credit Suisse**-sponsored **CSMC 2006-C5** deal in 2006 with an original balance of $80 million. The note is the fifth largest in the overall pool and accounts for 3.12 percent of the remaining collateral, according to Trepp.

"The Best Western President in Times Square has flip-flopped between a delinquent and non-delinquent status for the past year," said **Sean Barrie**, an analyst at Trepp. "Financials have been downhill since 2010, when the firm posted a 1.2 debt service-coverage ratio. Unfortunately, the property has been generating negative cash flow for the past two years."

Since 2007, the DSCR on the 334-room hotel, which sits at **234 West 48th Street** between Seventh and Eighth Avenues, has seen a steady decline. The DSCR saw its peak of 1.93 in 2007 and dropped to 0.75 in 2013. At the time, the borrower stated, "The Times Square submarket continues to struggle due to increases in the supply of new hotel rooms." Shortly thereafter, in May 2013, the borrower faced imminent payment default. In 2014, the DSCR hit a low of -0.92, and by the end of the year servicer **LNR Partners** modified the deal terms because of low DSCR. As of December 2015, there were 40,520 hotel rooms in the Times Square market, with 2,863 rooms under construction, according to **STR**, a firm that tracks hotel data.



TRYP by Wyndham New York Times Square at 234 West 48th Street.

Under the new terms, the loan was made interest-only with a decreased rate of 5.75 percent from 6.43 percent and the borrower paid off just more than $7.5 million in debt, bringing the balance down to $70 million. Simultaneously, the hotel underwent a rebranding and traded in its Best Western flag for TRYP by Wyndham, according to a November 2014 article by *The Wall Street Journal*.

"Of the 12 Times Square [area] hotels backing CMBS loans, the Best Western President is generating the lowest net operating income and revenue per room," Mr. Barrie noted. "Competition is tough enough for commercial real estate in Times Square, and the Best Western President loan appears to be behind the eight ball at the moment."

Those hotels include the **Residence Inn New York Manhattan/Times Square** at **1033 Avenue of the Americas**; the **Fairfield Inn & Suites New York Manhattan/Times Square** at **330 West 40th Street**; the **Courtyard New York Manhattan/Times Square** at **114 West 40th Street**; and the **Econo Lodge Times Square** at **302 West 47th Street**. Mr. Barrie noted that there are another five hotels that do not have their financials reported.

As of the third quarter of 2015, the revenues for TRYP at Times Square were $17.2 million, with expenses totaling roughly $17.5 million, according to data from Trepp. The DSCR based on the 16-story building's net cash flow remained below zero at -0.28 and the NOI hit -$291,168. Room rates currently start at $91 per night, according to TRYP's website.

The borrower has the option to extend the loan's maturity date from Aug. 15, 2016, to Aug. 11, 2017, or Aug. 11, 2018.

Calls to Dream Hotel Group were not returned by time of publication. A representative for LNR did not immediately respond to inquiries.—*Danielle Balbi with additional reporting provided by Terence Cullen*

NYCB Refinances East Village Mixed-Use Portfolio With $76M Loan

141-143 Second Avenue.

A group of investors led by **Citi-Urban Management** Vice President Nathan Halegua and investor **Martin Newman** has refinanced a 10-building portfolio in Manhattan's East Village with a $75.6 million debt package from **New York Community Bank**, records filed with the **New York City Department of Finance** indicate.

The new financing replaces and provides $22 million in additional debt on a mortgage originated by NYCB in June 2012. The previous debt originally carried a balance of $57 million, which was paid down to $53.1 million in July 2012, according to city records.

Mr. Halegua, who also serves as a principal at **EVO Real Estate Group**, confirmed to Commercial Observer Finance that the proceeds of the mortgage are being used to refinance the portfolio.

The portfolio is comprised of a group of residential structures known in the industry as the **Clearwater Portfolio**, which include about 253,000 square feet of space spanning 10 buildings on Second Avenue between East 8th and East 10th Streets. There are a total of 224 residential units in the three elevator buildings and seven walk-up buildings, which also house 20 retail stores spanning 26,000 square feet.

The addresses include **141-143 Second Avenue**, **145 Second Avenue, 147-149 Second Avenue**, **151-153 Second Avenue**, **156-158 Second Avenue** and **157 Second Avenue**, according to city records.

Mr. Newman and a representative for NYCB were not immediately available for comment.—*David Jones*

***Colliers**...continued from page 1*

chief operating officer at the firm, told COF.

"Projected rents for both the multifamily component and for the active senior living component are well within the range of comparable properties in Austin," Mr. Donnelly said in prepared remarks.

He said that the project is "conservatively underwritten" based on expected rents and costs are coming in well within project estimates.

The 2.8-acre site, which currently houses a Bingo center and a **CVS/pharmacy**, is located at the intersection of Interstate 35 and 12th Street in the Downtown and East Austin submarkets. Given its proximity to **University of Texas** and **University Medical Center Brackenridge**, Mr. Hayes said he expects that many students, doctors and alumni will be drawn to the development.

The One Two East development is within half a mile of two under-construction projects: the $295 million, 211-bed **Dell Seton Medical Center at The University of Texas** and the **Dell Medical School at The University of Texas at Austin**.

The project's "design is well conceived and will position this asset head and shoulders above the mostly garden-style rental product available in this submarket," Ms. Ahrens noted. "The project will stand out, and will be an exciting and edgy addition to the East Austin streetscape."

The 195 senior apartments and the remaining 279 market-rate units will each have separate amenity packages, Mr. Hayes stated. The senior living building will feature a roof garden and a full-time activities director, while the other building will have workout facilities. Each building will have a pool and parking.

Additionally, roughly 65,000 square feet of ground-floor space in one of the towers will hold a grocery store and pharmacy. Both the senior housing component and the grocery store are much-needed additions to the community, he said, noting that the nearest supermarket is several miles away. A tenant has yet to be determined.

"While we expect to have agency construction loan options for this project, we are certain that the offering will also be enthusiastically embraced by bank balance sheet lenders and insurance company lenders," Mr. Donnelly added. "I think the debt falls into place fairly quickly—although due to the size of the construction loan, it may entail a syndication of bank lenders.

He said they are equally confident that the project is attractive to large institutional investors eager to deploy capital in Austin.

Mr. Donnelly expects the financing to be completed by the second quarter of 2016. —*Danielle Balbi*

Prudential Lends $70M on 630 Third Avenue in Midtown East

New York-based real estate investment firm **ATCO Properties & Management** took a $70 million mortgage from **Prudential Mortgage Capital Company** on a 23-story office building at **630 Third Avenue**, records filed with the **New York City Department of Finance** indicate.

The **Guardian Life Insurance Company of America** originally provided ATCO with a $16 million mortgage on the Midtown East office building in 2002, according to city records. As a part of the new financing, Prudential acquired that mortgage and originated an additional $54 million in debt on the property. It was not immediately clear for what the additional debt would be used.

The property, which was completed in 1958, is between East 40th and East 41st Streets, a few blocks away from **Grand Central Terminal** and the **United Nations**.

Digital advertising and media company **True North** signed a short-term extension of its lease on the 12th and 16th floors of the building in November, as Commercial Observer previously reported. Communications firm **Sard Verbinnen & Co.** expanded its footprint to 50,415 square feet.

There is currently 5,506 square feet of space available to rent on the 12th floor, according to the building's website.

Representatives for Prudential and ATCO did not immediately respond to inquiries for comment.—*Danielle Balbi*

630 Third Avenue.

Morgan Stanley Provides $147M to Fund Acquisition of NJ Office Portfolio

EXCLUSIVE

New York-based **JFR Global Investments** landed a $147 million acquisition loan from **Morgan Stanley** to fund the purchase of an eight-building office portfolio in Lawrenceville, N.J., Commercial Observer Finance has learned.

Earlier this month, the investment firm bought the 803,593-square-foot office center, **Princeton Pike Corporate Center**, from a joint venture between **Angelo, Gordon & Co.** and Bloomfield, N.J.-based developer **Prism Capital Partners**. The sale price was not immediately available.

JLL sales team Managing Director **Joe Garibaldi** and Executive Vice President **Tom Walsh** led the sale and the brokerage's capital markets team Managing Director **Dustin Stolly**, Senior Vice President **Jonathan Schwartz** and Vice President **Aaron Niedermayer** arranged the financing.

"This is a stable, multi-tenanted office campus that combines modern office space with value-add buildings," Mr. Walsh said in prepared remarks provided to COF. "As the new owner, JFR has the considerable opportunity to shape the future of this portfolio through additional capital improvements and amenity development."

The 100-acre property, which is located at **2000-2200 Lenox Drive**, encompasses seven three-story office buildings and one two-story office building. The buildings were originally constructed in 1984 and are just a few minutes away from Princeton.

The office property is currently 90 percent leased and tenants include **Citigroup**, **MetLife** and **Wells Fargo**, according to Prism's website.

"This is a diverse, credit-worthy tenant roster," Mr. Stolly said. "It is also an enviable combination of critical mass, flexibility and stability in a submarket that is served by excellent demographics and blue-chip corporate neighbors."

Since the sellers, a joint venture between Angelo, Gordon & Co. and Prism, acquired the office complex in 2013, $2.8 million in capital improvements have been completed. Upgrades included new exterior finishes, renovations of lobbies and atriums, a conference center, new cafes, a new HVAC system and an expanded parking lot.

The partnership paid $121 million for the site at the time, according to a report from **Colliers International**.

A representative for Morgan Stanley did not return calls for comment. A representative for JFR could not immediately be reached. —*Danielle Balbi*

FED... *continued from page 1*

economy while suggesting continued improvement in labor market conditions and inflation running below the committee's 2 percent longer run objective.

Following the January meeting, the FOMC wrote: "The committee is closely monitoring global economic and financial developments and is assessing their implications for the labor market and inflation and for the balance of risks to the outlook."

Stijn Van Nieuwerburgh, the director of the **Center for Real Estate Finance Research at New York University**, said he is not worried about the impact of an interest rate move on the real estate market, but has greater concerns about the strength of the overall economy.

"The real fear is that we're over the peak in the GDP cycle," he told Commercial Observer Finance.

Heidi Learner, the chief economist at **Savills Studley**, said that she believes that the more limited statement shows that the Fed is concerned about the pace of the economy for the rest of the year, but she does not expect to see a rate hike in March.

"They would really gain very little by acting in March rather than taking a wait-and-see attitude," Ms. Learner said. —*David Jones*

The Takeaway

"The retail sector has the second-largest balance of commercial mortgage-backed securities loans maturing in 2016," said Sean Barrie, an analyst at Trepp. "Although the sector has the second-lowest average debt-service coverage ratio among loans maturing this year, the 10 largest maturing retail loans by balance are mostly in great health. Topping the list is the Mall of America in Bloomington, Minn. This loan is split up into three pieces, with an average DSCR of 1.74. Given that this is one of, if not the most famous retail centers in the world, we don't think this should have any trouble refinancing. Blackstone Retail Portfolio falls right behind the Mall of America in the top 10. Though the 45-property loan carries a high loan-to-value ratio of 92.11 percent, the properties are generating a whopping 4.29 DSCR. Only one loan in the top 10 is currently delinquent—the Westfield Centro Portfolio. The $240 million loan is carrying an appraisal reduction over $125.6 million and the underlying collateral had its value slashed from $343.1 million to $133.9 million in July."

Source: Trepp

Top 10 Retail Loans Maturing in 2016

Loan Name	Current Loan Balance	Model Maturity Date	City	State	Current LTV	Current DSCR	Current Delinquent Code	Deal Type	Deal Name
Mall of America	$755,000,000	Dec. 10, 2016	Bloomington	Minn.	75.5%	1.74	Current	Conduit	COMM 2006-C8
Blackstone Retail Portfolio	$636,462,500	Nov. 15, 2016	Various	Various	92.11%	4.29	Current	Single Asset/ Borrower	WFCG 2015-BXRP
Palisades Center	$354,011,649	Nov. 13, 2016	West Nyack	N.Y.	44.07%	1.71	Current	Single Asset/ Borrower	JPMCC 2011-PLSD
Starwood Mall Portfolio	$330,000,000	Nov. 15, 2016	Various	Various	63.6%	4.19	Current	Single Asset/ Borrower	SCGT 2013-SRP1
Cherry Creek Shopping Center	$250,000,000	June 12, 2016	Denver	Colo.	48.64%	2.40	Current	Conduit	MSC 2006-HQ9
Westfield Centro Portfolio	$240,000,000	July 15, 2016	Various	Various	177.89%	1.29	Foreclosure	Conduit	JPMCC 2006-LDP7
Lynnhaven Mall	$235,000,000	June 15, 2016	Virginia Beach	Va.	69.63%	4.85	Current	Large Loan	BAMLL 2014-FL1
Coconut Point	$230,000,000	Dec. 15, 2016	Estero	Fla.	78.9%	1.21	Current	Conduit	JPMCC 2007-LDPX
Centro Heritage Portfolio IV	$226,109,468	Dec. 12, 2016	Various	Various	53.12%	2.09	Current	Conduit	JPMCC 2007-CB18
Centro Heritage Portfolio	$220,936,419	Nov. 12, 2016	Various	Various	53.2%	2.02	Current	Conduit	JPMCC 2006-CB17

Productions of New York Real Estate TV

These broadcasts air on more than 18 educational, university, community & public access stations in NY, NJ, Conn & PA.

The Stoler Report-New York's Business Report airs in NYC on CUNY TV. Broadcast debuts on Tuesday 2 AM, & 11 PM, Wednesday, 8:30 AM, 2:30 PM & 10:30 PM, Friday, 5:30 AM, Saturday 12 Midnight & Sunday 10:30 AM.

Building New York-NY Life Stories airs 8 in NYC on CUNY TV. Broadcast debuts on Monday 10:30 AM, 4:30 PM & 10:30 PM, Wednesday at 5:30 AM, Thursday at 11:30 PM, Saturday 12 Noon, Sunday at 12:30 AM & 10:30 AM.

These programs are hosted by Michael Stoler, President of New York Real Estate TV, LLC, Managing Director of Madison Realty Capital, real estate commentator for 1010 WINS AM.

"The Stoler Report-NY's Business Report" Celebrating its 15th anniversary

Building New York-New York Life Stories with Michael Stoler profiles lives of individuals from the region. The show is celebrating its 11th season

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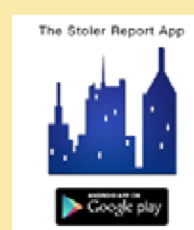

Q+A

Gary Simonetti

Senior Director and Head of Bank Loan Originations at TIAA-CREF Global Real Estate

Commercial Observer Finance: How did you get your start in the real estate business?

Mr. Simonetti: By accident! I have an accounting degree and was hired here for that role many years ago. Back then all the investment officers were on one floor and I would take a break from my spreadsheets and walk around. Their work seemed so exciting; they had maps spread all over their desks—no Google Earth back then!—pictures of new real estate developments hanging on their walls, and they were flying all over the country to seek out opportunities. One young investor officer asked me to "run some numbers" for him and we built a relationship, which eventually led me into the investment area. It's a relationship that has lasted nearly 20 years. That young officer was Rick Coppola, my current boss and now managing director, and head of capital markets for TIAA-CREF Global Real Estate.

Why was 2015 the right time for TIAA-CREF to launch its bank-lending program?

Our client, TIAA Direct, was established in 2010 and being fairly new, wanted to build out a portfolio of commercial mortgage investments in 2015.

While we may be known as a retirement provider, we are in fact a very large, diversified global asset manager with expertise across multiple asset classes including fixed income, equities, real estate and alternatives. This collaboration with the bank utilizes the full suite of capabilities that we offer as one of the world's largest owners of institutional real estate assets, including asset management, underwriting, commercial mortgage investment and portfolio management. The bank wanted to leverage this expertise and we felt it was an exciting opportunity to engage with a new segment of the market and meet the financing needs of borrowers in the core, value-add and transitional real estate segments on a somewhat smaller scale than we had done in the past.

What were some of the biggest challenges you faced in launching the platform?

Gary Simonetti

It's always a challenge starting something new within a large institutional platform; we needed to be productive and serve our client, while at the same time build out a team of originators, develop internal processes and procedures and produce new loans. The other challenge was marketing this new program. TIAA has a great reputation in the marketplace for investing in large, long-term fixed-rate commercial mortgages, which we have been doing for decades; however, we needed to educate brokers, borrowers and real estate owners that we have a new lending program with the capability to provide short-term financing on a floating- or fixed-rate basis with loan sizes ranging from $10 million to $25 million.

Why is there a focus on smaller loans?

The credit officers at TIAA Direct are taking a prudent approach by starting the program with relatively small deals with the intent to gradually grow investment size over time. The goal is to build a $1 billion commercial mortgage portfolio on the bank's balance sheet within three years.

What are your origination goals (or projections) for 2016?

We are collectively developing our business plan right now with our client; however, we would like to build upon the origination momentum gathered in 2015. We are targeting $400 million to $450 million of new commitments for 2016, so at an average deal size of $18 million that's about 22 to 25 new deals.

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