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# Commercial Mortgage ALERT

THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION

JANUARY 6, 2012



## Insurers Expect Another Big Lending Year . . .

After significantly increasing their lending in 2011, insurance companies seem poised for another banner year.

With commercial mortgages offering relatively attractive yields, insurers are ready to keep the lending spigot open in 2012. And because their main competitors — banks and securitization programs — remain constrained by market forces, life companies figure to have clear sailing again.

"You are the main game in town in terms of financing, and that's a pretty favorable environment for lending," said **David Durning,** head of mortgage origination at **Prudential.**

While exact figures for last year are still unavailable, lending by insurers likely approached record levels, according to anecdotal reports. Originations at some giant firms jumped anywhere from 20% to 100%. **MetLife,** the sector's biggest player, wrote an estimated $11 billion of loans. According to preliminary projections, other

See YEAR on Page 13

## . . . While CMBS Shops Foresee Limited Growth

Securitization lenders expect 2012 to be another rebuilding year.

While commercial MBS shops made significant strides in 2011, both by reviving issuance after the market crash and starting to restore relationships with bond investors, the sector is still recovering from a major speed bump over the summer. And there's still a rough road ahead.

The turn of events in last year's second half has dashed any hopes for a quick rebound to pre-crash issuance levels. A panel of market pros expects U.S. volume to rise only modestly this year, to $38 billion from $32.7 billion in 2011 (see list of predictions on Page 22).

Last year's issuance was a disappointment. The previous survey of market pros

See GROWTH on Page 22

**CMBS League-Table Winners**

| | |
|---|---|
| **Global:** | Deutsche Bank |
| **U.S.:** | Deutsche Bank |
| **Loan contributors:** | J.P. Morgan |
| **Global syndicates:** | Goldman Sachs |
| **Agency issues:** | Credit Suisse |

See Pages 30-37

## GGP Seeks $1.3 Billion Loan on Hawaii Mall

**General Growth Properties** is shopping for a massive $1.3 billion mortgage on one of the country's top-performing malls: Ala Moana Center in Honolulu.

The assignment will most likely go to a commercial MBS shop, with the winner securitizing it via a stand-alone offering. But portfolio lenders are also kicking the tires. While the loan is too big for any single balance-sheet lender to take down, a few might try to team up on a "club" deal.

General Growth has hired **Eastdil Secured** to market the assignment. That's a break from the Chicago REIT's customary tactic of approaching lenders directly.

The company frequently tapped the CMBS market for financing during the sector's go-go years. It lined up 99 CMBS mortgages totaling $9 billion from 2004 to 2007 — including Ala Moana Center's existing fixed-rate loan, which has a current balance of $1.3 billion. That mortgage was originally slated to expire four months

See MALL on Page 14

## THE GRAPEVINE

Seven former **LNR Property** executives, including **Bob Cherry, Ronald Schrager** and **Randy Wolpert,** have started a real estate investment and advisory firm. Another principal will be added soon to the Miami shop, dubbed **Eightfold Real Estate Capital.** The company has lined up more than $100 million of capital from an unidentified backer to buy subordinate commercial MBS, B-notes

See GRAPEVINE on Page 39

EASTDIL SECURED

# GETTING DEALS DONE AND MAXIMIZING VALUE FOR OUR CLIENTS

**$27.9 Billion**
OF DEBT TRANSACTIONS CLOSED IN 2011

**$15.3 Billion**
of Debt Placement Transactions
and
**$12.6 Billion**
of Whole Loan and Subordinate Debt Sales

NEW YORK
LOS ANGELES
WASHINGTON, D.C.
SAN FRANCISCO
CHICAGO
ATLANTA
RICHMOND
LONDON
BOSTON
ORANGE COUNTY
SAN DIEGO
SILICON VALLEY
DALLAS
HONG KONG

www.eastdilsecured.com

## DEBT PLACEMENT TRANSACTIONS

**THE METRO**
NEW YORK, NY
MULTIFAMILY FINANCING
OCTOBER 2011

**POTOMAC TOWN CENTER**
WOODBRIDGE, VA
RETAIL CONSTRUCTION FINANCING
OCTOBER 2011


**555 CALIFORNIA**
SAN FRANCISCO, CA
OFFICE FINANCING
SEPTEMBER 2011

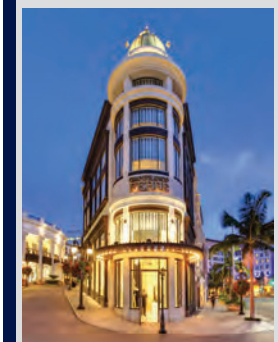
**STREETS OF SOUTHGLENN**
DENVER, CO
MIXED-USE FINANCING
JULY 2011

**INTERCONTINENTAL CHICAGO**
CHICAGO, IL
HOTEL FINANCING
JULY 2011

**NATIONAL INDUSTRIAL PORTFOLIO**
NATIONAL
INDUSTRIAL PORTFOLIO FINANCING
JUNE 2011

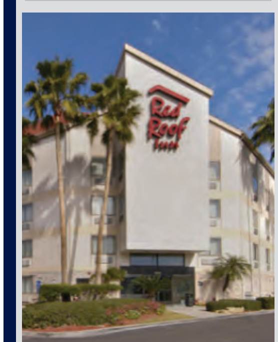
## WHOLE LOAN AND SUBORDINATE DEBT SALES

**ANGLO IRISH PORTFOLIO**
NATIONAL
ALL PRODUCT TYPES
NOVEMBER 2011



**PACIFIC CITY**
HUNTINGTON BEACH, CA
LAND LOAN SALE
SEPTEMBER 2011

**RED ROOF INN PORTFOLIO**
NATIONAL
HOTEL PORTFOLIO LOAN SALE
AUGUST 2011



**WILLIS TOWER**
CHICAGO, IL
OFFICE JUNIOR MORTGAGE PARTICIPATIONS
JUNE 2011

**INDEPENDENCE PLAZA**
NEW YORK, NY
MULTIFAMILY JUNIOR MORTGAGE PARTICIPATIONS
JUNE 2011

**116 HUNTINGTON AVENUE**
BOSTON, MA
OFFICE JUNIOR MEZZANINE
MAY 2011

TOP TO BOTTOM, COAST TO COAST, ALL PROPERTY TYPES, ALL SEGMENTS OF THE CAPITAL STACK

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*Securities products offered through Wells Fargo Securities, LLC – member FINRA/SIPC*

# CMBS Pros Think Triple-A Spreads Will Tighten Slightly in First Half

After a rocky 2011, traders and investors expect commercial MBS prices to be relatively stable in the first half — unless the European debt crisis worsens.

The spread on long-term, super-senior bonds from new issues will tighten modestly by midyear, to 116 bp over swaps, according to the average prediction of 16 respondents to a **Commercial Mortgage Alert** survey. That paper was trading at 125 bp on Dec. 30, **Trepp** reported. The forecasters anticipate slightly more contraction in spreads on seasoned senior CMBS, based on the expectation that improvement in the U.S. economy will make investors less risk-averse.

CMBS values have gradually rebounded since October, especially for high-grade bonds, after plunging across the board a few months earlier. But the shock of the summer spread blowout hasn't worn off for CMBS lenders, which took heavy losses on warehoused loans. The pricing instability forced them to sharply reduce originations and further weakened their competitive position with portfolio lenders.

In theory, the stable outlook projected by the survey should reassure CMBS shops that they can write and securitize loans at a profit. But they will likely proceed cautiously, awaiting more-definitive signs of where spreads are headed. Indeed, lenders and investors alike remain fearful of getting hit again by sudden

See SPREAD on Page 12

## Forecast for Spreads at Midyear

Projections for 10-year paper on June 30, 2012

| | | New-Issue CMBS | | Legacy CMBS | |
|---|---|---|---|---|---|
| | Treasury Yield (%) | Super-snr. Triple-A Spread to Swaps (bp) | Triple-B Spread to Swaps (bp) | Super-snr. Triple-A Spread to Swaps (bp) | Triple-B ($Price) |
| John Beaman, AREA Property | 2.6 | 100 | 500 | 200 | 12 |
| Daniel Bennett, Goldman Sachs | 2.3 | 100 | 725 | 225 | 10 |
| Aaron Bryson, Spring Hill Capital | 2.1 | 120 | 825 | 260 | 7 |
| Tom Digan, Sorin Capital | 1.8 | 150 | 725 | 250 | 5 |
| Tim Gallagher, Morgan Stanley | 1.8 | 135 | 550 | 240 | 5 |
| Marshall Glick, AllianceBernstein | 2.3 | 135 | 625 | 275 | 6 |
| Leo Huang, Ellington Management | 2.5 | 110 | 700 | 210 | 5 |
| Young Kwon, Apollo Global Real Estate | 2.0 | 110 | 500 | 250 | 7 |
| Brian Lancaster, RBS | 2.0 | 133 | 719 | 244 | 6 |
| John Levy, John B. Levy & Co. | 2.3 | 110 | | 250 | |
| Lisa Pendergast, Jefferies & Co. | 2.5 | 100 | 575 | 200 | 8 |
| Barry Polen, Guggenheim Capital | 2.4 | 105 | 700 | 225 | 5 |
| Jonathan Strain, J.P. Morgan | 2.5 | 110 | 725 | 225 | 8 |
| Alan Todd, Bank of America | 2.2 | 115 | 675 | 225 | 5 |
| Harris Trifon, Deutsche Bank | 2.0 | 105 | 600 | 200 | 5 |
| Darrell Wheeler, Amherst Securities | 1.4 | 120 | 570 | 230 | 8 |
| **Average Prediction for June 30** | **2.2** | **116** | **648** | **232** | **7** |
| **Actual Yearend 2011** | **1.9** | **125** | **616** | **251** | **9** |

## Bear Market Surprised Forecasters

Bond pros didn't foresee last year's commercial MBS swoon.

Sixteen specialists surveyed by **Commercial Mortgage Alert** at midyear expected a second-half rally for both new-issue and legacy paper. But the exact opposite happened, as spreads blew out amid concern over the burgeoning European debt crisis and growing signs of U.S. economic weakness.

The average prediction called for the spread on new-issue, triple-A bonds with a 10-year term to tighten to 111 bp at yearend, from 130 bp on June 30. But the spread ended up widening to 150 bp on transactions not using the super-senior structure, according to **Trepp.** (The predictions were made before the super-senior structure was re-introduced.) The two closest forecasters — each at 135 bp — were **David Cook** of **Barclays** and **Tim Gallagher** of **Morgan Stanley.**

The pros were even further off the mark on new-issue, triple-B prices. They expected the average triple-B spread to tighten to 352 bp from 425 bp, but it widened to 616 bp. The closest forecast was by **Sorin Capital's Tom Digan,** who projected 500 bp.

The participants didn't fare much better with legacy paper. They expected the spread on long-term, super-senior bonds issued in 2006 and 2007 to decline to 165 bp, from 187 bp at midyear. But the spread widened to 251 bp, according to Trepp.

There was a four-way tie for the most-accurate individual prediction among Cook, Gallagher, **Aaron Bryson** of **Spring Hill Capital** and **Barry Polen** of **Guggenheim Capital.** Each projected 185 bp.

But the panel nailed the decline in the price of legacy triple-B paper to 9 cents on the dollar from 13 cents. Two individual forecasters were exactly on the mark: **Christopher Callahan** of **Credit Suisse** and **John Fitzpatrick,** formerly with **Allstate.**

## More Big Loan Sales Ahead in 2012

After surging back to life last year, the sales market for distressed commercial mortgages is expected to gain momentum in 2012.

Loan-sale advisors and investors expect banks in Germany and elsewhere in Europe to follow the lead of their Irish peers by vigorously shedding mortgages they wrote on U.S. properties during the real estate boom.

U.S. banks, meanwhile, still have huge amounts of subperforming and nonperforming loans on their books, even after a flood of sales last year. Many of those banks have fortified their balance sheets enough to sell off troubled notes at a discount and absorb the losses. And several lenders — including **Citigroup, Doral Bank, GE Capital, Macquarie Bank** and **Wells Fargo** — are willing to finance buyers of distressed mortgages.

The opening months of this year could be particularly brisk, with a mix of U.S. and European lenders expected to market several portfolios that together could exceed $5 billion. “The first quarter could be pretty massive,” one market player said.

Among those expected to be active sellers are large U.S. lenders, including **Bank of America,** special servicers **C-III Asset Management** and **CWCapital,** and European lenders **Eurohypo, WestLB** and **RBS.**

The European banks are under pressure from regulators to sell loans to raise capital. They are likely to start by marketing their U.S. mortgages, because American investors have more access to capital than their counterparts in Europe, where the market remains mired in uncertainty. And the Irish government still has roughly $700 million of loans on U.S. properties that it is expected to sell this year.

High-yield investors have been hungry for discounted mortgages since the real estate market crashed. They began building large war chests in 2008, expecting plenty of opportunities to profit on overleveraged properties. But many banks couldn’t afford to take losses in 2008 and 2009, and loan sales didn’t materialize in earnest until the second half of 2010. Then came 2011, and the floodgates opened. “We could hardly keep up during the first and second quarters,” one loan-sale advisor said.

The year began with multiple $100 million-plus portfolios hitting the market, from lenders including BofA, **Capmark, Citizens Bank, M&I Bank, Synovus** and Wells. Special servicers C-III, CWCapital and **LNR Partners** also shopped large offerings.

The biggest sales came in the second and third quarters, led by three Irish lenders that aggressively wrote loans in the U.S. during the boom and were crippled by the downturn. Far and away the largest was a $9.5 billion portfolio from **Anglo Irish Bank** with a mix of performing, subperforming and nonperforming loans that was sold to three buyers via **Eastdil Secured. Allied Irish Bank** sold two portfolios: $1 billion of performing loans and $600 million of mixed-quality mortgages. **Bank of Ireland** sold a $1.4 billion bundle of mostly performing loans to Wells, in a deal brokered by **HFF.** And BofA, advised by **Jones Lang LaSalle,** sold an $880 million package of performing and distressed loans to a **Square Mile Capital** partnership.

As the market gained steam, **Nationwide Insurance, John Hancock** and other life insurers offered portfolios of seasoned performing loans, aimed at more-conservative buyers willing to pay par value or higher. But market players said fewer than half of those loans sold.

Trading began to ebb during the summer, as sellers grew reluctant to bring portfolios to market amid mounting economic turmoil. But those distressed mortgages that did go on sale in the second half found strong demand.

Overall, the majority of loans that went on the block in 2011 were sold — unlike the previous few years, when sellers and buyers often couldn’t agree on prices. Bids were higher than in the recent past, but varied significantly depending on the underlying assets and level of distress. In November, **Dune Real Estate** paid 55 cents on the dollar to LNR for a nonperforming loan on 33 apartment properties in Upper Manhattan. The Anglo Irish loans were sold to **Lone Star Funds,** Wells and **J.P. Morgan** for a blended average of about 80 cents on the dollar. And Wells paid close to par for the Bank of Ireland portfolio.

While overall volume was up, not all sectors of the loan-sale market grew. The **FDIC** sold just $1.5 billion of loans last year, down 35% from $2.3 billion in 2010. ❖

## Helaba Backs NY Apartment Project

**Helaba Bank** has provided a $72 million letter of credit backing the construction of an apartment building in Lower Manhattan.

The German lender finalized the four-year, floating-rate instrument about a week and a half ago. It provides credit enhancement for $78.7 million of **New York State Housing Finance Agency** revenue bonds for the project, at 111 Nassau Street, on the edge of the Financial District.

New York developers **Bernard** and **Robert Friedman** plan a 139,000-square-foot building encompassing 168 apartments, along with 20,400 sf of office space and 14,600 sf of street-level stores. The project, at Ann Street, is expected to cost about $110 million.

The Friedman brothers acquired the site about five years ago. Helaba financed the purchase with a $36.6 million loan.

The economic downturn apparently delayed construction of the planned 30-story tower, as it did for many similar projects. But recently, a number of nearby multi-family developments have moved forward, as builders and lenders have grown more optimistic about the rental market. They include several conversions on John Street and the opening last year of Eight Spruce Street, the 76-story tower designed by architect **Frank Gehry** that is the tallest residential building in the city.

At 111 Nassau Street, studio, one- and two-bedroom apartments will be on floors 7-30, atop the office and retail space. ❖

**Southern & Central U.S.**
Chuck Wolter
(305) 695-5514 | (704) 906-8928
cwolter@archetypemortgage.com

David Auerbach
(305) 695-5519 | (786) 853-5450
dauerbach@archetypemortgage.com

**Northern U.S.**
Tim Szalay
(212) 600.2836 | (917) 603-6331
tszalay@archetypemortgage.com

Jim Freel
(212) 600-2837 | (516) 305-2016
jfreel@archetypemortgage.com

**Western U.S.**
Craig Picket
(212) 600-2839
cpicket@archetypemortgage.com

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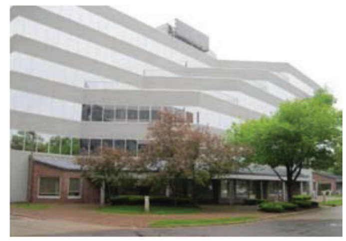
Springhill Suites
Lincolnshire, IL
**$8,250,000**
Hospitality & Lodging
Fixed Rate Financing
November 2011

Carriage Hills Apartments
Pensacola, FL
**$6,750,000**
Multi-family
Fixed Rate Refinancing
December 2011

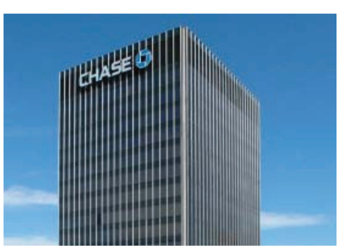


One Hamden Center
Hamden, CT
**$9,200,000**
Multi-tenant Office
Fixed Rate Refinancing
July 2011

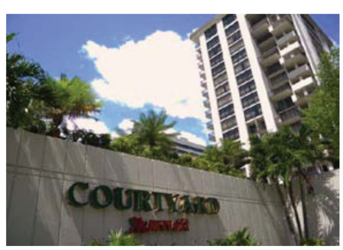
Great Northern I-III
Cleveland, OH
**$20,600,000**
Multi-tenant Office
Fixed Rate Financing
October 2011

Lakeview Shopping Center
D'Iberville, MS
**$4,500,000**
Multi-tenant Retail
Fixed Rate Refinancing
November 2011

Pangea Apartment Portfolio
Chicago, IL
**$5,655,000**
Multi-family
Fixed Rate Financing
November 2011




Chase Tower
Charleston, WV
**$19,990,000**
Multi-tenant Office
Fixed Rate Financing
September 2011




Courtyard by Marriott
Coconut Grove, FL
**$14,300,000**
Hospitality & Lodging
Fixed Rate Refinancing
July 2011

Virtus Property Portfolio
Various
**$6,778,000**
Self-Storage
Fixed Rate Financing
December 2011

## Renewed Demand Boosts CMBS Prices

Commercial MBS investors greeted the new year by swarming off the sidelines, with resurgent demand accelerating a recent rise in the values of senior bonds.

With no new offerings to absorb since early December, senior spreads have contracted in the secondary market. For example, long-term bonds from the super-senior portion of a $1.7 billion transaction that **Deutsche Bank** and **UBS** priced in August (DBUBS 2011-LC3) were trading at spreads around 110 bp over swaps yesterday, down from 120-125 bp just before yearend.

The spread-tightening trend was far more pronounced for pre-crash CMBS, including super-senior paper issued in 2005, 2006 and 2007. Among those vintages, there was a particularly strong surge in demand for legacy bonds from mezzanine and junior classes that were rated triple-A at issuance.

Super-senior bonds from the 10-year class of the benchmark GG-10 transaction were changing hands at 245-250 bp yesterday, down from 273 bp a week ago. That paper, now rated A1/BBB-/AAA by **Moody's, S&P** and **Fitch,** was issued in a $7.6 billion offering led by **RBS** and **Goldman Sachs** (GS Mortgage Securities Trust, 2007-GG10).

The prevailing spread on "A-M" bonds from the earlier GG-9 transaction tightened by roughly 35 bp over the past week, to the 525-bp area. Those bonds, now rated Aaa/BBB-/AAA, were issued via a $6.6 billion transaction that RBS and Goldman brought to market in early 2007.

The GG-9 deal's "A-J" bonds, now rated Baa1/B+/B, trade on dollar prices rather than spreads. They were going for 54-55 cents on the dollar yesterday, up 2-3 cents from a week ago.

Meanwhile, the values of subordinate CMBS haven't moved much since early December. Market players chalked up the rising prices on top-tier CMBS to several factors, including the return of buyers who had pulled back during the fall amid broader turmoil in the financial markets caused by Europe's sovereign debt crisis.

The general consensus is that investors have become less concerned lately about the economic outlook for the U.S. and Europe. "The bad tail-risk scenario has been taken off the table, at least for now," said one CMBS trader.

The recent jump in demand, especially for legacy A-Ms and A-Js, largely reflects investors' attempts to boost their portfolio yields while taking on minimal additional risk. "Given where spreads are now, it makes sense to buy securities that are money-good," the trader added. "People are putting chips back on the table."

It also helped that a number of Wall Street dealers had cash to put to work this week, after shedding large amounts of CMBS last month. "There has been a lot of dealer trading going on," one investor noted. "Many of them had to 'de-risk' at yearend, and now they're getting back in."

Industry professionals cautioned, however, that the optimistic attitude now prevalent in the CMBS market could easily evaporate at a moment's notice. And that could spark another buy-side retreat, causing CMBS spreads to gap out again — as happened after a long-running market rally ground to a halt in June (see article on Page 3). ❖



## Townhouse Advising Investors

New York consulting firm **Townhouse Partners** has added advisory work to its menu of services.

Up to now, the firm's primary focus has been on due diligence and third-party underwriting. Townhouse still operates those business lines, but now also advises investors on the value of legacy commercial MBS, distressed loans and other real estate instruments.

Founder **David Stern** and managing director **Craig Lombard** are leading the expansion drive. Lombard said everyone in the eight-person firm will be involved in all aspects of the business. "Part of our goal is to have our people focus on the due-diligence side, and then shift around to work on the advisory side," he said. "That way, someone who has looked at a loan from an origination perspective will have additional resources to offer to an advisory client."

Townhouse plans to open a West Coast office in the near future. ❖

Drill down deep into our market statistics. Go to The Marketplace section of CMAlert.com and click on "CMBS Market Statistics," which lets you see the data points behind all the charts that Commercial Mortgage Alert publishes each week. It's free.

## Brickman Team Nabs Office Debt

A **Brickman Associates** joint venture won the hotly contested auction of a $90.9 million debt package on a cluster of 10 office buildings in Boston's seaport district.

The New York fund shop and **LoanCore Capital** of Greenwich, Conn., agreed to pay $80 million, or 88 cents on the dollar, for the loans, which were written by **Anglo Irish Bank.** The price exceeded market players' predictions of 70-80 cents. Final bidders included **Boston Properties, Davis Cos., Principal Real Estate Investors** and a partnership between **Dune Real Estate** and **Berkeley Investments.**

In an unusual twist, the sale included a 70% equity stake in the 381,000-square-foot portfolio. **Crosspoint Associates** holds the minority stake, but terms of the ownership agreement give the partners equal control. The century-old buildings are fully leased to **Thomson Reuters.** The debt matures in 2017 and is performing, but sold at a discount because Thomson's lease expires in 2015.

**Eastdil Secured** brokered the sale for the Irish government agency that assumed the assets from Anglo Irish, which was nationalized in 2009.

The debt portion consists of a fixed-rate mortgage with a balance of about $76 million and a floater with a balance of some $15 million.

Crosspoint, of Natick, Mass., teamed up with investor **Gerald Conlan** to buy the properties in 2007 for $120.5 million from **HDG Mansur** of Indianapolis.

Anglo Irish financed the purchase. The bank later assumed the equity stake from Conlan, who had pledged it to back loans from Anglo Irish.

The buildings sit on 2.5 acres near Boston Harbor and the Boston Convention and Exhibition Center. Their addresses are 11-15 Farnsworth Street, 12-14 Thomson Place, 22-24 Thomson Place, 26-28 Thomson Place, 19-33 Thomson Place, 30-34 Thomson Place, 35 Thomson Place, 36-40 Thomson Place, 42-56 Thomson Place and 49-51 Farnsworth Street.

Anglo Irish, which was crippled by the real estate downturn, has been winding down its U.S. operations. The bulk of its $9.5 billion U.S. loan book has already been sold to **Lone Star Funds, Wells Fargo** and **J.P. Morgan.** ❖

## Principal to Finance DDR Portfolio

**Principal Real Estate Investors** has agreed to write a roughly $125 million fixed-rate loan on four shopping centers owned by **DDR.**

The maturity of the loan is unclear, but the Beachwood, Ohio, REIT was seeking a term of 5-10 years.

The buzz is that strong interest from lenders pushed the coupon below 3.5%, a level some market players deemed to be aggressive.

The collateral includes a San Antonio shopping center and the 1.1 million-square-foot Nassau Park Pavilion, a power center in Princeton, N.J. ❖

## Spread ... From Page 3

spread gyrations caused by macroeconomic factors that have little to do with commercial real estate values.

Twelve of the 16 prognosticators expect spreads on new-issue, super-senior paper to contract during the first half. The most bullish of them, **John Beaman** of **AREA Property, Daniel Bennett** of **Goldman Sachs** and **Lisa Pendergast** of **Jefferies & Co.,** called for an average midyear spread of 100 bp. The most-bearish forecaster, trader **Tom Digan** of **Sorin Capital,** thinks the spread will swell to 150 bp. Several forecasters expect it to widen slightly: Buy-side analyst **Marshall Glick** of **AllianceBernstein** and trader **Tim Gallagher** of **Morgan Stanley** foresee the average spread hitting 135 bp in six months, while **RBS** analyst **Brian Lancaster** pegs it at 133 bp.

Those calling for tighter spreads cited several factors, including a relatively thin pipeline of CMBS offerings that will lead to pent-up demand. And commercial-property fundamentals appear to be holding up well lately, so CMBS should look increasingly cheap next to U.S. Treasurys, asset-backed securities and corporate bonds, said Pendergast, Jefferies' co-head of CMBS trading and strategy.

However, even the most optimistic bond pros warned that CMBS spreads could easily gap out if the stock market goes into another swoon. The biggest wild card is the European debt crisis, which has been roiling stock and bond markets since last spring and may continue to do so this year. "At any moment, you can get a headline out of Europe that reverses the momentum, affecting CMBS spreads and how we price our loans," Pendergast said. "It's all based on factors that are 100% out of this market's control."

CMBS issuers likely will still find it difficult to place mezzanine bonds in the first half, as they have for the past six months or so. The average prediction sees triple-B spreads widening to 648 bp, from 616 bp at yearend. The tightest midyear forecast — 500 bp — was made by Beaman of AREA and **Young Kwon,** a portfolio manager at **Apollo Global Real Estate.** At the other end of the spectrum was buy-side analyst **Aaron Bryson** of New York fund shop **Spring Hill Capital.** He thinks the spread will blow out to 825 bp.

While Kwon expects triple-B spreads to remain volatile for a few months, he thinks they could settle down in the second quarter if concerns about Europe's debt and the economy are allayed. "If some of the noise goes away, there will be a real pickup in demand for credit bonds," he said, referring to lower-tier CMBS.

The outlook for legacy CMBS is also mixed: generally bullish for senior paper and mostly pessimistic for junior bonds.

The spread on 10-year super-seniors floated in 2006 and 2007 is projected to decline to 232 bp at midyear, from 251 bp at yearend. All but two forecasters predicted it would drop, to as low as 200 bp. The exceptions were Spring Hill's Bryson (260 bp) and Glick of AllianceBernstein (275 bp).

For legacy bonds rated triple-B at issuance, the panel divined an average price of 7 cents on the dollar at midyear, down from 9 cents at yearend. The only pros who saw any upside at all were Beaman, who thinks it will hit 12 cents, and Bennett, who predicts 10 cents. The rest foresee prices of 5-8 cents.

The nay-sayers partly blamed the sluggish new-issue market for undermining the values of junior legacy bonds. With Jefferies estimating that roughly $50 billion of securitized commercial mortgages will come due this year, potential buyers of subordinate notes must seriously consider whether borrowers will be able to refinance or modify the underlying loans. And while portfolio lenders have become more active lately, their more-conservative risk appetites prevent them from filling the entire void created by the recent slowdown in CMBS issuance. More than half of the CMBS loans maturing this year were written near the peak of the market — making them even more difficult to refinance due to the subsequent plunge in property values. ❖



## Correction

A listing of approved servicers on Dec. 16 contained some errors. **ZAIS Servicing Asset Management** should have been listed under its new name, **GGR Servicing Asset Management.** The correct contact for **Cornerstone Real Estate** is **Thomas Kelley** (860-509-2328). The correct contact for **Wells Fargo** is **Jose Becquer** (704-410-7100). And the correct phone number for **Stacey Berger** of **Midland Loan Services** is 202-912-3977. ❖

## Year ... From Page 1

active lenders included Pru (just over $6 billion), **New York Life** (nearly $4.5 billion) and **Northwestern Mutual** (some $4 billion).

Many insurers expect to meet or exceed their 2011 totals this year. And several lenders that scaled back activity during the past few years as the economy faltered are ready to dial up loan production. Among them: **Allianz,** which expects to write $1.5 billion to $2 billion of commercial mortgages, up from $1 billion last year.

While insurers plan on capturing an even larger slice of market share in 2012, they are quick to note that the industry is cautious by nature and will slow down if economic conditions warrant.

"The risk environment is still elevated," said **Mike Moran,** head of **Allstate Investment's** real estate portfolio management group. "People are attracted to the yield, but they don't want to take overt risk because of the volatility coming out of Europe and the anemic growth here in America."

"If anything harsh happens in Europe and creates liquidity issues, you could see a pullback," added **Greg Michaud,** head of real estate finance at **ING Investment.**

Another variable is securitization programs, which have been hobbled by bond-market volatility (see article on Page 1). "I think the general sense is the life companies aren't expecting a huge amount of competition from Wall Street" in 2012, said **Jeff Packard,** senior managing director of **John Hancock.** "But having said that, those guys can get up off the mat and dust it off pretty quickly."

The increased activity by insurers last year was fueled by giant loan assignments, often shared by multiple players. "Life companies had good success in 2011 working together to 'club' large transactions that previously were executed in the CMBS market," said **Mark Wilsmann,** head of MetLife's commercial mortgage business. "The large transactions helped drive the volume results."

Because insurers are increasingly walking away with larger loans, the average size of their originations has risen significantly, hitting a five-year high of $20.5 million in the third quarter of 2011, the most-recent period for which numbers are available. That was up from $12.4 million two years earlier, according to the **Mortgage Bankers Association,** which compiled the figures.

Loans on multi-family properties were also up sharply last year. **Rick Coppola,** a managing director of **TIAA-CREF,** said reduced activity on the part of **Fannie Mae** and **Freddie Mac** early in 2011 led to a cascade of opportunities in that sector.

Pru's Durning noted that a large number of five-year loans written as the market was peaking will mature over the next two years, providing another impetus for increased lending. ❖

## Servicer Adjusts Loan on 3 Hotels

A special servicer has extended the maturity date of a $90 million securitized loan on three hotels that **Square Mile Capital** took over last week.

The New York fund manager positioned itself to gain control of the 891-room portfolio by acquiring $70 million of defaulted junior debt for just over 65 cents on the dollar.

The borrower, a **Goldman Sachs** partnership, defaulted on the debt package in April after exercising two of three one-year extension options. It subsequently agreed to surrender the hotel to Square Mile in lieu of foreclosure.

In conjunction with the takeover, Square Mile paid down the balance of the securitized loan by $6.5 million, to $83.5 million, and special servicer **Wells Fargo** agreed to extend the due date to April 2013 — one year beyond the final maturity under the original extension options.

The hotels were valued in June at $147.2 million, according to a servicer report. With the senior loan paid down and the junior debt extinguished, the portfolio has gone from being underwater to having a loan-to-value ratio of about 57%. And Square Mile has 15 months to boost performance at the properties before the mortgage comes due.

As part of the forbearance agreement with Wells, Square Mile pledged to spend roughly $8 million to renovate the hotels: the Radisson Fisherman's Wharf in San Francisco, the Harbor Island Airport Hilton in San Diego and the Best Western Lake Buena Vista near Orlando. Market players expect the properties to gain value thanks to improving hotel fundamentals, especially in San Francisco and Orlando.

Goldman's $623 million Whitehall Street Real Estate Fund 9 acquired the properties as part of a larger portfolio in 1998, when it teamed up with **Westmont Hospitality** of Canada to buy New York-based **Chartwell Leisure** for $272 million. The three hotels were valued then at $104.7 million.

In 2007, the Whitehall Street partnership tapped **Eurohypo** for a $160 million financing package to retire a loan from **Bank of America.** The German lender securitized the $90 million senior portion in a $1.8 billion offering (J.P. Morgan Chase Commercial Mortgage Securities, 2007-FL1).

At the time, the properties were appraised at roughly $196.5 million. But like most hotels, they were battered by the downturn. Net operating income dropped 25% between 2007 and 2010, according to a servicer report. After exercising two extension options, the Whitehall Street partnership opted to forgo the final extension and defaulted in April. Square Mile bought the junior debt from Eurohypo in June.

The 355-room Radisson Fisherman's Wharf is at 250 Beach Street, one block from San Francisco Bay. The property, which opened in 1964 and was renovated in 2000, includes 50,000 square feet of retail space.

The 211-room Harbor Island Airport Hilton is at 1960 Harbor Island Drive, between San Diego International Airport and San Diego Bay. It was built in 1969 and renovated in 2000.

The 325-room Best Western Lake Buena Vista is seven miles southeast of Walt Disney World, at 2000 Hotel Plaza Boulevard in Lake Buena Vista, Fla. It was developed in 1972 and renovated in 2007.

Westmont no longer holds a stake in the hotels, but will continue to manage them. ❖



## Mall ... From Page 1

ago, but the maturity date was extended to 2018 as part of General Growth's emergence from bankruptcy two years ago.

The rate on the existing debt is 5.6%. General Growth presumably is moving to refinance now because it can get a lower rate.

General Growth has reported that in-line sales at Ala Moana Center average a sky-high $1,100 per square foot. The 2.1 million-sf property produced $91.5 million of net operating income last year. Based on a 5% capitalization rate, the mall would be worth about $1.8 billion at that income level.

The occupancy rate is 98%. Macy's, Neiman Marcus, Nordstrom and Sears are the anchors.

The four-level mall, which was built in 1959 and later expanded or renovated six times, is between the Honolulu airport and Waikiki Beach on Ala Moana Boulevard.

The existing mortgage had an original balance of $1.5 billion, consisting of a $1.2 billion senior portion and $300 million of B-notes. **LaSalle Bank** originated the loan in 2006 and promptly sold a large chunk to **Citigroup.** LaSalle and Citi securitized all of the senior portion and much of the B-notes via six CMBS deals in 2006 and 2007. ❖

## Lobbyists to Stay the Course in 2012

The **CRE Finance Council** plans to stick with much of its 2011 lobbying agenda this year, continuing to press federal regulators to make proposed risk-retention rules more workable for commercial MBS issuers and investors.

The trade group will also push for coordination of the risk-retention provisions with other regulations that are in the works or already in place, including an ongoing overhaul of Regulation AB, the **SEC's** sweeping disclosure and reporting guidelines for structured-finance transactions.

Most items on the council's 2012 lobbying agenda, which it began circulating this week, are carryovers from last year. But they will remain hot topics next week in Miami, where the trade group is holding its 13th annual January conference. More than 1,300 are expected to attend the three-day confab, which kicks off Monday.

The council's lobbying efforts are still sharply focused on a joint proposal by the **FDIC, Federal Housing Finance Agency, Federal Reserve, HUD,** SEC and **Treasury Department** to implement risk-retention standards mandated by the Dodd-Frank Act. The financial-regulatory overhaul law requires issuers to keep "skin in the game" by retaining 5% of their securitizations, with some complicated exceptions for CMBS.

One of the trade association's goals is to preserve the industry's current practice of diverting excess interest from collateral loans into an interest-only strip, which CMBS issuers use to capture their profits up front. Some fear the proposed rules would stymie origination of commercial mortgages for securitization purposes by directing cashflows from the loans into a "premium capture cash reserve account." Such a reserve would serve as a first-loss piece whose proceeds couldn't be disbursed until all bonds with principal balances were paid off.

The reserve-account idea was widely believed to have been scrapped in April, but the more-recent buzz is that regulators are still considering the provision.

The council is also lobbying regulators to ensure that other parts of the joint proposal don't conflict with separate rules being carried out by the same agencies. For example, the proposed Dodd-Frank regulations and "Reg AB" revisions would both require CMBS issuers to hire an advisor to oversee servicers in certain cases. Even if the requirements don't conflict with each other, issuers would like to avoid costly redundancies.

Meanwhile, the council has come out against a tentative SEC proposal to formalize, and possibly curtail, exemptions that mortgage REITs have long relied on to avoid the leverage restrictions, disclosure rules and other mandates of the Investment Company Act of 1940.

What's more, the trade group backs legislation that would foster issuance of covered bonds in the U.S. And it's urging U.S. lawmakers to consider the single- and multi-family sectors separately if they follow through with efforts to reform or phase out **Fannie Mae** and **Freddie Mac.** ❖

## Hancock Affiliate to Step Up Lending

**Declaration Management & Research** is ramping up its high-yield commercial real estate lending platform.

The McLean, Va., firm, an affiliate of **John Hancock,** plans to lend between $150 million and $200 million this year. The platform was capitalized last year by Hancock and has made five investments totaling $60 million. It offers senior mortgages, mezzanine loans, B-notes and preferred equity to overleveraged borrowers who are working out discounted payoffs of their existing financing. It also can write loans to buy mortgages.

The firm plans to originate fixed- and floating-rate notes with terms of 3-5 years on all property types nationwide. Individual deals would range from $10 million to $20 million. Interest rates would run from 8% to 14%.

Declaration is an investment advisory unit of Toronto-based **Manulife Financial**, the parent of John Hancock. The commercial real estate lending team is based in New York and headed by executive vice president **Michael Kelley,** senior vice president **Peter Jolicoeur** and senior vice president **Jin Lee.** ❖

## Bank Offering Hodgepodge Portfolio

**BMO Harris Bank** of Chicago is marketing $220 million of small-balance, soured loans on an assortment of property types in several states.

The 56 mortgages range in size from nearly $490,000 to roughly $18 million, with an average balance of $3.9 million. All but a handful are in default, and the rest are classified "sub-performing."

The bank's advisor, **Mission Capital,** has divided the portfolio into seven pools, based on geography. Bids are due Jan. 20, with sales expected to close by Feb. 21. Investors can bid on one or more of the pools, or on the entire portfolio.

The largest pool, with a combined balance of $80 million, contains 20 loans backed by a wide variety of Illinois properties, including condominium units, residential lots and retail properties. Among the largest is a $13.2 million defaulted note on Galt Airport, a 173-acre private airstrip on the outskirts of Chicago's northwest suburbs. The five-year, fixed-rate note matured in June.

The offering also includes a pool of five loans totaling $31 million that are secured by properties in Indiana. Three of the defaulted notes are backed by hotels: a $9.9 million loan on the 142-room Candlewood Suites in Indianapolis; a $7.4 million loan on the Holiday Inn Express Indianapolis Downtown; and a $5 million loan on a Holiday Inn Express in Fishers, Ind.

The other five pools are made up of:

- Five loans totaling $30 million on office properties, land, a golf course and other properties in Florida.
- Three loans totaling $27 million on hotel, retail and residential properties in Missouri.
- Fifteen loans totaling $23.9 million on office properties, a bowling alley and bar, land and other real estate in Wisconsin.
- Three loans totaling $7.7 million on retail, office and apartment properties in Minnesota.
- Five loans totaling $18.8 million on properties in California, Georgia, Arkansas, Utah and Arizona. ❖

## Morningstar Hires Investor Advocate

**Morningstar** has hired a former commercial MBS buysider to gather feedback from investors and help them understand its bond ratings and other activities in the sector.

**Gregory Murdock,** who managed a $24 billion CMBS portfolio for **Fannie Mae,** is joining the rating agency as director of CMBS investor services. He reports to **Robert Dobilas,** president of Morningstar's structured-credit rating business, which is based in Horsham, Pa.

Murdock will solicit investors' concerns and questions about Morningstar's CMBS ratings. That input will be used to help refine the company's ratings processes and criteria as needed, said **Joe Petro,** a managing director in the ratings group.

Although he won't be serving in a marketing capacity, Murdock also will reach out to CMBS investors to clarify Morningstar's rating methodology and explain how its analysis differs from the competition's. And he'll represent the agency with industry trade groups. In fact, he'll start work on Sunday by heading to Miami Beach for the **CRE Finance Council's** 13th annual January conference.

Murdock's duties were previously handled by other Morningstar executives, including Dobilas, Petro and managing director **Ken Cheng,** who oversees ratings of new CMBS. Eventually, more staffers may be hired to support Murdock's efforts, and his responsibilities could be expanded to cover other ratings-product areas, such as residential mortgage bonds.

Murdock left Fannie about two months ago. He'd been hired there in early 2006, after a seven-year stint at **Freddie Mac,** to launch a group that invested in CMBS backed by apartment loans. Fannie is no longer interested in buying CMBS. ❖

## NYU Confab to Focus on Energy Use

**New York University's** Schack Institute will host a conference Feb. 23 on the efficient use of energy at commercial properties.

The topics will include the relationship between energy usage and a property's market value. A few cities, including New York, now require the disclosure or benchmarking of energy use at commercial properties, and others are expected to follow suit. The trend is affecting property values and lenders that finance energy-efficiency upgrades.

Among the speakers at the institute's second annual conference on "sustainable real estate" will be **Theddi Wright Chappell,** who leads the sustainability practice at **Cushman & Wakefield** and specializes in energy-efficient retrofits; **Christopher Pyke,** an environmental scientist at the **U.S. Green Building Council;** and **Laurie Kerr,** an advisor to **New York City** mayor **Mike Bloomberg.** The event will be chaired by NYU associate professor **Constantine Kontokosta.** ❖

## Growth ... From Page 1

predicted that U.S. volume would surge to $39 billion in 2011, from a scant $11.6 billion in 2010. But while activity did jump significantly, it was constrained by several factors: a shortage of refinancing opportunities that fit the parameters for securitization, strong competition from balance-sheet lenders, and financial turmoil in Europe, which has roiled fixed-income markets for months.

Looking forward, the European crisis remains the biggest variable hanging over the market. When the crisis came to a head over the summer, CMBS spreads blew out, driving up the cost of funds for securitization shops, making them less competitive with portfolio lenders. Triple-A spreads, which had compressed to as little as 105 bp over swaps in early June, soared to 240 bp by late August. They have since retraced much of that ground, but the market gyrations have left CMBS lenders gun-shy.

"Europe and other macro issues have caused too much volatility in spreads, which has forced CMBS lenders to price in a higher yield," said one market pro. "That has created a gap between where CMBS prices a loan and where a life company prices a loan. Most of the time, CMBS just can't compete."

Insurance companies and foreign banks took down most of the top-tier mortgage assignments last year, usurping the role of CMBS lenders during the go-go days. Securitization shops battled for the leftovers — smaller loans and mortgages on second-tier properties. That trend is likely to continue in 2012, because many insurance companies expect to further increase originations (see article on Page 1).

"The competition from balance-sheet lenders is not going to let up this year," said one veteran lender. "If anything, it's going to be more intense."

Indeed, analysts predict that CMBS shops will continue to have a hard time drumming up refinancing assignments that fit within the tighter credit standards now prevailing.

"The five-year loans that are coming due in 2012 are going to be harder to refinance than the five-year loans that came due in 2011," because they were written closer to the market peak, said **Darrell Wheeler,** CMBS strategist at **Amherst Securities.** He noted that many of the collateral properties won't meet a key test that lenders use to evaluate the credit quality of a loan application — the "debt yield," or the ratio of a property's net operating income to the mortgage amount. The average debt yield on five-year loans maturing this year will fall to about 8%, from almost 10% last year, he said.

Another ongoing problem: the lack of demand for investment-grade bonds below the triple-A level. That drives up funding costs, hurting competitiveness.

But while progress may not be as fast as many would like, some CMBS pros think the sector is in the process of solidifying gains made since the crash.

"While I expect that 2012 volume will be right in line with 2011, I see a healthier dynamic," said **Larry Brown,** who heads **Archetype Mortgage Capital,** the conduit arm of **LNR Property.** "The trend is upward. Some $1.5 trillion of commercial real estate loans mature over the next three years. And investors once

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### CMBS Volume Predictions for 2012

| | U.S. ($Bil.) | Non-U.S. ($Bil.) | Total ($Bil.) |
|---|---|---|---|
| Manus Clancy, Trepp | $25 | $2 | $27 |
| Alan Todd, Bank of America | 28 | 2 | 30 |
| Sally Gordon, BlackRock | 31 | 3 | 34 |
| Darrell Wheeler, Amherst Securities | 33 | 2 | 35 |
| Jeffrey Berenbaum, Citigroup | 33 | 3 | 36 |
| Brian Lancaster, RBS | 35 | 2 | 37 |
| Larry Brown, Archetype Mortgage | 34 | 4 | 38 |
| Tim Gallagher, Morgan Stanley | 36 | 2 | 38 |
| P. Sheridan Schechner, Barclays | 40 | 4 | 44 |
| Lisa Pendergast, Jefferies & Co. | 40 | 2 | 42 |
| Daniel Bennett, Goldman Sachs | 40 | 5 | 45 |
| Anthony Orso, Cantor Fitzgerald | 65 | 7 | 72 |
| John Beaman, AREA Property | 60 | 15 | 75 |
| **Average Prediction for 2012** | **38** | **4** | **42** |
| **Actual 2011 Volume** | **33** | **3** | **36** |

### Second-Half Slump Thwarted Prognosticators

A panel of market pros was too bullish in its forecast for commercial MBS issuance last year.

U.S. volume was projected to jump to $39 billion, from $11.6 billion in 2010, according to the average prediction of 12 specialists surveyed by **Commercial Mortgage Alert** a year ago. And the sector was indeed on that pace during the first half of last year. But fallout from the European debt crisis and signs of U.S. economic weakness curbed activity in the second half, and volume for the year ended up at $32.7 billion, or 16% below expectations. The closest prediction was made by **Citigroup's Jeffrey Berenbaum,** who forecast $31 billion of issuance. **Brian Lancaster** of **RBS** was second, at $30 billion.

The pros, participating in Commercial Mortgage Alert's 17th annual battle of CMBS prognosticators, were also off the mark in forecasts for issuance outside of the U.S. The average prediction was that non-U.S. volume would rise to $8 billion, from $3 billion in 2010. But issuance inched up to just $3.3 billion. The correct amount was almost nailed by two participants: **Tim Gallagher** of **Morgan Stanley** and **Mark Landau,** formerly of **Deutsche Bank.** Each predicted $3 billion of non-U.S. issuance.

## Pine River Taps Lau to Buy CMBS

**Pine River Capital,** a hedge fund shop, has hired veteran trader **Chris Lau** to buy distressed commercial MBS.

The Minnetonka, Minn., company has decided to enter the sector because it sees opportunities to take advantage of shifting prices on legacy bonds at a time when delinquency rates are sky-high.

Lau, who is based in New York and started in mid-December, previously ran CMBS trading at **MF Global,** the brokerage headed by former New Jersey governor **Jon Corzine** that blew up in October.

Trader **Andy Schofield** also made the move with Lau from MF. Both will focus on trading legacy CMBS, including A-J notes and interest-only bonds. They will also trade CDO paper backed by commercial real estate debt.

The 60-day delinquency rate for securitized commercial mortgages was 8.37% at yearend, up from just 0.88% three years earlier, according to **Fitch.** ❖

## Growth ... From Page 22

again are taking comfort in this asset class, which performs well and is priced well versus others."

What's more, a few shops, including **Credit Suisse,** have pulled out of the market in recent months, presaging consolidation that should benefit the surviving shops.

"The problem is there are too many firms trying to make conduit loans," said **Leo Huang,** head of commercial real estate debt investments at hedge fund operator **Ellington Management.** "But there is a business to be had, and if the shakeout continues, it will be a good business for a handful of big players and maybe also a few specialty shops."

Others cited the re-emergence of super-senior bonds and the introduction of structural reforms aimed at safeguarding bond buyers as steps that are critical for rebuilding the market.

"We saw the return of the publicly offered, super-duper bond, with 30% credit enhancement" last year, said one veteran investor. "And we now have better disclosure in reps and warranties and in pooling and servicing agreements. All of this has made investors much more comfortable with the bonds. There is more wood to chop, but progress has certainly been made."

So while obstacles remain, securitization pros remain bullish over the long-term outlook. "There is a very clear need for CMBS," said one industry veteran. "There is a lot of money to be lent, but the insurance industry is not big enough to pick up the slack, and the banking industry is overloaded with too much commercial real estate debt. [CMBS is] still a damaged industry, but I think the future is much sunnier than where we sit today." ❖

# CALENDAR

## Main Events

| Dates | Event | Location | Sponsor | Information |
|---|---|---|---|---|
| Jan. 9-11 | CRE Finance Council January Conference 2012 | Miami Beach | CRE Finance Council | www.crefc.org |
| Feb. 5-8 | CREF/Multifamily Housing Convention | Atlanta | MBA | www.mortgagebankers.org |
| May 20-23 | Commercial/Multifamily Servicing & Technology 2012 | Dallas | MBA | www.mortgagebankers.org |
| June 11-13 | CRE Finance Council June Conference 2012 | Washington | CRE Finance Council | www.crefc.org |

## Events in US

| Dates | Event | Location | Sponsor | Information |
|---|---|---|---|---|
| Jan. 10 | Networking Event | New York | NRC | www.nationalrealtyclub.com |
| Jan. 10 | Networking Event | New York | YREPNY | www.yrepny.org |
| Jan. 12 | Real Estate M&A and REIT Transactions 2012 | New York | PLI | www.pli.org |
| Jan. 18-20 | Forum on Real Estate Opp. & Private Fund Investing | Laguna Beach, Calif. | IMN | www.imn.org |
| Jan 18-20 | Distressed Investing Conference | Las Vegas | TMA | www.turnaround.org |
| Jan. 19 | Economic & Real Estate Forecast for 2012 | Washington | RELA | www.rela.org |
| Jan. 22-25 | ASF 2012 | Las Vegas | ASF | americansecuritization.com |
| Jan. 23-24 | Commercial Real Estate Financing 2012 | New York | PLI | www.pli.edu |
| Jan. 25 | New Year's Networking Event | New York | RELA | www.rela.org |
| Jan. 25 | Networking event | New York | NRC | www.nationalrealtyclub.com |
| Jan. 26 | Real Estate Forecast 2012 | New York | GreenPearl & CCIM | www.greenpearl.com |
| Jan. 27 | Recent Developments in Distr. Debt, Restr. & Workouts | New York | PLI | www.pli.edu |

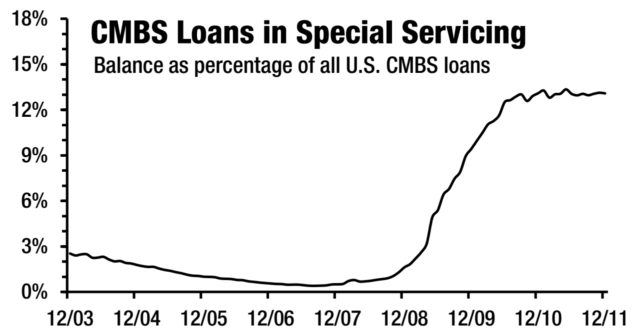
**To view the complete conference calendar, visit The Marketplace section of CMAlert.com**

# CMBS Performance Measures Continue Holding Steady

## Breakdown of CMBS Servicing

As of Dec. 31

| Collateral | Balance ($Mil.) | Portion of Loan Type In Special Servicing (%) | Share of Special Servicing (%) | Share of All CMBS Loans (%) |
|---|---|---|---|---|
| Office | $24,964.8 | 13.52 | 31.27 | 30.28 |
| Retail | 17,357.9 | 9.41 | 21.75 | 30.25 |
| Multi-family | 15,276.1 | 18.20 | 19.14 | 13.77 |
| Hotel | 10,952.9 | 18.94 | 13.72 | 9.48 |
| Industrial | 3,941.7 | 13.64 | 4.94 | 4.74 |
| Other | 7,330.2 | 10.47 | 9.18 | 11.48 |
| **TOTAL** | **79,823.5** | **13.09** | **100.00** | **100.00** |




Source: Trepp

Two key indicators of credit quality for commercial MBS loans barely moved last month and finished the year close to where they started.

The 60-day delinquency rate for securitized commercial mortgages slipped to 8.37% at yearend, from 8.41% a month earlier, according to **Fitch.** The rate stood at 8.23% a year before. In between, delinquencies reached an all-time high of 9.01% on July 31.

Meanwhile, **Trepp** reported that the percentage of CMBS loans in special servicing dropped by 4 bp last month, to 13.09%. That's virtually unchanged from 13.1% a year ago, and back down from its peak of 13.35% at the end of May.

The net balance of securitized mortgages in the hands of special servicers was $79.8 billion at yearend, down from $80.7 billion on Nov. 30 and $88.4 billion at yearend 2010. There were 4,234 loans in that category at the end of last month, 33 fewer than a month earlier and 508 below the year-ago tally.

The largest securitized loan to fall 60 days behind in payments last month was a $363 million mortgage to Los Angeles real estate firm **BentleyForbes** on the 55-story Bank of America Plaza in Atlanta. **J.P. Morgan** originated the 10-year loan on the 1.3 million-square-foot office tower in 2006 and securitized it via two pooled offerings totaling $7.4 billion (J.P. Morgan Chase Commercial Mortgage Securities Trust, 2006-LDP9 and 2006-CIBC17). The borrower has run into trouble because lead tenant **Bank of America** is cutting back its space.

The addition of that mortgage contributed to a 28-bp jump

See PERFORMANCE on Page 29

## Large Loans Recently Transferred to Special Servicing

| | Current Balance ($Mil.) | Type | Loan Date | Maturity Date | Sent to Special Servicer | Status | Securitization |
|---|---|---|---|---|---|---|---|
| Morgan Stanley/Glenborough office portfolio | $310.5 | Floating | 11/29/06 | 12/9/11 | 12/9/11 | Matured, nonperf. | COMM 07-FL14 |
| Westin New York at Times Square (Hotel) | 232.0 | Floating | 9/9/05 | 3/11/12 | 12/1/11 | Current | BALL 05-MIB1 |
| Crowne Plaza Times Square, New York (Hotel) | 151.8 | Floating | 11/16/06 | 12/9/11 | 11/22/11 | Current | MSC 07-XLF |
| Legends at Village West, Kansas City, Kan. (Retail) | 137.0 | Fixed | 7/31/07 | 8/1/37 | 11/9/11 | 60-89 days late | LBUBS 07-C7 |
| Discover Mills, Lawrenceville, Ga. (Retail) | 135.0 | Fixed | 11/30/06 | 12/11/11 | 12/6/11 | Matured, nonperf. | JPMCC 06-LDP9 |
| 100 Wall Street, New York (Office) | 117.4 | Fixed | 5/15/07 | 6/11/12 | 12/1/11 | Current | LBUBS 07-C6 |
| Renaissance Resort & Casino, Oranjestad, Aruba | 112.6 | Floating | 1/1/07 | 1/9/12 | 12/2/11 | Current | CSMC 07-TFL1 |
| Harbor Plaza, Stamford, Conn. (Office) | 77.0 | Fixed | 3/19/04 | 4/1/14 | 11/18/11 | Current | JPMCC 04-CIBC8 |
| Philips at Sunrise, Massapequa, N.Y. (Retail) | 65.0 | Fixed | 12/1/06 | 12/1/16 | 11/22/11 | Current | BSCMT 06-PWR14 |
| Broward, Fla., multi-family portfolio | 64.8 | Fixed | 12/1/06 | 12/1/11 | 11/9/11 | Matured, nonperf. | COMM 06-C8 |
| Prescott Gateway, Prescott, Ariz. (Retail) | 60.0 | Fixed | 11/14/06 | 12/1/11 | 12/1/11 | Matured, nonperf. | JPMCC 06-LDP9 |
| 10 Penn Center, Philadelphia (Office) | 56.0 | Fixed | 10/26/06 | 11/9/11 | 11/18/11 | Matured, nonperf. | JPMCC 07-LDP12 |
| 33 Washington, Newark, N.J. (Office) | 54.3 | Fixed | 12/1/05 | 12/1/15 | 11/18/11 | 90+ days late | GECMC 06-C1 |
| San Tan Village Phase 2, Gilbert, Ariz. (Retail) | 45.0 | Fixed | 1/30/07 | 2/1/12 | 11/18/11 | Current | JPMCC 07-LDP10 |
| Broward Financial Ctr., Fort Lauderdale, Fla. (Office) | 42.1 | Fixed | 1/12/04 | 3/1/09 | 12/2/11 | Current | BACM 04-2 |
| Firecreek Crossing, Reno, N.V. (Retail) | 39.7 | Fixed | 11/10/03 | 12/1/13 | 11/14/11 | Current | BACM 04-1 |
| Carlson Bloomington/Philadelphia portfolio (Hotel) | 32.2 | Fixed | 12/1/06 | 12/1/16 | 11/17/11 | Current | COMM 06-C8 |
| Newburgh Mall, Newburgh, N.Y. (Retail) | 31.1 | Fixed | 8/8/05 | 9/7/15 | 11/22/11 | 60-89 days late | GMACC 06-C1 |

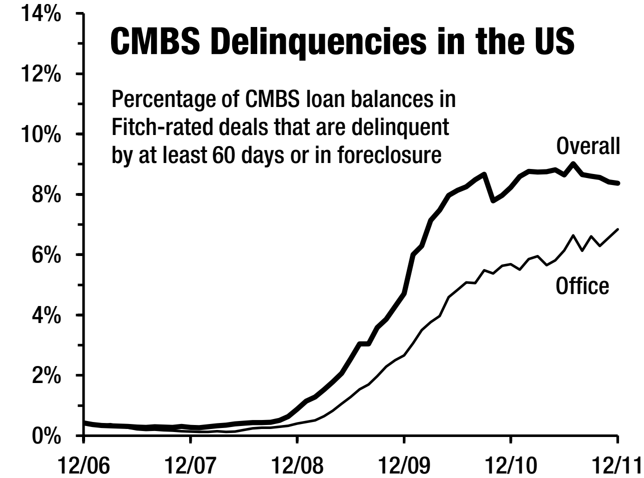
Source: Trepp

## Performance ... From Page 28

in the delinquency rate for office loans last month. The rate for that sector reached a record 6.84% at yearend, up from the previous high of 6.64% on July 31 and 5.69% a year ago. "Offices will continue to be a problem for CMBS this year, with delinquencies likely to climb further as longer-term leases continue to roll," said **Mary MacNeill,** a Fitch managing director.

The late-payment rate for retail loans also climbed last month, rising 26 bp to 6.89%. But it was down from 7.2% a year earlier. For multi-family mortgages, the rate went down last month by 129 bp to 14.42%, compared to 15.63% at yearend 2010. Delinquencies also declined for hotel loans, by 64 bp to 12.02% last month (down from 13.99% a year ago), and industrial mortgages, by 9 bp to 10.25% (up from 6.24% a year ago).

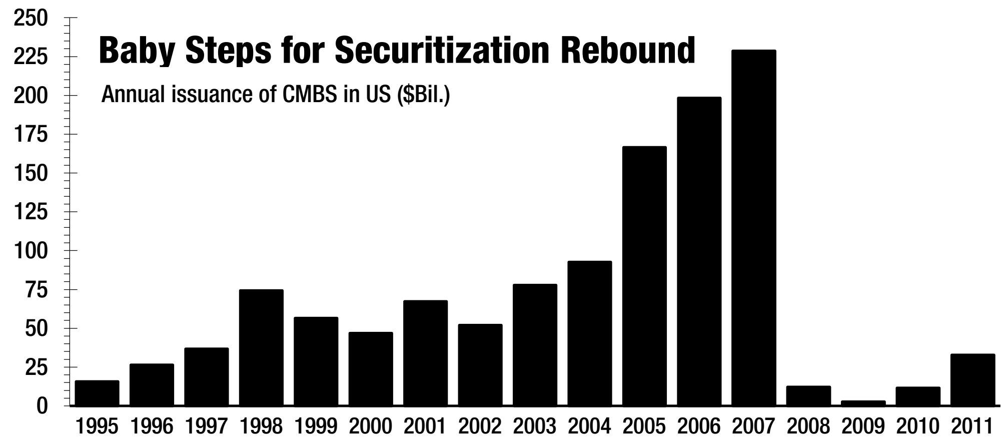
Fitch's index tracks loans in U.S. securitizations rated by the agency that are overdue by at least 60 days, in foreclosure or classified as matured but non-performing. At the end of December, 2,564 loans totaling $33.6 billion fell into that category — compared to 2,579 mortgages totaling $33.8 billion on Nov. 30 and 2,981 loans totaling $34.7 billion a year ago. Another $2.2 billion of loans were delinquent by 30-59 days at the end of last month, compared to $2.1 billion on Nov. 30 and $3.8 billion a year ago. Fitch rates CMBS transactions backed by about 33,400 commercial mortgages totaling $401.9 billion. ❖




| | Dec. 2011 (%) | Month Earlier (%) | Year Earlier (%) |
|---|---|---|---|
| Multi-family | 14.42 | 15.71 | 15.63 |
| Hotel | 12.02 | 12.66 | 13.99 |
| Industrial | 10.25 | 10.34 | 6.24 |
| Retail | 6.89 | 6.63 | 7.20 |
| Office | 6.84 | 6.56 | 5.69 |
| **OVERALL** | **8.37** | **8.41** | **8.23** |

Source: Fitch

# Deutsche Wins 2 CMBS Rankings; JP Morgan Takes Lending Crown




**Deutsche Bank** edged out defending champ **J.P. Morgan** last year in the annual bookrunner league tables for global and U.S. commercial MBS transactions, but J.P. Morgan retained the top spot in the ranking of loan contributors to securitizations.

CMBS issuance in the U.S. almost tripled, to $32.7 billion from $11.6 billion in 2010, as the sector started to get back on its feet after the market screeched to a halt during the financial crisis. But volume was well below the projected $39 billion level because of a slump in the second half of the year. And it was a far cry from the peak years of 2005-2007, when annual volume ranged as high as $228.6 billion.

Activity outside of the U.S. remained deeply depressed last year. Issuance totaled only $3.3 billion, barely up from $3 billion in 2010. Global issuance was $36 billion, up from $14.6 billion.

J.P. Morgan appeared poised to retain the global and U.S. bookrunner crowns, but Deutsche snatched them in mid-December by unexpectedly pricing one transaction and by negotiating with an underwriting partner to receive a larger amount of bookrunner credit on another offering.

Those maneuvers lifted Deutsche's bookrunner volume on U.S. transactions to $6.3 billion, a slim $108 million more than J.P. Morgan, according to **Commercial Mortgage Alert's** CMBS Database. **Wells Fargo** captured third place, with $4.3 billion of credit, followed by **Bank of America** ($2.9 billion) and **UBS** ($2.8 billion).

Because non-U.S. activity was so minimal, the order of finish in the global ranking was the same. Meanwhile, **HSBC** topped the league table for non-U.S. transactions, with $1 billion of activity, followed by **Mizuho** ($631.3 million).

**Goldman Sachs** captured the ranking that gives full credit to all members of underwriting syndicates of global transactions. Goldman served as lead or co-manager on $14.8 billion of transactions, meaning that it had a hand in 41% of global CMBS issuance. Deutsche finished second, at $14 billion, followed by defending champ J.P. Morgan ($13.7 billion), Wells ($13 billion) and **Citigroup** ($10.4 billion).

While it lost out on the global and U.S. league tables, J.P. Morgan held on to the title of top loan contributor to CMBS transactions — cementing its position as the most-active originator of CMBS loans in the post-crash era. J.P. Morgan securitized $5.6 billion of loans last year, or 19% of the industry total. Next came Deutsche ($4.2 billion), **Morgan Stanley** ($2.92 billion), Wells ($2.90 billion) and UBS ($2.88 billion).

The issuance of agency CMBS last year jumped by 24%, to $33.3 billion, reflecting the dominant role in multi-family financing played by **Fannie Mae, Freddie Mac** and **Ginnie Mae. Credit Suisse** led agency bookrunners, with $8.3 billion of volume, or a 25% market share. Following were BofA ($5.9 billion), J.P. Morgan ($4.7 billion), **Jefferies & Co.** ($4 billion) and Wells ($2.9 billion).

CDO/resecuritization volume plummeted by 65%, to $2.6 billion from $7.5 billion in 2010. Resecuritizations accounted for almost all of that activity. BofA was the most-active bookrunner in the category, with $1.2 billion of volume, or almost half of the total. ❖

## Summary of CMBS Issuance

| Full Year | U.S. ($Mil.) | Non-U.S. ($Mil.) | Global ($Mil.) | Agency ($Mil.) | CDO ($Mil.) |
|---|---|---|---|---|---|
| 1995 | $15,749.7 | $1,050.9 | **$16,800.6** | $2,011.8 | $87.3 |
| 1996 | 26,365.3 | 930.3 | **27,295.6** | 1,980.0 | 418.7 |
| 1997 | 36,797.7 | 3,557.0 | **40,354.7** | 2,635.3 | 1,008.8 |
| 1998 | 74,331.7 | 628.8 | **74,960.5** | 2,721.0 | 1,470.9 |
| 1999 | 56,556.0 | 9,085.0 | **65,641.0** | 1,678.9 | 548.3 |
| 2000 | 46,934.7 | 12,097.1 | **59,031.8** | 1,328.0 | 1,148.1 |
| 2001 | 67,314.1 | 22,713.8 | **90,027.9** | 4,930.8 | 4,503.7 |
| 2002 | 52,073.6 | 28,705.9 | **80,779.5** | 6,850.2 | 12,832.0 |
| 2003 | 77,848.1 | 20,802.0 | **98,650.1** | 7,982.9 | 5,591.3 |
| 2004 | 92,594.6 | 35,188.4 | **127,783.0** | 6,219.6 | 8,829.1 |
| 2005 | 166,502.2 | 69,822.4 | **236,324.6** | 4,624.7 | 22,354.9 |
| 2006 | 198,382.9 | 96,058.8 | **294,441.7** | 7,414.4 | 39,824.0 |
| 2007 | 228,555.9 | 85,492.1 | **314,048.0** | 3,165.8 | 41,782.3 |
| 2008 | 12,145.9 | 6,728.2 | **18,874.1** | 3,673.0 | 8,718.8 |
| 2009 | 2,743.7 | 4,576.2 | **7,319.9** | 8,704.7 | 4,119.0 |
| 2010 | 11,632.7 | 2,983.4 | **14,616.1** | 26,924.3 | 7,504.4 |
| 2011 | 32,706.3 | 3,340.3 | **36,046.6** | 33,308.9 | 2,632.1 |

# Global CMBS Bookrunners in 2011

| | | 2011 Issuance ($Mil.) | No. of Deals | Market Share (%) | 2010 Issuance ($Mil.) | No. of Deals | Market Share (%) | '10-'11 % Chg. |
|---|---|---|---|---|---|---|---|---|
| 1 | Deutsche Bank | $6,796.9 | 12 | 18.9 | $2,154.8 | 4 | 14.7 | 215.4 |
| 2 | J.P. Morgan | 6,566.3 | 14 | 18.2 | 4,338.0 | 10 | 29.7 | 51.4 |
| 3 | Wells Fargo | 4,335.8 | 12 | 12.0 | 415.8 | 1 | 2.8 | 942.8 |
| 4 | Bank of America | 2,931.9 | 9 | 8.1 | 878.2 | 5 | 6.0 | 233.8 |
| 5 | UBS | 2,830.4 | 4 | 7.9 | 0.0 | 0 | 0.0 | |
| 6 | Goldman Sachs | 2,503.9 | 5 | 6.9 | 2,119.5 | 7 | 14.5 | 18.1 |
| 7 | Morgan Stanley | 2,297.6 | 5 | 6.4 | 0.0 | 0 | 0.0 | |
| 8 | RBS | 2,091.6 | 4 | 5.8 | 309.7 | 1 | 2.1 | 575.4 |
| 9 | Citigroup | 1,758.0 | 3 | 4.9 | 1,319.1 | 5 | 9.0 | 33.3 |
| 10 | Barclays | 1,176.3 | 6 | 3.3 | 874.1 | 4 | 6.0 | 34.6 |
| 11 | HSBC | 1,012.9 | 2 | 2.8 | 717.3 | 1 | 4.9 | 41.2 |
| 12 | Mizuho | 631.3 | 2 | 1.8 | 0.0 | 0 | 0.0 | |
| 13 | Credit Suisse | 375.6 | 2 | 1.0 | 154.4 | 1 | 1.1 | 143.2 |
| 14 | Cantor Fitzgerald | 319.3 | 2 | 0.9 | 0.0 | 0 | 0.0 | |
| 15 | TD Securities | 207.4 | 1 | 0.6 | 0.0 | 0 | 0.0 | |
| 16 | Macquarie Bank | 105.7 | 1 | 0.3 | 0.0 | 0 | 0.0 | |
| 16 | Westpac | 105.7 | 1 | 0.3 | 0.0 | 0 | 0.0 | |
| | OTHERS | 0.0 | 0 | 0.0 | 1,335.2 | 7 | 9.1 | -100.0 |
| | **TOTAL** | **36,046.6** | **51** | **100.0** | **14,616.1** | **29** | **100.0** | **146.6** |

# Deals That Priced in the Fourth Quarter

## CMBS

| Pricing | Issuer | Country | Seller/Borrower | Bookrunner(s) | Amount ($Mil.) |
|---|---|---|---|---|---|
| 10/7 | COMM Mortgage Trust, 2011-FL1 | U.S. | Deutsche Bank | Deutsche Bank | $619.0 |
| 10/27 | FREMF Mortgage Trust, 2011-K15 | U.S. | Freddie Mac | Wells Fargo, BofA | 154.4 |
| 11/1 | WFRBS Commercial Mortgage Trust, 2011-C5 | U.S. | RBS, Wells, Basis, C-III, GE | Wells Fargo, RBS | 1,091.1 |
| 11/10 | FREMF Mortgage Trust, 2011-K704 | U.S. | Freddie Mac | BofA, Deutsche | 194.0 |
| 11/16 | J.P. Morgan Chase Commercial, 2011-FL1 | U.S. | J.P. Morgan | J.P. Morgan | 784.0 |
| 11/17 | CARS-DB4 LP, 2011-1 | U.S. | Capital Automotive | Credit Suisse | 286.8 |
| 12/2 | J.P. Morgan Chase Commercial, 2011-PLSD | U.S. | Pyramid Cos. | J.P. Morgan | 374.6 |
| 12/6 | CFCRE Commercial Mortgage Trust, 2011-C2 | U.S. | Cantor Fitzgerald | Cantor, Deutsche, Barclays | 774.1 |
| 12/7 | CVS Caremark, 2011 | U.S. | CVS Carmark | Barclays | 494.1 |
| 12/8 | FREMF Mortgage Trust, 2011-K16 | U.S. | Freddie Mac | Deutsche, J.P. Morgan | 156.6 |
| 12/9 | UBS-Citigroup Commercial Mortgage, 2011-C1 | U.S. | UBS, Natixis | UBS, Citigroup | 673.9 |
| 12/15 | COMM Mortgage Trust, 2011-STRT | U.S. | GGP, Ivanhoe Cambridge | Deutsche Bank | 191.3 |

## Commercial Real Estate CDOs and Resecuritizations

| Pricing | Issuer | Country | Seller/Borrower | Bookrunner(s) | Amount ($Mil.) |
|---|---|---|---|---|---|
| 11/22 | DBRR Trust, 2011-C32 | U.S. | Deutsche Bank | Deutsche Bank | $152.3 |

# Global CMBS Lead- and Co-Managers in 2011

| | | 2011 Issuance ($Mil.) | No. of Deals | Market Share (%) | 2010 Issuance ($Mil.) | No. of Deals | Market Share (%) | '10-'11 % Chg. |
|---|---|---|---|---|---|---|---|---|
| 1 | Goldman Sachs | $14,785.2 | 16 | 41.0 | $5,595.6 | 11 | 38.3 | 164.2 |
| 2 | Deutsche Bank | 13,951.9 | 19 | 38.7 | 4,683.9 | 9 | 32.0 | 197.9 |
| 3 | J.P. Morgan | 13,683.6 | 20 | 38.0 | 9,079.6 | 14 | 62.1 | 50.7 |
| 4 | Wells Fargo | 12,971.7 | 21 | 36.0 | 3,965.3 | 7 | 27.1 | 227.1 |
| 5 | Citigroup | 10,411.3 | 14 | 28.9 | 3,208.1 | 8 | 21.9 | 224.5 |
| 6 | RBS | 8,463.0 | 6 | 23.5 | 2,757.6 | 4 | 18.9 | 206.9 |
| 7 | Morgan Stanley | 8,036.8 | 15 | 22.3 | 0.0 | 0 | 0.0 | |
| 8 | Bank of America | 7,540.7 | 17 | 20.9 | 3,108.9 | 9 | 21.3 | 142.5 |
| 9 | UBS | 6,641.7 | 4 | 18.4 | 0.0 | 0 | 0.0 | |
| 10 | Ladder Capital | 5,967.7 | 3 | 16.6 | 856.6 | 1 | 5.9 | 596.7 |
| 11 | Barclays | 5,302.9 | 16 | 14.7 | 3,310.8 | 8 | 22.7 | 60.2 |
| 12 | CastleOak Securities | 2,888.1 | 4 | 8.0 | 876.5 | 1 | 6.0 | 229.5 |
| 13 | Nomura | 2,421.8 | 2 | 6.7 | 65.0 | 1 | 0.4 | 3,625.9 |
| 14 | Natixis | 1,973.2 | 2 | 5.5 | 1,166.3 | 2 | 8.0 | 69.2 |
| 15 | HSBC | 1,748.7 | 2 | 4.9 | 1,434.5 | 1 | 9.8 | 21.9 |
| 16 | Credit Suisse | 1,597.6 | 9 | 4.4 | 770.2 | 3 | 5.3 | 107.4 |
| 17 | Cantor Fitzgerald | 1,408.6 | 2 | 3.9 | 0.0 | 0 | 0.0 | |
| 18 | Jefferies & Co. | 1,318.3 | 8 | 3.7 | 697.0 | 5 | 4.8 | 89.1 |
| 19 | RBC | 701.5 | 2 | 1.9 | 0.0 | 0 | 0.0 | |
| 20 | DBS Bank | 645.0 | 1 | 1.8 | 0.0 | 0 | 0.0 | |
| 20 | Standard Chartered Bank | 645.0 | 1 | 1.8 | 0.0 | 0 | 0.0 | |
| 22 | Mizuho Securities | 631.3 | 2 | 1.8 | 0.0 | 0 | 0.0 | |
| 23 | KeyBanc | 494.1 | 1 | 1.4 | 0.0 | 0 | 0.0 | |
| 23 | Santander | 494.1 | 1 | 1.4 | 0.0 | 0 | 0.0 | |
| 23 | SMBC Securities | 494.1 | 1 | 1.4 | 0.0 | 0 | 0.0 | |
| 23 | SunTrust | 494.1 | 1 | 1.4 | 0.0 | 0 | 0.0 | |
| 27 | ORIX | 402.3 | 1 | 1.1 | 0.0 | 0 | 0.0 | |
| 28 | Morgan Keegan | 359.5 | 1 | 1.0 | 0.0 | 0 | 0.0 | |
| 29 | Macquarie Bank | 211.3 | 1 | 0.6 | 0.0 | 0 | 0.0 | |
| 29 | Westpac | 211.3 | 1 | 0.6 | 0.0 | 0 | 0.0 | |
| 31 | CIBC | 207.4 | 1 | 0.6 | 0.0 | 0 | 0.0 | |
| 31 | National Bank Financial | 207.4 | 1 | 0.6 | 0.0 | 0 | 0.0 | |
| 31 | TD Securities | 207.4 | 1 | 0.6 | 0.0 | 0 | 0.0 | |
| | OTHERS | 0.0 | 0 | 0.0 | 3,194.2 | 8 | 21.9 | -100.0 |
| | **TOTAL** | **36,046.6** | **51** | **100.0** | **14,616.1** | **29** | **100.0** | **146.6** |

# US CMBS Bookrunners in 2011

| | | 2011 Issuance ($Mil.) | No. of Deals | Market Share (%) | 2010 Issuance ($Mil.) | No. of Deals | Market Share (%) | '10-'11 % Chg. |
|---|---|---|---|---|---|---|---|---|
| 1 | Deutsche Bank | $6,306.4 | 11 | 19.3 | $2,154.8 | 4 | 18.5 | 192.7 |
| 2 | J.P. Morgan | 6,198.4 | 13 | 19.0 | 4,338.0 | 10 | 37.3 | 42.9 |
| 3 | Wells Fargo | 4,335.8 | 12 | 13.3 | 415.8 | 1 | 3.6 | 942.8 |
| 4 | Bank of America | 2,931.9 | 9 | 9.0 | 878.2 | 5 | 7.5 | 233.8 |
| 5 | UBS | 2,830.4 | 4 | 8.7 | 0.0 | 0 | 0.0 | |
| 6 | Morgan Stanley | 2,297.6 | 5 | 7.0 | 0.0 | 0 | 0.0 | |
| 7 | Goldman Sachs | 2,136.0 | 4 | 6.5 | 1,402.3 | 6 | 12.1 | 52.3 |
| 8 | RBS | 2,091.6 | 4 | 6.4 | 309.7 | 1 | 2.7 | 575.4 |
| 9 | Citigroup | 1,758.0 | 3 | 5.4 | 1,105.4 | 4 | 9.5 | 59.0 |
| 10 | Barclays | 1,125.3 | 5 | 3.4 | 874.1 | 4 | 7.5 | 28.7 |
| 11 | Credit Suisse | 375.6 | 2 | 1.1 | 154.4 | 1 | 1.3 | 143.2 |
| 12 | Cantor Fitzgerald | 319.3 | 2 | 1.0 | 0.0 | 0 | 0.0 | |
| | **TOTAL** | **32,706.3** | **43** | **100.0** | **11,632.7** | **21** | **100.0** | **181.2** |

# Loan Contributors to US CMBS Deals

Collateral supplied to U.S. securitizations backed by recently originated mortgages

| | | Short Term ($Mil.) | Single Borrower ($Mil.) | Conduit/ Fusion ($Mil.) | 2011 Total ($Mil.) | % of Total | 2010 Total ($Mil.) | % of Total | '10-'11 % Chg. |
|---|---|---|---|---|---|---|---|---|---|
| 1 | J.P. Morgan | $784.0 | $799.6 | $3,969.7 | **$5,553.3** | 18.9 | $3,147.7 | 40.0 | 76.4 |
| 2 | Deutsche Bank | 619.0 | 1,135.0 | 2,470.1 | **4,224.1** | 14.4 | 1,626.5 | 20.7 | 159.7 |
| 3 | Morgan Stanley | 0.0 | 0.0 | 2,924.3 | **2,924.3** | 10.0 | 0.0 | 0.0 | |
| 4 | Wells Fargo | 0.0 | 450.0 | 2,452.6 | **2,902.6** | 9.9 | 316.7 | 4.0 | 816.5 |
| 5 | UBS | 0.0 | 0.0 | 2,876.5 | **2,876.5** | 9.8 | 0.0 | 0.0 | |
| 6 | Goldman Sachs | 0.0 | 325.0 | 1,840.2 | **2,165.2** | 7.4 | 1,063.2 | 13.5 | 103.6 |
| 7 | RBS | 0.0 | 0.0 | 2,091.4 | **2,091.4** | 7.1 | 237.1 | 3.0 | 782.1 |
| 8 | Bank of America | 0.0 | 410.0 | 1,330.1 | **1,740.1** | 5.9 | 320.3 | 4.1 | 443.2 |
| 9 | Cantor Fitzgerald | 0.0 | 0.0 | 1,408.6 | **1,408.6** | 4.8 | 0.0 | 0.0 | |
| 10 | Citigroup | 0.0 | 0.0 | 1,251.1 | **1,251.1** | 4.3 | 518.2 | 6.6 | 141.4 |
| 11 | Ladder Capital Finance | 0.0 | 0.0 | 1,016.5 | **1,016.5** | 3.5 | 329.8 | 4.2 | 208.2 |
| 12 | Natixis | 0.0 | 0.0 | 266.0 | **266.0** | 0.9 | 127.5 | 1.6 | 108.6 |
| 13 | Basis Real Estate Capital | 0.0 | 0.0 | 220.0 | **220.0** | 0.7 | 98.8 | 1.3 | 122.7 |
| 14 | Starwood Property | 0.0 | 0.0 | 209.0 | **209.0** | 0.7 | 83.6 | 1.1 | 150.1 |
| 15 | C-III Commercial Mortgage | 0.0 | 0.0 | 181.8 | **181.8** | 0.6 | 0.0 | 0.0 | |
| 16 | GE Capital | 0.0 | 0.0 | 153.1 | **153.1** | 0.5 | 0 | 0.0 | |
| 17 | Barclays | 0.0 | 100.0 | 0.0 | **100.0** | 0.3 | 0 | 0.0 | |
| 18 | RCG Longview | 0.0 | 0.0 | 76.4 | **76.4** | 0.3 | 0 | 0.0 | |
| | **TOTAL** | **1,403.0** | **3,219.6** | **24,737.2** | **29,359.9** | **100.0** | **7,869.4** | **100.0** | **273.1** |

# Non-US CMBS Bookrunners in 2011

| | | 2011 Issuance ($Mil.) | No. of Deals | Market Share (%) | 2010 Issuance ($Mil.) | No. of Deals | Market Share (%) | '10-'11 % Chg. |
|---|---|---|---|---|---|---|---|---|
| 1 | HSBC | $1,012.9 | 2 | 30.3 | $717.3 | 1 | 24.0 | 41.2 |
| 2 | Mizuho | 631.3 | 2 | 18.9 | 0.0 | 0 | 0.0 | |
| 3 | Deutsche Bank | 490.5 | 1 | 14.7 | 0.0 | 0 | 0.0 | |
| 4 | Goldman Sachs | 367.9 | 1 | 11.0 | 717.3 | 1 | 24.0 | -48.7 |
| 4 | J.P. Morgan | 367.9 | 1 | 11.0 | 0.0 | 0 | 0.0 | |
| 6 | TD Securities | 207.4 | 1 | 6.2 | 0.0 | 0 | 0.0 | |
| 7 | Macquarie Bank | 105.7 | 1 | 3.2 | 0.0 | 0 | 0.0 | |
| 7 | Westpac | 105.7 | 1 | 3.2 | 0.0 | 0 | 0.0 | |
| 9 | Barclays | 51.1 | 1 | 1.5 | 0.0 | 0 | 0.0 | |
| | OTHERS | 0.0 | 0 | 0.0 | 1,548.9 | 8 | 51.9 | -100.0 |
| | **TOTAL** | **3,340.3** | **8** | **100.0** | **2,983.4** | **8** | **100.0** | **12.0** |

# Bookrunners of Real Estate CDOs and Resecuritizations in 2011

| | | 2011 Issuance ($Mil.) | No. of Deals | Market Share (%) | 2010 Issuance ($Mil.) | No. of Deals | Market Share (%) | '10-'11 % Chg. |
|---|---|---|---|---|---|---|---|---|
| 1 | Bank of America | $1,184.6 | 3 | 45.0 | $864.1 | 4 | 11.5 | 37.1 |
| 2 | Deutsche Bank | 598.4 | 3 | 22.7 | 456.9 | 2 | 6.1 | 31.0 |
| 3 | Morgan Stanley | 548.6 | 2 | 20.8 | 2,374.9 | 7 | 31.6 | -76.9 |
| 4 | Wells Fargo | 182.0 | 1 | 6.9 | 56.2 | 1 | 0.7 | 223.6 |
| 5 | J.P. Morgan | 118.6 | 1 | 4.5 | 147.0 | 1 | 2.0 | -19.3 |
| | OTHERS | 0.0 | 0 | 0.0 | 3,605.2 | 12 | 48.0 | -100.0 |
| | **TOTAL** | **2,632.1** | **10** | **100.0** | **7,504.4** | **27** | **100.0** | **-64.9** |

# Top CMBS Bookrunners Through the Years

| | Global CMBS | Global Lead- & Co-Managers | U.S. CMBS | Non-U.S. CMBS | Real Estate CDOs, Resecuritizations | Agency CMBS |
|---|---|---|---|---|---|---|
| 1993 | Goldman Sachs | | | | | |
| 1994 | Lehman Brothers | | | | | |
| 1995 | Lehman Brothers | | | | | |
| 1996 | Lehman Brothers | | | | | |
| 1997 | Lehman Brothers | Lehman Brothers | | | | |
| 1998 | Lehman Brothers | Morgan Stanley | | | | |
| 1999 | Morgan Stanley | Goldman Sachs | Lehman Brothers | Morgan Stanley | | |
| 2000 | Morgan Stanley | Deutsche Bank | Morgan Stanley | Morgan Stanley | | |
| 2001 | Morgan Stanley | Deutsche Bank | Credit Suisse | Morgan Stanley | | |
| 2002 | Deutsche Bank | Deutsche Bank | Credit Suisse | Morgan Stanley | Deutsche Bank | Credit Suisse |
| 2003 | Morgan Stanley | Morgan Stanley | Credit Suisse | Morgan Stanley | Deutsche Bank | Credit Suisse |
| 2004 | Morgan Stanley | Morgan Stanley | Bank of America | Citigroup | Wachovia | RBS Greenwich |
| 2005 | Morgan Stanley | Deutsche Bank | J.P. Morgan | Morgan Stanley | Morgan Stanley | RBS Greenwich |
| 2006 | Morgan Stanley | Morgan Stanley | Wachovia | Morgan Stanley | Goldman Sachs | Bank of America |
| 2007 | Morgan Stanley | Morgan Stanley | Morgan Stanley | Morgan Stanley | Wachovia | RBS Greenwich |
| 2008 | Bank of America | Bank of America | Bank of America | Hypo Real Estate | Deutsche Bank | RBS Greenwich |
| 2009 | Goldman Sachs | Goldman Sachs | Barclays | Goldman Sachs | Morgan Stanley | Bank of America |
| 2010 | J.P. Morgan | J.P. Morgan | J.P. Morgan | Goldman Sachs | Morgan Stanley | Barclays |
| 2011 | Deutsche Bank | Goldman Sachs | Deutsche Bank | HSBC | Bank of America | Credit Suisse |

# Bookrunners of Agency CMBS in 2011

| | | 2011 Issuance ($Mil.) | No. of Deals | Market Share (%) | 2010 Issuance ($Mil.) | No. of Deals | Market Share (%) | '10-'11 % Chg. |
|---|---|---|---|---|---|---|---|---|
| 1 | Credit Suisse | $8,312.3 | 16 | 25.0 | $3,771.3 | 9 | 14.0 | 120.4 |
| 2 | Bank of America | 5,887.4 | 15 | 17.7 | 4,922.1 | 13 | 18.3 | 19.6 |
| 3 | J.P. Morgan | 4,652.1 | 12 | 14.0 | 3,111.4 | 8 | 11.6 | 49.5 |
| 4 | Jefferies & Co. | 3,999.2 | 12 | 12.0 | 3,300.6 | 10 | 12.3 | 21.2 |
| 5 | Wells Fargo | 2,892.5 | 6 | 8.7 | 0.0 | 0 | 0.0 | |
| 6 | Deutsche Bank | 2,490.3 | 6 | 7.5 | 2,351.3 | 5 | 8.7 | 5.9 |
| 7 | Morgan Stanley | 1,656.3 | 3 | 5.0 | 0.0 | 0 | 0.0 | |
| 8 | RBS | 1,219.6 | 5 | 3.7 | 1,097.1 | 4 | 4.1 | 11.2 |
| 9 | Amherst Securities | 593.8 | 1 | 1.8 | 282.6 | 1 | 1.0 | 110.1 |
| 10 | Barclays | 548.6 | 1 | 1.6 | 6,594.3 | 5 | 24.5 | -91.7 |
| 11 | Citigroup | 537.7 | 1 | 1.6 | 476.0 | 1 | 1.8 | 13.0 |
| 12 | Goldman Sachs | 519.0 | 1 | 1.6 | 1,017.6 | 2 | 3.8 | -49.0 |
| | **TOTAL** | **33,308.9** | **73** | **100.0** | **26,924.3** | **52** | **100.0** | **23.7** |

# US Government Agency Deals That Priced in the Fourth Quarter

| Pricing | Issuer | Seller/Borrower | Bookrunner(s) | Amount ($Mil.) |
|---|---|---|---|---|
| 10/13 | Fannie Mae Multifamily REMIC Trust, 2011-M7 | Fannie Mae | Credit Suisse | $577.4 |
| 10/21 | Freddie Mac Structured Pass-Through Certificates, K-015 | Freddie Mac | Wells Fargo, BofA | 1,010.6 |
| 10/21 | Ginnie Mae REMIC Trust, 2011-142 | Credit Suisse | Credit Suisse | 866.7 |
| 10/21 | Ginnie Mae REMIC Trust, 2011-143 | Jefferies & Co. | Jefferies & Co. | 304.7 |
| 11/8 | Fannie Mae Multifamily REMIC Trust, 2011-M8 | Fannie Mae | Morgan Stanley | 719.0 |
| 11/10 | Freddie Mac Structured Pass-Through Certificates, K-704 | Freddie Mac | BofA, Deutsche | 1,009.0 |
| 11/21 | Ginnie Mae REMIC Trust, 2011-144 | J.P. Morgan | J.P. Morgan | 344.0 |
| 11/21 | Ginnie Mae REMIC Trust, 2011-147 | Credit Suisse | Credit Suisse | 474.8 |
| 11/21 | Ginnie Mae REMIC Trust, 2011-149 | Jefferies & Co. | Jefferies & Co. | 275.3 |
| 11/21 | Ginnie Mae REMIC Trust, 2011-152 | RBS | RBS | 251.6 |
| 12/8 | Freddie Mac Structured Pass-Through Certificates, K-016 | Freddie Mac | Deutsche, J.P. Morgan | 1,014.5 |
| 12/13 | Fannie Mae Multifamily REMIC Trust, 2011-M9 | Fannie Mae | Bank of America | 512.8 |
| 12/21 | Ginnie Mae REMIC Trust, 2011-161 | Bank of America | Bank of America | 377.3 |
| 12/21 | Ginnie Mae REMIC Trust, 2011-164 | Jefferies & Co. | Jefferies & Co. | 350.2 |
| 12/21 | Ginnie Mae REMIC Trust, 2011-165 | Credit Suisse | Credit Suisse | 263.4 |

# Global CMBS Issuance in 2011

Excludes deals created for central-bank exchanges

| Deal Category (US) | 2011 ($Mil.) | No. of Deals | % of Total | 2010 ($Mil.) | No. of Deals | % of Total | '10-'11 % Chg. |
|---|---|---|---|---|---|---|---|
| Conduit/fusion | $26,538.7 | 29 | 81.1 | $5,772.1 | 11 | 49.6 | 359.8 |
| Single-borrower (nonlease-backed) | 3,354.1 | 7 | 10.3 | 4,447.5 | 6 | 38.2 | -24.6 |
| Short-term (pooled) | 1,403.0 | 2 | 4.3 | 0.0 | 0 | 0.0 | |
| Lease-backed (single borrower) | 780.9 | 2 | 2.4 | 801.4 | 2 | 6.9 | -2.6 |
| Seasoned collateral | 629.6 | 3 | 1.9 | 302.0 | 1 | 2.6 | 108.5 |
| Large loan | 0.0 | 0 | 0.0 | 309.7 | 1 | 2.7 | -100.0 |
| **TOTAL** | **32,706.3** | **43** | **100.0** | **11,632.7** | **21** | **100.0** | **181.2** |

| Deal Category (Non-US) | 2011 ($Mil.) | No. of Deals | % of Total | 2010 ($Mil.) | No. of Deals | % of Total | '10-'11 % Chg. |
|---|---|---|---|---|---|---|---|
| Single-borrower (nonlease-backed) | $1,817.9 | 5 | 54.4 | $1,548.9 | 7 | 51.9 | 17.4 |
| Lease-backed (single borrower) | 1,103.7 | 1 | 33.0 | 1,434.5 | 1 | 48.1 | -23.1 |
| Seasoned collateral | 211.3 | 1 | 6.3 | 0.0 | 0 | 0.0 | |
| Fixed rate (multiple borrowers) | 207.4 | 1 | 6.2 | 0.0 | 0 | 0.0 | |
| **TOTAL** | **3,340.3** | **8** | **100.0** | **2,983.4** | **8** | **100.0** | **12.0** |

| Offering Type | 2011 ($Mil.) | No. of Deals | % of Total | 2010 ($Mil.) | No. of Deals | % of Total | '10-'11 % Chg. |
|---|---|---|---|---|---|---|---|
| Rule 144A | $24,252.5 | 36 | 67.3 | $11,632.7 | 21 | 79.6 | 108.5 |
| SEC-registered | 8,453.8 | 7 | 23.5 | 0.0 | 0 | 0.0 | |
| Non-U.S. | 3,340.3 | 8 | 9.3 | 2,983.4 | 8 | 20.4 | 12.0 |
| **TOTAL** | **36,046.6** | **51** | **100.0** | **14,616.1** | **29** | **100.0** | **146.6** |

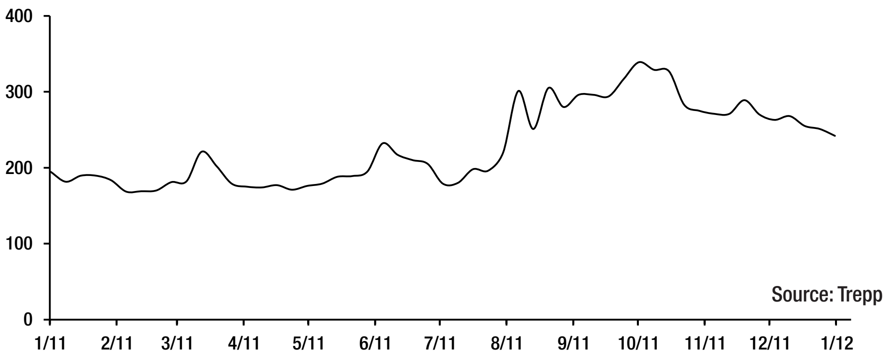
| Note Denomination | 2011 ($Mil.) | No. of Deals | % of Total | 2010 ($Mil.) | No. of Deals | % of Total | '10-'11 % Chg. |
|---|---|---|---|---|---|---|---|
| U.S. | $33,351.3 | 44 | 92.5 | $11,632.7 | 21 | 79.6 | 186.7 |
| U.K. | 1,594.2 | 2 | 4.4 | 1,434.5 | 1 | 9.8 | 11.1 |
| Japan | 682.4 | 3 | 1.9 | 229.4 | 2 | 1.6 | 197.5 |
| Australia | 211.3 | 1 | 0.6 | 567.9 | 2 | 3.9 | -62.8 |
| Canada | 207.4 | 1 | 0.6 | 0.0 | 0 | 0.0 | |
| Euro | 0.0 | 0 | 0.0 | 470.2 | 1 | 3.2 | -100.0 |
| Singapore | 0.0 | 0 | 0.0 | 213.7 | 1 | 1.5 | -100.0 |
| South Africa | 0.0 | 0 | 0.0 | 67.7 | 1 | 0.5 | -100.0 |
| **TOTAL** | **36,046.6** | **51** | **100.0** | **14,616.1** | **29** | **100.0** | **146.6** |

| Property Type | 2011 ($Mil.) | % of Total | 2010 ($Mil.) | % of Total | '10-'11 % Chg. |
|---|---|---|---|---|---|
| Retail | $15,038.2 | 42.2 | $6,416.4 | 45.5 | 134.4 |
| Office | 7,864.9 | 22.1 | 1,925.5 | 13.6 | 308.5 |
| Hotel | 4,433.8 | 12.4 | 2,150.8 | 15.2 | 106.1 |
| Multi-family | 3,554.0 | 10.0 | 1,434.1 | 10.2 | 147.8 |
| Warehouse/industrial | 1,641.4 | 4.6 | 1,572.9 | 11.1 | 4.4 |
| Mobile-home park | 526.3 | 1.5 | 28.2 | 0.2 | 1,765.3 |
| Nursing/retirement | 383.0 | 1.1 | 1.9 | 0.0 | 19,952.9 |
| Other | 2,202.7 | 6.2 | 583.3 | 4.1 | 277.7 |
| **TOTAL** | **35,644.3** | **100.0** | **14,113.0** | **100.0** | **152.6** |
| Unidentified | 402.3 | | 503.1 | | |
| **GRAND TOTAL** | **36,046.6** | | **14,616.1** | | **146.6** |

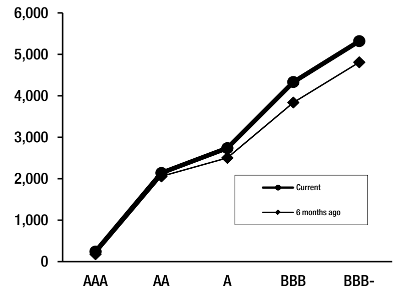
# MARKET MONITOR

## CMBS SPREADS

### 10YR, AAA SPREAD OVER SWAPS




### CMBS SPREADS OVER SWAPS



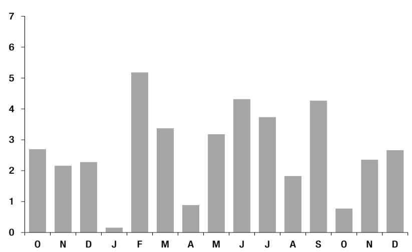

| Fixed Rate (Conduit) | Avg. Life | Spread (bp) 1/4 | Week Earlier | 52-wk Avg. |
|---|---|---|---|---|
| AAA | 5.0 | S+202 | S+211 | +189 |
| | 10.0 | S+242 | S+251 | +228 |
| AA | 10.0 | S+2,138 | S+2,150 | +2,090 |
| A | 10.0 | S+2,737 | S+2,752 | +2,585 |
| BBB | 10.0 | T+4,345 | T+4,372 | +3,993 |

| Markit CMBX 05-1 | Dollar Price 1/4 | Week Earlier | 52-wk Avg. |
|---|---|---|---|
| AAA | 91.5 | 91.5 | 92.5 |
| AA | 44.9 | 44.9 | 55.9 |
| A | 33.1 | 33.1 | 43.5 |
| BBB | 17.5 | 17.5 | 22.3 |
| BB | 5.0 | 5.0 | 5.0 |

Sources: Trepp, Markit

## WORLDWIDE CMBS

### US MONTHLY ISSUANCE ($Bil.)




| Category | YTD 2011 | YTD 2010 | 2010 |
|---|---|---|---|
| US Total | 32.7 | 10.8 | 11.6 |
| Non-US Total | 3.3 | 2.8 | 3.0 |
| TOTAL | 36.0 | 13.6 | 14.6 |

## LOAN SPREADS

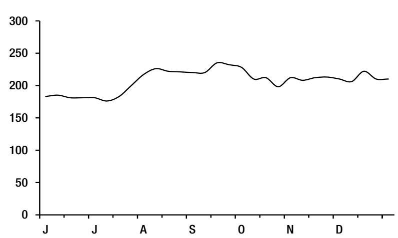
### ASKING SPREADS OVER TREASURYS

10-year loans with 50-59% LTV

| | 12/30 | Month Earlier |
|---|---|---|
| Office | 210 | 210 |
| Retail | 207 | 206 |
| Multi-family | 198 | 200 |
| Industrial | 205 | 205 |

Source: Trepp

### ASKING OFFICE SPREADS




## CMBS TOTAL RETURNS

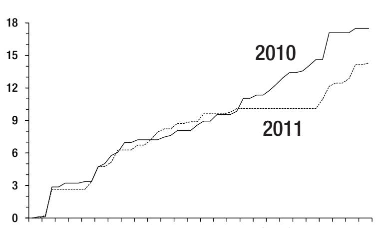
### CMBS INDEX

| As of 1/4 | Avg. Life | Total Return (%) Month to Date | Year to Date | Since 1/1/97 |
|---|---|---|---|---|
| Inv.-grade | 3.9 | 0.5 | 0.5 | 167.9 |
| AAA | 3.6 | 0.3 | 0.3 | 163.2 |
| AA | 4.2 | 0.6 | 0.6 | 62.5 |
| A | 4.7 | 0.8 | 0.8 | 45.7 |
| BBB | 4.8 | 0.9 | 0.9 | 40.6 |

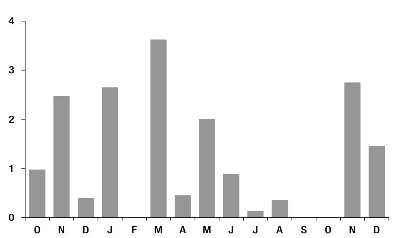
Souce: Barclays

## REIT BOND ISSUANCE

### UNSECURED NOTES, MTNs, ($Bil.)




### MONTHLY ISSUANCE ($Bil.)




Data points for all charts can be found in The Marketplace section of CMAlert.com

### SPREADS

| 12/16 | Maturity | Rating (M/S) | Amount ($Mil.) | Spread (bp) | CDS (bp) |
|---|---|---|---|---|---|
| Kimco | 10/19 | Baa1/BBB+ | 300 | T+280 | 204 |
| Simon Property | 12/21 | A3/A- | 700 | T+185 | 133 |
| Equity Residential | 12/21 | Baa1/BBB+ | 1,00 | T+260 | 194 |
| Prologis | 3/20 | Baa2/BBB- | 540 | T+335 | 275 |
| AvalonBay | 1/21 | Baa1/BBB+ | 250 | T+215 | 130 |
| Duke Realty | 3/20 | Baa2/BBB- | 250 | T+325 | 281 |
| Boston Properties | 5/21 | Baa2/A- | 850 | T+215 | 173 |
| Health Care Property | 2/21 | Baa2/BBB | 1,200 | T+295 | 221 |
| Regency Centers | 4/21 | Baa2/BBB | 250 | T+275 | |
| Liquid REIT Average | | Baa1/BBB+ | 593 | T+265 | 201 |

Source: Wells Fargo

## THE GRAPEVINE

... From Page 1

and mezzanine debt, and to provide "rescue capital" to distressed borrowers. Eightfold's principals will also tap their special-servicing experience to help clients negotiate loan workouts. The other initial principals are **Larry Golinsky, Brian Tageson, Michael Wheeler** and **Kevin Wodicka.**

Veteran lender **Richard Kirikian** left **Guggenheim Partners** at the end of the year. Kirikian, a managing director, co-headed origination with **Kieran Quinn.** Kirikian previously held senior posts in the CMBS groups at **J.P. Morgan** and **Bear Stearns.** The buzz is that **Robert Russell,** a senior managing director at Guggenheim's **Fannie Mae** lending platform, **Pillar Multifamily,** will become co-head of origination, along with Quinn, for both Guggenheim and Pillar.

**Aimee Dunn** left **CapitalSource** at year-end. She joined the Chevy Chase, Md., firm five years ago as director of real estate credit, and later added origination duties. Previously, Dunn spent several years at **J.E. Robert Cos.** as a B-piece buyer.

**Ladder Capital** is seeking to add three or four senior loan originators. The specialty finance firm wants to hire one or two staffers for its Los Angeles outpost and two more at its New York headquarters. All would be at the managing-director level. Candidates should contact Ladder president **Greta Guggenheim.**

**Keith L. Melton** this week joined **Walker & Dunlop** as a vice president of **FHA** finance. He will run the firm's new Nashville office, along with **David Strange.** Melton will focus on multi-family and healthcare originations, reporting to **Michelle Warner,** head of FHA finance for the firm. Previously, Melton worked with **Deutsche Bank Berkshire Mortgage, Fifth Third Bank** and **First American National Bank.**

**Kroll** wants to add three analysts to its 10-member CMBS group in New York, as it moves closer to rating its first multi-borrower offering. The recruits would come aboard as associates, associate directors or directors. They would report to managing director **Eric Thompson,** who runs CMBS ratings and surveillance. Since entering the CMBS market last year, Kroll has rated four single-borrower issues, one large-loan floater and the "rake" classes tied to one loan in a multi-borrower deal. It's expected to unveil initial rating criteria within about two months for conduit transactions — the market's bread-and-butter deal type.

**Fitch** is seeking an executive to play a lead role in evaluating and rating CMBS servicers. The recruit would work in New York or Chicago, with the title of director or senior director.

**Tom Graziano** joined **HFF** last month as director of the firm's New Jersey office. He will focus on debt, structured finance and joint-venture equity deals in the Northeast. Graziano reports to senior managing directors **Jon Mikula** and **Tom Didio.** Previously, he worked for **Keefe, Bruyette & Woods** in New York.




### COMMERCIAL MORTGAGE ALERT www.CMAlert.com

**Telephone:** 201-659-1700 **Fax:** 201-659-4141 **E-mail:** info@hspnews.com

| | | | |
|---|---|---|---|
| **Donna Knipp** | Managing Editor | 201-234-3967 | dknipp@hspnews.com |
| **Bob Mura** | Senior Writer | 201-234-3978 | bmura@hspnews.com |
| **Richard Quinn** | Senior Writer | 201-234-3997 | rquinn@hspnews.com |
| **Joe Ryan** | Senior Writer | 201-234-3970 | jryan@hspnews.com |
| **Chad Weihrauch** | Senior Writer | 201-234-3988 | chad@hspnews.com |
| **Andrew Albert** | Publisher | 201-234-3960 | andy@hspnews.com |
| **Daniel Cowles** | General Manager | 201-234-3963 | dcowles@hspnews.com |
| **Thomas J. Ferris** | Editor | 201-234-3972 | tferris@hspnews.com |
| **T.J. Foderaro** | Deputy Editor | 201-234-3979 | tjfoderaro@hspnews.com |
| **Ben Lebowitz** | Deputy Editor | 201-234-3961 | blebowitz@hspnews.com |
| **Dan Murphy** | Deputy Editor | 201-234-3975 | dmurphy@hspnews.com |
| **Michelle Lebowitz** | Operations Director | 201-234-3977 | mlebowitz@hspnews.com |
| **Evan Grauer** | Database Director | 201-234-3987 | egrauer@hspnews.com |
| **Mary E. Romano** | Advertising | 201-234-3968 | mromano@hspnews.com |
| **Joy Renee Selnick** | Layout Editor | 201-234-3962 | jselnick@hspnews.com |
| **Barbara Eannace** | Marketing Director | 201-234-3981 | barbara@hspnews.com |
| **JoAnn Tassie** | Customer Service | 201-659-1700 | jtassie@hspnews.com |

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INVESTMENTS SPECIAL SERVICING ADVISORY COMMERCIAL REAL ESTATE

We are pleased to announce the rebranding of GSREA, LLC and its affiliates to Talmage, LLC ("Talmage") and our new office location at 430 Park Avenue.

Talmage is an active investor in, and advisor/special servicer on, large and complex commercial real estate transactions. Since 2003, we have made in excess of $10 billion of CRE fixed income investments, acted as the special servicer on $10 billion of transactions and advised on over $30 billion of loan restructurings and modifications.

As a firm, we invest side-by-side in all of our investment vehicles and provide bespoke services for our investors (such as customized separate accounts) and for our special servicing and advisory clients.


**Edward L. Shugrue III**
es@talmagellc.com
212.209.1380

**Grant G. Rogers**
gr@talmagellc.com
212.209.1381

**Jonathan M. Block**
jb@talmagellc.com
212.209.1383

**Daniel J. Abram**
da@talmagellc.com
212.209.1384

**Brendan D. McCormick**
bmc@talmagellc.com
212.209.1385

**Sara K. Peterkin**
sp@talmagellc.com
212.209.1389


Please contact us to discuss our businesses and market insights.