MORTGAGE OBSERVER WEEKLY

The Insider's Weekly Guide to the Commercial Mortgage Industry

In This Issue

1 Meridian Secures $142M CMBS Loan for Suburban Detroit Office Center

1 REIT Closes $95M Loan For Office Portfolio

3 Developer Scores $121M in Construction Funds From Wells Fargo

3 Starwood, Crown Acquisitions Tie Up $175M from Morgan Stanley

5 Southern California Multifamily Portfolio Refinanced with $175M From Centerline

5 Meridian Brokers $18M Refi for Chelsea Office Building

5 Partnership Buys UWS Commercial Building with $11.6M From Oritani Bank

"Quality assets are hard to come by, and the few that hit the market are fetching record-breaking prices"

—**Joseph Berko,**

From *Q&A* on page 11

Meridian Secures $142M CMBS Loan for Suburban Detroit Office Center

MOW EXCLUSIVE

Commercial developer, owner and manager **601 West Companies** received a $142 million loan from **Deutsche Bank** to buy an office complex in Southfield, Mich., *Mortgage Observer Weekly* has first learned. The 10-year loan, which will be securitized, a source familiar with the transaction said, was for the $177.5 million purchase of **Southfield Town Center**, a 2.15-million-square-foot, mixed-use center in the Detroit metropolitan area. Deutsche did not respond to a request for comment.

Meridian Capital Group's Managing Director **Rael Gervis** brokered the deal, which closed last week, according to a representative for Meridian.

"Meridian leveraged its strong position with CMBS lenders to efficiently make a market for financing this unique asset and structure highly accretive long-term financing at 80 percent of the purchase price, despite the property's 67 percent occupancy rate," Mr. Gervis said in a statement provided to *MOW*. "Meridian was able to get the lender comfortable with the transaction based on an acquisition price that is substantially below replacement cost, the iconic status of the asset and, most importantly, the strength and experience of the sponsorship," he added.

The office complex consists of five buildings and includes a "state-of-the-art" gym, as well as retail and an executive dining room.

Last November, previous owner **Blackstone Group LP** reportedly began shopping offers after loan servicing was transferred to **Wells Fargo** as special servicer. Blackstone had taken out a $235 million mortgage in 2004; a recent appraisal put the building's value at $177 million, according to a report from *Crain's Detroit Business* last year.

The LEAD

While still one of Michigan's premiere office properties, Southfield Town Center needs fixing up, sources told the *Detroit Free Press* at the time of the sale. The whole Detroit area has struggled through the recession and during the bankruptcies of automotive manufacturers upon which the region's economy was built.

New owner 601 West Companies will reportedly spend $30 million rehabbing the towers. —*Guelda Voien*

REIT Closes $95M Loan For Office Portfolio

MOW EXCLUSIVE

Guggenheim Commercial Real Estate Finance LLC, on behalf of **Midland National Life Insurance Company**, provided a $95 million loan secured by three offices assets to a spanking new REIT, *Mortgage Observer Weekly* has learned. The borrower was an affiliate of Maryland-based **City Office REIT, Inc.**

The publicly traded REIT, a fund of Vancouver-based **Second City Capital Partners**, began raising capital last month, according to published reports.

The 4.34 percent, seven-year, fixed-rate

*See **REIT Closes...** continued on page 3*

REIT Closes....continued from page 1

loan is backed by the 97 percent-leased office portfolio. The buildings include **Cherry Creek Campus Center**, a 355,687-square-foot asset in Glendale, Colo.; **City Center**, a 244,079-square-foot asset in St. Petersburg, Fla.; and **3501 Corporate Parkway**, a 178,330-square-foot asset located in Center Valley, Pa. The three office complexes total six buildings.

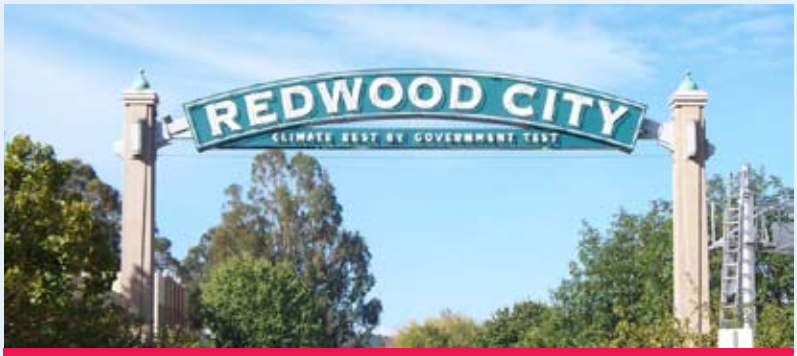
Cushman & Wakefield's **Alex Hernandez**, **Mark Root** and **John Spreitzer** advised City Office REIT on the deal.

"The lending market was exceptionally receptive to this financing opportunity, highlighting the significant increase in debt capital market liquidity for top-quality assets and sponsors in secondary markets," Mr. Hernandez, a managing director at C&W, said in a statement provided to *Mortgage Observer Weekly*.

The REIT had its initial public offering just as the deal closed, in mid-April, according to a representative for C&W. Previous reports said the REIT's strategy is to focus on secondary markets in which they will not have to compete with well-capitalized institutional investors.

"The successful IPO of City Office REIT, given the lack of other REIT IPOs this year, is testament to the strength of the management team and the portfolio of properties they have amassed," said Mr. Root, also a managing director with C&W. "We're looking forward to working with the CIO team as they grow the new REIT."

Guggenheim declined to comment on the deal. —*Guelda Voien*



Redwood City, Calif.

Developer Scores $121M in Construction Funds From Wells Fargo

Wells Fargo provided a $121 million nonrecourse loan for the development of the **Indigo**, a 470-unit, mid-rise apartment building in Redwood City, Calif., according to a statement from **CBRE**, which arranged the deal.

A CBRE team of **Brady O'Donnell**, **Andrew Behrens**, **Jesse Weber** and **Mike Bryant** brokered the deal. The borrowers are the **Pauls Corporation**, a Denver-based manager and developer, and **Mount Kellett Capital Management**, a New York-based opportunistic investor, the statement said.

CBRE declined to provide the exact rate for the four-year, floating-rate loan.

"The strength of CBRE's national platform combined with its ability to collaborate with specialists in different markets enabled us to meet the unique needs of our client and ultimately solidified the transaction," said Mr. O'Donnell in the release.

The development will rise at **525 Middlefield Road** and construction will commence immediately.

Redwood City, in San Mateo County, is located between tech hubs San Francisco and Silicon Valley. —*Guelda Voien*

Old Navy at 144 West 34th Street

Starwood, Crown Acquisitions Tie Up $175M from Morgan Stanley

Morgan Stanley provided $175 million in financing to a partnership between **Starwood Capital Group** and **Crown Acquisitions** in conjunction with its purchase of **144 West 34th Street**, according to public records. The three-story Herald Square retail building currently serves as **Old Navy**'s flagship store.

The loan closed on April 23, the same day as the acquisition, records show. Starwood Capital Group, co-founded and overseen by **Barry Sternlicht**, bought the retail property from the **Kefadilis** family's **KLM Construction Corporation** for $252 million. KLM had acquired the building in February 1997.

Morgan Stanley lent a little more than $150 million in a permanent mortgage in addition to a second piece of about $25 million, which was syndicated, a source with knowledge of the deal told *Mortgage Observer Weekly*.

Representatives for Crown and Morgan Stanley declined to comment.

The 77,760-square-foot building is solely leased to **GAP, Inc.**-owned clothing and accessories retailer Old Navy, which has another six years on its lease, according to data from **PropertyShark**.

While the lot comes with 30,000 square feet of untapped air rights, leaving it ripe for redevelopment, the partnership may find sufficient upside leaving the retail as it is, as **Nicholas Doering-Dorival**, a vice president at Starwood Capital, noted to the *New York Post* when the sale closed last month.

"At the current moment, we believe there is considerable upside in the existing retail box," Mr. Doering-Dorival told the *Post*.

Marcos Alvarado, a senior vice president at Starwood Capital, said the building might eventually be redeveloped, however, in a press release late last month.

"The investment also provides the flexibility for commercial or residential redevelopment to capitalize on the rapidly rising rents and property values in the submarket," he said. Starwood declined to comment further through a representative.

The building was constructed in 1900 and last renovated in 1998. —*Guelda Voien*

Southern California Multifamily Portfolio Refinanced with $175M From Centerline

Emerald Court Apartments

Centerline Capital Group provided a $175 million **Fannie Mae** credit facility to refinance a five-property, multifamily portfolio in Southern California, according to a statement from Centerline. The properties are located in Lake Forest, Upland and Ontario, Calif.

The borrowers were **Western National Group**, a premier owner and operator of multifamily properties in Orange County, Calif., and a Western principal, **Michael K. Hayde**.

The portfolio includes the **Emerald Court Apartments**, **Westridge Apartments** and **Spring Lake Apartment Homes**, all in Lake Forest, the **Mountain Spring Apartments** in Ontario and **Park Centre Apartments** in Upland.

"The borrower has been a very active client in the multifamily market for decades," **Suzanne Cope**, a senior vice president at Centerline, said in the statement. "This structured credit facility with Fannie Mae was heavily negotiated and very complex due to the nature of the product. It provides for future advances, property releases and substitutions."

A Centerline representative declined to provide the rate or term of the loan. —*Guelda Voien*

Partnership Buys UWS Commercial Building with $11.6M From Oritani Bank

MOW EXCLUSIVE

Oritani Bank loaned $11.6 million for the off-market purchase of an Upper West Side office building bought by a partnership of **Ben Ashkenazy**'s **Ashkenazy Acquisitions** and retail royalty the **Gindi** family, *Mortgage Observer Weekly* has first learned.

The 12-year, interest-only loan has a rate "just under 4 percent," said **David Garcia**, a managing director at Oritani.

The 20,800-square-foot, four-story building at **2067 Broadway** has "excellent upside on all floors," according to Mr. Garcia. **Abe Hirsch** and **Steven Adler** at Meridian brokered the deal.

The partnership, a pairing of the prolific East Village developer Mr. Ashkenazy and the family behind the hugely successful **Century 21** department store chain, is also working on other projects together, said **Daniel Levy**, a partner at Ashkenazy. He would not disclose the nature of those projects, however.

The Real Deal first reported the sale of the building.

2067 Broadway

Mr. Levy said that his firm was still formalizing its plans for the building. "It's a great building in a great location, so it's hard to go wrong," he said.—*Guelda Voien*

114 West 26th Street

Meridian Brokers $18M Refi for Chelsea Office Building

MOW EXCLUSIVE

New York Community Bank just closed an $18 million mortgage backed by **114 West 26th Street**, a source told *Mortgage Observer Weekly*. The loan will be used to refinance an existing lien, according to representatives for **Meridian Capital Group**, which brokered the deal.

City records show a $13 million outstanding mortgage on the building, also from New York Community Bank. The building is owned by an entity called **Jal Colin Properties LLC**. Representatives for the bank did not immediately return requests for comment. Jal Colin was not reachable.

The 4.25 percent, seven-year loan has a flexible prepayment penalty. Meridian Vice President **David Zlotnick** handled the transaction.

"Meridian negotiated this cost-effective, long-term refinancing to reduce the borrower's interest rate by nearly 1 percent, cut the prepayment penalty on the existing financing by 1 percent and obtain $4 million in additional proceeds," Mr. Zlotnick said in a statement provided to *MOW*.

The 12-story office building, between Avenue of the Americas and Seventh Avenue, sports 88,000 square feet of office space and 7,500 square feet of retail space. —*Guelda Voien*

Work Force

Chad Tredway

Evan Cohen

Christopher Mendez

MOW EXCLUSIVE

Chase's Northeast regional sales manager, **Chad Tredway**, has been promoted to east area manager of the bank's commercial term-lending business, which provides financing to multifamily and commercial property owners and investors from Washington, D.C., to Boston, *Mortgage Observer Weekly* has first learned.

Mr. Tredway replaces **Jason Pendergist**, who previously served in that role and decided to leave the firm to pursue other opportunities.

Based in New York, Mr. Tredway will manage a team of more than 30 bankers who lend to local owners and investors in apartment buildings with five or more units, as well as stabilized commercial properties. Those properties include office buildings, industrial buildings and shopping centers. The newly promoted manager will also be responsible for the continued expansion of Chase's commercial term-lending business in the east, according to a company spokesperson.

Mr. Tredway, who came to Chase in 2008 to oversee structured debt and equity investing, went on to lead the bank's commercial term lending business in Southern California, overseeing a $7 billion portfolio of multifamily loans and eight sales offices.

"Since joining our team three years ago, Chad has had a huge impact growing our client base in Southern California and helping us manage a distressed portfolio in Florida," said **Al Brooks**, the head of the bank's commercial term lending business, in a prepared statement. "His knowledge of property management, results-oriented approach and financial acumen were essential to achieving positive bottom-line results."

Messrs. Tredway and Pendergist were named No. 25 in *Mortgage Observer's* 50 Most Important People in Commercial Real Estate Finance this year.

"I want to thank Jason for his outstanding work over the past two-and-a-half years rebuilding and refocusing our business in the east," Mr. Brooks said of the departing executive, who joined the team in 2002. "I am especially appreciative of the excellent team dynamic he built and wish him all the best as he pursues new opportunities."

Bank of America Merrill Lynch has named **Brad Dubeck** the New York and New Jersey executive for commercial real estate banking. Mr. Dubeck succeeds **Steve Kenny**, who recently was named CREB east region executive.

Previously a senior client manager with the bank, Mr. Dubeck reports to Mr. Kenny and remains based in New York.

"Brad's success in delivering for our clients and his understanding of our strategy have been key contributors to Bank of America Merrill Lynch's leadership in the commercial real estate industry," Mr. Kenny said in a press release. "His expertise and creativity will be instrumental in helping our company continue providing innovative and effective solutions for our clients."

Delshah Capital has appointed **Jeffrey Bogino** as senior vice president and managing director. Mr. Bogino is responsible for equity and debt, as well as developing the firm's private equity real estate platform. Previously, Mr. Bogino served as a vice president and director at **Rockefeller Group Investment Management**.

Actovia, a balance-sheet loan-tracking company, has hired **B.A. Van Sise** as managing director of sales. Mr. Van Sise worked at **Invest Cap**, **Trepp** and **CoStar** previously, according to **Jonathan Ingber**, Actovia's founder. Most recently, Mr. Van Sise had been the national director of sales at **Xceligent**, a commercial real estate data provider.

Madison International Realty has announced that **Christopher Mendez** and **Evan Cohen** have been promoted to director from vice president and will assume responsibility for investment sourcing and business development activities in the U.S., in addition to their existing roles in investment underwriting.

Mr. Mendez joined Madison as an associate in 2009; Mr. Cohen joined Madison as an analyst in 2007.

"I am delighted to formally recognize two highly talented executives who have shown unusual proficiency in moving our investment business forward while maintaining the key elements of Madison's Class A direct secondary strategy, which focuses on replacing capital partners seeking exit strategies and providing joint-venture equity to sponsors," Madison founder Ronald Dickerman said in a press release.

The Stoler Report-New York's Business Report

Building New York-New York Life Stories

Tuesday: 2:00 AM, 11:00 PM
Wednesday: 8:30 AM, 2:30 PM, 10:30 PM
Friday: 5:30 AM
Sunday: 12:00
Sunday: 10:30 AM
Airing on CUNY TV

Airing in East Hampton & Montauk-EGTV 22
Sunday: 6:30 AM Tuesday: 6:00 AM
Wednesday: 12 Noon Thursday: 3:00 PM
Friday: 11:00 PM

Monday: 10:30 AM, 4:30 PM. 10:30 PM
Tuesday: 9 PM & 12 Midnight JLTV
Wednesday: 5:30 AM
Thursday: 11:30 PM
Saturday: 12 Noon
Sunday: 12:30 AM & 6:00 PM
Airing on CUNY TV

Building New York-New York's Life Stories
Tuesday evenings at 9 PM, 12 Midnight
Building NY-NY Stories Airs throughout U.S. on JLTV-Direct TV-Channel 366
Channel 120 in New York City & Northern NJ
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The Takeaway

"April was a relative breather for special servicers as the bulk sale from CWCapital wrapped up a month earlier and another block of assets were readied for auction in May and June," said Joe McBride, a research analyst with Trepp. "Liquidation volume and loss severity both came in lower month over month, with volume at $844 million and severity at 39.8 percent. Looking forward to another swath of asset sales, we should be headed back over the monthly $1 billion mark in the coming months."

Source: Trepp

Excludes Loss Severities < 2%

Vintage	Loan Count	Loan Balance	Realized Losses	Loss Severity
1996	10	48,134,523	21,216,031	44.08
1997	30	178,063,652	103,581,551	58.17
1998	98	512,405,052	373,486,464	72.89
1999	209	953,450,701	566,131,749	59.38
2000	269	1,269,356,716	756,135,535	59.57
2001	355	2,045,512,778	1,160,697,617	56.74
2002	235	1,415,125,424	880,127,554	62.19
2003	242	1,770,151,845	1,011,685,580	57.15
2004	402	2,926,580,006	1,651,680,699	56.44
2005	795	8,196,528,219	4,197,496,348	51.21
2006	1343	14,211,864,325	7,816,695,308	55.00
2007	1337	16,082,599,020	8,374,317,832	52.07
2008	97	1,031,819,393	633,219,300	61.37
Grand Total	**5,422**	**50,641,591,654**	**27,546,471,567**	**54.39**

Date	Loan Count	Loan Balance ($)	Realized Losses ($)	Loss Severity
April-12	121	1,172,191,687	608,972,910	51.95
May-12	135	1,295,380,725	718,905,858	55.50
June-12	126	1,037,211,761	511,270,053	49.29
July-12	141	988,048,484	520,722,842	52.70
August-12	118	1,198,609,002	764,874,825	63.81
September-12	137	1,061,240,749	574,775,450	54.16
October-12	99	996,814,478	575,479,875	57.73
November-12	136	1,210,200,882	744,963,950	61.56
December-12	97	842,525,594	488,570,902	57.99
January-13	120	871,321,068	509,250,687	58.45
February-13	60	801,534,307	426,286,808	53.18
March-13	58	670,358,237	334,685,726	49.93
April-13	104	1,436,442,517	740,052,032	51.52
May-13	70	682,012,767	407,085,434	59.69
June-13	96	1,119,314,765	704,424,337	62.93
July-13	110	1,773,451,736	891,072,636	50.25
August-13	61	776,306,573	442,551,642	57.01
September-13	75	672,710,355	374,740,010	55.71
October-13	56	871,531,148	369,697,049	42.42
November-13	91	1,072,260,517	578,670,881	53.97
December-13	80	1,165,235,417	646,018,627	55.44
January-14	74	1,205,480,049	745,755,870	61.86
February-14	114	2,589,835,745	1,208,909,802	46.68
March-14	74	1,887,186,139	1,024,482,375	54.29
April-14	*48*	*566,668,600*	*333,449,178*	*58.84*

NYC FINANCE EXPO

3RD ANNUAL

KEYNOTE SPEAKER

New Lenders Entering the Financing Arena

MICHAEL STOLER
President, New York Real Estate TV, LLC
Managing Director, Madison Realty Capital

SAVE THE DATE

May 14, 2014 | Roosevelt Hotel NYC

7am-12:30pm | Continental Breakfast: 7am -10am

THE BANKER / BROKER PANEL

Commercial Mortgage Brokerage Lending for 2014

Come Hear From These Experienced Bankers/Brokers as They Clarify and Offer Solutions to Today's Complicated Lending Industry. Learn About the Current (ever changing) Requirements and Regulations.

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NYC NETWORK GROUP

Q+A

Joseph Berko

President, Berko & Associates

Mortgage Observer Weekly: **How did you get your start?**

Joe Berko: I started my real estate career in 1995 out of a small rental office in Forest Hills, Queens. I fell in love with the industry and decided to pursue a bachelor's degree in real estate at Baruch College. The degree focuses on the different disciplines in real estate: finance, contract law, zoning and development. I gobbled up any piece of information I could get my hands on. When I graduated, I went to work at an investment banking firm with a specific focus on real estate finance, called Citadel Realty.

You focus on structured finance and syndication advisory. How did you develop this approach?

One of my clients decided to opt out of his refinancing process and ask me to represent him on the sale of his building. I was a young aggressive agent, and I took the assignment very seriously. It was my first investment sales deal, and I was determined that it would trade. During the many building tours, I often asked investors about their financing expectations and was amazed at how little most of them knew about the process.

When I launched my company in 2005, the platform was based on the integration of finance and investment sales. I was clear about Berko & Associates' competitive advantage of underwriting assets from a banker's standpoint while passionately pursuing the transaction with the visions and goals of an investor's. Over the years, our area of focus shifted to include larger transactions and, with it, higher levels of complexity that require different financial structuring, including mezzanine debt, preferred equity and joint ventures.

What type of borrowers do you target?

The kind of clients Berko & Associates targets for both financing or investment sales transactions include private equity firms, family offices, public and private REITs and private seasoned investors.

What's the most interesting deal you've worked on recently?

I think that the Paper Factory Hotel was one of the more interesting transactions I worked on recently. We advised the developer on the acquisition of a 90,000-square-foot loft building near the Kaufman Studios, in Long Island City. To secure the deal, Berko & Associates tapped into our international Rolodex and raised the capital needed to secure the acquisition and to construct the hotel. The plan was to convert the building into a trendy 122-suite hotel, a destination restaurant and a spa. The developer is a hands-on forward thinker that designed and implemented one of the best hospitality concepts outside of Manhattan. The Paper Factory is now getting rave reviews for embracing an industrial chic design. It is the poster child for the revitalization of Astoria/Long Island City. I loved every aspect of this transaction.

What trends do you see in the market at the moment?

We see very strong fundamentals. There is a solid demand from local and foreign investors to acquire real estate in New York, while supply, although increasing somewhat, is still limited. Quality assets are hard to come by, and the few that hit the market are fetching record-breaking prices. Interest rates are still very attractive, and banks are competing to get money out the door yet have maintained disciplined underwriting. To say it plainly, it is a great time to be in the commercial real estate advisory business. MOW

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MAY	Developers and Construction Lending
JUNE	Retail Lending
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