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Commercial Mortgage ALERT

THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION

FEBRUARY 10, 2017

CMBS Pipeline Thin as Loan Demand Softens

Softer borrowing demand and the implementation of risk-retention rules are putting a squeeze on commercial MBS issuance.

Only 10 transactions totaling $9.2 billion are in the pipeline through the end of next month, according to a survey by **Commercial Mortgage Alert** (see "CMBS Deals in the Works" on Page 5). That puts projected first-quarter issuance at less than $13 billion.

Other transactions could still be added. For example, there's no word yet on the plans of three active shops – **CCRE, Credit Suisse** and **Jefferies LoanCore.** But even so, issuance will be well below the $19.3 billion total a year ago.

To some extent, a first-quarter slowdown was expected. In the fourth quarter of last year, facing the implementation of risk-retention rules that would make fundamental changes to the market, many lenders became more cautious about originating loans and accelerated the securitization of warehoused loans. That left relatively

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RBC Backs Big Acquisition by Blackstone

Royal Bank of Canada has originated a $799 million floating-rate loan to finance **Blackstone's** $1.7 billion acquisition of a U.S. property portfolio from Swedish pension fund manager **Alecta.**

The portfolio encompasses 21 office, retail, industrial and multi-family properties. RBC's loan, backed by all but the multi-family component, is pegged to Libor plus 225 bp. It has a two-year term, with three one-year extension options.

Blackstone also lined up a $93 million **Freddie Mac** loan from an unidentified lender. That 10-year multi-family mortgage has a coupon of Libor plus 202 bp.

In addition to the Blackstone deal, which closed in late January, Alecta sold 26 U.K. properties encompassing 1.5 million square feet to **Goldman Sachs** for about $375 million. **JLL** advised Alecta on the U.S. and U.K. sales. It also arranged the financing for Blackstone.

One property evidently dropped out of the U.S. portfolio. Alecta originally

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Crown Team Seeking $1 Billion on NY Tower

A joint venture between **Crown Acquisitions** and **Oxford Properties** is quietly shopping for $1 billion of debt on an office/retail complex in Midtown Manhattan.

The collateral, encompassing 505,000 square feet, consists of the bottom portion of Olympic Tower, at 641 Fifth Avenue, and three adjacent townhouse-style buildings leased to luxury retailers, including Versace and Cartier.

The team is pitching the assignment to a handful of securitization lenders itself, without using a broker. It appears to be seeking a fixed-rate loan with a 10-year term.

The complex, between East 51st and East 52nd Streets on the east side of Fifth Avenue, is worth an estimated $1.7 billion to $2 billion — a valuation bolstered by the retail leases. The space is 94.4% occupied, according to **CoStar.**

The property was formerly owned by the **Alexander S. Onassis Public Benefit Foundation.** In 2012, New York-based Crown and Oxford, which is the Toronto-based

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THE GRAPEVINE

Long-time **Fannie Mae** executive **Jerry Muir** has joined **Greystone** as a managing director in its agency-lending group. Muir was at Fannie for 27 years, ultimately serving as director of credit underwriting for the Southeast. At Greystone, his focus is on manufactured housing. Muir, who reports to executive vice president **Joe Mosley,** started Monday and is based in Superior, Colo.

Gregory Nalbandian has left **NorthMarq Capital** to join **HFF** as a senior managing director. He started Monday in Florham Park, N.J., focusing on debt and equity placement in the Greater New York area. He reports to senior managing director

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Pipeline ... From Page 1

few loans on hand for January deals.

However, some lenders report that the pace of originations has been disappointing so far this year, even given the generally smooth implementation of the new regulations. Lenders cited a variety of reasons, although there is disagreement about the degree to which loan demand has softened.

A primary cause, they say, is that many borrowers with maturing securitized loans can't qualify for new CMBS loans. In some cases, owners are unable to borrow enough to fully pay off maturing loans because of tighter credit standards or because property valuations have not rebounded to previous levels. Also, some struggling owners have been skimping on property maintenance in order to meet loan payments, creating credit risks.

Another factor: Some borrowers are delaying refinancing by paying for loan extensions. "They've figured out how to work with the special servicers, and they're betting things will be better if they wait," said one veteran lender.

Steve Lurie, an attorney at **Greenberg Glusker,** said some borrowers he represents are shying away from CMBS loans after having bad experiences with special servicers, encountering unexpected fees or red tape. "CMBS offered a better rate initially, but there were all kinds of costs that would come up later when you had to deal with the special servicer," he said.

Lurie described property owners with maturing CMBS loans as being akin to a "graduating class" of borrowers. "Sometimes people have to be burned before they realize" the pitfalls, he said. "Ten years ago there weren't that many people who'd been through the special-servicing process, but now there are."

But **Jonathan Hakakha,** a loan broker at **Quantum Capital** of Los Angeles, said there is plenty of borrower demand for competitively priced conduit loans. He added that the favorable pricing of the most-recent conduit deals is giving CMBS shops, especially bank-owned operations, the confidence to reduce their loan spreads.

"Commercial banks are where we can often get the best deals, though we are working with a variety of lending sources," he said. "The last couple of securitizations have priced so well that CMBS groups are feeling pretty confident and spreads are tightening."

Hakakha also said that CMBS shops can still win deals by being willing to write bigger loans. "If a borrower has a $30 million loan and has to pay it down by $3 million to get an insurance-company loan, or by $500,000 to get a CMBS loan, they're going to go with CMBS." ❖

Corrections

A Feb. 3 ranking of the top 10 originators of **Freddie Mac** multifamily loans in 2016 omitted **JLL,** which tied for 10th place with **Greystone** at $1.6 billion. Greystone's total was incorrectly reported as $1.7 billion.

A Feb. 3 article, "Fund Shop Lands Loan on NJ Offices," misidentified the firm that brokered the sale and financing of two office buildings and a garage near Princeton, N.J., that **Atalaya Capital** acquired. The brokerage was **Cushman & Wakefield,** not **CBRE.**

A Feb. 3 article, "Mezz Lenders Anticipate Robust Year," incorrectly said that ranges of loan rates and leverage ratios in recent years cited by **Richard Mack** of **Mack Real Estate** were for mezzanine construction loans. In fact, they were for senior construction loans. His point was that rising rates and tightening credit standards for senior construction loans have driven up demand for mezzanine construction loans. ❖

CMBS DEALS IN THE WORKS

February

Seller/Borrower	Lead Managers	Deal Type	Rate Type	Amount ($Mil.)
J.P. Morgan (JPMCC 2017-JP5)	J.P. Morgan	Conduit	Fixed	$950
Citigroup, Principal, Natixis (CGCMT 2017-P7)	Citigroup	Conduit	Fixed	900
Wells Fargo, Rialto, Silverpeak (WFCM 2017-C38)	Wells Fargo	Conduit	Fixed	900
Barclays, UBS, Rialto (BBCMS 2017-C1)	Barclays, UBS	Conduit	Fixed	856

March

Seller/Borrower	Lead Managers	Deal Type	Rate Type	Amount ($Mil.)
Blackstone (Willis Tower)	Goldman Sachs, BofA, Citigroup	Single borrower	Fixed	$1,020
Paramount, Blackstone (One Market Plaza) (OMPT-2017-1MKT)	Goldman, Barclays, Deutsche, M. Stanley	Single borrower	Fixed	975
Deutsche Bank, J.P. Morgan (DBJPM 2017-C5)	Deutsche, J.P. Morgan	Conduit	Fixed	900
Goldman Sachs (GSMS 2017-GS5)	Goldman Sachs	Conduit	Fixed	900
Wells Fargo, BofA, Morgan Stanley (WFCM 2017-BNK4)	Wells, BofA, Morgan Stanley	Conduit	Fixed	900
Wells Fargo, UBS, Barclays, Societe Generale (WFCM 2017-EB1)	Wells Fargo	Conduit	Fixed	900