



A rendering of EchelonSeaport.

COURTESY NATIXIS

Natixis Leads \$480M Construction Loan for Boston Seaport District Project

Natixis has provided a \$480 million construction loan to **Cottonwood Management** for the development of **EchelonSeaport**—a 1.3 million-square-foot mixed-use project in Boston's Seaport District, Commercial Observer can first report.

EXCLUSIVE The 54-month loan will finance the \$900 million project's 733-unit, 887,000-square-foot residential component—comprising two condominium towers and one luxury rental tower, in addition to a two-story, 125,000-square-foot retail space centered around

a public courtyard.

"We're thrilled to be financing Boston's Seaport Square project, which illustrates our ability to provide borrowers tremendous capital markets access and unique, tailored deal structures and financing solutions," said Greg Murphy, the head of real estate finance Americas at Natixis. "We are encouraged by what this deal says about the quality of our platform and believe the Seaport has found a great partner in Cottonwood Management."

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"[In 2018] there are going to be a number of higher-leverage requests where borrowers or sponsors who were going to sell have now said, 'You know what, the debt markets are hot. I should recapitalize and take as much money out as I possibly can.'"

—Warren de Haan
from Q&A on page 17

McSam Hotel Group Scores \$121M Construction Loan for Chelsea Hotel

Bank of the Ozarks and **Square Mile Capital Management** have provided \$121.4 million in construction financing to **Sam Chang's McSam Hotel Group** for the development of a 45-story,

EXCLUSIVE 526-key hotel at **140 West 28th Street**, Commercial Observer can first report.

The deal, which closed last week, includes a \$97.5 million first mortgage from Bank of the Ozarks and a \$23.9 million mezzanine piece from Square Mile, according to information provided by **Eastern Consolidated**, which brokered the debt.

The 178,000-square-foot hotel is being constructed on a vacant parking lot on West 28th Street between Avenue of the Americas and Seventh Avenues in Chelsea. It is scheduled to open in 2019 and will operate under two separate hotel flags under the **Marriott** hotel brand: **TownePlace Suites** and **Springhill Suites**. The property will have two separate lobbies but shared common areas.

MCSAM...continued on page 5

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Mack Real Estate Lends \$90M on Florida Luxury Condominium Properties

Commercial Observer has learned **Mack Real Estate Credit Strategies** has provided a \$90 million mortgage to **Fisher Island Investments** for **Palazzo Del Sol** and **Palazzo**

EXCLUSIVE

Della Luna—two adjacent luxury residential condominium properties on Miami's Fisher Island, Commercial Observer can first report.

The 18-month bridge loan will finance the sellout of the 15 remaining units at the 43-unit, 10-story Palazzo Del Sol and complete construction of the 50-unit Palazzo Della Luna. Fisher Island Investments has \$400 million in subordinate equity in the project.

With density restrictions and high barriers to entry, the **Kobi Karp**-designed palazzos are two of only three properties to be developed on Fisher Island in the past decade. Their amenities include a butler-staffed bar and lounge, valet parking, a fitness center, a private massage room, hair salons, movie theater, a business center and a children's playroom.

"At 20 percent loan to value, we're very protected. There's very high barrier to entry and only room to build 120 more homes on the island," **Peter Sotoloff**, a managing partner and the chief investment officer of Mack Real Estate, told CO. "It's a very high quality development with a great local sponsor."

Created in 1906 and mostly developed between 1970 and 2000, Fisher Island is three miles off the shore of Miami and accessible



Palazzo Del Sol in Fisher Island, Fla.

COURTESY MACK REAL ESTATE CREDIT STRATEGIES

only by ferry or boat. Over the years, the 192-acre island's residents have included **Oprah Winfrey** and **Mel Brooks**.

The project isn't Mack's first foray into the South Florida market. In October last year, the lender provided \$315 million in financing for the construction and recapitalization of **Penn-Florida Companies' Via Mizner**, a 2-million-square-foot mixed use project in Boca Raton, Fla., as first reported by CO.

"With the new tax code, Florida may become more attractive, given the issues with SALT deductions," Sotoloff said of the pull to the

Sunshine State. "We've been very selective and have only been doing high-end projects. Here we have a very committed sponsor with \$400 million of subordinate equity—one who controls the development rights—and a very low basis in some of the finest real estate in the area."

Mack's deal volume for 2017 was approximately \$4 billion, Sotoloff said, including over \$2 billion in New York. The lender is targeting \$5 billion for 2018 in New York and other gateway markets nationwide.

Officials at Fisher Island Investments couldn't be reached for comment.—C.C.

NATIXIS...continued from page 1

Natixis syndicated the behemoth construction loan, attracting a number of international banks to the deal, Murphy said. "I think the caliber of the project is a big part of it," Murphy told CO. "From the architect to the builder, Cottonwood assembled a great team and all aspects are top-notch. A Class-A, quality asset in a gateway city is very attractive for a lot of foreign lenders."

Preconstruction kicked off in March 2017 with Cottonwood Management breaking ground on the 3.5-acre development—at Seaport Boulevard and B Street—last June. Construction is scheduled to span three years in total with the three towers' completion being phased between the third quarter of 2019 and the first quarter of 2020.

"Boston's Seaport is one of the most vibrant neighborhoods in the world right now and is the perfect starting place for Cottonwood

to establish the Echelon lifestyle brand," **Alexander Shing**, the chairman and CEO of Cottonwood Management, said in prepared remarks. "EchelonSeaport will anchor the Seaport community with a new level of design, service and lifestyle amenities."

EchelonSeaport's Tower 1 and Tower 2 will include 268 and 180 luxury condominium units, respectively, and private terraces. Tower 3 is a 285-unit multifamily rental building, which will include micro-living units and shared entrepreneurial work spaces. Its 50,000 square feet of common amenities will include a wine room, a lounge, outdoor and indoor swimming pools, a spa treatment room, a half basketball court, a children's playroom and a pet spa.

WS Development, which currently owns more than 1.3 million square feet of retail space in the 20-block Seaport district, will own and manage the development's retail portion.

The project's mixed uses added some intricacies to the transaction. "It was definitely a complex deal," Murphy said. "But as we're in all market sectors, we were able to break out all of the component pieces, analyze them separately and then together as the project. So, we were able to efficiently apply our skills to a very complex project."

The transaction came to Natixis' New York office via the bank's Hong Kong office, which covers the client as well as many of the lenders in the syndicate. "They did a lot to help pull the deal together both from an origination perspective and a syndication perspective," Murphy said.

Looking ahead to 2018, Boston is on Natixis' radar. "Boston has had a lot of tech growth, given all of the research universities there," Murphy said. "So, we believe Boston is a solid performer and has very strong demand drivers for office and multifamily properties."

—Cathy Cunningham

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Madison Lends \$54M as New Developer Takes Condo Project Back to Drawing Board

A distressed condominium project will get a fresh start at **208 Delancey Street**, thanks to an infusion of \$53.5 million in debt from **Madison Realty Capital**, Commercial Observer can exclusively report.

EXCLUSIVE

Construction on the Lower East Side building had stalled under the control of a previous ownership group, **Delancey Bridge Tower**, prompting the lot's sale to **New Empire Real Estate Development**. Now, the new owner will partially demolish the steel frame that has already been erected at the site, backtracking in order to slightly alter the design of the 69-unit apartment building, according to officials at Madison Realty.

The lender partially backed New Empire's purchase of the project in December, contributing \$15 million in debt to the nearly \$30 million acquisition, to which New Empire also made a significant equity contribution, according to **Josh Zegen**, a managing principal at MRC. With rights to the site in the bag, New Empire added another \$38.5 million to its tab with Madison Realty this week, aiming to begin work at the site within the next six months.

"I'm a strong believer in [the Lower East Side] in general because of the price point and the emerging quality of the housing, retail and office space," Zegen said. "Everything about that neighborhood has the wind to its back: good transit and good amenities."



208 Delancey Street.

COURTESY COSTAR GROUP

New Empire's acquisition of the site concluded a messy slog for Delancey Bridge Tower, a consortium of 53 investors that struggled to top out the condo project they'd planned there since buying the lot for \$8.5 million in 2012. In September 2016, the investor group sued a different prospective buyer, **American Chengxing Investment**, for failing to close on a contract to buy the inchoate apartment building,

When completed, New Empire's 85,000-square-foot condo structure, between

Clinton and Attorney Streets, will stand at the western terminus of the Williamsburg Bridge in a neighborhood reaching the climax of a decade of revitalization. Ranks of low-income public-housing projects line the district's eastern edge along the East River, but new cultural destinations, like the Metrograph movie theater, and a slew of modish restaurants have lent its streets a higher-rent air.

Representatives from New Empire Real Estate Development did not respond to a request for comment.—Matt Grossman

MCSAM...continued from page 1

"This is our fourth deal with Sam Chang and Bank of the Ozarks, all on very similar product in the corridor from 28th Street to 40th Streets on the West Side," **Mike Lavipour**, a principal at Square Mile, told CO. "Sam Chang, his general contractor Omnibuild and his architect Gene Kaufman are the most prolific hotel builders in New York City. They are able to deliver a product that's efficient at a per-key basis that is much less than what their competitive set is able to deliver and much less than hotels are selling for in the open marketplace. On this deal at 75 percent of their cost basis, we were in at \$230,000 per key—which compares really favorably to sales and refinancings of new product."

Bank of the Ozarks and Square Mile also financed the construction of McSam Hotel Group properties, including a **Doubletree by Hilton** at **346 West 40th Street**, the **Marriott SpringHill Suites** at **338 West 36th Street** and **Hyatt Place Hotel** at **350 West 39th Street**,

which is currently under construction.

"We feel like the basis on these transactions is very well protected at \$230,000 a key, relative to the sales in the \$400,000 to \$500,000 a key range," Lavipour added. "To be able to make a midteens return for that basis feels like a really good risk-adjusted return."

Eastern's **Adam Hakim** and **James Murad** negotiated the financing.

"Contrary to market trends, Eastern Consolidated has successfully placed \$723 million in hospitality financing in the last 24 months, including \$463 million on behalf of the McSam Hotel Group," Hakim said in prepared remarks. "Sam Chang is a proven sponsor and one of the largest hotel developers in the New York City, having completed the construction of over 70 ground-up hotels. No doubt this new hotel in Chelsea will be just as successful."

Chang was overseas and unavailable for comment. A spokeswoman for Bank of the Ozarks declined to comment.—C.C. with additional reporting by Lauren Elkie Schram



A rendering of 140 West 28th Street.

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1440 Broadway.

COURTESY COSTAR

Blackstone Lends \$360M on CIM's Acquisition of 1440 Broadway

CIM Group has sealed its acquisition of **1440 Broadway** from **New York REIT** with a \$360 million loan from **Blackstone Group**, Commercial Observer can first report.

EXCLUSIVE

The deal closed on Dec. 19, 2017, and the floating-rate debt has a five-year term, sources said. The \$360 million loan was made at 60 percent loan to cost.

"Speed of execution was critical here. There was a very short fuse to close as it's something of a transitional asset," one source told CO. The acquisition financing drew competition from a variety of capital sources—including a mix of U.S. and foreign banks as well as debt funds—with Blackstone winning the deal.

CBRE and **Eastdil Secured** co-arranged the acquisition financing and co-marketed the property for sale earlier last year. **James Millon** and **Tom Traynor** led the CBRE Capital Markets team in the acquisition financing while **Darcy Stacom** and **Bill Shanahan** brokered the sale. Officials at CBRE and Eastdil did not return a request for comment.

New York REIT, which has been shedding assets as part of its liquidation plan also, announced that it closed on the sale of the building and that the \$305 million mortgage on the property was "fully satisfied at closing."

In addition to closing the 1440 Broadway sale, the REIT also announced that it has entered into three separate contracts to sell its properties at **306 East 61st Street**, **One Jackson Square** and **350 West 42nd Street** for an aggregate amount of \$103.1 million. The closings are expected to occur in early 2018.

Officials at Blackstone declined to comment. A spokesman for CIM did not return a request for comment.—C.C.

Meridian Arranges \$110M Refi for Candlebrook Multifamily Complex

Meridian Capital Group has negotiated \$110 million in balance sheet financing for **Candlebrook Properties' 251 Dekalb**—a five-building luxury multifamily complex

in King of Prussia, Pa., Commercial Observer has learned.

EXCLUSIVE

ACORE Capital provided the 36-month loan, which features a rate of 275 basis points over 30-day LIBOR and full-term, interest-only payments. The financing takes out a Wells Fargo construction loan, which was set to mature in November but included a one-year extension option.

251 Dekalb is a five-building, 641-unit property at **251 West Dekalb Pike**. The multifamily complex sits on 26 acres of land at the highest point in King of Prussia. Its amenities include an Olympic-size swimming pool and sun deck, a fitness center, a private clubroom, a game room, sports amenities and a business center.

"We weren't intending on refinancing the property at this time because we felt we still had time under our construction loan, and we felt there was more expansion in the market for growth in our rental rates," **Josh Levy**, a managing director at Candlebrook, told CO. "But as we approached the end of the year, we thought it wasn't a terrible time to be refinancing, given the uncertainty in the financial markets and what's likely to be a run up in rates."

Speed of execution was an important factor in the selection of **ACORE** as lender, Levy said: "ACORE had a fantastic product and were able to close in 30 days. They really understood the asset and were so able to underwrite it quickly, and their terms were extremely competitive and flexible. It allowed us to refinance the property, take out some of the equity we'd invested and refund it to our investors and also

create flexibility for future refinancings—if and when we see the rent growth that we're expecting on the asset."

Meridian's **Abe Hirsch**, **Ronnie Levine** and **Akiva Friend** arranged the debt.

"We were thrilled with Meridian's guidance and ability to execute in an extraordinarily compressed timeframe during a generally difficult time of year, given the holidays," **Neil Rubler**, the president of Candlebrook, said in prepared remarks.

"The quality and location of 251 Dekalb dominated our conversations with lenders when we brought this transaction to market and allowed us to achieve a very efficient 36-month loan for this exceptional asset," Hirsch said.

Candlebrook acquired the property for \$70 million in 2014 in partnership with **Lubert-Adler** of Philadelphia, according to the *Philadelphia Business Journal*. The development firm then undertook an extensive renovation of the building—formerly known as **The Marquis**—with the intention of restoring some of its former glory. Constructed in the 1960s, The Marquis had fallen into a state of severe disrepair before Candlebrook acquired it and renovated building systems, common areas and apartment units.

"It was in really terrible condition," Levy said. "We had to empty out all the units and redo everything in the building. We spent about \$60 million on the renovation of the property in order to bring it to modern standards. We tried to bring it back to the roots of the history of its architecture."

Construction of 251 Dekalb was completed in the summer of 2017 and Candlebrook is currently in the process of finalizing amenitization packages for the property, which is 70 percent leased.

The property is Candlebrook's first in the area. Once a sleepy, suburban market that didn't have any Class-A multifamily properties, the area has transformed with several companies moving their headquarters to the area and subsequently boosting the population, Levy said. "We were excited about the building because it had wonderful bones and it's very hard to find a high-rise building in an affluent suburban community that isn't in such bad condition that you can really reimagine it. So, it was an exciting project to begin with, but the continued growth of the Philadelphia market and the expansion of the Philadelphia suburbs also presented an exciting opportunity for us to expand our business into."

Officials at **ACORE** weren't available for comment.—C.C.



251 Dekalb, King of Prussia, Pa.

COURTESY CANDLEBROOK

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ACORE Lends \$91M in Washington, DC, Office Refinance

Chicago-based **Lincoln Property Company** has closed a \$90.8 million refinancing on **2300 N Street NW**, an eight-story office building in Washington, D.C., Commercial Observer can exclusively report.

EXCLUSIVE **ACORE Capital** provided the five-year first-mortgage loan on the building—about one mile north-west of the **White House**—which closed on Dec. 15, 2017.

Aspen Institute, a think tank, is moving in to the recently renovated building, after signing a lease last year, for more than 90,000 square feet. Aspen will partially replace **Pillsbury**, a law firm that moved closer to the city's downtown area. More than 195,000 square feet remain unoccupied, according to the building's website. But an ACORE executive reported optimism that the property will be leased up in short order now that its \$17 million refresh is nearly complete.

"What's hard about D.C., especially office buildings, is that they trade tight," said **Lance Wright**, an ACORE managing director. As potential lenders, "the life companies and the banks are pretty aggressive. It's hard for any debt fund to win a bid like this in D.C."

ACORE was able to sweep in because the debt fund has more tolerance for delayed cash flows than a bank or an insurance company might, Wright added, noting that at closing, Lincoln had lined up four serious potential tenants to join Aspen at the premises.

District of Columbia tax records show that Lincoln purchased the 287,000-square-foot



2300 N Street NW, Washington D.C.

COURTESY WIKICOMMONS

building in 2011 for \$140 million, or about \$488 per square foot. Lincoln said he hopes to earn rents in the low \$50s per square foot, Wright said.

Office-building prices in the national capital were on the rise last year, according to Curbed. Average acquisition costs climbed to \$538 per square foot in the third quarter, up 7 percent since January 2017. That level places the city's office market, which dipped in the middle of a decade, back near its 10-year high.

The building features three underground parking levels, a fitness center and views of the **National Cathedral** and **Rock Creek Park** from a new roof deck.

"The rooftop deck really differentiates this building from its peers," Wright said. "There aren't a lot of buildings in D.C. with a rooftop deck."

Representatives for Lincoln and for **Draper & Kramer**, the broker for the financing, did not respond to a request for comment.—M.G.

TIAA Refinances RXR's 75 Rockefeller Plaza With \$300M Package

Scott Rechler's RXR Realty refinanced its headquarters at 75 Rockefeller Plaza with a \$300 million package from pension fund Teachers Insurance and Annuity Association of America (TIAA), according to records filed with the New York City Department of Finance.

The stack includes a \$92 million mezzanine piece, sources told Commercial Observer, and it refinances two previous J.P. Morgan Chase loans, totaling \$184 million, from Sept. 30, 2014, and another \$23.7 million loan provided by the bank on Nov. 1, 2016. TIAA rounded out the transaction with a new \$280,000 gap mortgage. The package was provided by TH Real Estate, an affiliate of global investment manager Nuveen,

which is the investment arm of TIAA.

J.P. Morgan assigned the debt to TIAA, and it was then split into two portions—\$148.6 million and \$59.4 million. The \$148.6 million loan comprises an \$83.5M A-note and a \$65.1 million B-note, while the \$59 million is the combination of four notes—\$23.7 million, \$4.8 million, \$30.6 million and the new \$280,000 gap mortgage.

"TH Real Estate is pleased to add the most modernized office building in Rockefeller Center to our portfolio and to continue our existing relationship with a premier property owner in RXR Realty," Michael Lembo, a senior director at TH Real Estate, told CO.

Officials at RXR declined to comment.

—Mack Burke



75 Rockefeller Plaza



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A rendering of 255 East Houston Street.

COURTESY GREYSTONE

SMA Nabs \$40M for LES Development

SMA Equities has scored a \$39.5 million construction loan from Bank of the Ozarks for its 88-unit apartment building at **255 East Houston Street** in the Lower East Side, Commercial Observer has learned.

EXCLUSIVE

Cooper-Horowitz

Principal **Richard Horowitz** arranged the financing on behalf of the borrower, while **Richard Smith** and **Sean Marino** led the Bank of the Ozarks team.

The deal closed mid-December 2017, sources told CO.

The 14-story property will be between Suffolk and Norfolk Streets and include 6,268 square feet of community facility space. Construction is expected to be completed within 24 months.

Samy Mahfar's SMA Equities purchased the development site in June 2015 from Darius Meraj's Eagle Cal Sc for \$16.5 million.

Earlier this year, SMA and **Halpern Real Estate Ventures** sold a 78-unit apartment building just a few blocks away at **331 East Houston Street** to Arkar for \$61.5 million. SMA and Halpern purchased four parcels of land at the site for \$12.4 million in 2012 and spent \$40 million developing the property. **Sovereign Bank** provided a \$26.1 million construction loan for the project, which was also negotiated by Cooper-Horowitz.

Officials at SMA Equities did not respond to a request for comment. A spokeswoman for Bank of the Ozarks declined to comment, as did officials at Cooper-Horowitz.—C.C.

ACORE, LaSalle Provide \$105M Refi for Nashville's Tallest Residential Tower

Nashville, Tenn.-based developer **Giarratana** has secured a \$105 million refinance for **505**—a mixed-use luxury tower in downtown Nashville, Commercial Observer has learned. **ACORE Capital** provided an \$80 million first mortgage, while **LaSalle Investment Management** provided a \$25 million mezzanine piece.

EXCLUSIVE

JLL Chicago's David Hendrickson brokered the 60-month loan, which refinances a \$93.9 million construction loan from **Bank of the Ozarks** as well as previous \$37.6 million mezzanine loan from LaSalle Investment Management.

The 45-story, 550-unit luxury skyscraper at **505 Church Street** is Nashville's tallest residential tower at 543 feet tall. Its amenities include a salt-water swimming pool, a tennis court, a fire-pit lounge, a bocce ball court and a dog park.

The upper 16 floors of the building house 193 condos, while the lower 29 floors contain 350 apartments. The property also includes one acre of amenity areas and 10,000 square feet of retail.

ACORE and LaSalle's refinance is specifically for 505's low-rise apartment component. Arkansas-based **Simmons Bank** is financing the high-rise condo component with a \$40 million loan. **Tony Giarratana**, the founder and president of Giarratana, told CO that he expects to sell all 193 condos in the first quarter.

Giarratana has owned the property since 1993 and built several residential towers around the site since then. "Pre-recession, I had planned to build a 70-story tower at the site, but the great recession scuttled those plans," Giarratana told CO. He revived 505's development plans in 2013 to include a 60-story residential and retail tower. The plans were approved, but financing was only available for a 45-story tower at the time. "We would have been happier at 60 but we're thrilled at 45," he said.

Giarratana decided to refinance the property's construction loan early since his previous loan agreement did not allow for the sale of condos. The construction loan was set to mature in December 2018 but had two one-year renewal options. A lockout was in place until Dec. 2, 2017, and the refinance closed on Dec. 15.

"We are pleased to complete the mezzanine portion of the refinancing at 505," **Matt Jordan**, a managing director of acquisitions at LaSalle Investment Management, told CO. "This top-of-the-market asset is well located in the heart of downtown Nashville, within walking distance of numerous employment centers and entertainment venues. Downtown Nashville continues to attract both tourists and residents with its wide variety of restaurants, entertainment, live music and sports. These attributes coupled with the area's employment growth, infrastructure and proximity to major highways make it a dynamic live-work-play market that we think is well positioned for sustained growth."

Today, 505 is the tallest residential tower in Nashville, and it would be the tallest overall if it weren't for the antennas on the city's **AT&T** building.

"This was a complicated deal because of the condo element, which was not part of the collateral," **Lance Wright**, a managing director at ACORE, told CO. "We moved quickly over the holidays to get it closed, but this deal really checked all the boxes: a top-notch, local sponsor, best-in-class trophy building with everything a resident could ask for and more, one of the hottest markets in the U.S. from an employment growth and population growth standpoint. It's a great property."—C.C.



505 in Nashville, Tenn.

COURTESY GIARRATANA

\$50,000,000

Retail Refinance
Greenwich Village

\$82,500,000

Luxury Multi-family
Development
Weehawken, NJ

\$90,000,000

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Long Island City

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Trinity Unwraps \$190M Construction Loan for Resi Condo at 77 Greenwich

Trinity Place Holdings' Christmas stocking came stuffed with a \$189.5 million construction loan to finance its residential condominium project in Lower Manhattan, the company announced.

The loan, which according to regulatory documents was provided by the **Massachusetts Mutual Life Insurance Company**, carries a four-year term with the option for a one-year extension.

Plans call for the 40-story, 90-unit tower, at **77 Greenwich Street** between Rector and Edgar Streets, to include 7,500 square feet of ground-floor retail space, as well as a public elementary school on its first eight floors, according to a Trinity press release. The **New York City School Construction Authority** has agreed to purchase an interest in the condo building and will handle interior construction on the school when structural work is done.

The building's sleek, glass-curtain-wall design, by architecture firm **FXFOWLE**, will preserve the adjacent landmarked **Robert and Anne Dickey House** building at **67 Greenwich Street**, a structure that will be integrated into



A rendering of 77 Greenwich.

COURTESY SQUARE MILE

the new school.

Built in 1810, the 200-year-old federal-style townhouse illustrates Lower Manhattan's checkered history. At the time of its construction, the Dickey House stood in what was Manhattan's most fashionable residential neighborhood, according to the **New York City Landmarks Preservation Commission**. Later in the 19th century, saloons and bordellos sprung up in the area, and a special police squad raided the residence, which it called a "house of ill fame," in 1871.

Mark Fisher, Shawn Rosenthal and **Alexander Furnary** of **CBRE** represented Trinity in arranging the financing. **Newmark Knight Frank** represented both the developer and the School Construction Authority for the transaction of the school system's condo interest.

Construction at the site will also create a new handicapped-accessible entrance to the Rector Street station on the R and W subway lines. Completion is slated for 2020.

Representatives from Trinity, CBRE and NKF did not respond to requests for comment.—M.G.

Workforce

Cassin & Cassin Names Longtime Partner Michael Hurley as Firm's New Leader

Real-estate law firm **Cassin & Cassin** is kicking off 2018 by promoting from within, elevating longtime partner **Michael Hurley Jr.** to the newly created role of managing partner.

The New York City-based firm, with 34 attorneys divided among offices in New York, Los Angeles and Dallas, specializes in representing real estate lenders who originate debt intended for sponsorship by **Fannie Mae**, **Freddie Mac** and the **Department of Housing and Urban Development** and for commercial mortgage-backed securities transactions.

Hurley's legal work emphasizes property sales and dispositions, mortgage and mezzanine debt and the formation of legal entities for property management.

The firm also runs a small private-client business that assists individuals with estate planning and philanthropy.

Hurley, a graduate of **Fordham University**

Law School who joined the Cassin & Cassin in 1992, predicted that his role will represent only a slight shift from his current duties at the firm's New York office, at **711 Third Avenue**, between 44th and 45th Streets in East Midtown.

"I've historically spent 20 to 30 percent of my time on firm administration and business development," Hurley said. "That percentage may increase slightly, but I intend to continue to spend a significant amount of time on legal work."

The firm's founder, **Joseph Cassin**, agreed with that outlook, explaining that the new title formalizes a leadership position that Hurley has held for some time.

"We've found it necessary for one person to oversee the firm, and Michael was chosen because, first of all, he's a great attorney and, second of all, because he's very levelheaded," Cassin said. "I've always been concerned with my legacy, and I feel that Michael is the person to do that."

Two days into his tenure in the new job,

Hurley espoused a rosy outlook for the coming year, pointing to the plethora of alternative lenders on Cassin & Cassin's client roster.

"I think in the last three to four years, the nontraditional lenders have increased and made a push," Hurley said. "We're privileged to be a part of that."

A father of two teenage daughters and one younger son, Hurley lives with his wife and children in Westchester County, N.Y.—M.G.



Michael Hurley



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The Takeaway

Office Loans Incurred Heaviest Losses Last November

“The total volume of CMBS loans disposed with losses in November 2017 was \$881.1 million across 54 notes, compared with the 12-month average monthly disposition volume of \$925.1 million. Average loan size of November disposals was little changed month-over-month at \$16.3 million, which hits the 12-month average figure right on the head. The average loss severity for loans disposed with losses dipped to a six-month low of 36 percent in October, but rose to 54.9 percent the following month. The office, industrial and mixed-use sectors posted the highest loss severity rates, as each one exceeded 60 percent. Office loans incurred the heaviest loss total in November with \$289.3 million in write-downs. That figure comprises nearly 60 percent of the aggregate realized loss tied to all property sectors.”

Source: [Trepp](#)

Property Type	Loan Count	Loan Balance	Realized Losses	Loss Severity (Percentage)
Total	54	\$881,149,509	\$483,961,818	54.92
Office	17	\$460,990,240	\$289,324,581	62.76
Retail	23	\$289,035,457	\$129,192,066	44.7
Multifamily	4	\$56,269,079	\$22,513,846	40.01
Industrial	4	\$35,486,149	\$22,311,749	62.87
Mixed-Use	3	\$18,982,747	\$14,196,573	74.79
Lodging	2	\$15,185,837	\$4,817,980	31.73
Self Storage	1	\$5,200,000	\$1,605,021	30.87

Date	Loan Count	Loan Balance	Realized Losses	Loss Severity (Percentage)
December 2016	54	\$595,259,175	\$256,230,344	43.05
January 2017	99	\$1,443,377,560	\$834,679,286	57.83
February 2017	47	\$956,750,158	\$466,510,818	48.76
March 2017	73	\$1,499,819,674	\$482,433,517	32.17
April 2017	37	\$814,265,981	\$282,966,313	34.75
May 2017	25	\$532,899,139	\$132,726,329	24.91
June 2017	57	\$1,411,428,282	\$517,838,767	36.69
July 2017	93	\$1,382,810,793	\$766,969,394	55.46
August 2017	59	\$495,050,942	\$217,138,225	43.86
September 2017	47	\$478,393,985	\$208,331,027	43.55
October 2017	37	\$609,627,651	\$219,312,601	35.97
November 2017	54	\$881,149,509	\$483,961,818	54.92
Total	9,396	\$101,838,790,883	\$45,265,491,278	44.45

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Warren de Haan and Boyd Fellows

Managing Partners at ACORE Capital

Commercial Observer: How was 2017 for ACORE from a transaction volume perspective?

Boyd Fellows: One interesting thing about 2017 was the lack of transaction activity in the first quarter, which, in retrospect, there was good reason for. In my mind, it was a combination of two factors: the uncertainty post-election as people tried to assess what the real implications of [President Donald] Trump's election would be and the bid-offer gap, which began in late 2016, where sellers were still expecting ever-higher prices for their properties and buyers were taking a pause to decide whether they were comfortable with those higher prices. As the election was digested, that gap closed, and the uncertainty around the election and around price then went away. In the fourth quarter of 2017, there was a lot of activity.

Warren de Haan: The broader investment sales market slowed down in the first two quarters. If new acquisitions are down then, by virtue of that, [financing] transaction volume is going to be low. Coming into the fourth quarter, we saw our pipeline volume start to increase as transaction volume picked up, especially with our core clients. That was coupled with our perception that we were getting very good risk-adjusted returns at different parts of the capital stack—we're very active in deploying money in transactions that are high-quality deals. So the combination of [available] capital and increased transaction activity resulted in the best quarter so far in the life of ACORE.

Fellows: During the fourth quarter we signed up approximately 30 loans for over \$2 billion. While it's a lot of work, it's also exciting as all of these loans are deepening our relationships with a broader array of clients.

Was there such a thing as a typical transaction for ACORE in 2017?

De Haan: In 2017 we broadened the spectrum of ACORE's lending capability. In the fourth quarter we were extremely effective at financing assets that had more cash flow and less transition but where the borrowers required a lower interest rate. We can lend on everything from strong cash-flowing, light-transitional assets all the way through to empty office buildings and ground-up construction. So our ability to service a client base—everywhere from the low-leverage stuff all the way through highly complex construction projects—is the take away for 2017.

During a recent CO panel, ACORE Managing Director Tony Fineman estimated that construction loans make up around 20 to 25



**Warren de Haan
and Boyd Fellows**

percent of your lending book. Do you expect that amount to increase or decrease in 2018?

De Haan: That's on the higher side of what we do, but we think that construction lending for the right sponsor in the right location, and the right business plan represents incredibly good risk-adjusted returns. So we're willing to do it, and we like to do it, but we're very focused on what [a loan] means for our entire portfolio. We turn down a lot of loans, but when we find one that we believe in 100 percent and we can get paid for the risk, that's when we step in.

So borrowers are playing a role in the market discipline?

Fellows: Our average loan-to-value is in the high 60s, and it's not necessarily because we decide that—it's the borrowers who decide how much leverage they want. So when we target high-quality business plans with well-capitalized opportunity funds they happen to not want much more leverage than that. It's partially driven by the fact that it's difficult to raise money for strategies that require more leverage because investors have said, "Hey, we're not going to give you money to go borrow 80-plus percent and run the risk that it all blows up." This is a fantastic fundamental environment for us.

The other side of this equation—and it's a stark contrast to the CMBS business—is that when we and most of our competitors make a loan we have to get our money back from that building and that borrower. We're not selling the loan to get out of a problem; it's our risk, our reputation, our track record, and it has to come back from that property. In the CMBS business, someone is making a CMBS loan and they know that 90 days later that loan is gone. However in the transitional CRE debt space most of our competitors are in the same position, so the way we compete is typically not with credit. There are other debt shops who focus on higher-leverage loans and there are borrowers who want higher leverage. It's just not our focus.

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