

# MORTGAGE OBSERVER WEEKLY

The Insider's Weekly Guide to the Commercial Mortgage Industry



## Starwood Loans \$480M for Giant San Francisco Mixed-use Project

San Francisco-based developer **Jay Paul Company** grabbed a whopping \$480 million construction loan from **Starwood Property Trust** for **181 Fremont Street**, a mixed-use project in San Francisco's uber-trendy South of Market neighborhood.

The building will have 400,000 square feet of office space, 65 residential condominiums and a retail component, according to Starwood executives. Construction began last November, according to published reports. At the time, Jay Paul estimated the total cost of the project to be \$500 million.

The loan, which has a first mortgage and a mezzanine component, is exactly in the sweet spot of a non-bank balance sheet lender such as Starwood, **Boyd Fellows**, director and president at Starwood, told *Mortgage Observer Weekly*.

"This would be very difficult, if not impossible for any bank in the United States to do," he said. Not only would Jay Paul have needed a syndicate of banks to participate in a loan of that size, they would have had to find an independent mezzanine lender. "Just the paperwork, forget

the negotiation," would have been onerous, Mr. Fellows said.

Still, the loan is exceedingly complex. The developer retains the right to condo off portions of the deal and to seek additional financing on those separate pieces of real property, Mr. Fellows said.

Starwood also structures loans where it originates both the mezz and first mortgage component such that the amount of each are variable, a source with knowledge of their business said. The firm takes that approach because they can then sell off the first mortgage later, in whatever amount appeals to the buyer, while retaining the mezz portion, the source said.

A Starwood representative declined to provide the current amount of the mezz portion, or the rate or term of the loan. Mr. Fellows said the floating-rate loan is Libor-based.

The loan was brokered by HFF Managing Director Peter Smyslowski, Director Chris

*See Starwood... continued on page 3*

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*"Many co-ops enter into long-term debt with short-term views"*

—Mindy Goldstein  
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## Mortgage Data Points to Frothy Market, Heightening Fears of a Bubble

Some say that cycles in real estate are inevitable, that the idea shouldn't be to prevent them, but rather to enter the wave early enough to surf, so to speak. But whatever your thoughts on the market's boom and bust, recent changes in the commercial mortgage market might give you pause. It may be time to stand up—or bail out.

Many statistics point to a drastic rise in land values in New York City, pushed at least partly by a flood of equity. That, in combination with more leverage and more building trades, indicates what brokers like to call "frothiness."

*See Frothy... continued on page 5*

**The LEAD**

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**Steven Adler, Managing Director**

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The completed project will have 360-degree views on top floors, creating some of the highest end residential real estate in the city. The lower floors will hold office space—a property type that has seen surging demand in recent years in the Bay Area, as the tech sector has boomed.

Office rents in the area are in “the mid-\$40 to \$50s a square foot on a triple net basis,” said **Anthony Marconi**, a vice president with Starwood. That works out to between \$70 and \$80 a square foot when the taxes and other costs are not passed on to the tenant.

The mega loan is one of many larger construction loans Starwood has provided in recent years, Mr. Fellows said—but that is set to change shortly.

The firm, which lent \$350 million to **The Related Companies** and **Oxford Properties** for phase I of the Hudson Yards last year, is likely to taper its construction lending in the near future.

“It would be fair to say that we’ve done a lot of construction lending, which we think we got done cyclically at a great time,” Mr. Fellows said. “And we are probably slowing down our construction lending going forward.”

—*Guelda Voien*

## RFR Holding Receives \$85M Acquisition Loan for Soho Holiday Inn

**AXA Equitable Life Insurance Company** provided \$85 million in financing to **RFR Holding** for its acquisition and repositioning of the **Holiday Inn Soho at 138 Lafayette Street**, public records show.

The debt is divided into a \$70 million “acquisition loan,” a \$6 million “project loan” and a \$9 million “building loan,” according to the loan documents.

The sponsor plans to reposition the 14-story hotel by expanding the total retail space to 9,720 square feet and adding outdoor balconies to six of the hotel’s 227 rooms, according to RFR’s website.

The Midtown development firm, which is run by German-born real estate mogul Aby Rosen, acquired the property from The Procaccianti Group, a Cranston, R.I.-based developer and hotel operator, for \$89.7 million on July 30, according to city records. TPG purchased the building for \$128.7 million in September 2007, records show.

A spokesperson for the previous owner told Commercial Observer that its subsidiary TPG Hospitality will retain management of the hotel.

RFR declined to comment on the acquisition and project financing.

—*Damian Ghigliotty*

# GE Capital Provides \$100M Financing for Midtown Hilton Hotel



Hilton Homewood Suites at 312-318 West 37th Street

**GE Capital Real Estate** has provided \$100 million in take-out financing to a joint venture between **Rockwood Capital, Albanese Development Corporation** and **The Buccini/Pollin Group** for a new hotel near Times Square, *Mortgage Observer Weekly* has first learned.

The loan replaces construction financing for the recently opened **Hilton Homewood Suites** located at **312-318 West 37th Street** between Eighth and Ninth Avenues.

“It’s a great example of how GE Capital Real Estate is focusing on growing its lending business with great sponsors,” a GE Capital spokesperson told **MOW**. The refinancing carries a five-year term, the spokesperson said.

The borrowers, listed in city records as **West 37 Street Partners LLC**, took out several smaller loans from **Sovereign Bank** in 2012 and 2013 to finance construction on the hotel.

The Buccini/Pollin Group, a privately held real estate acquisition, development and management company, has experienced recent growth due to the opening and acquisition

of three new hotels, one of which included the Hilton Homewood Suites on West 37th Street, according to a press release issued last month by affiliated hotel management company **Pollin/Miller Hospitality Strategies**.

“We added more than 929 rooms to our hotel portfolio in the 2014 second quarter, the most in our 18-year history,” said **Dave Pollin** of The Buccini/Pollin Group in a written statement. “The Homewood Suites by Hilton is both the brand’s and our first property in Manhattan, the nation’s most dynamic market, which is underserved in the extended-stay segment.”

The J.V. partners acquired the parcel of land on which the Hilton Homewood Suites now sits for \$20.8 million in August 2011, property records show. The sellers are listed as **Wenner Family Limited Partnership** and **RJL Larkin LLC**.

Requests for comments to The Buccini/Pollin Group, Albanese Development Corporation and Rockwood Capital were not returned in time for publication.

—*Damian Ghigliotty and Jennifer Henderson*

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# Mesa West Finances Bay Area Multifamily Acquisitions

**Mesa West Capital** originated a \$31 million first mortgage for the acquisition of a six-story apartment building in Palo Alto, Calif., *Mortgage Observer Weekly* can exclusively report.



Palo Alto-based multifamily investor **Pacific Urban Residential** acquired the property, **Park Towers**, from an undisclosed private investor for \$36.5 million in July.

The apartment building located at **535 Everett Avenue** features 42 studio and 48 one-bedroom apartments ranging from 443 square feet to 606 square feet, each containing its own balcony. The property, which was built in 1964, is located within walking distance to **Stanford University**.

"The San Francisco Bay Area continues to be a desirable and liquid multifamily market with tight vacancy rates and strong fundamentals," said Mesa West Principal **Ronnie Gul**, who led the transaction. "In particular, Larkspur and Palo Alto are highly desirable submarkets given limited supply and robust demand."

Mr. Gul declined to give the term and interest rate of the loan.

In a separate Bay Area deal earlier this



Park Towers

summer, Mesa West provided a \$20.4 million first mortgage to Los Angeles-based **California Landmark Group** for the acquisition and repositioning of an 80-unit apartment complex in Larkspur, Calif. The investment company purchased the

property, **Woodlark Apartments**, from an entity listed in public records as **Marco A Vidal Properties** for \$24 million in June.

The garden-style apartment complex, which was built in 1962, contains 11 two-story buildings located on a four-acre site at **965 Magnolia Avenue**. The buildings are made up of one- and two-bedroom units ranging from 648 to 945 square feet.

The borrower plans to use some of the loan's proceeds to fund renovations and upgrades, including new appliances, cabinets, laminate flooring, stone countertops, the addition of washers and dryers in each unit, and a new gym and leasing office, according to Mesa West.

"The San Francisco Bay area rental market is arguably one of the strongest in the United States with the average rent per square foot double that of the national average, and vacancies well below 5 percent," Mr. Gul noted. "With a limited inventory of rental housing and an increase in household formation due to the improving local economy, we are confident in the performance of the local rental market over the foreseeable future."

—*Damian Ghigliotti*

*Frothy...continued from page 1*

"There is definitely a bubble in values, in credit spreads," a principal at a major New York City lender said. "We're in lofty times," said the source, who asked to remain anonymous.

Land values and trade volume are up, with 108 percent more investment sales in the first quarter of 2014 than in the same quarter of 2013, according to data from **Massey Knakal Realty Services**. Investment sales are on pace to set a record this year, and pricing for core assets across the five boroughs was up 14 percent to an average of \$444 per square foot, Massey Knakal data shows.

Meanwhile, and perhaps more importantly, the proportion of loans that are for land acquisition, as opposed to refinancing, has tripled, according to data provided exclusively to *Mortgage Observer* from **Eastern Union Funding**, a mortgage brokerage based in New York.

In the third quarter of last year, about 16 percent of the deal volume handled by Eastern was in acquisition loans, said **Matt Matilsky**, vice president for communications at the firm. In the second quarter of this year, that figure jumped to 36 percent. Refis, which were 84 percent of transactions, fell in direct proportion, and could fall further in October, when rates may finally increase, as quantitative easing is, at long last, itself eased.

"Acquisition financing is highly correlated with sales volume, tending to rise a

little faster when sales volume is going up because it coincides with higher loan-to-value ratios as well," said **Dr. Sam Chandan**, a real estate economist at the **University of Pennsylvania's** Wharton School (and a columnist with *Mortgage Observer*). The prevalence of interest-only loans, another harbinger of froth, is also on the rise, he said.

But cap rates, as we all know, remain very low. With most transactions showing cap rates around 3 percent but sometimes as low as 2, "they just don't make sense," unless an investor wants to hold the asset for 25 years, said **Nat Rockett**, an executive vice president in the capital markets group at **Cushman & Wakefield**.

"Rock-bottom cap rates on New York sales are masking the extent of leverage," Dr. Chandan added. He has also observed eroded lending standards, with lenders "underwriting to prospective income in excess of in-place income [and] underwriting older, less competitive assets on assumptions that are not well differentiated from the newer, more competitive assets," he told *Mortgage Observer* via email.

So why all the activity? "I just think there is a huge equity bubble right now that is driven mainly by demographics," Mr. Rockett said. Baby boomers struggle to find investments that meet their retirement needs and the city is also now home to flight capital from all over the world.

"The more unrest in the world, the more people come here," said **Aaron Jungreis**, president of **Rosewood Realty Group** and

a prominent investment sales broker. He was not alarmist about an overly exuberant market, however. "I do think [the market is] bubbly, but there are a lot of things that have to happen for it to really burst," he said. Land prices could easily hit a wall if the bottom were to drop out of the residential condominium market, for instance. But aside from lowered land prices, a condo slowdown won't create an overall market halt à la 2008. What would be a problem would be if banks stopped lending, he said, though so far that eventuality seems unlikely.

But the strength of the high-end condominium market could easily wane, because it is built on fleeting macroeconomic factors, pointed out **Dr. William Wheaton**, an economist with the **Massachusetts Institute of Technology's** Center for Real Estate. **The Gary Barnetts** and **Zeckendorf Brothers** are "building for a very small slice of the market," Mr. Wheaton said. It's not a traditional residential market, but actually the second home market—a sector that is the first to fall during an economic downturn.

Of course, no one can predict the future. Even before the death of **Lehman Brothers**, many alarms were raised, and none heeded (except by those lucky hedge funds that shorted the right things). And as Mr. Rockett said, the industry is "looking for the same thing again," in this cycle. Alas, "the thing that always gets you is the thing you aren't expecting."

—*Guelda Voien*

## New York Real Estate Summit

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Wednesday, September 10, 2014-8:00 AM to 1 PM

Graduate Center of the City University-365 Fifth Ave, New York City

Schedule for the event:

7:30 AM-8:30 AM: Registration & breakfast

8:30 AM-9:30AM: CEO's View on the market-  
Where are we headed in 2015?

9:40 AM-10:40 AM: The Hot, hot, residential  
market in the region

10:40 AM-11:00 AM: Coffee Break

11:00 AM - 12:00 Noon-Sources of debt,  
equity & alternative financing for commercial  
real estate

12:00 PM-1:00 PM: Emerging Trends & areas  
of growth in the office market

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Michael Stoler, 646-442-0717

[mstoler@madisonrealtycapital.com](mailto:mstoler@madisonrealtycapital.com)

[michaelstoler@icloud.com](mailto:michaelstoler@icloud.com)

[www.michaelstolertelevision.com](http://www.michaelstolertelevision.com)

[www.buildingnynylifestories.com](http://www.buildingnynylifestories.com)

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#### Panels

##### CEO's View on the state of market & economy-where are we headed?

Scott Rechler, Chairman & CEO, RXR Realty

Joseph Sitt, Chairman & CEO, Thor Equities

Steven Witkoff, Chairman & CEO, The Witkoff Group

Ofer Yardeni, Chairman & Co-CEO, Stonehenge Partners

##### The hot, hot residential market in the region

Peter D'Arcy, President, M & T Bank

Jeffrey Levine, Chairman & CEO, Douglaston Development, Levine Builders

Allen Goldman, President, SJP Residential

Joseph McMillan, Jr. Chairman & CEO, DDG

Benjamin Stacks, Greater New York Market Manager, Capital One Bank

David Von Spreckelsen, President, Toll Brothers City Living

Josh Zegen, Managing Member, Madison Realty Capital

##### Sources of debt, equity & alternative financing for commercial real estate

James Carpenter, Sr.EVP, Chief Lending Officer, New York Community Bank

Roy Chin, Regional Director, Commercial Real Estate, TD Bank

Kevin Cummings, President & CEO, Investors Bank

Matthew Galligan, President, CIT Real Estate Finance

Steven Kenny, Eastern Regional Executive, Bank of America Merrill Lynch

Ralph Herzka, Chairman & CEO, Meridian Capital Group

Tim Johnson, Managing Director, Real Estate Debt Strategies, The Blackstone Group

Sujan Patel, Managing Director & Co-Head of Investments, NorthStar Realty Finance Corp.

Ronald Prunseti, SVP, Commercial Real Estate Banking, HSBC Bank USA, NA

##### Emerging Trends & Areas of Growth in the office market

Eric Gural, Executive Managing Director, Newmark Holdings

Jared Kushner, President & CEO, Kushner Companies

Janno Lieber, President, World Trade Center Properties, Silverstein Properties

Gregg Popkin, Chief Operating Officer, RFR Holdings

Jeremy Schwalbe, VP, Hilson Management Corp.



## Lodging CMBS Performance Surpasses Retail as Best Asset Class: Trepp

The delinquency rate for lodging CMBS loans fell 20 basis points month-over-month to 5.19 percent in July, putting hotel assets above retail assets as the best performing property type, according to recent data provided by Trepp.

In the same one-month period, the delinquency rate for retail loans increased 10 basis points, to 5.53 percent.

The delinquency rate for industrial properties fell 50 basis points, to 7.89 percent, and saw the greatest month-over-month improvement in July.

While the multifamily delinquency rate dropped 15 basis points, to 9.24 percent, such loans remain the worst performing asset class, according to the Trepp data.

The delinquency rate for office CMBS loans moved up 8 basis points, to 6.52 percent.

The total delinquency rate for U.S. commercial real estate loans in the CMBS market now sits at 6.04 percent, 1 basis point down from June.

CMBS delinquencies have fallen 139 basis points year-to-date, from 7.43 percent, as of Dec. 31, 2013. July's rate is down 244 basis points from one year ago, according to Trepp.

—Damian Ghigliotty

## HFF Brokers Life Loan to Refinance California Waterfront Community

HFF negotiated a \$55 million loan from The Guardian Life Insurance Company of America to refinance a 385-unit waterfront multi-housing community in Oxnard, Calif., the mortgage-banking firm announced this week.

Proceeds from the 10-year loan to Prime Residential are being used to retire an existing floating-rate loan from a national lender and to conduct an extensive renovation on the property.

**Paz Mar Reserve**, located at 3100 Peninsula Road in Channel Islands Harbor, consists of studios and one- and two-bedroom units. The community also contains a swimming pool, spa, fitness center and business center. The property is 97 percent leased, according to Prime Residential.

Managing Director Peter Smyslowski led the HFF debt placement team representing the borrower.

"Paz Mar represents a unique opportunity for Guardian to finance a stunning, oceanfront apartment," Mr. Smyslowski said in a written statement.

—Damian Ghigliotty

## UBS Provided a \$22M CMBS Loan for West Virginia Warehouse

Cushman & Wakefield arranged a \$21.9 million senior mortgage for **Distribution Centers of**



**America** for a class-

A warehouse located in Inwood, W.Va.

The 10-year CMBS financing on the facility, at **4925 Tabler Station Road**, was provided by **UBS Securities**.

The 750,000-square foot warehouse is 100 percent leased to a single tenant at below market rents and has eight years left on the lease, according to a spokesperson for C&W.

**Gideon Gil, Sridhar Vankayala** and **Suraj Ravi**, all of C&W, worked on the deal.

"Lenders were attracted to the tenant's demonstrated commitment to the property as well as the mission critical nature of the property to the tenant's operations along the East Coast," said Mr. Gil, a managing director with C&W, in a statement. "This was a great opportunity for a lender to finance a first-generation, class-A warehouse facility in the I-81 industrial corridor with a long-term lease."

—Guelda Voien

## Manhattan Condo Gets \$18M Refi

Meridian Capital Group negotiated an \$18.4 million loan to refinance the residential cooperative portion of a condo on the Upper West Side, *Mortgage Observer Weekly* has exclusively learned.

Life insurance company **Principal Real Estate Investors** provided the loan for **150 West**



150 West End Avenue

**End Avenue**, Principal Director **Rob Dirks** confirmed to *MOW*.

The 30-year self-liquidating loan has a fixed-rate of 4.44 percent, the broker and lender confirmed.

A condo is a property where the cooperative corporation owns only the residential portion of a building. Usually a commercial component is owned by another entity.

Meridian Managing Director **Steve Geller** and Vice President **Nicoletta Pagnotta** brokered the loan, according to a spokesperson for Meridian.

The 29-story property has 444 residential units and 32 parking spots.

"With a loan amount of \$18.4 million, this transaction represents one of the more significant underlying cooperative mortgages that will be financed in 2014," said Mr. Geller.

The deal had a tiny LTV—only 6 percent—Mr. Geller added.

—Guelda Voien

### Correction:

In last week's issue, *Mortgage Observer Weekly* incorrectly identified a bowling center to be acquired by iStar Financial in a portfolio of 57 properties sold by Brunswick Corporation. The bowling center pictured was Brunswick Zone XL in Algonquin, Ill., not Brunswick Premier Lanes.

## Workforce

The publicly held New York REIT **NorthStar Realty Finance Corp.** has entered into a \$500 million revolving corporate credit facility with a three-year term to provide more capital for its real estate investments and debt deals, the company announced this week.

**Deutsche Bank Securities Inc.**, acted as the sole lead arranger and sole bookrunner on the credit facility.

Advances under the revolving credit facility accrue interest at a per annum rate of 3.50 over Libor.

“We are extremely pleased to have entered into a \$500 million revolving corporate credit facility, which will afford us substantially greater financial flexibility than we have had in the past,” said NorthStar Realty Chairman and Chief Executive Officer **David Hamamoto**. “Access to this additional capital source is a testament to the strength and growth of NorthStar Realty.”

**Berkadia Commercial Mortgage** announced the hiring of **Chris Pollard** as a vice president in the company’s Dallas office. Mr. Pollard will report to **Stuart Wernick** and **John Koeijmans**.

Most recently, Pollard served as a director with **LMI Capital**, where he also

managed the company’s Dallas office, according to a statement from Berkadia. Before that, he worked at **Credit Suisse/Column Financial** as a financial analyst.

Mr. Pollard graduated from the **University of Oklahoma’s** Michael F. Price College of Business with a Bachelor’s of Business Administration in Real Estate.



Jeffrey Mayer

**Jeffrey Mayer**, former head of corporate banking and securities for North America at **Deutsche Bank**, has joined residential lender **FirstKey Holding**, according to a report from *Capital New York*.

**Freddie Mac** announced a new offering of so-called “K Certificates,” backed exclusively by Libor-based, floating rate multifamily mortgages with five- and seven-year terms, the ninth K-deal offering so far this year. The offering marks a milestone for Freddie Mac—it has securitized \$80 billion in mortgages this year

through the K-deal program, according to a statement from the firm. The company expects to offer approximately \$1.2 billion in this latest offering, which is expected to price the week of Aug. 4.

“We’ve gone from issuing two K-Deals in our first year to 19 last year, and have grown the investor base,” said **Mitchell Resnick**, vice president of Freddie Mac Multifamily Capital Markets, in the statement.



Josh Zegen

**Madison Realty Capital** announced the first closing for Madison Realty Capital Debt Fund III LP, the firm’s third real estate debt investment fund. The private equity fund raised a total of \$145.4 million “from a diverse group

of investors, including public pension funds, corporate pension funds, university endowments, family offices, and wealth managers,” according to a press release.

“It’s gratifying to have the continued support of our investors,” Adam Tantleff, managing principal of MRC, said. “All of the limited partners in the first closing of MRC Fund III have been investors in our previous debt funds, or invested as LPs in our equity acquisition and development deals.”

# MORTGAGE OBSERVER

Lawyer’s Issue | Mortgage REITs  
September 2014

Hotel Lending  
October 2014



# The Takeaway

One large addition and one large subtraction were the only changes in the New York City severely delinquent loan list in July,” said Joe McBride, a research analyst with Trepp. “The \$33.9 million Shoreham Hotel in Midtown Manhattan began the process of a deed in lieu according to special servicer commentary after being current on payments up until June. Through the first three quarters of 2014, the Shoreham Hotel generated negative income for a -1.91 DSCR based on net cash flow. On the other end, the \$90 million Bryant Park Hotel loan was disposed with a 28.5 percent loss in July after being delinquent since September of last year. The July New York City CMBS delinquency measured in at 5.59 percent, up three basis points from June but still below the national rate of 6.04 percent.”

Source: Trepp

Balance (\$)	Property	City	Prop. Type	Delinquency Status	FCL Start Date	REO Date	Origination Date	Maturity Date
3,000,000,000	Peter Cooper Village & Stuyvesant Town Pool	New York	MF	REO	20140603	20140603	20061117	20161208
225,000,000	Riverton Apartments	New York	MF	REO	20090202	20100311	20061221	20120101
45,000,000	LaGuardia Plaza Hotel - A note	East Elmhurst	LO	Foreclosure	20111107		20070213	20170301
33,895,986	The Shoreham Hotel	New York	LO	Foreclosure			20061101	20161111
31,000,000	1865 Burnett Street	Brooklyn	MF	REO	20090227	20120629	20070215	20120301
30,930,650	Hampton Inn - JFK	Jamaica	LO	Foreclosure			20070123	20170201
27,992,409	Flushing Landmark	Flushing	OF	Foreclosure			20060720	20160601
25,699,964	1604 Broadway	New York	RT	Foreclosure			20070329	20120401
24,249,142	Cross Island Plaza	Rosedale	OF	90+ Days			20060810	20160811
19,500,000	Acropolis Gardens Realty Corp.	Astoria	CH	90+ Days			20130621	20230701
16,638,195	Clarion LaGuardia Airport Hotel	East Elmhurst	LO	REO		20121221	20070124	20100201
15,337,757	Food Emporium	New York	RT	Foreclosure	20120806		20050218	20150311
11,148,591	326 Warren Street	Brooklyn	MF	60 Days			20040608	20340701
9,795,999	4234 Bronx Boulevard	Bronx	OF	90+ Days			20070515	20170601
6,757,531	75 Spring Street	New York	OF	Non-Performing Beyond Maturity			20040123	20140201
6,512,566	Annunziata Portfolio I	New York	MF	Foreclosure			20061201	20170101
5,520,686	1500 Astor Avenue	Bronx	OF	Foreclosure			20040714	20140811
5,507,843	770 & 780 Garden Street	Bronx	MF	REO	20091203	20121106	20070901	20170901
4,026,758	Prince and Bleecker Portfolio	New York	MU	Foreclosure			20110218	20210306
3,720,000	2070-2074 Arthur Avenue	Bronx	MF	Foreclosure			20050727	20150801
3,246,770	Annunziata Portfolio II	New York	MF	Foreclosure			20061201	20170101
3,000,618	37th Street	Brooklyn	MU	REO	20110308	20130131	20070101	20170111
2,804,682	642, 646, 650, 652 Coney Island Avenue	Brooklyn	MU	Foreclosure			20061129	20131201
2,634,088	47-16 Austell Place	Long Island City	IN	90+ Days			20050127	20150201
2,621,852	509 212th Street	New York	MF	REO		20120702	20071101	20171101
1,917,201	1735 Lafayette Avenue	Bronx	MF	Foreclosure	20090422		20061121	20131201
1,906,983	3126 Coney Island Avenue	Brooklyn	MF	Foreclosure	20130130		20050913	20121001
1,448,136	210 West 29th St	New York	OF	Non-Performing Beyond Maturity			20040801	20140611

TOTAL: 3,567,814,405

# Mindy Goldstein

## Senior Vice President at National Cooperative Bank New York



**Mindy Goldstein**

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

**Mindy Goldstein:** I started in this business with National Cooperative Bank, when I joined its fantastic team of lenders in its New York City office in 1987. Working closely with this talented group, I was able to gain a better in-depth knowledge of banking and the cooperative sector.

**You focus on financing for cooperatives. What unique challenges exist in that space?**

There are three unique challenges I'm seeing right now. Many co-ops enter into long-term debt with short-term views on their capital needs, and the challenge for me is to advise them to borrow enough money to help them with any future capital projects and unexpected repairs. The second challenge is educating co-op boards on the use of taking on amortization (as opposed to interest-only loans). In a low interest rate environment, it's easier to pay down the principal, which acts as a great hedge if interest rates start to increase because you will be refinancing less debt at the end of the loan term. Finally, a challenge I often tackle is explaining to co-op boards that pre-payment penalties "sometimes" make sense. While some co-ops are intolerant to pre-payment penalties, the benefits of

refinancing at a lower rate may provide them with real savings. Sometimes, by not refinancing, they're actually paying a penalty by staying with their higher rate.

**What type of borrowers do you target?**

We work closely with housing cooperatives throughout the New York metropolitan region. Actually, some people may not know that New York has the largest number of housing co-ops in the country—there are more than 6,000 in the area—and National Cooperative Bank works with most of these co-ops.

**What percentage of your work is in New York City?**

New York City (including the boroughs) comprises approximately three-quarters of the work we do, while the remaining 25 percent of our business is in Westchester County and Long Island.

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

All the deals are interesting, as they affect the people who own and live in these co-ops. All of the transactions I have worked on recently have had similar needs—debt refinancing and funds for capital improvement repairs. Recent deals include a \$4.7 million first mortgage and a \$250,000 line of credit for 2630 Kingsbridge Terrace, a 187-unit co-op in Bronx, N.Y. Loan proceeds were used to refinance an existing NCB loan and provide funds for future improvements, including lighting upgrades and hot water heater upgrades. Another example is Commons of Pleasantville, in Pleasantville, N.Y., a 34-unit housing co-op who has been a customer of NCB's since 1993. The co-op obtained an \$850,000 first mortgage to refinance an existing NCB loan and provide funds for carpet and painting upgrades and paving repairs.

**Any trends in the market you can point to?**

One of the trends we are noticing is that of co-ops which have already refinanced into long-term (usually 10 years), but are now requiring additional capital for projects they did not account for. They may require funds for capital improvements and NCB is seeing these boards take on lines of credit and/or second mortgages, when refinancing doesn't make sense. **MO**

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321 West 44th Street, New York, NY 10036  
212.755.2400

**Guelda Voien**  
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For editorial comments or to submit a tip, please email Damian Ghigliotty at [dghigliotty@observer.com](mailto:dghigliotty@observer.com).

For advertising, contact Barbara Ginsburg Shapiro at [bshapiro@observer.com](mailto:bshapiro@observer.com) or call 212-407-9383.

For general questions and concerns, contact Guelda Voien at [gvoien@observer.com](mailto:gvoien@observer.com) or call 212-407-9313.

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