

MORTGAGE OBSERVER WEEKLY

The Insider's Weekly Guide to the Commercial Mortgage Industry



CCRE Outlines Small-Balance Floating-Rate Loan Strategy

CCRE is making a push into securitized small-balance floating-rate loans, seizing the opportunity to cater to untapped borrowers and bond buyers, the company's executive managing director and chief executive **Anthony Orso** told *Mortgage Observer*.

The four-year-old New York-based CMBS shop, which is affiliated with the financial services firm **Cantor Fitzgerald**, has grown its securitization business to more than \$5 billion a year, with a growing portion of that committed to floating-rate loans between \$5 million and \$25 million, he said. The strategy marks a return to small floating-rate CMBS loans—below the usual \$50 million mark for loans that are securitized—post-crisis.

"We think it makes sense now, especially since the team here did this in our former lives at Credit Suisse," Mr. Orso said.

Among the incentives, he pointed to commercial property values, which are up 65

percent from their low in January 2010, as well as the 10-year Treasury yield, which is down from 5.1 percent in 2006 to 2.4 percent in 2014, according to data from **Real Capital Analytics** and the **Federal Reserve Bank of New York**.

In late July, CCRE closed the first of three floating-rate loans under its newly created program with a \$20.3 million refinancing for **The Strathallan Doubletree by Hilton Hotel** at **550 East Avenue** in Rochester, N.Y.'s arts and museum district. The 155-key full-service hotel recently underwent a multimillion-dollar renovation, which was completed at the end of 2012.

New York-based national lender correspondent **R3 Funding** arranged the two-year interest-only CMBS loan, which features three one-year extension options and a 72 percent loan-to-value, on behalf of a group of local investors.

The deal hit the market in response

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"Interest and liquidity appear to be increasing in secondary and tertiary markets as investor perceptions of risk in smaller markets recede"

—Adam Petriella
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Growing Market for Chinese Investment Creates Unique Lending Opportunities

As Chinese investors increasingly pour money into New York real estate, commercial lenders who know the language and culture are well poised for rising opportunities. Among those lenders are **East West Bank** and **Bank of China**, as well as domestic banks with established East Asian lending arms, including **Morgan Stanley** and **J.P. Morgan**.

Total Chinese investments in New York commercial real estate acquisitions between 2010 and 2013 increased more than ten-fold from \$150 million to \$2.3 billion, according to **Ben Thypin**, director of market analysis at the real

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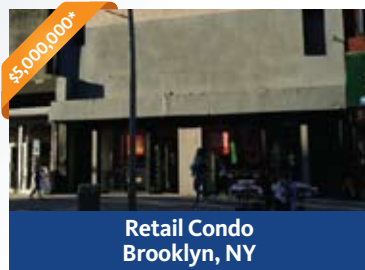


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to growing demand from borrowers for small-balance floating-rate loans, said **Ray Potter**, managing partner of R3 Funding, which provides origination and work-out services for lenders. In the first half of 2014, such loans reached a total of \$1.8 million, surpassing last year's total of \$1.5 million, according to data provided by the firm. R3 Funding projects up to a 300 percent increase in that loan volume by year-end, Mr. Potter noted.

"Some borrowers prefer floating-rate loans to finance transitional assets—for example, a property that is not fully stabilized, or requires a lease-up effort," he said in a written statement provided to MOW. "This new CCRE program offered the best refinancing option for the owners in the short term."



Anthony Orso

Mr. Orso said that through the program CCRE is targeting major and secondary markets surrounding the firm's offices in 15 cities in addition to "private, well-capitalized regional owners." The firm is also looking at factors beyond the traditional lending criteria.

CCRE is also willing to look at factors beyond the traditional lending criteria.

"It's more than just the market and the sponsor," Mr. Orso said. "We're very focused on lease-up stories and repositioning stories."

Ronnie Levine, a senior managing director at **Meridian Capital Group**, told MOW that he has seen the size of floating-rate loans from CMBS lenders come down in the past year, though not within the \$5 million to \$10 million range.

Even at that size, however, the ability to securitize any loan successfully has everything to do with finding buyers to "buy the paper," said Mr. Levine, who has brokered several deals with CCRE.

"The risk, as with any securitized product in my mind, is making sure that there are buyers on the other end that will transact and buy the bonds backed by the collateral," he said. "Obviously, if they're doing this, my guess is they've isolated a pool of buyers and have already pre-screened this product with them."

CCRE has originated 423 fixed and floating-rate loans under \$10 million, for a total of \$2.5 billion, since the firm opened its first office in 2010, Mr. Orso noted.

"The time is right for us to grow the floating-rate portion of that," he said. "We now see a 100 percent correlation between where property values are nationally and this business. That's been helped tremendously by low interest rates. Two years ago, we didn't feel the same."

Pantzer gets \$32M for Philadelphia Multifamily Buy



The Sansom

New York-based **Pantzer Properties** received a \$31.5 million loan for the purchase of **The Sansom**, a multifamily property located in Philadelphia, *Mortgage Observer Weekly* has exclusively learned.

The loan was provided by **Investors Bank**, a source close to the deal, who asked to remain anonymous, told *MOW*.

The five-year loan features a fixed-rate of 3.13 percent and two years of interest-only payments, followed by a 30-year amortization schedule, according to a representative for **Meridian Capital Group**, which brokered the deal.

Meridian Capital Group Senior Managing Director **Drew Anderman** and Senior Vice President **Alan Blank** negotiated the loan.

The Sansom is an eight-story, 104-unit multifamily property with 10,900 square feet of retail space occupied by a spa and two restaurants. The property, located at **1605 Sansom Street**, in the Center City area feature a fitness center, bicycle parking and an outdoor terrace.

Negotiations were quick, the Meridian brokers told *MOW*.

"We successfully closed this financing within six weeks of signing the term sheet," Mr. Anderman said.

—Gelda Voien

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SL Green Closes on 635 Madison Fee Interest All Cash

SL Green Realty, which agreed to acquire the fee interest at **635 Madison Avenue** in an off-market transaction earlier this year, has closed the deal all-cash and for \$10 million more than anticipated, *Mortgage Observer Weekly* has exclusively learned.

An SL Green executive confirmed the amount of the purchase, and that no financing had been used in the transaction.

The owners of the leased fee interest, **L&L Holding Company** and **BlackRock**, received \$145 million from the REIT, according to a statement from **Cushman & Wakefield**, which represented the joint venture in the transaction.

The property is encumbered by a ground lease that expires in 2030 and includes one 21-year renewal extension option.

The building's tenant roster includes

watchmaker **Raymond Weil**, **Baccarat**, **Molton Brown** and **Camper**.

A C&W team of **Steve Kohn**, **Helen Hwang**, **Alex Hernandez**, **Chris Moyer**, and **Alex Lapidus** represented L&L and BlackRock in the transaction.

"Land doesn't get much better than Madison Avenue and 59th Street," said **Steve Kohn**, president of equity, debt & structured finance at C&W.

And while the deal needed no debt, SL Green may be in the market soon—a common strategy for REITs is to buy buildings cash and then look to finance them, said **Nat Rockett**, another C&W executive who was not involved in this deal.

SL Green's **Matt DiLiberto**, the chief accounting officer, said the firm was "not actively seeking financing, but as with everything, if our view changed we would have ample opportunities to finance it." —*Guelda Voien*



KeyBank Refinances Bronx Office Tower

KeyBank provided an \$80.5 million loan to **Simone Development Companies** to replace construction financing on office condominium space in **1250 Waters Place** at the firm's **Hutchinson Metro Center** development in the Bronx.

Mr. Simone received the loan from KeyBank on Sept. 12, public records show. The loan replaces financing provided by the local development corporation **Build NYC Resource Corporation** and **M&T Bank** in December 2012, according to the records.

The 280,000-square-foot tower contains nine floors of office space above four levels of covered parking. The building's tenants include **Montefiore Medical Center's** Orthopaedic Specialties Department, **CenterLight Healthcare** and administrative offices of **Calvary Hospital** and **Westchester Square Physical Therapy**. The tower also contains a full-service **Hudson Valley Bank** branch.

Hutchinson Metro Center has three completed towers. A separate office tower adjacent to 1250 Waters place, connected by a shared lobby, is due to open soon. Another tower is planned for the 42-acre office complex in the Pelham Bay section of the Bronx.

Simone Development, run by **Joseph Simone**, relocated its headquarters to 1250 Waters Place in April 2011.

A spokesperson for KeyBank declined to comment. Simone Development did not return requests for comment.

—*Damian Ghigliotti*

Chinese...continued from page 1

estate research firm **Real Capital Analytics**.

Those numbers reflect direct property and land purchases and do not include investments handled through intermediaries, Mr. Thypin told *Mortgage Observer Weekly*. Factoring in construction and other costs, the actual numbers are even higher.

"Chinese investors, particularly smaller and middle-market investors, prefer to get things done very quickly and they often become frustrated that it takes longer here," noted **Anla Cheng**, a senior partner at **Sino-Century China Private Equity Partners**, a Chinese private equity firm specializing in middle-market investments. "There is a different way of conducting business for the Chinese and that calls for lenders who can speak both languages and who understand both cultures to make sure the deals get done," she said.

New York hotel developer and Hong Kong native **Derek Law** told *MOW* that East West Bank, in particular, has provided capital for deals, while local American banks have shown little interest in lending to smaller foreign developers such as him.

East West gave an \$8.4 million loan to Mr. Law in October 2013 to refinance his **Howard Johnson Manhattan Soho** hotel located at **5 Allen Street**. The developer said he plans to take out a construction loan with the bank in the near future for a new hotel or condominium development.

"American banks go for the big fish with Chinese investors," he said. But with Chinese American banks he can receive services that meet his needs. "Working with East West Bank is a much better relationship and communication is easier for me."

The biggest and most obvious barriers between U.S. lenders and Chinese borrowers are differing languages and cultural norms, though

differing ideas about documentation and best business practices can also become a hurdle.

Smaller obstacles may include conflicting reactions to legal procedures and even dissimilar feelings about certain numbers. The numbers zero, six, eight and nine in Chinese culture are all believed to have favorable meanings since their names sound similar to Mandarin and Cantonese words including "wealth," "birth" and "long lasting."

The number four is considered unlucky among many Chinese people since it carries the same pronunciation as the word "death" in both Mandarin and Cantonese.

Ms. Cheng noted that investors from China and surrounding countries might avoid taking out a loan in the amount of \$4 million, or \$40 million, as a result.

Mr. Law, on the other hand, said that while the number four indeed sounds the same as the word "death," this does not play into his business decisions. "We will take out a loan for \$4 million if we need to, because money talks," he said.

Wendy Cai-Lee, an executive vice president at East West and the head of the bank's Eastern and Texas regions, told *MOW* that her teams, which include native Mandarin and Cantonese speakers, take extra steps to accommodate Chinese borrowers.

"We are also usually the bank for their personal banking needs, not just their commercial banking needs," she said. "In many cases we provide their home mortgages, help them find the right school districts to live in and introduce them to the right lawyers. Internally, we use the term, 'beyond banking.' Many high-net-worth investors from China come to us for that reason."

—*Damian Ghigliotti*

Request the October issue of *Mortgage Observer* magazine to read more about investment and lending opportunities between the U.S. and East Asia, including our cover story on East West Bank's New York office. Contact Marisa Mule at mmule@observer.com for a copy.



The Stoler Report airs 8 times a week in New York City on CUNY TV. Each new 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 times a week in New York City on CUNY TV. Each new broadcast debuts on Monday at 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. The show also airs around the nation of Tuesday evenings on JLTv, Channel 469 in Metro New York and DirecTV channel 366.

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.



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Florida Landlord Grabs \$30M Wells Fargo Loan with 10-Year IO Period

Consolidated-Tomoka Land Co., a Daytona Beach, Fla.-based landlord and investor, announced it closed a non-recourse \$30 million mortgage from **Wells Fargo**. The proceeds from the fixed-rate financing were used to reduce the outstanding balance of an unsecured credit facility, according to a statement from the firm.

The 20-year, secured loan is backed by six of the company's properties, which were not listed. The loan has an interest rate of 4.33 percent and a 10-year interest-only period. After the 10th year the loan is pre-payable and the interest rate will increase.

"The weighted average maturity of our long-term debt is 11.2 years, and approximately 75 percent of our debt is now fixed rate," as a result of the latest deal, the company claimed in the statement.

"This loan purchase continues our strategy of diversifying our investment platform with loan investments that produce strong risk adjusted yields," said **John Albright**, president and CEO of Consolidated Tomoka, in the release. "Our basis in this short-term floating-rate loan is below replacement cost and produces an attractive investment yield."

—Guelda Voien

Vornado Extends Credit Facility with Better Terms

Vornado Realty Trust extended one of its two \$1.25 billion unsecured revolving credit facilities, from November 2015 to November 2018, according to a statement from the firm.

The newly restructured facility features two six-month extension options and the interest rate on one facility was lowered from 125 basis points over Libor to 105 basis points over Libor. The facility fee was also reduced from 25 to 20 points, the statement said.

Vornado's second revolving credit facility of \$1.25 billion matures in June 2017.

The lead arrangers and bookrunners for the facility are **J.P. Morgan, Merrill Lynch and Pierce, Fenner & Smith Incorporated**.

—Guelda Voien

Ackman-Ziff is seeking three professionals each for a San Francisco and a Los Angeles office the firm is prepping



to open, **Simon Ziff**, president of the New York firm, told *Mortgage Observer Weekly*. The firm has hired one a hotel specialist in San Francisco, who is operating from a **WeWork** space, and is looking for five more debt and equity capital advisors, especially with JV experience.

"There is a lot of business in California," Mr. Ziff said. "The New York capital advisory sells well [there because] the capital sources are here," in New York.

He added that he hopes the two offices are up and running in three to 12 months.

Ackman-Ziff has previously had a representative in Los Angeles, but this is its initial foray into San Francisco.

Hunt Mortgage Group expanded its multifamily finance group, launching a manufactured housing finance platform.

Under the new platform, Hunt will provide permanent financing programs with both fixed and variable rates, through **Fannie Mae DUS** and **Freddie Mac** as well as **CMBS** loans.

"For owners seeking bridge financing, Hunt offers floating-rate short-term loans via a proprietary bridge program," a statement from Hunt said.

"Hunt Mortgage Group is a well-known national leader in mortgage financing for conventional and affordable multifamily properties," Senior Managing Director **Bill Hyman** said in the release. "We are

Workforce

pleased to add this new program—that provides an array of financing products to assist owners of manufactured housing communities—to our stable of products."

Charlie Terrasi, most recently a vice president at **Dime Savings Bank of Williamsburgh**, will join private investment firm **The Bluestone Group** as chief operating officer, the company announced. As part of Bluestone's bridge and structured finance platforms expand, Mr. Terrasi has been brought on to lead originations.

"We have had the opportunity to work closely with Charlie over the years," Bluestone Co-founder **Marc Mendelsohn** said in the statement. "We are excited to have him join us, and think that he will be an excellent addition to the firm's executive team."

Walker & Dunlop announced an agreement to acquire **Johnson Capital's** loan origination and servicing platform.

Johnson Capital is a mortgage brokerage based in Irvine, Calif., that has originated \$1.3 billion in commercial loans on average over the past three years, according to a joint statement from the firms.

As part of the transaction, approximately \$590 million in HUD servicing will be added to Walker & Dunlop's \$40 billion servicing portfolio, according to the release.

"As one of Walker & Dunlop's largest

mortgage banking correspondents, we know Johnson Capital extremely well and are thrilled to be adding such an exceptional team of real estate finance professionals to our platform," Walker & Dunlop Chairman and CEO **Willy Walker** said in the statement. "Johnson Capital has a significant origination presence in the West and Southwest and will grow Walker & Dunlop's brokered originations with life insurance companies, banks and CMBS conduits dramatically."

The terms of the cash and stock transaction were not disclosed; the deal should close on Nov. 1.

American Realty Capital Properties announced that it has signed a definitive agreement for the sale of **Cole Capital**, the REITs private capital management business, to New York-based investment banking and capital services firm **RCS Capital**, for at least \$700 million. **Proskauer Rose LLP** advised both sides on the transaction.

The REIT had been on a massive buying spree in recent months, picking up New York City properties so fast that some observers thought the firm too bullish on even the red hot market here. In June, CEO **Nicholas Schorsch** announced he would step down this month.

IVI International, a construction risk management consultancy, promoted **Glen Sklenarik** to senior project manager. Mr. Sklenarik was a project manager at IVI for four years.

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The Takeaway

“Distressed New York City CMBS loans have recovered quickly from the recession in most cases,” said Joe McBride, research analyst at Trepp. “Delinquency was well below the national average during the downturn and remains slightly lower now that the rest of the country has recovered fairly well. Other than StuyTown and the Riverton, which have been stuck in default for years, most distressed assets in the city are resolved fairly quickly. This month, the \$30.2 million Flushing Landmark office loan in Queens was paid off along with about \$10 million in multifamily loans curing back to current. NYC delinquency stands at 5.41 percent compared to a national level of 6.03 percent. Without Stuytown though, NYC delinquency is less than 1 percent, well below the national average.”

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
33,827,575	The Shoreham Hotel	New York	LO	Foreclosure			20061101	20161111
31,000,000	1865 Burnett Street	Brooklyn	MF	REO	20090227	20120629	20070215	20120301
30,000,000	300-318 East Fordham Road - A note	Bronx	RT	90+ Days			20070301	20170311
25,699,964	1604 Broadway	New York	RT	Foreclosure			20070329	20120401
24,249,142	Cross Island Plaza	Rosedale	OF	90+ Days			20060810	20160811
16,638,195	Clarion LaGuardia Airport Hotel	East Elmhurst	LO	REO		20121221	20070124	20100201
15,277,775	Food Emporium	New York	RT	Foreclosure	20120806		20050218	20150311
11,110,943	326 Warren Street	Brooklyn	MF	60 Days			20040608	20340701
9,776,202	4234 Bronx Boulevard	Bronx	OF	90+ Days			20070515	20170601
6,728,259	75 Spring Street	New York	OF	Non-Performing Beyond Maturity			20040123	20140201
5,507,843	770 & 780 Garden Street	Bronx	MF	REO	20091203	20121106	20070901	20170901
5,499,726	1500 Astor Avenue	Bronx	OF	Foreclosure			20040714	20140811
4,017,874	Prince and Bleeker Portfolio	New York	MU	Foreclosure			20110218	20210306
3,720,000	2070-2074 Arthur Avenue	Bronx	MF	Foreclosure			20050727	20150801
3,000,618	37th Street	Brooklyn	MU	REO	20110308	20130131	20070101	20170111
2,796,349	642, 646, 650, 652 Coney Island Avenue	Brooklyn	MU	Foreclosure	20140523		20061129	20131201
2,621,852	509 212th Street	New York	MF	REO		20120702	20071101	20171101
2,617,168	47-16 Austell Place	Long Island City	IN	90+ Days			20050127	20150201
1,917,201	1735 Lafayette Avenue	Bronx	MF	Foreclosure	20090422		20061121	20131201
1,898,802	3126 Coney Island Avenue	Brooklyn	MF	Foreclosure	20130130		20050913	20121001

TOTAL: 3,462,905,488

Adam Petriella

Executive Vice President of Capital Markets Coldwell Banker Commercial Alliance

***Mortgage Observer Weekly:* How did you get your start in commercial real estate finance?**

Adam Petriella: In 2004, I joined a team located in West Los Angeles, focused on larger net-leased properties, a product the company was not successful in penetrating for years. Over the following 24 months, we closed close to \$200 million in production. My first closing was a 103,000-square-foot Class A industrial flex property in Livermore, Calif. I cold-called the owner from a database I purchased and soon realized that, despite having no resources and/or direct connections, I was able to build a business by building relationships. I learned that there are approaches that work, and others that don't work in this business—knowledge that I will utilize as we continue to build out the capital markets group at Coldwell Banker Commercial Alliance.

Although CBC Alliance only launched its capital markets team about six months ago, it sounds like you are up for anything. Any particular segment of the business you are focused on at the moment?

Coldwell Banker Commercial Alliance is backed by Sutherland REIT, a privately held REIT with considerable experience in the small balance commercial sector. Its affiliated loan strategy group has purchased over \$1.8 billion in loans and commercial real estate since its inception and we recognized early in 2009 that the strategy could develop into additional verticals that support the small balance sector. Recognizing this momentum, we benefit from our direct lending relationship with our affiliate, ReadyCap Commercial.

Certainty of execution for the client in our offered products and ability to close small balance commercial translates into ease in execution. And the market has evolved toward SBC. According to a recent study by Boxwood Means, a leading research firm dedicated to small balance real estate transactions, interest



Adam Petriella

and liquidity appear to be increasing in secondary and tertiary markets as investor perceptions of risk in smaller markets recede. The smaller cities recorded 77.8 percent of total sales in June, up 70 basis points from last month and a 190 basis point increase from a year earlier. Through a comprehensive platform in capital markets at Coldwell Banker Commercial Alliance, clients can be supported in all facets of the small balance commercial area.

What type of borrowers do you target?

Our targeted markets are entrepreneurial commercial real estate investors who can rely on our expertise in small balance lending and full-service brokerage throughout our 10 national regions. As noted earlier, from a large-scale perspective, Coldwell Banker Commercial Alliance is one business strategy among many that exist in our REIT. The SBC sector, post-crisis, had become fragmented and underserved by larger institutions.

So in addition to our direct lending capabilities with ReadyCap, we recently purchased an SBA lending platform, which was previously a top five originator of SBA 7a and 504 products. **NOW**

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