MORTGAGE OBSERVER WEEKLY

The Insider's Weekly Guide to the Commercial Mortgage Industry

In This Issue

"I figured out long ago that if I tried to emulate, say a Cravath, Swaine & Moore, but be better than them in their core areas, that was a sure road to uneventful extinction."

—Bruce Stachenfeld
From *Q&A* on page 11

Silverstein Properties Refinances River Place with $230M from Wells Fargo

Wells Fargo provided a $230 million Fannie Mae loan to **Silverstein Properties** to refinance its **River Place** rental tower at **650 West 42nd Street** on the corner of 12th Avenue, the borrower confirmed to *Mortgage Observer Weekly*.

The seven-year interest-only loan carries a rate below 3.5 percent and replaces existing securitized debt on the property that is nearing maturity, Silverstein Properties Chief Executive Officer **Marty Burger** said. **Ackman Ziff** served as a broker on the transaction.

The Fannie Mae loan replaces a $200 million 10-year CMBS loan originated by **American Property Financing** in January 2005, which had a fixed interest rate of 5.3 percent. **Wachovia**, now Wells Fargo, acquired APF in 2006.

Alan Wiener, group head of Wells Fargo Multifamily Capital and former chief executive officer of APF, came over to Wells Fargo through the acquisition, and maintained a relationship with Silverstein Properties over the years.

The LEAD

Larry Silverstein's development, investment and management firm built the 41-story, 921-unit rental property at 650 West 42nd Street, along the Hudson River, in 2000. Mr. Silverstein acquired the land, which also now houses luxury rental building **Silver Towers**, for $20 million in 1984 with a $25 million loan from **Bankers Trust Company**.

Starting rents at River Place run $2,690 for a studio apartment, $3,390 for a two-bedroom unit and $4,990 for a three-bedroom unit.

The tower, which is 99 percent leased according to a Silverstein Properties spokesperson, contains a courtyard, roof deck, gym, and a glass-enclosed 25-yard pool—one of the largest in a New York City residential building.

—Damian Ghigliotty

Rubin Schron Nabs $100M for Purchase of Controversial Rachel Gardens

Meridian Capital Group brokered a $100 million acquisition loan for New York investor **Rubin Schron** to purchase the hotly disputed **Rachel Gardens Montville** luxury apartment community in Pine Brook, N.J., *Mortgage Observer Weekly* has exclusively learned.

MOW EXCLUSIVE

Mr. Schron's **Cammeby's International Group** snagged the complext from the Wilf family and partners, after years of legal wrangling among those owners.

*See **Schron...** continued on page 3*

Schron...continued from page 1

Zygmunt Wilf, owner of the **Minnesota Vikings** and a pillar of New Jersey real estate, was accused of cheating his partners, **Ada Reichmann** and her brother **Josef Halpern**, out of proceeds from the project, which was completed in 1999. An appeals court sided with the Wilf family, before a Superior Court judge last summer revered course and ordered the complex sold at auction and the monies split among the quarreling parties.

Rachel Gardens holds 32 three-story buildings, which have 764 units total.

Cammeby's paid $136 million, *The New York Times* reported at the time.

The 12-year Fannie Mae loan for the purchase was provided through **Capital One**, has a sub-4 percent interest rate and interest-only payments for the first six years, and a 30-year amortization schedule after that, according to a representative for Meridian.

The building's amenities include patios, washer/dryer and dishwashers in each apartment and common tennis court, swimming pool and barbecue area.

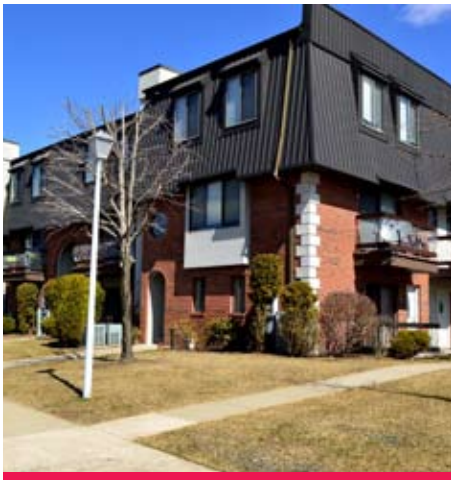
Meridian Senior Managing Director **Abe Hirsch**, Managing Director **Zev Karpel** and Vice President **Akiva Friend** arranged the loan for the complex, located at **67 Chapin Road**.

"This was an example of the kind of results that are possible when you bring knowledgeable parties to the table," **Grace Huebscher**, president of Capital One Multifamily Finance, said in a statement provided exclusively to *MOW*. "Our agency financing team, Fannie Mae, Meridian, and the sponsor worked seamlessly together, and I believe all are pleased with the outcome of this transaction."

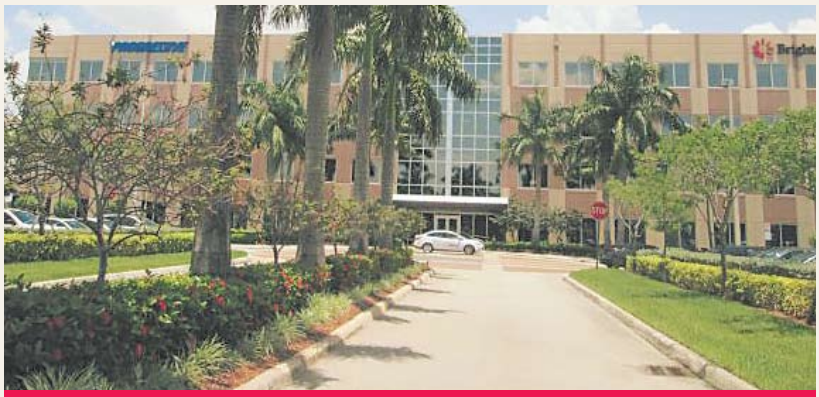
Mr. Schron made headlines for his failed $2 billion bid to buy the Empire State Building last year.

No phone number for Cammeby's was listed.

—Guelda Voien



Rachel Gardens



Flagler Station

Wells Fargo Finances Florida Office Acquisitions

MOW EXCLUSIVE

Wells Fargo provided $80 million in financing to a fund managed by New York-based real estate investment firm **DRA Advisors LLC** for the acquisition of two office properties in Florida, *Mortgage Observer Weekly* has exclusively learned.

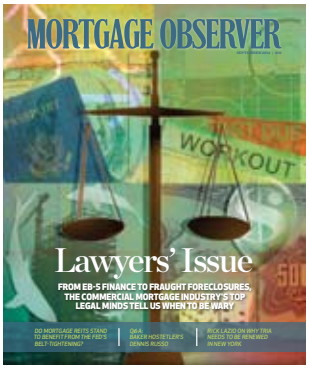
The San Francisco-based bank originated a $50.3 million balance sheet loan for the acquisition of office space at **Flagler Station,** at **10505 NW 112th Avenue** in Miami, as well as a $29.7 million balance sheet loan for the acquisition of **Doral Concourse**, at **8400 NW 36th Street** in Doral, Fla., according to a Wells Fargo spokesperson. Both loans carry five-year terms.

DRA acquired the properties from **Flagler Development**, a subsidiary of **Fortress Investment Group**, for $132 million last month, according to previous news reports.

DRA did not respond to a request for comment.

—Damian Ghigliotty

Fresh off the Presses!



If you haven't already, check out *Mortgage Observer*'s annual **Lawyers' Issue**, which is available this week. In it, you'll find a compendium of timely legal information, including cautionary tales for today's mezzanine borrowers, stories of when bad-boy guaratees bite borrowers back and a detailed look at the many harbingers of deteriorating underwriting for CMBS loans.

You'll also find a candid Q&A with **Dennis Russo**, the head of real estate practice at New York firm **BakerHostetler**, who recently took over there and intends to immediately bulk up the firm's real estate presence. He tells us about getting his start at a white shoe firm as the son of a fireman from Queens as well as what many in the industry confirm: the market may be overheated, and a possible near-term slowdown in New York is definitely on his clients' minds.

Mortgage Observer's new columnist, former congressman and **Jones Walker** Partner **Rick Lazio**, took an in-depth look at the federal government's possibly changing role in guaranteeing terrorism insurance—policies that are required for large commercial properties, especially in New York City.

Lastly, we checked in with the nation's largest commercial mortgage REITs, whose earnings calls reveal that they may benefit from the expected climb in interest rates ... as long as they don't rise too fast or too far.

If you need a subscription to our monthly glossy, email Kdespagni@observer.com.

—Guelda Voien

Williamsburg Rental, Seven Years Stalled, Scores $21M Take-out Loan

A once-stalled Williamsburg rental project that made an auspicious turn-around last year has received a $21 million take-out loan—a capstone on a successful project, as a developer can free up cash and lock in a lower interest rate than on their construction loan. **Eastern Union Funding** brokered the new loan with **Investors Bank**.

MOW EXCLUSIVE

The eight-story, 42-unit residential building, at **210 North 12th Street**, had been underway since 2007, but construction didn't actually begin until summer of 2013. This was likely due to environmental concerns with the brownfield status of the North Williamsburg plot, prior reports show.

Construction was completed this April and developer **Isaac Schwartz** was able to lease up the building within five weeks, according to **David Eisen**, vice president at Eastern, who brokered the deal.

"We got the bank to jump on the deal," Mr. Eisen told *Mortgage Observer*. "Obviously, the bank was not going to fund until [the property was] fully stabilized, but they were willing to do all the due diligence prior to stabilization, because they knew the area and believed in the projected rents."

The 12-year loan, which Mr. Eisen said had a rate in the "low threes," has a seven-year fixed-rate term and an option for a five-year extension after that. There is no pre-payment fee if the mortgage is paid off after seven years.

Mr. Schwartz's **Adir Holdings** purchased the now-prime piece of land 10 years ago, prior to the arrival of higher-end retail attractions like **J.Crew** and **Whole Foods**. The firm's timing proved shrewd, and it built in the amenities appropriate for the nouveau demographic at the apartment building: a gym, lounge and parking spots for bicycles.

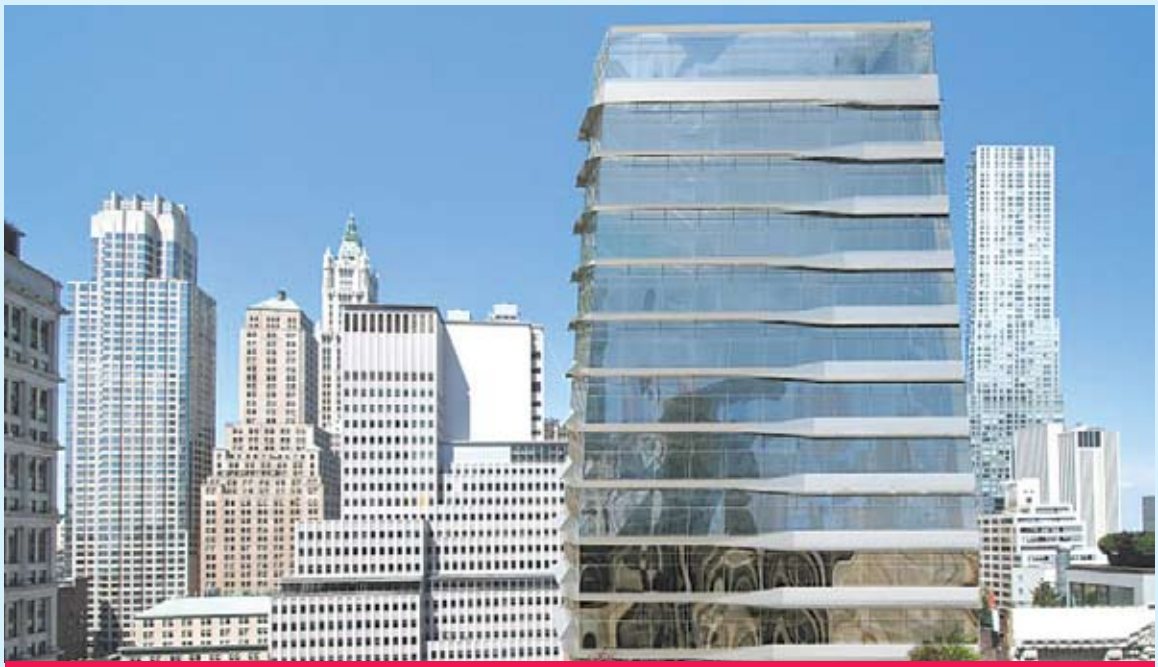
"David was very dedicated and successful," Mr. Schwartz said of his broker in a statement provided exclusively to *Mortgage Observer*. "What sets him apart is his understanding of what makes a lender tick."

The new loan replaces a $10 million construction loan from Los Angeles-based **BBCN Bank** originated in March of 2013. That loan had a rate over 5 percent, Mr. Eisen said.

—*Guelda Voien*

Correction

In the Mortgage *Observer Weekly* of August 22, we incorrectly stated that Quantum Capital is based in Tampa, Fla. In fact, the company is headquartered in Beverly Hills, Calif.



A rendering of 17John

Prodigy Network Again Proves Crowdfunding Works for Hotel Developments

And the crowd cheered.

Prodigy Network, a New York-based crowdfunding start-up, completed its acquisition and planned redevelopment of **17 John Street** in lower Manhattan with more than $25 million of crowdfunded equity, a $56 million senior loan from **Deutsche Bank** and $20 million from a New York-based institutional investor, according to a company release. The deal marks the second crowdfunded Manhattan hotel project Prodigy Network has successfully taken on in less than a year.

The firm purchased the 15-story rental building at 17 John Street on Aug. 28 for $83 million with plans to convert the property into a 23-story, 191-unit extended stay hotel to be rebranded as **17John**. Prodigy Network acquired the property from **17 John Street Associates LLC**, an entity managed by the New York-based development and management company **Metro Loft**.

"We are thrilled to have closed on 17John," said **Rodrigo Nino**, Prodigy Network's chief executive officer. "Its location is at the core of the emerging Financial District and represents an unprecedented opportunity for those who have always wanted to invest in Manhattan real estate."

The nearly $20 million difference between the purchase price and the loan proceeds and crowdfunded equity is "due to closing costs, interest reserves, and pre-development reserves that will be put to work over the course of the next year prior to beginning construction," he told *Mortgage Observer Weekly*.

About 100 accredited investors from over 12 different states and 10 countries invested a minimum of $50,000 for a stake in the property, Mr. Nino added.

"We anticipate that investors will earn annually compounded returns ranging from 17 percent to 23 percent depending on the property's ultimate sales value," he said.

In November 2013 Prodigy Network finalized its $120 million **AKA Wall Street** project in lower Manhattan with $31 million of crowdfunded equity, a $72.5 million senior loan from **CIBC** and $16.5 million of institutional equity. The AKA Wall Street hotel is now under construction and slated to open in the summer of 2015.

"17John further establishes crowdfunding in commercial real estate as an efficient way to provide access to smaller accredited investors to institutional quality projects that were previously unavailable to them," **S. Lawrence Davis**, principal of **Prodigy Capital Group**, Prodigy Network's parent company, said in a statement.

Prodigy Network's Manhattan portfolio is estimated to contain more than $450 million in Manhattan commercial real estate properties with over $70 million of crowdfunded equity.

—Damian Ghigliotty

J.P. Morgan Asset Management Receives $70M to Buy Hoboken Property

HFF arranged $70 million in financing from **Nationwide Life Insurance Company** for the acquisition of **Curling Club Apartments**, a 240-unit apartment complex in Hoboken, N.J., according to a release from the mortgage banking firm this week.

HFF worked on behalf of institutional investors advised by J.P. Morgan Asset Management to secure the fixed-rate loan on the property.

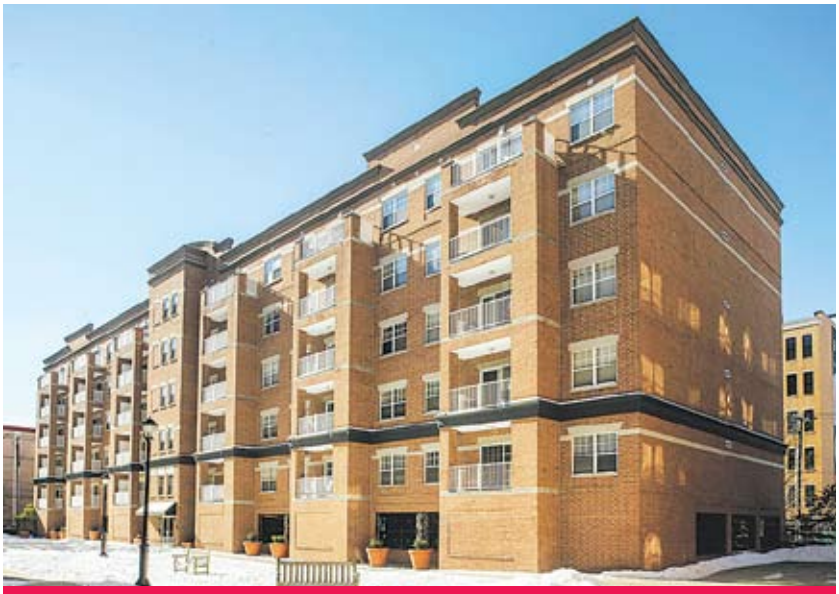
The borrowers acquired Curling Club from **PNC Realty Investors**, the investment advisor for the **AFL-CIO Building Investment Trust**, for $125 million in June. HFF also brokered the sale of the asset.

The property, which was completed in 1999, contains four five-story residential buildings above a single-level parking garage, a clubhouse and interior courtyard. The property covers a full city block in the uptown Hoboken submarket.

All of the units in the four-building complex are two-bedroom, two-bathroom apartments.

Senior Managing Directors **Jon Mikula** and **Tom Didio** and Associate Director **Samuel Seiden** led the HFF debt placement team representing the borrower.

—Damian Ghigliotty



Curling Club Apartments

Workforce

James Beckham

Cushman & Wakefield hired **James Beckham** away from **JLL** to lead its London Capital Markets practice, the firm announced.

Mr. Beckham joins C&W after building **King Sturge**'s capital markets group in London during the 1990s as an international director. (JLL and King Sturge later merged).

He has advised REITs, sovereign wealth funds and both private and institutional investors in the U.K. and internationally, a statement from C&W said.

Mr. Beckham will work closely with Cushman & Wakefield's U.K. Chief Executive and Head of London Markets **Digby Flower** to "grow the business and lead the push for a greater share of the London investment market."

"James Beckham is without doubt one of the most respected investment agents in the market," said Mr. Flower in the statement. "He has an enviable track record in being involved in some of the largest transactions which have come onto the market in recent years and is extremely well positioned to spearhead the continued growth of our London Capital Markets business."

Cleary Gottlieb Steen & Hamilton LLP announced they've hired **Patrick O'Sullivan** to practice in the real estate group at the New York office.

Mr. O'Sullivan is the former executive vice president and head of the real estate transactions group at the **New York City Economic Development Corporation**. "He will concentrate on development transactions, including those where the public and private sectors partner to transform properties in innovative ways," a statement from Cleary Gottlieb said.

Jeffrey Levien has joined the **Greystone Bassuk Group** in New York as a Managing Director. He will report to Greystone Bassuk Founder and President **Richard Bassuk** and will focus on "creative structured finance projects" for multifamily developers, a statement from the firm said.

Prior to joining Greystone, Mr. Levien was a partner at **Street-Works Development**, a White Plains-based developer, investor and consultancy.

CBRE Group announced that **Spencer Levy** was appointed Americas Head of Research. Mr. Levy, a seven-year veteran of CBRE, had previously served as executive managing director in the company's capital markets group, and was based in Baltimore.

"We are very excited to have Spencer lead our research efforts in the Americas," said **Dr. Nick Axford**, CBRE's Global Head of Research. "He knows commercial real estate, our company and culture extremely well, and has sharp analytical skills as well as strong ties with our clients. We will leverage these strengths as Spencer works with our research team to deliver market analysis and insight to our professionals and our clients."

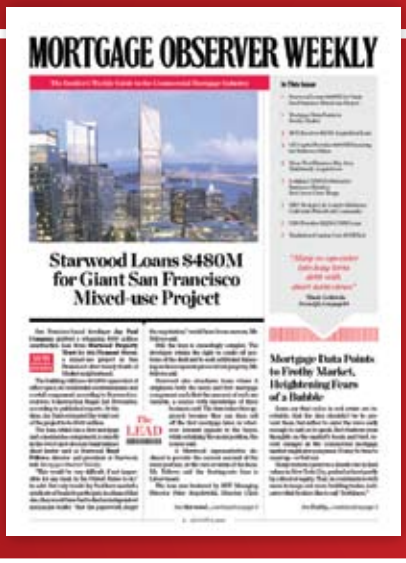
Prior to joining CBRE, Mr. Levy worked at the **Witkoff Group** and **Fried, Frank, Harris, Shriver & Jacobson LLP**. He is a graduate of **Cornell University** and **Harvard Law School**.

"I am delighted to be joining CBRE Research," Mr. Levy said. "Our team includes some of the finest researchers in the industry. I have always been a big proponent of their work and have teamed with them often to deliver insight and value to our clients. I am looking forward to doing this now on a regular basis and helping CBRE Research—as well as our clients—achieve greater success."

MORTGAGE OBSERVER

The Insider's Guide to the Commercial Real Estate Financial Industry

Mortgage Observer is a monthly glossy magazine dedicated to in-depth coverage of the commercial real estate finance industry, delving into the trends driving commercial real estate finance and the lending philosophies of those in control of the purse strings.



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Issue	*Editorial Feature*
MARCH	The 50 Most Important People in Commercial Real Estate Finance
APRIL	Financing the Multifamily Market
MAY	Developers and Construction Lending
JUNE	Retail Lending
JULY/AUGUST	Opportunities in Mezzanine Financing / Europe

Issue	*Editorial Feature*
SEPTEMBER	Lawyer's Issue / Mortgage REITs
OCTOBER	Hotel Lending / Asia
NOVEMBER	Twenty-five on the Rise: Top 25 Under 35
DECEMBER	Office Lending / CMBS

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The Takeaway

"August servicer data show a massive spike in defeasance volume, doubling from $1.5 billion in July to $3 billion this month," said Joe McBride, research analyst with Trepp. "August's total is more than double the previous twelve months' average of $1.2 billion and almost triple last August's tally. Defeasance volume has significantly increased over the last year and a half, jumping from an average of $3.3 billion per year from 2009 to 2011 to $11.8 billion in 2013. Lower interest rates coupled with a recovery in property fundamentals and appraised values have made defeasance an option for many commercial real estate borrowers who wish to lock in a lower rate or take cash out of their properties. Defeasance occurs when a borrower wishes to pay off a loan that is currently locked out from prepayment. The borrower substitutes new collateral for the loan in the form of treasury securities that replicate the loan's cash flows over time. Defeasance is usually funded by a simultaneous property sale or refinance."

Source: Trepp

DefMonth	DefYear	DefBal	Date
201101	2011	$476,002,831	1/1/11
201102	2011	$304,093,029	2/1/11
201103	2011	$154,895,368	3/1/11
201104	2011	$216,261,232	4/1/11
201105	2011	$226,187,533	5/1/11
201106	2011	$272,165,246	6/1/11
201107	2011	$683,896,969	7/1/11
201108	2011	$713,655,762	8/1/11
201109	2011	$284,401,392	9/1/11
201110	2011	$512,293,139	10/1/11
201111	2011	$217,516,975	11/1/11
201112	2011	$573,582,366	12/1/11
201201	2012	$257,644,064	1/1/12
201202	2012	$184,705,383	2/1/12
201203	2012	$140,910,220	3/1/12
201204	2012	$590,220,909	4/1/12
201205	2012	$201,900,268	5/1/12
201206	2012	$723,398,512	6/1/12
201207	2012	$293,281,604	7/1/12
201208	2012	$239,580,370	8/1/12
201209	2012	$311,150,945	9/1/12
201210	2012	$627,392,797	10/1/12
201211	2012	$693,371,898	11/1/12
201212	2012	$606,455,007	12/1/12
201301	2013	$1,287,774,680	1/1/13
201302	2013	$314,249,047	2/1/13
201303	2013	$257,373,582	3/1/13
201304	2013	$462,710,899	4/1/13
201305	2013	$1,141,835,376	5/1/13
201306	2013	$810,060,810	6/1/13
201307	2013	$1,082,560,818	7/1/13
201308	2013	$791,230,196	8/1/13
201309	2013	$1,508,776,734	9/1/13
201310	2013	$1,465,978,944	10/1/13
201311	2013	$1,284,890,960	11/1/13
201312	2013	$1,367,059,044	12/1/13
201401	2014	$1,275,598,833	1/1/14
201402	2014	$1,099,523,192	2/1/14
201403	2014	$1,168,459,098	3/1/14
201404	2014	$892,552,168	4/1/14
201405	2014	$879,250,132	5/1/14
201406	2014	$1,011,011,541	6/1/14
201407	2014	$1,495,025,882	7/1/14
201408	2014	$3,048,938,318	8/1/14

Q+A

Bruce Stachenfeld

Managing Partner at Duval & Stachenfeld LLP

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

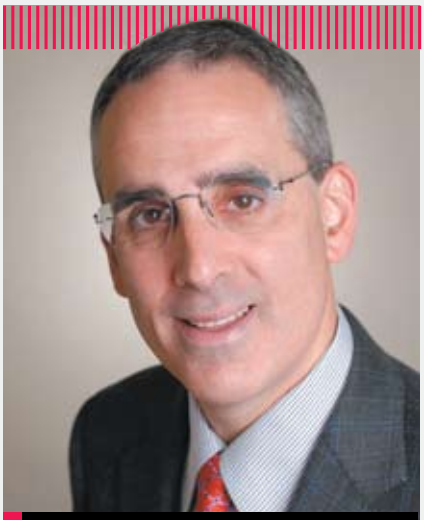
Bruce Stachenfeld: I graduated from Harvard Law School in 1983 and started work at a now-defunct law firm called Shea & Gould. I started as a litigator—and I utterly hated it. I eventually asked the managing partner if I could transfer into the corporate department but he said they were "full up" and wondered if I might try real estate. I still remember my saying to him "what do they do?" Then in 1985, a 50-lawyer real estate group joined Shea & Gould from Weil, Gotshal & Manges and suddenly we were the biggest and hottest real estate group in the city. I got a chance to work on everything from humdrum leases to the largest and most complicated real estate deals in the world. It was truly awesome training for a young associate. I later had three great years at Latham & Watkins, before they ran into some troubles and I "voluntarily" left the firm without a new job—sigh. Miraculously, I landed a job at Mayer, Brown & Platt and worked there for five years. I left Mayer Brown to help start Shapiro, Shapses, Block & Stachenfeld LLP in 1996 and then finally I launched Duval & Stachenfeld LLP in 1997. I am most definitely here to stay now.

Your practice cuts a wide swath across the real estate landscape. Is there any particular specialty that you are especially driven to?

Yes, I am most comfortable in co-ventures. This area is like playing chess in the future. Your client is teaming up with another party and, if you are a good lawyer, you have to foresee what is likely to happen, and even what is unlikely to happen, and provide in the document that your client will be protected or, if not, at least that your client understands the risks.

What's going on in the co-venture area at the moment?

Co-ventures are in the center of the action in the real estate world, and I am not just saying that because my firm does so much of it. Many of my smaller clients are seeking "strategic investors" to grow, and many of my larger clients are seeking strategic investments. Family offices are now getting deep into the real estate game and they often invest through a co-venture structure. Opportunity and investment funds (which make up a great portion of our client base) invest heavily through these types of structures. And developers always want financial partners. Finally, cross-border players (both in-bound and out-bound) will typically not be able to go it alone in a new jurisdiction and typically will seek a co-venture partner.



Bruce Stachenfeld

In your bio you are described as an "amateur real estate philosopher." Can you tell us some of those philosophies?

In running my law firm I figured out long ago that if I tried to emulate, say a Cravath, Swaine & Moore, but be better than them in their core areas, that was a sure road to uneventful extinction. In order to succeed, we had to "stand out" and do things differently. In my capacity as managing partner I try to make sure our firm tries to truly reinvent the law business. We have done this with such things as our "pure play" in real estate law (meaning all of the practices at our firm are focused around real estate). MOW

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New York Real Estate Summit

State of the Commercial Real Estate-Outlook for 2015

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

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

www.nyrealestatesummit.com

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

For additional information visit the website or call:
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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 Prunesti, SVP, Commercial Real Estate Baking, 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.