MORTGAGE OBSERVER WEEKLY

The Insider's Weekly Guide to the Commercial Mortgage Industry

In This Issue

"Top tier mall and industrial pools financings have been some of the most sought after lending opportunities"

—**Gary Otten**
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Post Toscana

Shaoul Secures Project Financing for Manhattan Condo Conversions

MOW EXCLUSIVE

Magnum Real Estate Group's **Ben Shaoul** received two loans totaling $270 million to acquire and convert two luxury apartment buildings in Manhattan to high-end condominiums, sources familiar with the transactions told *Mortgage Observer Weekly*.

Mr. Shaoul acquired the 33-story **Post Toscana** at **389 East 89th Street** and the 20-story **Post Luminaria** at **385 First Avenue** for $270 million from Atlanta-based **Post Properties** on Sept. 19, public records show. Post Properties co-developed the Upper East Side and Gramercy Park rental properties with **Ronnie Hackett**'s **Clarett Group** in 2002 and 2003.

The project costs total $350 million, giving the combined mortgages from **RCG Longview** and an affiliate of **J.P. Morgan Chase & Co.** a 78 percent loan-to-cost ratio, one person privy to the negotiations said. The loans are "not cross-collateralized," that person added.

The two loans cover the building purchases, pre-development phases and some of the upcoming construction, which means Mr. Shaoul is using equity or another source of capital to finance the remainder of the acquisitions and condo conversions.

The LEAD

JLL brokered the debt, which carries a floating interest rate priced over Libor, according the person in the know. A spokesperson for JLL declined to comment. Mr. Shaoul, RCG Longview and J.P. Morgan did not return requests for comment.

The Post Luminaria contains 138 luxury apartment units with floor-to-ceiling windows and 9,400 feet of retail space. The

*See **Shaoul...** continued on page 7*

Koll Scores $158M for Airport Center in Orange County, Calif.

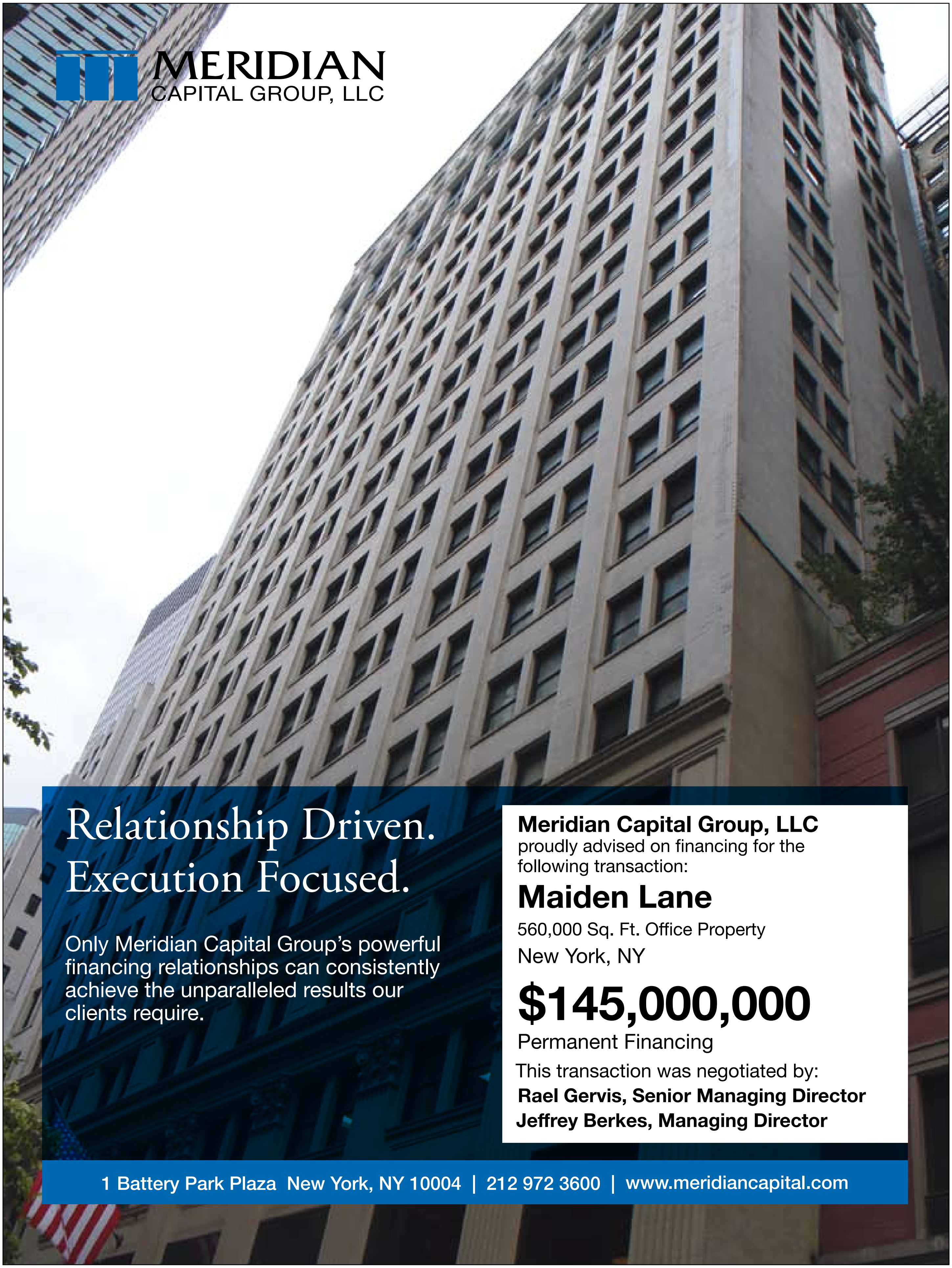
MOW EXCLUSIVE

CBRE Capital Markets sourced $158 million from **Brookfield Asset Management** to refinance the **Airport Business Center**, an office/industrial park in Irvine, Calif., *Mortgage Observer Weekly* has exclusively learned.

Brookfield originated the five-year, fixed-rate, full-term interest-only loan, which carries an "all-in interest rate in the low 5 percent range," according to a representative for CBRE. A Brookfield representative did not respond to a request for comment.

The new loan replaces a senior mortgage provided by two life insurance companies that had an outstanding balance of about

*See **Koll...** continued on page 5*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Hakim Seals the Deal Sans Mezz at 6100 Wilshire

MOW EXCLUSIVE

Los Angeles-based investor **Citi Real Estate**, headed by **Sam Hakim**, took a $57.5 million CMBS loan from **UBS** to buy a Los Angeles office property at **6100 Wilshire Boulevard** last month. But prior to the purchase, the borrower, the scion of an established Los Angeles real estate family, had actually arranged for $65 million in funds for the $76 million buy, with a portion of the financing in a mezzanine loan, a source close to the deal told *Mortgage Observer Weekly*.

Alas, when the rates were set to lock this summer, the mezz turned out far pricier than expected, the source said. The borrower opted instead to fill that portion of the capital stack with equity—a move highlighting the potential effect of a tumultuous CMBS market, the source said.

Initially, UBS offered a rate of 7.5 percent on the mezz portion, the source said. But by the time the rate was going to lock the bank had to raise the pricing "well over ten percent," he said.

"It was approved for $65 million, but the borrowers decided to pay off the mezz prior to securitization," because they couldn't stomach the cost, the source said. The timing was just off, he added. Neither UBS nor Mr. Hakim responded to a request for comment.

Kennedy Wilson, a publicly traded Los Angeles-based real estate investor, was the seller, according to an earlier report from Commercial Real Estate Direct. The firm will continue to manage the 16-story office tower in L.A.'s Fairfax District, which is home to CBS Broadcasting and is 94 percent occupied.

Eastern Consolidated's **Jonathan Aghravi** and **Matthew Hirsch** worked on the deal, Mr. Aghravi confirmed, but they declined to comment on the details.

Sudden pricing shifts could spell doom for some deals, especially those with less deep-pocketed borrowers than the Hakim family.

UBS' change in pricing may have been a symptom of some wide-reaching uneasiness about the appetite for debt this summer.

"I think it was August when we hit the lowest in issuance," said Joe McBride, an analyst with **Trepp**. "But demand was and still is very high for CMBS debt because yields are higher," than in other asset classes.

But those fears have now been assuaged, as CMBS is expected to close out the year strong, with over $100 billion in total issuance, according to several reports. In fact, CMBS issuance surged to its highest rate in seven years late last month, according to a report from Bloomberg News. —*Guelda Voien*


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Wyndchase Apartments

Greystone Provides HUD Loan for Multifamily Complex in Michigan

New York-based multifamily and healthcare lender **Greystone** provided a $27.5 million HUD loan to Michigan and North Carolina-based multifamily developer **Singh Development** to refinance a 340-unit apartment community in Canton, Mich., *Mortgage Observer Weekly* has first learned.

Greystone's **Fred Levine** originated the 35-year, low-rate financing on **Wyndchase Apartments**, a luxury townhome and apartment complex located at **41376 Williamsburg Boulevard**.

The debt replaces three loans on three separate phases of development on the property, which began in 1999 and concluded in 2003, said **Mony Malhotra**, a vice president at Singh Development in charge of finance.

"Greystone has been a longtime lending partner of ours for over a decade," Mr. Malhotra said in a prepared statement. "Greystone's ability to deliver on all levels with a strong emphasis on building deep relationships with its borrowers is a perfect match for our firm."

Wyndchase Apartments contains one-, two- and three-bedroom apartment units along with a fitness center, pool and community clubhouse. Rents for available two- and three-bedroom units at the complex run between $1,370 and $1,640, according to the property's website.

"Banks are increasingly returning to the [Michigan] market and the lending landscape is becoming more competitive overall," **Betsy Vartanian**, an executive vice president of Greystone's FHA lending group, told *MOW*. "Even as more lending sources enter the Michigan market today, we're seeing continual demand for long-term, low-rate FHA financing, which enables property owners to maximize value," she said.

Greystone ranked No. 1 in combined multifamily and healthcare FHA lending as of Sept. 20, 2013, according to HUD.

—Damian Ghigliotty

DiamondRock Amends Lexington Hotel Loan to Reduce Borrowing Costs

Bethesda, Md.-based **DiamondRock Hospitality Company** amended a $170.4 million senior mortgage secured by the **Lexington New York City** hotel in Midtown, to extend the loan's term and reduce the REIT's borrowing costs, the company said in a release.

Lexington New York City Hotel

Citibank provided the initial three-year debt on the 725-key, full-service hotel at **511 Lexington Avenue** in March 2012, city records show.

The amended loan carries an initial floating interest rate of Libor plus 275 basis points and "features a pricing grid that will further reduce the spread to as low as 175 basis points," if the hotel meets certain cash-flow targets, according to the borrower.

The adjusted debt, which has a five-year term, including two one-year extension options, will extend the potential term of the original Citibank loan by about 30 months to October 2019.

The reduced borrowing costs are expected to save DiamondRock between $1.5 million and $2 million in annual interest payments, the company reported.

"This loan amendment allowed DiamondRock to take advantage of the current low rate interest rate environment and favorable lending conditions," said **Sean Mahoney**, the company's executive vice president and chief financial officer. "Our strong relationships with the existing lenders facilitated this advantageous transaction."

The 28-story hotel joined **Marriott International**'s independent hospitality branding program Autograph Collection last year and completed a $46 million renovation at the time. DiamondRock acquired the boutique hotel in June 2011 for $333.7 million. The property was built in 1929.

Thirteen of DiamondRock's 27 hotels remain unencumbered by property-backed debt, according to the release.

—Damian Ghigliotty

Koll...*continued from page 1*

$154.4 million. The insurance companies' identities were not disclosed.

CBRE's broker team included **Brian Halpern**, **Ben Wagner**, **Sharon Kline**, **Marina Massari** and **Jason Ritchie**. **Tim Mitchell** and **Kris Barber** of **Chatham Financial** also worked on the deal, serving as advisers to landlord **The Koll Company**.

"The refinancing enabled Koll to lower the interest rate on the debt for the property, which will enhance cash flow and flexibility," **Gerald Yahr**, managing principal at Koll, said in a statement provided exclusively to *MOW*.

The Airport Business Center, just across the freeway from **John Wayne International Airport**, has been owned by Koll since the firm developed it in 1969. The 68 buildings hold 700 units on 75 acres.

Airport Business Center

—Guelda Voien

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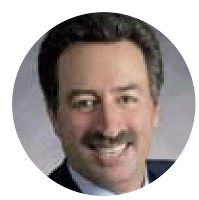

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Shaoul...continued from page 1

purchase price is listed in city records as $158.5 million.

The Post Toscana contains 199 high-floor units and 11,700 feet of retail space. The purchase price is listed in city records as $111.5 million.

The combined properties total more than 360,000 square feet.

"Ideally, we would love to have all of the renters convert to owners," Mr. Shaoul, Magnum's founder and president, said in a September release announcing the acquisitions. "We are offering current tenants the option to purchase at price points that allow them to easily stay in their apartments and are exploring combination options for those seeking more space." —*Damian Ghigliotty*

Cornerstone Real Estate Advisers Lends $54M for Pier 1 Distribution Center

Hartford, Conn.-based **Cornerstone Real Estate Advisers** provided a $54 million loan on a core distribution center for **Pier 1 Imports**' West Coast operations, according to a release issued this week.

The distribution center is located on 46.58 acres at **3000 East Philadelphia Street** in Ontario, Calif., off of the Pomona Freeway.

The loan, brokered by **HFF**, was provided to a group of institutional investors advised by **J.P. Morgan Asset Management** to refinance existing debt and construct a 243,665-square-foot expansion for Pier 1. The added space will bring the property's total square footage to 991,110 after the expansion is completed next year.

The one-floor industrial property was developed in 1999 as a build-to-suit for Pier 1, according to the release. The building has 54 dock-high loading doors and the planned expansion will add an additional 26 doors.

The loan closed on Oct. 1, an HFF spokesperson told *Mortgage Observer Weekly*, but declined to comment further.

J.P. Morgan Asset Management could not be reached for comment in time for publication.

—*Damian Ghigliotty*

Workforce

Ackman-Ziff added two professionals to its New York office, the firm announced. **Robert Bilse**, managing director, "has an established track record of contributing to multi-billion-dollar fundraising for institutional investors," according to a statement from the firm. Previously, Mr. Bilse worked for **Goldman Sachs** and **Brookfield Asset Management**.

Andrew Fox took over as vice president of operations, following seven years as CFO of **Savills LLC**. Mr. Fox will oversee the firm's planned expansion into new geographic regions, such as Los Angeles and San Francisco, news of which *Mortgage Observer Weekly* has previously reported.

CBRE Capital Markets announced that **Craig Hall** joined the business lending team as vice president. The business lending unit focuses on "the owner-occupied and the private capital real estate space," according to a statement from the firm.

Based in Atlanta, Mr. Hall will cover the Southeastern territory, primarily focused on the Atlanta, Charlotte, Nashville and Greenville, S.C., markets. He will report to **Dan Winzeler**, managing director for business lending.

"CBRE is well positioned to serve the owner-user and small balance financing market," said Mr. Winzeler, in the statement. "Craig's addition will be an outstanding complement to our existing Business Lending team as we continue to expand our platform."

Mr. Hall joins CBRE from **ReadyCap Commercial** in Atlanta where he was responsible for originating small balance multifamily, retail, office and industrial real estate transactions on a CMBS platform. Previously, he worked at **GE Capital Real Estate**.

Mr. Hall holds a B.B.A. in finance and small business management from Ohio University.

The Takeaway

"Over the next year, about 16 percent of outstanding CMBS conduit loan balance on properties in New York City will mature," said Joe McBride, a research analyst at Trepp. "In total, just over $8 billion in mostly office CMBS loans are set to mature over the next twelve months, 85 percent of which are current and carrying fairly healthy DSCRs. With the run up in property values in New York over the past several years, most of these loans should have no trouble refinancing even if rates rise moderately."

Source: Trepp

Current Balance	Property Name	Property Type	Maturity Date	City	DSCR (NCF)
900,000,000	200 Park Avenue	Office	20150515	New York	1.65
320,000,000	731 Lexington Avenue	Retail	20150810	New York	1.6
315,000,000	One Court Square - Citibank	Office	20150915	Long Island City	1.16
250,000,000	Woolworth Building	Office	20150610	New York	1.2
197,882,982	Sotheby's Building	Office	20150710	New York	1.38
195,000,000	Soho/Tribeca Grand Portfolio	Lodging	20150911	New York	2.18
161,460,158	One MetroTech Center	Office	20150611	Brooklyn	1.34
150,000,000	1500 Broadway	Office	20150413	New York	1.2
150,000,000	1370 Avenue of the Americas	Office	20141214	New York	1.29
141,000,000	261 Fifth Avenue	Office	20150814	New York	1.37


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Q+A

Gary Otten

Managing Director and Head of Real Estate Debt Strategies for MetLife Real Estate Investors

Mortgage Observer Weekly: **How did you get your start in the business and when did you join MetLife?**

Gary Otten: My real estate lending career began when I joined a four-person origination and syndication team at the Toyo Trust and Banking Co. Our team focused mainly on construction and short-term loans on office, retail, and multifamily assets across the United States. It was the early 1990s, and I was fortunate to be working for one of the few active lenders in the market during that particular recession. I decided to leave Toyo in August 1996 to relocate to Atlanta. Shortly after settling in Atlanta, I accepted a position with MetLife's Real Estate Investments team, as it was an excellent fit culturally and professionally.

You came into your current role in 2013. What have you accomplished since then for MetLife's commercial real estate debt investments?

We have continued focusing on building strong industry relationships. Our entire MetLife real estate team works diligently to remain one of the largest U.S. life company portfolio lenders by volume and balance sheet. Since assuming my current role, highlights have included $11.5 billion of commercial loan originations for our portfolio in 2013 and our successful launching of a third-party debt asset management platform that continues to grow in number of clients, products and assets under management.

At last year's MBA conference in Orlando you told a panel that your favorite property types other than multifamily were industrial properties and fortress malls. Why is that?

During the Great Recession and in prior economic cycles, we witnessed fortress malls and institutional-grade industrial properties performing relatively well and providing a solid portfolio foundation. In addition, as the current economic recovery continues to strengthen, the cash flows from these two property types are expected to share in this growth of the overall economy, thereby making them sound mortgage investments if a lender is able to win these highly contested lending assignments.

Gary Otten

Can you discuss one or two industrial or mall deals you and your team recently worked on?

With the strong return of life companies, banks, conduits, and single asset securitization lenders, the top tier mall and industrial pools financings have been some of the most sought after lending opportunities. Fortunately, our Dallas regional office was able to win the mandate for 10-year fixed rate financing secured by the 1.4-million-square-foot Galleria Dallas Mall located in the heart of North Dallas. On the industrial front, our Mexico City regional office has continued a successful run of financing top-tier industrial properties throughout Mexico. Earlier this year our Mexico City team won a $93 million floating rate portfolio loan assignment secured by 10 industrial properties totaling 2.4 million square feet spread amongst top industrial markets in Mexico.

What are your expectations for the commercial real estate debt market as a whole in 2015?

At this point it's difficult to see anything more than a continuation of the abundance of real estate debt capital we have seen blossom over the last 18 months. The banking regulatory landscape could potentially have a slight negative impact on the proceeds available for construction lending, but beyond that it is a relatively healthy market with lending supply generally exceeding demand. Everyone in the real estate debt markets has a watchful eye on loosening credit and underwriting trends. Thus far there has been a reasonable amount of discipline on the lending and the borrower front, so I am hopeful that the market's discipline continues. MOW

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

Guelda Voien
Editor

Damian Ghigliotty
Senior Reporter

Cole Hill
Copy Editor

Barbara Ginsburg Shapiro
Associate Publisher

Miguel Romero
Art Director

Lisa Medchill
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For editorial comments or to submit a tip, please email Damian Ghigliotty at dghigliotty@observer.com.

For advertising, contact Barbara Ginsburg Shapiro at bshapiro@observer.com
or call 212-407-9383.

For general questions and concerns, contact Guelda Voien at gvoien@observer.com
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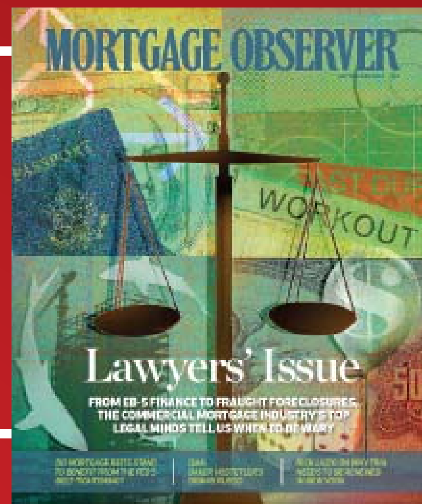

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