

Real Estate Finance & Investment

The weekly issue from **Real Estate Finance Intelligence**

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Financing

Three Lenders Vie For \$1B Apartment Portfolio Refi

Freddie Mac, **Bank of China** and **New York Community Bank** are all in the running to refinance a giant apartment portfolio in Uptown Manhattan and Roosevelt Island, according to a market player with knowledge of the discussions. The portfolio's owners, **Urban American** and the **City Investment Fund**, are seeking a \$750 million five-year floating-rate loan to replace a maturing \$800 million loan from **Fannie Mae**.

Meridian Capital Group is arranging the financing. **Jonathan Stern**, managing director at Meridian, declined to comment, citing a confidentiality and non-disclosure agreement.

Urban American and City acquired the 6-building, 3,962-unit portfolio at the top of the market for \$938 million—making it one of the most expensive multifamily portfolios ever sold in New York

City. The refinancing values the portfolio at around \$1 billion.

Separately, the duo started looking for an equity partner earlier this year via **Savills**. An affiliate of **Brookfield Properties** is said to have put in a preferred equity slug of \$150 million. Spokesman **Andrew Willis** declined to comment, citing company policy.

Earlier coverage of the sale indicated that City Investment Fund was looking to cash out of the portfolio. The resulting ownership stakes could not be ascertained by press time.

Market players highlighted the portfolio's potential for long-term upside. Around 40% of the tenants in the properties receive Section 8 rent subsidies under the U.S. Housing and Urban Development Department program. While it is a low-yielding income for now, "over time the Section 8 tenants will move out and you can condo

(continued on page 16)

Miami's Doors Open For Multifamily Development

Soaring demand for apartments in Miami has earned the city a spot on the shortlist of U.S. markets where development has rebounded. Projections for new apartment unit delivery in 2014 are expected to hit 9,000—nearly triple 2013 figures, according to **CBRE's** Multi-Housing Private Capital Group. This will push the pace of new development above 2014 absorption estimates by 1,500-3,500 units, and even then it will barely keep up with current demand.

Driving the development trend is a shortage of available apartments in the city, coupled with fast-growing young professional and senior populations, explained **Gerard Yetming**,

(continued on page 16)

Financing

Cushman & Wakefield: Rates Tighten As CMBS Gets Competitive

Commercial mortgage rates spread are continuing to tighten, driven by competitiveness in the commercial mortgage-backed securities market. "CMBS originators continue to tighten profitability, which is driving down pricing," said **Chris Moyer**, director in **Cushman & Wakefield's** Equity, Debt and Structured Finance Group.

The market is also shrugging off the specter of rising interest rates. For now, those interest rates are relatively stable, which is also helping to tighten spreads up. Ten-year Treasury bonds are

(continued on page 6)

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EDITOR'S NOTE

This week, the lenders were buzzing as the shortlist for refinancing a giant apartment portfolio in Uptown Manhattan and Roosevelt Island emerged in New York. The nearly \$1 billion apartment portfolio is believed to have the potential for long-term upside thanks to its innovative Section 8 rent subsidy structure. It's not just a bet that over time the building can be turned into condos – under the HUD program, owners can renovate and increase the rent portion paid by HUD to finance it. This ensures property upkeep without compromising tenants' ability to pay, so it's a good bet for whichever lender wins the bidding.

Speaking of rent, in Miami, the multi-family market's booming. In fact, there is so much demand that rebounding delivery—already projected to nearly triple the 2013 rates—might not be enough, analysts say. Aside from population growth, foreign investment is also playing a role, with much of it coming from Latin American institutions. Check out the Market Spotlight for more.

Real estate investment managers gathered at the **Milken Institute's 2014 Global Conference** this week to talk more about the South – South of the border, to be exact. Equity Group's **Sam Zell** was all about Mexico's opportunity, which is shaping up to be huge. Other potential areas of growth were seen in healthcare REITs. Check out full coverage on page 8.

U.S. institutions seem to indicate there will be enough appetite to absorb such value-added offerings. More than \$1.4 billion was committed to U.S., European and Latin American real estate funds. Check out our *Buyside Funds* roundup on p. 10 to see who's winning the latest commitments.

Last but not least, we've got **Cushman & Wakefield's** CMBS Spreads data.

If you have any thoughts on any of the above, we'd love to hear from you in person, on the phone or on social media. Follow us on Twitter [@REFITweets](#), join our Real Estate Finance Intelligence [LinkedIn Group](#) or circle us on [Google+](#).

Best,
Veronica Belitski
Editor

TELL US WHAT YOU THINK!

Questions? Comments? Criticisms? Do you have something to say about a story that appeared in *REFI*? Or is there information you'd like to see published? Managing Editor **Samantha Rowan** can be reached at (212) 224-3996 or srowan@iintelligence.com.

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 Institutional Investor
Intelligence

Financing

CMBS Market Snapshot

Citigroup Sees Tight Pricing On Conduit

Citigroup priced CGCMT 2014-GC21 on Wednesday at swaps plus 83 for the benchmark AAA-rated super senior bonds—a level that is three basis points tighter than price guidance and the most recent conduit to be completed, **Deutsche Bank**'s COMM 2014-CCRE17. New b-piece mart entrant **Seer Capital Management** took down the junior portion of the deal ([REFI, 04/14](#))

The \$1 billion securitization has more diverse collateral than the three retail-heavy conduit deals that hit the Street two weeks ago ([REFI, 04/14](#)). The deal has a 29.8% exposure to retail. By comparison, **JPMorgan**'s JPMBB 2014-C19 had a 41.6% retail

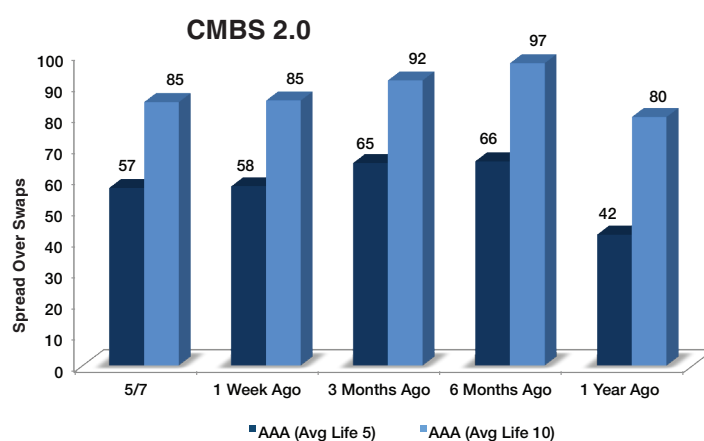
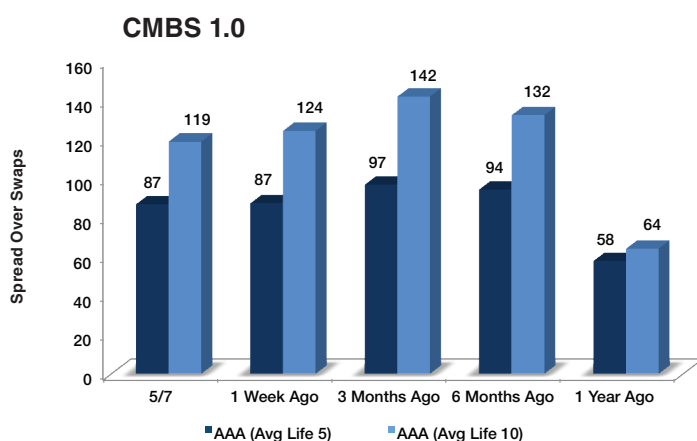
exposure, while **Wells Fargo**'s WFRBS 2014-C20 and **Deutsche Bank**'s \$1.2 billion COMM 2014-CCRE17 each had 33.2% exposures to the sector.

CGMT 2014-GC21 is comprised of 70 commercial mortgage loans on 111 properties. **Fitch Ratings** drew attention to the deal's property-type diversity in its presale report—multifamily comprises 20% of the deal, with office at 12.8% and independent living at 9.9%. The properties are largely located in the Southeast at 28% of the total, with the majority—12.9%—in North Carolina.

Calls to the issuers were not returned.

CMBS SPREADS SNAPSHOT—MAY 7

CMBS 1.0 comprises transactions through 2007, while CMBS 2.0 reflects deals completed after that date.



Source: Trepp, LLC

TREPP'S CMBS SPREADS MATRIX—MAY 7

CMBS 1.0

| Fixed Rate | Avg Life | Benchmark | 5/7 | 1 Week Ago | 3 Months Ago | 6 Months Ago | 1 Year Ago |
|------------|----------|-----------|-------|------------|--------------|--------------|------------|
| AAA | 5 | S+ | 87 | 87 | 97 | 94 | 58 |
| AAA | 10 | S+ | 119 | 124 | 142 | 132 | 64 |
| AA | 10 | S+ | 1,206 | 1,217 | 1,245 | 1,237 | 1,312 |
| A | 10 | S+ | 1,810 | 1,822 | 1,845 | 1,834 | 1,927 |
| BBB | 10 | T+ | 3,341 | 3,362 | 3,388 | 3,381 | 3,500 |
| BBB- | 10 | T+ | 4,357 | 4,378 | 4,406 | 4,401 | 4,510 |

CMBS 2.0

| Fixed Rate (Conduit) | Avg Life | Benchmark | 5/7 | 1 Week Ago | 3 Months Ago | 6 Months Ago | 1 Year Ago |
|----------------------|----------|-----------|-----|------------|--------------|--------------|------------|
| AAA | 5 | S+ | 57 | 58 | 65 | 66 | 42 |
| AAA | 10 | S+ | 85 | 85 | 92 | 97 | 80 |
| AA | 10 | S+ | 124 | 125 | 156 | 154 | 132 |
| A | 10 | S+ | 175 | 179 | 212 | 224 | 169 |
| BBB | 10 | T+ | 286 | 288 | 320 | 336 | 286 |
| BBB- | 10 | T+ | 334 | 338 | 365 | 400 | 327 |

Benchmarks as of May 7: 10-year Treasury 2.591 10-year Swap 2.6985

Source: Trepp, LLC

Financing

Big Bidlist Resets IO Pricing Levels

A \$2 billion bidlist of notional interest-only bonds that changed hands in the secondary market last week led to a flood of similar offerings hitting the Street ([REFI, 04/14](#)). “[The bidlist] reset levels because it traded at 50 basis points inside where we last saw IOs,” one CMBS trader told *REFI*. The vintage 2011-12 IOs traded at around 87 over Treasuries, for about \$100 million in proceeds.

Dealers have since been pounding the market with lists of X1 and XA bonds, with fast-money accounts leading most of the trading, traders said. “Yields are very attractive for short-duration bonds. The sheer amount of supply in the market brought buyers out,” a trader said. Recent IOs from 2013 also have tightened by

about 30 basis points to Treasuries plus 120 basis points.

CMBS traders said the rally was “all about yield,” but also said that investors were front-running their models in anticipation of the wave of debt refinancing that is expected to hit the market in 2015 and 2016. “The refi wave is definitely a positive because loans will get extended and IOs will land more yield,” a trader noted.

A recent report from **Barclays Capital** attributed the tight pricing on the IOs from 2011-12 vintages to the bonds’ steep IO slope, or the difference in yield between the 100CPY convention and the 0/0 prepay slope. “This is essentially due to their shorter duration, given the two/three years of seasoning they have already had,” the report said.

MORNINGSTAR’S LOAN TRANSFERS TO SPECIAL SERVICING

The following is a list of loans included in commercial mortgage-backed securities deals that were recently transferred into special servicing.

| Property Type | Loan Name | Deal ID | City | State | Zip | UPB | Maturity date | Date xfer to S/S |
|---------------|---|----------|--------------|---------|---------|-----------------|---------------|------------------|
| Hotel | Circa Capital - East Pool | MLT03KY1 | Various | Various | Various | \$19,317,265.82 | 8/1/13 | 3/18/14 |
| Hotel | Wingate Inn, Chantilly | MLCF0706 | Chantilly | VA | 20151 | \$14,441,655.44 | 4/8/17 | 3/14/14 |
| Hotel | Circa Capital - West Pool | MLT03KY1 | Various | Various | Various | \$9,193,635.55 | 8/1/13 | 3/18/14 |
| Hotel | Comfort Inn & Suites Rawlins | CSM07C05 | Rawlins | WY | 82301 | \$5,497,875.35 | 9/11/17 | 3/24/14 |
| Hotel | Holiday Inn Express & Suites - Ft. Wayne | CD07CD4 | Fort Wayne | IN | 46804 | \$4,559,655.69 | 1/1/14 | 3/14/14 |
| Industrial | Sully Tech Center | CSM06C04 | Chantilly | VA | 20151 | \$7,600,000.00 | 8/1/16 | 3/24/14 |
| Industrial | Gillette Industrial Building | BSC06T24 | Irvine | CA | 92614 | \$6,040,787.77 | 8/1/16 | 3/14/14 |
| Industrial | 401-431 North Raddant Road | CSM07C03 | Batavia | IL | 60510 | \$2,549,786.07 | 3/11/17 | 4/8/14 |
| Industrial | Lynxs Nafta Cargoport | BSC05PW7 | Harlingen | TX | 78550 | \$1,521,591.64 | 1/1/15 | 3/27/14 |
| Multi-family | Oakbrook Apartments | LBUB06C6 | Baton Rouge | LA | 70820 | \$21,048,518.80 | 7/11/16 | 4/4/14 |
| Multi-family | Evergreen Apartments - Las Vegas | MLCF0707 | Las Vegas | NV | 89108 | \$14,153,042.58 | 4/8/17 | 1/17/14 |
| Multi-family | Woodstone Apartments | MLCF0706 | Valdosta | GA | 31602 | \$8,883,069.73 | 3/8/17 | 9/17/13 |
| Multi-family | Ridgewood Apartments - Las Vegas | MLCF0707 | Las Vegas | NV | 89102 | \$6,315,323.16 | 4/8/17 | 1/17/14 |
| Multi-family | Karen Lake Apartments | MSC06HQ8 | Fayetteville | NC | 28303 | \$3,498,975.50 | 1/1/16 | 3/27/14 |
| Office | Gateway Center IV | MSC06I12 | Newark | NJ | 7102 | \$59,225,221.71 | 11/1/16 | 3/12/14 |
| Office | The Wharf at Rivertown | GS207G10 | Brookhaven | PA | 19015 | \$55,200,000.00 | 5/6/17 | 3/27/14 |
| Office | AT&T Consumer Services Headquarters | CSF04C05 | Morristown | NJ | 7960 | \$43,806,764.25 | 10/11/09 | 3/25/14 |
| Office | 285 & 355 Riverside Ave. | LBUB05C3 | Westport | CT | 6880 | \$29,240,000.00 | 5/11/15 | 3/25/14 |
| Office | Brandywine Office Building & Garage(5)(6) | PCM03PW1 | Wilmington | DE | 19801 | \$29,060,894.31 | 11/1/09 | 4/2/14 |
| Other | The Benchmark (21) | BSC04PW3 | Mineola | NY | 11501 | \$8,911,144.56 | 1/1/24 | 3/7/14 |
| Other | Rancho Las Polomas | LBUB07C2 | Colton | CA | 92324 | \$8,192,074.62 | 3/11/17 | 4/2/14 |
| Other | 201 North Brand | MSC04HQ4 | Glendale | CA | 91203 | \$5,245,345.94 | 5/8/14 | 3/28/14 |
| Other | Prince and Bleecker Portfolio | GSM211G3 | NEW YORK | NY | Various | \$4,041,230.01 | 3/6/21 | 3/31/14 |
| Retail | Simon - Upper Valley Mall | BACM0406 | Springfield | OH | 45504 | \$47,017,259.78 | 7/1/14 | 3/25/14 |
| Retail | The Shoppes at Old Bridge | MLT07C01 | Old Bridge | NJ | 8857 | \$39,181,974.20 | 7/1/17 | 3/26/14 |
| Retail | Williamsburg Shopping Center | CTG04C02 | Williamsburg | VA | 23185 | \$19,471,244.83 | 9/11/14 | 3/21/14 |
| Retail | TJ Maxx Plaza | BSC07P17 | Tyngsboro | MA | 1879 | \$17,625,000.00 | 8/5/17 | 3/6/14 |
| Retail | Shops at Yorktown | MLT06C02 | Elkins Park | PA | 19027 | \$16,072,472.86 | 7/1/16 | 3/18/14 |

Source: Morningstar Credit Ratings, LLC

For more information, go to <http://ratingagency.morningstar.com/> or call (800) 299-1665

Financing

Lone Star Launches Rare Seasoned Deal

Lone Star Funds, a New York-based investment firm that purchases distressed debt and equity, has rolled out an unusual securitization of seasoned commercial mortgages. The \$278.5 million LSTAR 2014-2's benchmark AAA class of bonds was seeing guidance of ISWAPS plus 105-110 on Monday.

Investors told *REFI* there is strong demand for the 144a deal, which is comprised of five newly originated loans secured by six properties, and 206 seasoned floating-rate loans. "There's a large appetite for this kind of deal. While the large loans represent around 30% of the structure, the rest is extremely granular, which is something that investors like," one investor said. Of the 206 seasoned loans, only one loan represents more than 1% of the pool.

The seasoned loans were largely borne out of Lone Star's collapse of two vintage small-balance CMBS transactions—LASL

2006 MF2 and LASL 2006-MF3. The deals were notorious for the amount of losses they sustained, one investor said. The losses, however, happened very early on in the crisis, and the loans have since seasoned for eight to nine years. "Investors like them now," he said.

The seasoned loans are secured primarily by multifamily properties, with the remaining 15% are secured by mobile home communities, and 0.3% by mixed-use properties.

DBRS' presale report highlights other unique characteristics of the deal, including the fact that affiliates of Lone Star are both the seller and the special servicer. The rating agency notes that: "In the end of a material breach of the representations and warranties by the loan seller with regard to a particular loan, Lone Star will effectively be pursuing itself to remedy the breach and will be negotiating any loss of value payment due to the trust with itself."

Lone Star issued the market's first seasoned commercial mortgage-backed securities deal since the downturn in the summer of 2011 ([REFI, 06/11](#)).

Officials at the firm declined to comment.

FAST FACT

The seasoned loans are secured primarily by multifamily properties, with the remaining 15% secured by mobile home communities, and 0.3% by mixed-use properties.

American Homes Rolls Out Single-Family Deal

American Homes 4 Rent has rolled out a \$482.7 million single-family rental securitization, the third of its kind to hit the Street. The Agoura Hills, Calif.-based company tapped **Goldman Sachs** to market AH4R 2014-SFR and expects to price the deal this week. Calls to American Homes and Goldman Sachs officials were not returned by press time.

It's been a long road to market for the deal, which was originally slated to hit the market three months ago. Although it was unclear why the deal was postponed, the delay might help it appeal to investors. "This asset class requires significant operational infrastructure to achieve efficiencies and the passage of time should have helped the lease-up effort," said **Stephen Duffy**, managing director at **Moss Adams Capital**. "Since net operating income is going to pay the debt service, taking time to get the operation more under control and the portfolio performance closer to stabilizations sounds smart."

The deal is of similar size and structure to the two single-family deals that have been completed. **Blackstone Group's**

Invitation Homes completed a \$479.14 million transaction last year while **Colony American Homes'** deal was slightly larger, at \$513.6 million.

Kroll Ratings was first out the gate with its presale. The report noted that the American Homes deal is backed by a single loan that is secured by mortgages on 3,871 income-producing single-family homes. The properties are largely located in five states—Florida, Texas, Georgia, Arizona and Nevada.

The report notes that American Homes is the second-largest institutional owner of single-family rental properties, with tremendous growth since its launch in 2011. Indeed, the firm now has a market cap of \$3.1 billion. That said, Kroll believes this growth is a key credit consideration and the report cited potential problems with scale. "Due to the manager's limited operating history, combined with the fact that almost all of the properties only recently became stabilized, it is uncertain how effectively [American Homes] AH4R will be able to manage, maintain and lease the properties over an extended period of time," the report stated.

The biggest concern around single-family securitizations is that they represent a one-way bet on a bullish housing market. "There is a risk that these markets could cool off and prices could correct, particularly if supply increases rapidly due to investors 'flipping' properties or holders of distressed properties [seek] to exit their positions," the report stated.

DEAL SNAPSHOT

Single Family Issuance Snapshot

| Issuer | Size |
|-----------------------|------------------|
| Invitation Homes | \$479.14 million |
| Colony American Homes | \$513.6 million |
| American Homes 4 Rent | \$482.7 |

Source: *REFI*

Financing

Cushman & Wakefield's Mortgage Rate Spreads

SENIOR MORTGAGE MATRIX MAY 8

Cushman & Wakefield (Continued from page 1)

now in the 350-380 basis point range.

To lock those rates in, investors are looking to “borrow for as long as possible,” said Moyer. Borrowers are asking for 10-year loans, and are asking for interest-only conditions, to “help increase cash-on-cash returns”, Moyer said.

Right now, the opportunity in the market is wide open for smaller balance floating-rate programs, Moyer said. “There are guys doing

floating-rate loans, but they tend to be \$40 million upwards. We’re watching out for the return of smaller balance lending programs in the market,” he added.

There are now around three floating-rate programs available to borrowers—JPMorgan, Deutsche Bank and CCRE. The banks are seen to have an iron grip on the market, largely because intelligence on the sector has not trickled into other CMBS groups yet. “Ultimately, there is less of an appetite for those bond buyers,” Moyer added.

—Eleanor Duncan

3-5 Year Floating-Rate Mortgages*

Index: One-Month LIBOR

| Property Type | <60% LTV | >60% LTV | Lender Fee |
|-------------------------|-----------|-----------|------------|
| Residential | | | |
| Apartments (non-agency) | 130 - 200 | 180 - 250 | 35 - 100 |
| Apartments (agency) | 175 - 210 | 180 - 250 | 35 - 100 |
| Retail | | | |
| Malls | 180 - 225 | 200 - 300 | 35 - 100 |
| Grocery Anchored | 180 - 225 | 200 - 300 | 35 - 100 |
| Strip & Power Center | 200 - 250 | 225 - 325 | 35 - 100 |
| Industrial | | | |
| Multi-tenant | 180 - 225 | 200 - 300 | 35 - 100 |
| Office | | | |
| CBD | 150 - 200 | 180 - 275 | 35 - 100 |
| Suburban | 190 - 250 | 200 - 300 | 35 - 100 |
| Hotel | | | |
| Full Service | 225 - 325 | 300 - 400 | 35 - 100 |
| Limited Service | 300 - 375 | 350 - 450 | 35 - 100 |

*Assumes interest-only loan. LIBOR floor of 0.0-0.5%

5 and 10-Year Fixed-Rate Mortgages*

Index: Equivalent Maturity Treasury

| Property Type | <60% LTV | >60% LTV | Lender Fee |
|-------------------------|----------|----------|------------|
| Residential | | | |
| Apartments (non-agency) | 155/140 | 180/160 | 35 - 100 |
| Apartments (agency) | 145/130 | 175/150 | 35 - 100 |
| Retail | | | |
| Malls | 195/165 | 225/195 | 35 - 100 |
| Grocery Anchored | 190/160 | 220/190 | 35 - 100 |
| Strip & Power Center | 205/180 | 230/200 | 35 - 100 |
| Industrial | | | |
| Multi-tenant | 195/165 | 225/185 | 35 - 100 |
| Office | | | |
| CBD | 190/170 | 225/190 | 35 - 100 |
| Suburban | 200/180 | 235/200 | 35 - 100 |
| Hotel | | | |
| Full Service | 240/200 | 270/250 | 35 - 100 |
| Limited Service | 250/225 | 295/270 | 35 - 100 |

*Assumes interest only, no lender fee.

A dash (-) indicates a range, a slash (/) indicates 5-year versus 10-year rates.

BENCHMARKS

LIBOR

| | |
|---------------|--------|
| 1-month LIBOR | 0.152% |
| 3-month LIBOR | 0.233% |

Treasuries

| | |
|------------------|-------|
| 5-Year Treasury | 1.63% |
| 10-Year Treasury | 2.61% |

Swap Rate

| | |
|-------------------|-------|
| 5-Year Swap Rate | 1.72% |
| 10-Year Swap Rate | 2.73% |

MEZZANINE FINANCING MATRIX MAY 8

| Debt Provider | Rate | Term | LTV Range (%) | Lender Fee |
|-------------------------|------------|--------------|---------------|------------|
| Hedge/Opportunity Funds | 8 - 14% | 1 - 7 years | 65 - 90% | 1 - 2% |
| Investment Bank | 8 - 13% | 1 - 5 years | 65 - 85% | 1 - 2% |
| Pension / REIT / LifeCo | 5.75 - 10% | 3 - 10 years | 50 - 80% | 1 - 2% |
| Private Sources | 7 - 14% | 1 - 10 years | 65 - 90% | 2 - 3% |

The lending rates shown in the table above are updated monthly and reflect the terms from actual loan term sheets, indicative lending proposals, and conversations with lenders for properties located throughout the U.S. The unique characteristics of any given property may result in lending terms that differ significantly from the values shown above.

Financing

Lenders Opting For Lower-Leverage Loans For Big Apple Buys

More lenders are offering lower-leverage acquisition loans of 60-75% on New York properties. "In the past, if a space was rented at \$60 per square foot, banks might lend based on higher market rents, such as \$70 per square foot, even if there was no available space in the building. Some banks even projected future rents of \$100. It was as if it was **Monopoly** money," said **Ron Kremnitzer**, co-chair of the real estate group at law firm **Pryor Cashman**. "Now not only are we seeing lower leverage, but banks are also making more realistic assumptions, doing lengthier due diligence and lending at healthier percentages based on current rent roles."

Leverage rates have only risen above 70% over the last couple of years as banks return to more conventional lending levels and start to underwrite second mortgages and mezzanine loans. It's also in stark contrast to the pre-crisis New York market, where loans could be leveraged in 80-90% range and lenders were underwriting based on pro forma rents as opposed to current rates, even if properties were vacant and had low debt service coverage ratios, Kremnitzer said.

Banks are also taking longer to complete underwriting and due diligence. In some cases, investors who cannot afford the time have instead opted to close acquisitions on an all cash-basis to speed up the process, so there is a duality of longer healthier deals

and contracts that close quicker. "All-cash based acquisitions are still in the minority, but now we are seeing them in real numbers," Kremnitzer said.

Kremnitzer also cited increased foreign capital and 1031 exchange money contributing to the rising number of all-cash closings such as **Euro Properties'** recent acquisition of an East Side development parcel ([REFI, 4/30](#)). "Foreigners are looking for a stable home for their money and coming to the U.S., either buying real estate in the \$100 million range outright or more expensive properties [with low leverage]. They may be satisfied with low returns that are safe havens and, if properties cannot afford debt service when leveraged, they may pay all cash, rather than risk losing the property to the bank," Kremnitzer said. Many investors plan to refinance existing debt down the line when rent rolls rise, he added.

Although leverage ratios are slowly climbing, Kremnitzer said it was hard to say what exactly was happening. "Are banks chasing owners or are owners chasing banks? If banks make more money in mortgages, they compete among themselves to take risk," Kremnitzer said. "But there is a famous quote that when banks make loans, a hundred things can go wrong, and if everything goes right, all that happens is the bank gets its money back."

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Property Sales

Milken Institute Conference

Investors Set Eyes On Global South For Opportunity

Global real estate tycoons are making bets on Latin American real estate, given favorable economic trends and regulatory movement.

“Looking forward, the single most attractive investment in the world is Mexico. From a thematic point of view, Mexico is in a unique position,” **Sam Zell**, chairman of **Equity Group Investments**, said during a panel on global real estate investment opportunities at the **Milken Institute’s** 2014 Global Conference. He also cited strong opportunity in Colombia and Peru, as well as Brazil, although it has suffered a significant slowdown in growth.

The opportunity in Mexico largely comes down to increased manufacturing in the central part of the country and regulatory and tax reforms for the state-owned oil company **Petroleos Mexicanos** (Pemex), according to Zell. Pemex generates 40% of the government’s revenue.

Indeed, other industry leaders have cited interest in Mexico’s real estate prospects, particularly as the number of public REITs grows, according to the **Urban Land Institute** and **PwC’s** *Emerging Trends in Real Estate 2014* report. As for the other LatAm countries, Colombia’s free trade agreement with the U.S. and the stock market merger between Colombia, Peru and Chile are expected to drive increased foreign investment.

Elsewhere in the world, urbanization and demographic trends will fuel concentrations of global real estate capital. In the U.S., the multifamily sector is expected to benefit the most from these trends, as young professionals flood to cities and delay marriage and having families. Meanwhile, real estate experts expect to see continued investor interest in healthcare assets as a result

“Looking forward, the single most attractive investment in the world is Mexico. From a thematic point of view, Mexico is in a unique position.”

—**Sam Zell**,
Equity Group Investments

fundamentally what the demand is and understand it’s a good long-

of healthcare reform and the aging Baby Boomer population.

“Among our retail cohort, [healthcare] is the easiest story to tell,” explained **William Kahane**, ceo of **RCS Capital**, which focuses on retail investors. “Ninety percent of our investors are 55 years or older and have an emotional connection to healthcare and they see

life investment.”

RCS is raising funds for its second healthcare REIT, **American Realty Capital Healthcare Trust**. It expects to raise \$1.7 billion over a 12-month period, versus 30 months, which is how long it took to raise the same amount for its first healthcare REIT, Kahane said.

Beyond healthcare, RCS is beginning to explore crowd sourcing as a potential retail fundraising strategy. Other commercial real estate companies are also showing interest in

crowd sourcing because of current interest rate uncertainty. “It’s going to help sponsors because it’s going to provide a source of retail capital at lower cap rates than anyone can raise or borrow at the moment, which can only help returns,” **Henry Silverman**, global head of real estate and infrastructure at **Guggenheim Partners**, offered on the panel.

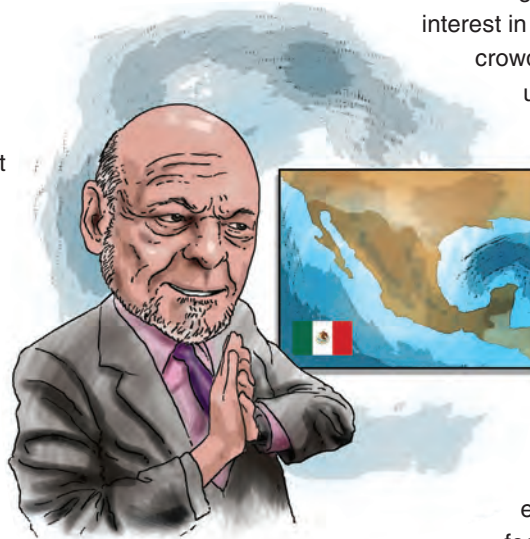
Indeed, commercial real estate investors continue to feel pressure to explore and implement new investment strategies because of the interest rate environment. Guggenheim, for example, is focusing only on risk spectrum extremes—senior debt and ground up development—and nothing in between. “We’re trying to do one end [of the spectrum] or the other and really avoid the middle because we’re not sure you’re paid for the risk that you take in the middle,” Silverman said.

Guggenheim’s current development portfolio includes a new Waldorf hotel in Beverley Hills, Calif., and condominiums. Because lenders are still concerned about the level of risk in new development projects, however, the stall in new construction is one trend that is holding. Without deposits covering 60% or more of construction costs at the outset, new buildings are not breaking ground, the panelists noted.

“The few places where you see development is de-risked development. It’s predicated on having tenants and occupants before [the buildings] go up,” **Jonathan Pollack**, global head of commercial real estate at **Deutsche Bank**, observed.

“We’re trying to do one end [of the spectrum] or the other and really avoid the middle because we’re not sure you’re paid for the risk that you take in the middle.”

—**Henry Silverman**,
Guggenheim Partners



Property Sales

DivcoWest Nears Close On Downtown Boston Portfolio

DivcoWest is close to acquiring a three-property portfolio in Boston's CBD. Pricing on the 90,000-square-foot portfolio, comprised of 71, 77 and 87 Summer Street, is in the \$30 million range, or in the mid-\$300s per square foot.

PORTFOLIO SNAPSHOT

▶ The portfolio is comprised of the 16,000-square-foot 71 Summer Street, the 46,000-square-foot 77 Summer Street and the 28,000-square-foot 87 Summer Street.

CBRE arranged the sale on behalf of **Synergy Investment & Development**.

Market players told *REFI* they were surprised by the strength

of the pricing, noting that it was driven by the properties' roster of retail credit tenants. The portfolio is 97% leased and about a third of its revenue comes from ground-floor retailers such as **Staples**, **Bank of America** and **Wendy's**, according to a flyer from CBRE. The seller has also spent about \$2 million capital and tenant upgrades over the past two years.

Located by Boston's Downtown Crossing, where four major subway lines of the MBTA public transportation system intersect, the portfolio presents a value-added opportunity with the near term roll of below market leases.

A DivcoWest spokesman was unable to comment by press time. Calls to Synergy and CBRE were not returned.

Orbach Group Acquires New York Apartment Portfolio

The Orbach Group has acquired a 12-building residential portfolio on New York's Upper West Side for about \$65 million. The properties, located from 105th to 108th Streets between Amsterdam Avenue and Broadway, comprise 153 rental units and 22 retail stores. **Treetop Development** was the seller.

The company has invested about \$120 million so far this year, including a six-building, 64-unit property on 115 Street and a 21-story, 264-unit high-rise in Brooklyn. "These purchases are consistent with our long-term strategy of the last 11-12 years," said **Meyer Orbach**, president. "We'll continue to grow our portfolio and this year we expect to be particularly aggressive as we look to expand our presence to new markets outside the Northeast."

The Orbach Group targets value-added properties via large portfolio acquisitions, but will also seek smaller properties close to existing holdings to augment its presence in a specific neighborhood, as was the case with the Upper West Side.

"Currently the markets are competitive and interest rates are lower, so we can come into a package of properties in a neighborhood for repositioning opportunities," Orbach said.

Orbach Group has focused on the Upper West side, looking to demographics with the influx of young people and students, as well as **Columbia University's** looming expansion plans. Orbach noted the increasing presence of new retail tenants and new construction further raises value in the surrounding area, but referred to it as a "side factor" that reaffirms his own initial convictions. He cited Midtown West as another submarket with upside for similar reasons. In addition, Orbach Group does dispositions and has recently sold off all of its properties in the Upper East Side to shift capital into other assets.

The company owns and manages over 5,500 units throughout New York, New Jersey and Pennsylvania, including about 2,000 New York City apartment units.

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Questions? Comments? Criticisms?

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Or is there information you'd like to see published?

Managing Editor **Samantha Rowan** can be reached at

(212) 224-3996 or

srowan@iintelligence.com.

Buyside Funds

Investment Manager Search Directory

Pension funds, foundations and endowments committed about 1.4 billion to investment managers for real estate mandates over the past month, according to *REFI* sister service *iiSEARCHES*. A number of mandates were tied to international-focused managers, including a \$75 million commitment by the **Illinois Municipal Retirement Fund** to *GTIS Brazil Real Estate Fund III* and a roughly \$104 million commitment by the **Virginia Retirement System** to *Europa Fund IV*.

The Investment Manager Search Directory will next be published in June. You can download this month's data at www.realestatefinanceintelligence.com.

Pension Manager Search Directory April 2014

Potential Searches: Fund Sponsors Considering Investments

| Fund | Mandate Size (in millions) | Fund Asset Size (in millions) | Comments | Search Consultant |
|--|----------------------------|-------------------------------|---|--------------------------|
| Arizona Permanent Endowment Trust | N/A | REIT | Following its asset study the fund is considering adding a real estate investment trust allocation. The move is being considered for diversification. Currently the portfolio is managed in-house but it will consider external managers for future asset classes if cost effective. A timeframe for its decision has yet to be determined. | None |
| Maine Public Employees Retirement System | N/A | N/A | The system's 10% real estate target was 6.5% allocated as of year's end. The investment committee anticipates that it may take three to five years to reach the target, which was established back in 2012. | ORG Portfolio Management |
| North Dakota Board of University & School Lands | N/A | Value-Added | The trust plans to begin looking for value-added real estate managers sometime next year as part of a portfolio overhaul. | R.V. Kuhns & Associates |
| North Dakota Board of University & School Lands | N/A | Core | After a recent portfolio overhaul, the trust plans to select managers for core real estate mandates in June or July. | R.V. Kuhns & Associates |

Ongoing Searches: Fund Sponsors Seeking Managers

| | | | | |
|--|---------|-----------------------------|--|---------------------|
| Chicago Public School Teachers' Pension & Retirement Fund | \$25 | Emerging Managers/ Non-Core | The system has issued a request for proposals for emerging managers interested in providing non-core real estate management services. It plans to commit \$25 million to the strategy. | The Townsend Group |
| Iowa Public Employees Retirement System | \$300 | REIT | The system has issued an RFP seeking a manager to handle a passive REIT mandate of roughly \$300 million. | Wilshire Associates |
| Iowa Public Employees Retirement System | \$300 | REIT | The system has issued a request for proposals seeking management services for an active real estate investment trust portfolio valued at up to \$300 million. | Wilshire Associates |
| New Orleans Employees' Retirement System | \$13.50 | Non-Core | The system is scheduled to hear finalist presentations from American Realty Advisors, Heitman, Intercontinental Real Estate Corporation and Principal Real Estate Investors on May 21. The firms will respectively make presentations of their American Strategic Value Realty Fund, Heitman Value Partners III fund, Intercontinental U.S. REIF fund and Principal Enhanced Property Fund, as they vie for a \$13.5 million non-core private real estate brief. | The Bogdahn Group |

Completed Searches

| Fund | Mandate Size (in millions) | Fund Asset Size (in millions) | Manager Hired | Search Consultant |
|--|----------------------------|---|--|--------------------------|
| School Employees Retirement System of Ohio | \$50 | Industrial | Lion Industrial Trust/Clarion Partners | Summit Strategies Group |
| Texas County & District Retirement System | \$50 | Asia | BPE Asia Real Estate Fund | Cliffwater |
| Illinois Municipal Retirement Fund | \$75 | Brazil | GTIS Brazil Real Estate Fund III | Callan Associates |
| New York State Teachers' Retirement System | \$50 | Opportunistic/Residential/Debt/Industrial | Artemis Real Estate Partners I | Callan Associates |
| New York State Teachers' Retirement System | \$100 | Opportunistic/Value-Added | Grosvenor Capital Management | Callan Associates |
| Virginia Retirement System | \$104 | European | Europa Fund IV | None |
| Indiana Public Retirement System | \$65 | Industrial | Exeter Property Group | ORG Portfolio Management |
| Indiana Public Retirement System | \$75 | Commercial | Stockbridge Value Fund II | ORG Portfolio Management |

Buyside Funds Investment Fund Manager Search Directory

Completed Searches (cont'd)

| Fund | Mandate Size (in millions) | Fund Asset Size (in millions) | Manager Hired | Search Consultant |
|---|----------------------------|-------------------------------|---|--------------------------|
| Louisiana Municipal Employees Retirement System | \$12 | Opportunistic/Value-Added | AEW Partners Fund VII | Meketa Investment Group |
| University of Michigan | \$20 | N/A | CREA Partners I | Cambridge Associates |
| University of Michigan | \$25 | Residential/Value-Added | Carmel Partners Investment Fund V | Cambridge Associates |
| Arkansas Teachers Retirement System | \$30 | Opportunistic/Asia | LaSalle Asia Opportunity Fund IV | Hewitt EnnisKnupp |
| Arkansas Teachers Retirement System | \$30 | Opportunistic | Carlyle Realty Partners Fund VII | Hewitt EnnisKnupp |
| City of Overland Park FireDepartment Retirement Plan | \$1.5 | Core-Plus | Bailard | Dahab Associates |
| Houston Municipal Employees Pension System | \$16.6 | Debt/European | DRC Capital European Real Estate Debt Fund II | Cliffwater |
| New Mexico Educational Retirement Board | \$60 | REIT | Brookfield Asset Management | NEPC |
| San Bernardino County (Calif.) Employees Retirement Association | \$50 | Asia/Core | INVESCO Real Estate Asia Fund | NEPC |
| Maine Public Employees Retirement System | \$25 | Opportunistic | Westbrook Real Estate Partners Fund IX | ORG Portfolio Management |
| Florida State Board of Administration | \$75 | Opportunistic | Tristan Capital Partners/Tristan EPI50 3 | The Townsend Group |
| Oklahoma Teachers Retirement System | \$20 | Opportunistic | L&B Realty Advisors | gregory.w.group |
| City of Overland Park Police Department Retirement Plan | \$4 | Core-Plus | Bialard | Dahab Associates |
| Illinois Municipal Retirement Fund | \$50 | European | Ares European Fund IV | Callan Associates |
| Illinois Municipal Retirement Fund | \$83 | N/A | Resolution Real Estate Fund IV | Callan Associates |
| Stratford Town Employees' Pension Plan | \$12.5 | Core/Core-Plus | JPMorgan Asset Management | Dahab Associates |
| Stratford Town Employees' Pension Plan | \$12.5 | Core/Core-Plus | Intercontinental Real Estate Corp. | Dahab Associates |
| Los Angeles Fire & Police Pension System | \$150 | REIT | Principal Global Investors | R.V. Kuhns & Associates |
| Los Angeles Fire & Police Pension System | \$150 | REIT | EII Capital Management | R.V. Kuhns & Associates |

Source: *iSEARCHES*

IPERS Seeks Real Estate Managers For \$300M Mandate

The Iowa Public Employees Retirement System has released two requests for proposals seeking managers for separate real estate mandates, which could total up to \$300 million, according to sister publication *Money Management Intelligence*. The \$27 billion fund plans to hire one or more active REIT managers and one passive REIT manager who will both focus on U.S. real estate investments, according to the RFP.

The exact size of each mandate will be determined after proposals are received, according to a fund spokeswoman. Both the active and passive managers must have a minimum of \$600 million assets under management in the proposed product as of Dec. 31, 2013, and must be able to offer a separate account or commingled trust fund. Additionally, interested active management firms must be willing to accept a performance-based fee arrangement. All proposals are due by May 30.

Illinois Fund Inks European, Latin American Commitments

The \$34 billion Illinois Municipal Retirement Fund has approved more than \$200 million in new commitments focused on European and Latin American real estate at its April 24 board meeting, according to sister publication *Money Management Intelligence*.

IMRF awarded up to \$50 million to **Ares Management's Ares European Fund IV**, up to roughly \$83 million to **Resolution Real Estate Advisors' Resolution Real Estate Fund IV** and up to \$75 million to **GTIS Partners' GTIS Brazil Real Estate Fund III**, a spokesman confirmed. None of these firms were existing relationships.

The IMRF portfolio currently has a 5% allocation to real estate, including commitments not yet invested, with an 8% target. The spokesman added that these new mandates will be funded from public equity investments.

Builders & Buyers

American Assets Likes REIT Diversification Trend

American Assets Investment Management, a San Diego-based company that runs a mutual fund focused on real estate securities, is closely watching the number of non-traditional operators that are taking on real estate investment trust status. "There are outdoor ad companies, ski resorts, prisons and cell tower companies that have taken on REIT status. If you're willing to dig and do the work, these companies can provide an expanded menu of investment options," said **Burl East**, ceo.

The four-year-old fund invests on a long/short basis. "This effectively allows investors to have the extra tools available in a hedge fund, including leverage and derivatives, in a mutual fund format and get more interesting exposure to real estate," East said.

The company is also interested in the gaming sector, particularly

as it relates to real estate companies with investments in Macau. This is partly due to a cultural acceptance of gambling in China that is different from the U.S. "It's hard for someone who grew up in American culture to wrap their minds around it," East said. "There is no social stigma and we've found the average visitor to Macau gambles thirty times as much as the average visitor to Las Vegas."

American Assets looks at investments in all sectors, including the four food groups of office, retail, apartments and industrial. East said he's not concerned about overbuilding at this point in the cycle, particularly as a good deal of the investment infrastructure of the commercial real estate industry is wiped out. "A lot of professionals who couldn't find employment have vanished, they've gone off on the shale business and are now fracking," East said.

Resi Brokerage Eyes Institutional Deals

While **Leslie Garfield & Co.** is probably best known for its work in New York's residential sector, the brokerage firm's institutional business has been growing at a rapid clip. "There has been a big trend of institutions selling off their townhouse buildings, pocking the money and moving to less expensive quarters," said **Jed Garfield**, president.

Garfield cited examples of recent sales from non-profits such as the **Ackerman Institute for Family**, the **Trevor Day School** and **Lycee Francais**. "Schools and non-profits have often owned buildings for years and are moving to new locations," Garfield said,

noting these organizations are generally moving to new locations in less expensive districts.

Leslie Garfield specializes in transactions on New York's Upper East Side, with a particular focus on townhouses, and also does some leasing for high-end residential properties. Its sales for institutions, however, are probably the most complex part of its business, Garfield said. "The mechanics of these transactions can be difficult, as board members can have widely diverging viewpoints and there are often complicated sale-leaseback aspects involved in deals," he added.

New Venture Makes First Acquisitions

Woodside Palisades Partners, a newly formed joint venture, has made its first acquisitions, buying a pair of Class A office buildings in Portland. The venture was formed by **Palisades Capital Realty Advisors'** **Joaquin Charles de Monet** and two Silicon Valley investors and targets value-added and core-plus investments of \$25-50 million in the Western U.S. It mainly seeks long-term acquisitions.

In addition to Woodside Palisades Partners, de Monet invests via **Palisades Mexico Partners** and Mexico-based *Private Capital Fund*, both with **Sergio Arguelles** of **FINSA**. "This structure enables flexibility and many deal-specific transactions for an appetite in different places. We're buying institutional-quality assets outside the size of the institutional strike zone, and with private capital, so private folks can invest with liquidity and institutional sophistication," he said.

Although Portland has a high concentration of technology firms, which appealed to the private Silicon-based investors that comprise Woodside Palisades Partners, it is one of many Western cities that fits de Monet's investment criteria. "We're looking at good-quality

Class A and B suburban assets within Western markets that have a high likelihood to outperform the national average for real estate fundamentals, growth in rental rates and capital appreciation," de Monet said. "Like in Portland, future acquisitions will fall in the \$30-40 million range." Deals thus far have been financed by long-term conduit loans.

Palisades Mexico Partners targets smaller assets with valued-added returns, recently making acquisitions in Chandler, Ariz., and Brea, Calif. The Mexico-based fund, sponsored by Palisades Mexico Partners, also targets core-plus and value-added investments of \$10-25 million, with a shorter-term holding period of three to five years. De Monet describes the latter vehicle as a larger, more diversified discretionary fund with the same individual investor commitment.

In terms of future activity, the goal is to deploy \$150-200 million of capital by the end of 2014. About \$65 million is scheduled to close in the second quarter. Then de Monet plans to double this output each year through 2017 to achieve \$1 billion in assets under management.

People

Madison International Promotes Mendez, Cohen

Madison International Realty has promoted **Christopher Mendez** and **Evan Cohen** from v.p. to director, the company



Evan Cohen



Christopher Mendez

announced. Mendez and Cohen assume joint responsibility for investment sourcing and business development activities in the U.S., in addition to their existing roles in investment underwriting and execution. Prior to joining Madison, Mendez worked for **Morgan Stanley Real Estate** and while Cohen was previously an analyst at **Metropolitan Real Estate Investors**.

Dekel Capital Adds Friedman



Max Friedman

Dekel Capital has named **Max Friedman** senior v.p., the company announced. In his new role Friedman will focus on arranging debt and equity for the acquisition and refinancing of commercial real estate assets nationally. Friedman previously worked at **Boston Private Bank and Trust Company** and **George Smith Partners**.

Morris, Manning Hires Peck

Law firm **Morris, Manning & Martin** has hired **James Peck** as a partner in its Washington, D.C., office, the company announced. Peck will focus on commercial finance and real estate finance practices and will co-chair the firm's FHA practice. He joins from **Krooth & Altman**, where he represented lenders in commercial real estate financing transactions insured by the **Federal Housing Administration** and securitized through **Ginnie Mae**.

Auction.com Names CFO

Auction.com has hired **Tim Morse** as its new chief financial officer, the company announced. Morse was previously the cfo and interim ceo of **Yahoo!**. The hire comes after Auction.com's \$50 million investment from **Google Capital** that is aimed to expand the firm's global market share. He replaced **Bruce Felt**, who will leave the firm next month.

Griffin Capital Appoints Samson

Griffin Capital Corporation has added **Elizabeth Samson** as associate v.p., due diligence, the company announced. Based in California, Samson will focus on coordinating due diligence for various Griffin Capital investment products that are available through the independent broker-dealer channel. Prior to her appointment Samson served as manager, investor information group with **Och-Ziff Capital Management Group** and spent time with **KPMG**.

CBRE Taps Mullen

CBRE Group has added **Adam Mullen** to its industrial and logistics practice in a new company position, as head of supply chain services, the company announced. Based in Atlanta, Mullen will work with clients and sales professionals to provide supply chain transformation leadership and guidance. Previously Mullen served as an account executive in the retail practice at **Fortna Inc.**

PKF Consulting Promotes VanStekelenburg

PKF Consulting has promoted **Mark VanStekelenburg** to senior v.p. and practice leader of its New York office, the company announced. VanStekelenburg replaces **John Fox**, who is retiring. Previously VanStekelenburg held operational positions at the **Palmera Plaza Grand Hotel in Spain** and the **Ritz-Carlton Lodge**.

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Real Estate News Roundup

The *Real Estate News Roundup* is a summary of publicly reported real estate news briefs. The information has been obtained from sources believed to be reliable, but *REFI* does not guarantee its completeness or accuracy.

National Cooperative Completes \$18.6M Of New Loans

National Cooperative Bank completed \$18.6 million of new loan originations last month on co-op properties in New York, the company announced. The largest loan was a \$3.6 million first mortgage and a \$750,000 line of credit for 67th Road Housing Corp. in Queens.

Carlton Group Tapped To Sell Iconic California Hotel

Carlton Hospitality Division of **Carlton Group** has been engaged to sell the landmark Sportsmen's Hotels in Studio City, Calif., the company announced. The property is in the midst of a \$5.3 million renovation, which is to be completed by the end of June. The San Fernando Valley hotel is being offered unencumbered by either a franchise or management agreement.

Capital One Syndicates \$705 Credit Line

Capital One Bank has syndicated an increase in the credit facility for **American Realty Capital's New York REIT**, from \$390 million to \$705 million, the company announced. Shares of the REIT were listed on the **New York Stock Exchange**, shortly after the loan closed. The credit facility will be used to support the REIT's planned acquisitions of properties in New York City, and for general corporate purposes.

Capital One Bank Provides \$45M To Shorenstein Fund

Capital One Bank has provided a \$45 million, three-year term loan to **Shorenstein Realty Investors Eight**, a \$1.1 billion fund sponsored by **Shorenstein Properties**, the company announced. The loan will be used to refinance the existing debt on 399 Boylston Street, a Boston office building.

JLL: Big Apple Trophy Rents Rise

Rents on trophy office buildings in Manhattan are rising, according to data from **JLL**. The firm saw rents that are touching the levels seen during the market peak in 2007-2008, rising to an average of \$76.02 per square foot in the first quarter. This is up about 3.6% year over year.

Jasper Venture Plans New York Hospital Redux

New York-based **Jasper Venture Group** is planning to redevelop Parkway Hospital in Queens, N.Y., the company announced. The hospital has been closed since 2008 and overlooks Grand Central Parkway. Jasper Venture is planning to increase the size of the 100,000-square-foot hospital by redeveloping it into condominiums. "With the rising cost of living in Manhattan, many are looking to the other four boroughs for housing. Queens has the luxury of the city with the feel of a neighborhood," said **Ilio Mavlyanov**, founding partner.

More Developers Eye Office Conversions

More commercial real estate developers are looking at converting CBD offices to high-end rental units, *The Wall Street Journal* reported. Recent conversions include the East Ohio Gas building, now dubbed Residences at 1717, in downtown Cleveland. The property was vacant for five years prior to the conversion.

Carroll, Carlyle Sell Houston Apartments

Carroll Organization and **The Carlyle Group** have completed the sale of ARIUM Briar Forest, a 476-unit garden-style apartment community in Houston, according to a press release. The buyer was a private investor. Carroll and a real estate fund managed by Carlyle acquired the property in 2012 and completed a targeted capital improvement campaign that included extensive interior upgrades in all of the units.

Vornado To Taper Mezz Lending

Vornado Realty Trust is taper its mezzanine-lending business, according to *Commercial Real Estate Direct*. The real estate investment trust, which has been an active mezzanine lender for more than 10 years, will instead invest in distressed loans with a loan-to-own strategy, said chairman and CEO **Steven Roth** on a conference call last week.

Goldman Sachs Closes Debt Fund

Goldman Sachs has closed a real estate debt fund, *Bloomberg* reported. The firm raised about \$1.8 billion from high-net-worth and institutional investors and kicked in about \$600 million of its own capital. Approximately 60% of the capital commitments were raised from U.S. investors. *Broad Street Real Estate Credit Partners II* will target investments in Europe and the U.S., making senior and mezzanine loans on high-quality properties.

Opus Bank Starts Up Capital Markets Group

Opus Bank has formed a commercial real estate capital markets group, the company announced. The bank aims to provide long-term, fixed-rate debt for commercial real estate borrowers. The group includes **Nik Chillar**, **Jeff Truong** and **Dan Borland**.

Finalists Emerge For Griffin-American REIT

Griffin-American Healthcare REIT II is close to a sale, with four bidders looking seriously at the company, *The Wall Street Journal* reported. The bidders include **Ventas**, **Health Care REIT**, **American Realty Capital Healthcare Trust** and a unit of **NorthStar Realty Finance**. The company's valuation is pegged at about \$3.7 billion. Griffin-American focuses on assets that include senior housing and skilled nursing facilities.

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Three Lenders (Continued from page 1)

the whole thing,” noted one investor.

In addition, under the HUD program, owners can renovate kitchens and bathrooms in properties and increase the rent, which is then picked up by HUD, rather than the tenants.

The Urban American apartment portfolio is one of few that did not go under during the recession. Market players noted the fact that the buildings did not include rent-regulated apartments as the reason—unlike in **Tishman Speyer’s** ill-fated acquisition of Stuy Town.

Freddie Mac spokeswoman **Patricia Boerger** declined to comment. Calls to Urban American and City Investment Fund were not returned by press time.
—**Eleanor Duncan**

Miami’s Doors (Continued from page 1)

senior v.p. at CBRE. “There is capital, jobs and people coming into a market that is completely geographically supply constrained. Miami is just a narrow strip going up and down the coast—it’s essentially an island.”

Miami’s shortage of rental stock is still largely owed to a wave of apartment-to-condo conversions between 2000-2005, where over 20,000 Class A units were redirected to the sale market. Yetming noted that current rental stock is only just beginning to reach 2003-2004 levels.

Meanwhile, the city is among the top five fastest growing cities by population in the U.S., according to a 2012 report by the **United States Conference of Mayors**. For investors, positive population growth trends have prompted major multi-family real estate players like **Kennedy Wilson** to put Miami on its investment market shortlist. “We’re trying to follow the demographics. The markets we’re most focused on are Beverley Hills, Manhattan, London and Miami,” Kennedy Wilson’s chairman **William McMorrow** noted on a panel at the **Milken Institute’s** 2014 Global Conference.

McMorrow added that Miami is also attracting flight capital from Latin American investors in the same way London and New York draw Middle Eastern and Asian investors.

The combination of population growth and low stock has driven Miami’s current apartment vacancy rate to 2.8%—below the 3.1% vacancy rate at the height of the market in 2007. Rental rates rose 4% last year to an average of \$1,100 per unit, topping 2007 rates by \$125. They are expected to climb an additional 3.6% this year.

While these conditions make it difficult for the city’s renters, for investors, they have made Miami one of a handful of markets with favorable development financing conditions for new and planned projects. “The few places where you see development is de-risked development. In Miami, you can develop using sizeable deposits,” observed **Jonathan Pollack**, global head of commercial real estate at **Deutsche Bank**. He added that Manhattan’s West Side is one of the only other U.S. markets where substantial development activity is happening.

CBRE’s *Multi-Housing Market Update*, meanwhile, noted that

construction loans in the Miami area have approached 70% of loan-to-value ratios on some projects.
—**Jessica Pothering**

CHARITABLE CORNER

Shopoff Plans AIDS/LifeCycle Ride

William Shopoff, president and ceo of **The Shopoff Group**, will be taking part in the AIDS Lifecycle 545-mile bicycle ride from San Francisco to Los Angeles from June 1-7. Shopoff has raised more than \$750,000 over the past decade via the ride and although he won’t be taking part this year has pledged to raise a minimum of \$50,000. “The funds I raise will enable the L.A. Gay & Lesbian Center and San Francisco AIDS Foundation to help those impacted by HIV/AIDS get the treatment and care they need, and provide targeted prevention efforts for high risk populations,” he said.

For more information, go to <http://www.tofighthiv.org/>

CBRE Eyes Family Shelter Renovations

CBRE, through its corporate philanthropy program, **CBRE Cares**, is joining forces with national housing nonprofit **Rebuilding Together** to provide renovations to the Sylvia Family Shelter in Chicago during its annual Women’s Networking Forum, the company announced. The renovations will occur on Monday, May 12. The Sylvia Family Shelter serves more than 160 women with children, men with children, inter-generational families and couples with children.

For more information, go to www.cbre.com/shelterprogram

QUOTE OF THE WEEK

“Ninety percent of our investors are 55 years or older and have an emotional connection to healthcare and they see fundamentally what the demand is and understand it’s a good long-life investment.”—**William Kahane**, ceo of **RCS Capital**, on the firm’s investment focus (see story, page 8).

ONE YEAR AGO

Principals from **GreenOak Real Estate** were buying into L&L Holdings’ 425 Park Avenue redevelopment project in New York... Mezzanine commercial mortgage-backed securities paper flooded the market, driven by real and fast money accounts... **Duke Realty** was seeking buyers for a 2.3 million-square-foot portfolio of office buildings in suburban Ohio and Missouri.

FIVE YEARS AGO

Deutsche Bank was preparing to shop a \$1 billion securitization of **Freddie Mac** multi-family loans—the first new commercial mortgage-backed securities deal to hit the market in more than six months... Investment management firms stepped up their REIT buying activity, with **Fidelity Investments**, **Cohen & Steers**, **Wellington Management** and **ING Clarion** buying up large chunks of offerings across the sector... **SL Green** was preparing to sell 485 Lexington Avenue in New York.