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The Definitive Source on Commercial Property Sales, Financing and Investment

Real Estate Finance & Investment

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

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Financing

Commercial Mortgage Spreads Widen On CMBS Volatility

Commercial mortgage rate spreads fluctuated wildly this week as conduit commercial mortgage-backed securities pricing faltered. A deal from **Morgan Stanley** and **Bank of America** widened out 17 basis points (see related story) and a deal from **JPMorgan** was out another five points in price guidance at press time. Spreads on credit instruments are out broadly and this is affecting where lenders are quoting loans.

The 10-year swap rate, the benchmark for CMBS, is up 60 basis points to 270 compared to a month ago. This has translated to a 45 basis point increase for a generic 65% loan-to-value CMBS loan being quoted by lenders in the past week, according to **Christopher Moyer**, director at **Cushman & Wakefield**. Since mid May, spreads on 10-year AAA, 30% subordinated CMBS are out around 40 basis points, and wider by about 100 points for the BBB- securities. "This is all sending a whiplash through the system. It's hard to put pricing on anything right now," said Moyer.

Lenders were reportedly using material adverse change provisions in the wake of **Federal Reserve** comments in order to allow them to charge borrowers a higher rate than what was initially quoted. CMBS lenders, in particular, were said to be scrambling to adjust to the hike in interest rates as borrowers were looking to lock in lower pricing.

(continued on page 16)

Property

Jamestown Circles Media Campus

Jamestown Properties is close to a deal to buy the Lantana Entertainment Campus in Santa Monica, Calif. The deal is Jamestown's first in the Los Angeles market. At around $300 million, or $650 per square foot, the price tag equals a $100 million profit for seller **Lionstone Group**. **Eastdil Secured** handled the marketing for the 463,000-square-foot complex (*REFI* 06/13).

Big institutional money has been pushing prices up in West Los Angeles, attracted by the influx of creative and tech tenants to the area. Houston-based developer **Hines** acquired **Tishman Speyer**'s Campus at Playa Vista for $670 per square foot, or $218 million earlier in the year. And **CommonWealth Partners**

(continued on page 16)

Q&A

Data-Driven Sales Firm Eyes SanFran Condo Boom

Q&A with Chris Foley, PolarisPacifc

San Francisco-based brokerage firm **PolarisPacific** is seeing a growing demand for condominium developments in the city, where new multifamily rental supply is surging while condos for sale are in shorter supply. The firm's tack is to use data-driven sales techniques to identify and tap into unique trends in a given market. *REFI*'s **Max Adams** spoke with PolarisPacific principal **Chris Foley** about the firm's use of data in its sales strategy and about the boom in San Francisco condo investments.

(continued on page 15)

IN THIS ISSUE

EDITOR'S NOTE

Might the market finally be calming down after **Ben Bernanke** sent investors heading for the hills last week? There were some indications that this was the case this past week, but volatility persisted in the capital markets. This is driving spreads outs widely on most credit instruments, CMBS and commercial mortgage rates. Get the big picture on page one and five.

In property news, **Kennedy Wilson**'s bid to acquire a vacant two-building complex in Beverly Hills points to growing demand in that market, where value-add properties are pulling in core prices. See page six for details.

Finally, a note to readers who were expecting our monthly commercial mortgage rate spreads feature in this issue— while we have provided commentary on the front page, our regular providers of this data were unable to do so this month. **Cushman &Wakefield** executives say that because of volatility in the market, there is no accurate gauge of where spreads are at the moment.

Samantha Rowan
Managing Editor

AT PRESS TIME

Bids For ING Portfolio Enter Second Round

The bidding for **ING**'s loan portfolio (*REFI*, 5/21) has entered the second round, with five buyers submitting initial bids for the $2 billion of performing commercial real estate loans. **Bank of America**, **JPMorgan**, **Capital One**, **TD Bank** and **Wells Fargo** submitted first round bids and all but JPMorgan will be back for the second round. Prices offered range from par to slightly above, and those involved say ING will likely have no problem selling the loans at a slight premium. Whether JPMorgan backed out or was not called back could not be determined. Calls to the bidders were not returned.

The portfolio comprises about 50 performing commercial real estate loans, as well as a handful of mezzanine loans. ING is not using a broker and is selling the portfolio as a whole. The sale is part of the Dutch bank's unwinding of its U.S. real estate portfolio. It sold about $500 million of commercial mortgages to Tokyo-based **Aozora Bank** in September. The sales follow the pattern of similar moves by German bank **Eurohypo** last year and earlier this year. The bank sold about $560 million of mostly commercial real estate loans to Wells Fargo in April of last year. Wells partnered with **Blackstone Group** who took down the handful of non-performing assets.

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Institutional Investor Intelligence

Financing

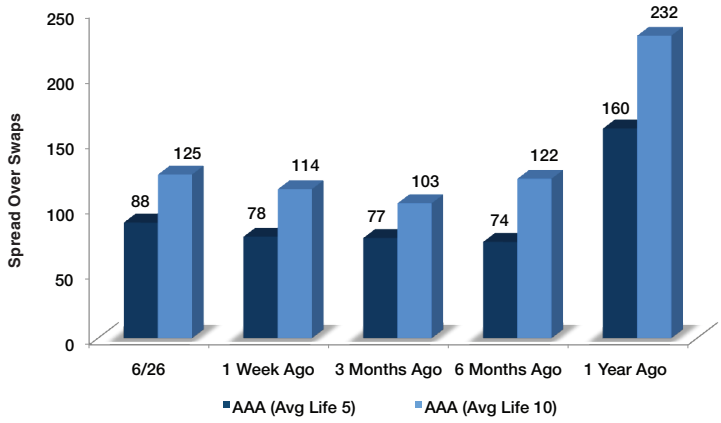
CMBS Market Snapshot

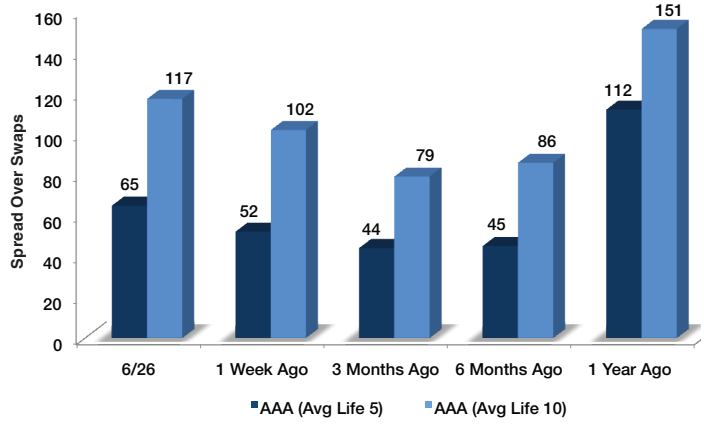
Fitch Ratings this week reported that transfers of large commercial mortgage-backed securities loans to special servicing are declining. So far in 2013, 43 loans over $20 million have been transferred, representing a significant decline from the same year-to-date period in 2012 when 94 had moved over to the special servicers. Of those transferred this year, six are over $100 million, down from 16 last year.

Office and retail lead the way by property type. There have been 20 office and 12 retail loans transferred this year. The rating agency notes that it is keeping a close eye on re-defaults of CMBS loans. According to Fitch, eight of the 43 large CMBS loans transferred this have already been moved to special servicing once before.

CMBS SPREADS SNAPSHOT—JUNE 26

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





TREPP'S CMBS SPREADS MATRIX—JUNE 26

CMBS 1.0

Fixed Rate	Avg Life	Benchmark	6/26	1 Week Ago	3 Months Ago	6 Months Ago	1 Year Ago
AAA	5	S+	88	78	77	74	160
AAA	10	S+	125	114	103	122	232
AA	10	S+	1,300	1,282	1,445	1,555	1,993
A	10	S+	1,904	1,881	2,060	2,164	2,635
BBB	10	T+	3,433	3,407	3,713	3,807	4,337
BBB-	10	T+	4,453	4,422	4,703	4,798	5,323

CMBS 2.0

Fixed Rate (Conduit)	Avg Life	Benchmark	6/26	1 Week Ago	3 Months Ago	6 Months Ago	1 Year Ago
AAA	5	S+	65	52	44	45	112
AAA	10	S+	117	102	79	86	151
AA	10	S+	194	178	136	180	271
A	10	S+	245	222	190	242	417
BBB	10	T+	381	340	334	414	614
BBB-	10	T+	473	422	379	472	679

Benchmarks as of June 26: 10-year Treasury 2.542 10-year Swap 2.7545

Source: Trepp, LLC

Financing

Single Asset Pipeline Dries Up

The market for commercial mortgage-backed securities backed by a loan on a single property has slowed down precipitously since the beginning of the year, when more of the securities were sold than in all of 2012. Issuers sold about 23 single asset or single borrower deals in the first half of the year, totaling around $14 billion, compared to $11 billion last year. Buyers say they are looking at five conduit deals in the pipeline through the end of July, but none involving single assets.

Reasons given for the slowdown are numerous. Rising interest rates are projected to hobble issuance broadly, but particularly in the single asset space, where competition for trophy assets is fierce among many different sources of capital. The thinking is that as interest rates climb, balance sheet lenders such as insurance companies will win more of these deals.

Investors also say they got their fill of the deals in the first two quarters, when there were some weeks in which as many as three were priced simultaneously. "I think that market is pretty well saturated. With everyone trying to see where things are going, it's not a great time for [single asset] deals," said one investor at a Midwest asset manager. Large loans that are getting securitized in recent weeks are going into conduit deals as split loans, or pari-passu structures. The resurgence of the fusion deal could hobble issuance of single asset deals, market players say.

The final reason investors are pointing to is a general move away from retail properties, which back a large portion of single asset CMBS. Retail is a heavily bifurcated market, and buyers are cautious on the sector especially given the recent woes of several large anchor tenants such as **JCPenney** and **Sears**.

MORNINGSTAR'S LOAN TRANSFERS TO SPECIAL SERVICING

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

Property Type	Loan Name	Deal ID	City	State	Zip	UPB	Maturity date	Date xferd to S/S
Hotel	Circa Capital - East Pool	MLT03KY1	Various	Various	Various	$19,927,014.11	8/1/13	5/28/13
Hotel	Circa Capital - West Pool	MLT03KY1	Various	Various	Various	$16,230,873.35	8/1/13	5/28/13
Hotel	Holiday Inn Express & Suites	CMAC99C1	Eagan	MN	55122	$4,992,320.40	5/1/14	5/28/13
Hotel	Country Inn & Suites Dulles	MLCF0709	Sterling	VA	20166	$4,183,471.20	10/5/17	5/28/13
Hotel	Quality Inn - Annapolis, MD	CTG07C06	Annapolis	MD	21401	$2,708,892.30	5/6/17	5/13/13
Industrial	Centre Pointe	JPC05LD1	Landover	MD	20785	$18,011,337.13	12/11/14	5/17/13
Industrial	940 N Central	BSC06P12	Wood Dale	IL	60191	$8,496,858.08	6/5/16	5/3/13
Industrial	Manchester Air Center	CD07CD4	Manchester	NH	3103	$8,283,044.61	2/6/17	5/29/13
Industrial	5 Industrial Drive West	CLT08LS1	Deerfield	MA	1373	$8,013,388.79	9/1/17	5/8/13
Industrial	Carmel Mountain Corporate Center	BSC05PW8	San Diego	CA	92128	$7,200,000.00	5/4/14	5/10/13
Multi-family	The Exchange at Tucson	WBC07C30	Tucson	AZ	85745	$15,827,500.00	1/11/17	5/22/13
Multi-family	Wellesley Crescent	FREMFK10	Redwood City	CA	94062	$7,020,547.16	9/1/20	5/23/13
Multi-family	Sunpointe Place	GCC07G11	Largo	FL	33770	$6,811,442.29	8/6/17	4/23/13
Multi-family	Kristopher Woods Apartments	LBUB03C5	Clarkston	GA	30021	$5,554,424.98	5/11/13	5/20/13
Multi-family	Santa Fe Place Apartments	CSF03C04	Balcones Heights	TX	78201	$3,894,375.38	5/11/13	5/29/13
Office	Cerritos Corporate Center	MLT06C01	Cerritos	CA	90703	$92,090,175.83	2/1/16	6/3/13
Office	Independent Square	WBC06C25	Jacksonville	FL	32202	$85,000,000.00	4/11/16	6/4/13
Office	100 Technology Center Drive	CTG07C06	Stoughton	MA	2072	$37,600,000.00	4/1/17	5/15/13
Office	Windsor Corporate Park	MLCF0705	East Windsor	NJ	8520	$29,889,138.44	1/8/17	6/10/13
Office	Technology Park (Roll Up)	JPC08C02	Norcross	GA	30092	$25,279,569.42	10/1/17	6/4/13
Other	Ambler Portfolio	CSM07C04	Ambler	PA	19002	$2,367,623.69	4/1/17	5/17/13
Retail	Montehiedra Town Center	GCC06GG7	San Juan	PR	926	$120,000,000.00	7/6/16	5/24/13
Retail	Geneva Commons	GMAC03C2	Geneva	IL	60134	$40,213,314.85	5/1/13	5/3/13
Retail	Orchard Place Shopping Center	JPC07C19	Skokie	IL	60077	$35,000,000.00	4/1/17	5/31/13
Retail	Quintard Mall	BSC05PW7	Oxford	AL	36203	$31,871,752.29	1/1/15	5/7/13
Retail	Geneva Commons	GMAC03C3	Geneva	IL	60134	$23,457,767.19	5/1/13	5/3/13

Source: Morningstar Credit Ratings, LLC

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

Financing

Mortgage Broker Eyes Big Second Half

Eastern Union Funding, a New York-based commercial mortgage brokerage, is looking forward to a big second half of 2013 and is on track to hit its projected goal of $3 billion in deal volume for the year. The thinking is that, with rising interest rates looming on the horizon, buyers and sellers are looking to close deals as quickly as they can. "Everyone that is in the middle of that process will look to move and close fast," said Eastern Union ceo **Ira Zlotowitz**.

The firm, which has a footprint throughout the Northeast, is seeing particularly high velocity in the multifamily market and in construction. For construction lending, which has picked up nationally as community and regional banks step back into that space, Zlotowitz is seeing between 200 and 500 basis points over LIBOR depending on the project. "Multifamily is taking up the bulk of the new construction at the moment," he added. The market is still trying to assess the damage from last week's selloff in **Treasurys** and subsequent rise in interest rates. This is making it more difficult to assess pricing being offered by lenders, according to Zlotowitz. "I think that because rates have blown out, you can't take a full assessment of who has cheaper pricing," he noted. "As of right now you are in a state of limbo."

Eastern Union's expected ramp up in business comes at a time when many players in the market are predicting a slowdown in deal flow. This is especially true in the commercial mortgage-backed securities market, where rising interest rates will make CMBS execution less attractive for borrowers looking to refinance. CMBS players say they are expecting deal flow to drop sharply, especially as the first half of the year produced record issuance. Still, Zlotowitz says the firm is staring at a $1 billion pipeline for the coming six months. "For us, the second half of the year is going to be big."

Conduit Pricing Blows Out 17Bps

Morgan Stanley and **Bank of America**'s $1.4 billion conduit commercial mortgage-backed securities deal had the misfortune of being in the pipeline when **Federal Reserve** chairman **Ben Bernanke** hinted at an end to the quantitative easing program. The fallout from his comment is now hitting primary CMBS spreads hard, with Morgan Stanley and BofA pricing the benchmark class of bonds from their deal at 120 basis points over swaps, or 17 basis points wider than comparable bonds from the previous offering. The level is the widest in about a year.

Issuers were originally targeting swaps plus 103 for the $360 million A-4 class, in line with the last deal. The volatility in the market and blowout in interest rates were too much for investors, though, as they demanded a wider spread from the issuers for most of the deal's classes. On Monday, the 10-year **Treasury** rate jumped to 2.64%, the highest level since August 2011. "I think everyone is still waiting to see where things are going to settle. It was just bad timing for this one," said **Dan Lisser**, managing director at **Johnson Capital** in New York.

Investors are expecting at least five conduits through the end of July. **Deutsche Bank** and **Cantor Commercial Real Estate** are in the market with their $1.3 billion COMM 2013-CCRE9 this week, with the intention of selling the bonds early next week. Market player say that timing will be key for deals in the pipeline over the next month. The thinking is that issuers could possibly wait out some of the current volatility, but could also be in trouble if rates begin to rise more rapidly. "Did anybody expect this wasn't going to happen? It is inevitable that you are going to have rising rates," noted **Eric Thompson**, senior managing director at **Kroll Bond Ratings**. "Eventually rates are going to have to return back to what their historic norms have been."

Property Sales

This week, Malkin Holdings continues to suffer the IP-Woes, as an unnamed Middle Eastern buyer has made an unsolicited offer of $2.1 billion for the Empire State Building. The bid tops Rubin Schron's $2 billion proposal, and throws a further spanner in the works for Malkin's plan to roll the building into a multi-office property IPO. The Malkins are said to be reviewing both offers, according to a recent SEC filing.

Davis Said To Circle Boston Office

The Davis Companies is reportedly the highest bidder for **Nordblom Co.**'s sale of 50 Congress Street, an office building in Boston's financial district. The final price tag on the 180,000-square-foot property is said to have landed at $51 million, or $283 per square foot. **Synergy Investments** was the runner-up. **HFF**'s Boston team marketed the deal.

Davis owns and manages about six million square feet of commercial property and loans, with a roughly 95% occupancy rate on its buildings. The company is now targeting value-add acquisitions for its second investment fund, which recently closed on $413 million of equity commitments.

The office property at 50 Congress is 88.1% leased—around the average for offices in the financial district. The upside for The Davis Cos comes in the form of the potential to increase rents, which are now at $28.73 per square foot, or more than 22% below current market rents.

Davis' acquisition comes in a period of heightened activity in Boston's financial district. This week, **Eastdil Secured** is taking bids on 99 Summer Street for owner **Normandy Real Estate**. A heated bidding context is expected for the 272,000-square-foot office property, which is expected to fetch up to $425 per square foot, or a total of $115 million.

Kennedy Wilson Leads Pack For Beverly Hills Office

Kennedy Wilson is close to sealing a deal on a two-building complex in Beverly Hills that was once part of the former **William Morris Agency** headquarters. Kennedy is set to acquire the vacant properties at 150 and 151 S. El Camino Drive in the so-called Golden Triangle area of downtown Beverly Hills for $66 million, or $540 per square foot. Boutique brokerage **Madison Partners** handled the off-market deal for Los Angeles developer and landlord **CIM Group**.

The pricing on the vacant properties speaks to investor demand in Beverly Hills, where even properties with significant vacancy rates have sold for core prices. CIM Group acquired the three-story properties for $47.8 million, or $412 per square foot, in 2011.

The Beverly Hills submarket benefits from its limited availability of supply and the prestige attached to the location. Beverly Hills is considered its own island and popular West Los Angeles submarkets such as Santa Monica and Beverly Hills are still leading the city's recovery, thanks to their appeal to the creative industries.

Christine Cha, a Kennedy Wilson spokeswoman, declined to comment on the transaction, citing company policy. Calls to Madison Partners were not returned by press time.

GE Partnership Goes Ahead With Citigroup Listing

A partnership between **General Electric Pension Trust** and **Estein & Associates** has formally decided to pull the trigger on Chicago's 40-story Citigroup Center. Local brokers first told *REFI* in April (*REFI* 04/13) that a sale might be in the offing and the partnership has now hired **HFF** to handle the sale of the 1.4 million square foot property. **HFF** has handled a number of big ticket sales for GE in Chicago, including the 50% of the Citigroup Center it sold to Estein in 2005.

The property is expected to fetch up to $480 million this time around, up from an estimated $360 million in 2005. Any potential sale will be buoyed by **National Union Fire Insurance**'s 10-year lease to occupy around 75,000 square feet starting in 2014. The lease will boost occupancy to 93%.

Citigroup Center is GE's last office property holding in Chicago. "A lot of owners who were in the position to hold on during the crisis did just that and waited for the markets to recover," noted **Stephen Quazzo**, ceo of **Pearlmark RE Investors**, which is not involved in the deal. "Chicago's now tightened up, and with the threat of new supply it's now a good time to sell," he said. There are around six developments proposed in Chicago, including **Hines** and **Ivanhoe Cambridge**'s plan to develop a 45-story office building in Chicago's West Loop (*REFI* 05/12).

A GE spokesman declined to comment. Calls to HFF and Estein officials were not returned.

Property Sales

Sin City Retail Complex Hits The Block

Colliers International is marketing a big Las Vegas shopping center which fell victim to the financial crash. The 578,000-square-foot Tropicana Centre at 3035 – 3375 East Tropicana Avenue is expected to sell for $45 million, or $78 per square foot.

Beverly Hills-based **Mark Gabay** acquired the retail property in 2005 for $61 million. But amid the events of the 2008 financial crisis, the complex's occupancy dropped from 90% to 67%, amid accusations of landlord neglect. The property eventually slumped into receivership in 2009, after Gabay fell behind on the $55.5 million mortgage payments, and special servicers **Berkadia** and **Midland Loan Services** took over the following year.

After 2008, Las Vegas was widely considered to be the epicenter of the financial meltdown. Since then, things have improved: the city recently posted five consecutive quarters of positive absorption and retail vacancy has dropped to 11.9%—the first time since the fourth quarter of 2010 that it has dipped below 12%, according to market data from **CBRE**.

FAST FACT

The target price for the Las Vegas retail center is $45 million, or $78 per square foot.

One recent highlight in the market was **Hines**' benchmark deal to acquire the Summerlin Portfolio in Las Vegas, a 32-building, 1.2 million-square-foot investment in September last year (*REFI* 09/1). For many, the deal promised the re-entrance of big buck investors into the Vegas market and was the first investment that Hines had made there. Still, the feeling is that Las Vegas retail remains a risky bet.

Calls to brokers at Colliers were not returned.

Veteran Developer Resurrects D.C. Deal

Developer **Gregory Fazakerley** has arranged to buy a development site in D.C. which lay neglected after the markets soured in 2008. The developer paid $13 million for the property, located at 50 M Street SE in the Capitol Riverfront area . **Monument Realty** put the 15,567-square-foot on the block in April via **Cassidy Turley**. The firm had been planning a 135,000-square-foot office building.

Development in D.C. has seen an uptick in recent times, and Fazakerley will be hoping to tap into a wave of new construction surrounding Nationals Park, local brokers said. The site is zoned to allow for a new hotel and residential or commercial space of up to 140,103 square feet.

> "Recent transactions prove that the Capitol Riverfront area is a current focus for developers."
>
> —**Jayne Shister**

Fazakerley is a well-regarded developer in the city, whose best known project is the Executive Tower at 1399 New York Avenue.

The site at 50 M Street sits opposite **Skanska USA** and **Grosvenor Americas**' Square 701 development, which will hold four buildings with more than 650,000 square foot in total. Those properties will be a 170-room hotel, two residential buildings with a total of 285 units and a 224,000-square-foot office building. "Recent transactions prove that the Capitol Riverfront area is a current focus for developers," noted **Jayne Shister**, exec md at Cassidy.

Calls to Fazakerley were not returned.

BUYSIDE FUNDS

Carmel Close To Completing Fourth Fund

Carmel Partners has committed $800 million of the $820 million raised for its fourth fund, according to **Ron Zeff**, ceo. The San Francisco-based investor targets multi-family properties in markets with high barriers to entry, "Rent versus buy is better in these markets, as well as better investor demands and liquidity," Zeff told *REFI*. *Carmel Partners Fund IV* is targeting returns of 13-15%.

With roughly 16,800 units under management, the company has deployed $4.8 billion to date and considers its employees experts in the multi-family sector. "We believe there are better risk adjustment returns in that space," Zeff said. He added that rent growth is stable despite current trends that suggest people are looking to buy.

The company has purchased a 145 unit property in Honolulu for $300 million and developed a 125 unit, 31 story residential project in Manhattan, whose price was not disclosed.

Carmel Partners focuses on markets in Denver, Seattle, Honolulu, Washington D.C., Orange County and Irvine.

Builders & Buyers

Admiral Capital Gives Back 10%

Admiral Capital Real Estate Group sets itself apart from other real estate firms by pledging 10% of carried interest from its *Admiral Capital Real Estate Fund*-launched in 2011- to help inner city communities, a vision created by Admiral's founder and NBA Hall of Famer **David Robinson. Dan Bassichis,** co-founder, told *REFI* that his firm hopes to give back $1 million to $2 million after property values are realized. He added that the company does this by indentifying value-add opportunities in secondary markets. "The only way to raise this money is to deliver market or above market returns," Bassichis told *REFI.* "Because of the returns we need with leverage it's hard to find deals that fit. It will depend on how we execute our deals."

The San Antonio-based company, along with its co-sponsor **USAA**, recently joined forces with **South Bay Development Company** to reposition 4500 Great America Parkway, a 75,000 square-foot office property located in Santa Clara, California. Bassichis noted that joint ventures are a standard part of the firm's strategy.

The three-story, transit-oriented property will be renovated and repositioned to be a single-tenant space and will be upgraded to Class A standards through lobby, storefront, interior, electrical and landscaping improvements. Admiral will be the majority owner.

The firm is also working on projects in Austin, Atlanta, Las Vegas and Los Angeles, totaling $150 million. "We're seeing an increase in deal flow-- not a lot of activity, but the amount of capital and appetite for risk in the market is increasing," Bassichis said. "Better deal flow means better returns, and the better we do the more money we can give away."

With Admiral's primary focus on office and hotel properties valued between $15 million and $50 million, this venture marks its ninth project and first investment in the Silicon Valley submarket. Bassichis added that technology-based job growth in the Silicon Valley will make the property an attractive space for tenants looking to attract and maintain talent.

East End Capital: Has Money, Seeks Quiet Markets

East End Capital is fast becoming a case study in how to stay ahead of the competitive New York City real estate market. The firm targets Class A value-add properties in emerging submarkets, often in off-market settings.

The firm was an early big-name investor in the Garment District, which has since been touted as the next submarket to watch. "East End capital has established itself as an 'early entrant' buyer in New York. While the rest of the opportunistic world was trying to buy in Midtown South, they found less competition and strong returns in the Garment Center," noted **Will Silverman**, managing director at **Studley**.

East End's pitch is simple: In a world of quantitative easing, the firm is trying to create value that will be unaffected by the market's twists and turns. "We're creating NOI through aggressive asset management strategies," co-founder **Jonathon Yormak** told *REFI*. "We're targeting under-rented and under-performing properties in micro-markets and we're producing outsized growth," he said.

Next, the investment firm plans to target Downtown Manhattan in anticipation of the new Fulton Street retail corridor there. It now has a 550,000-square-foot office building in the Financial District under contract for around $170 million, or $309 per square foot. Other areas of interest include the spillover from mega-redevelopment project Hudson Yards, and Chinatown's Canal Street. "As SoHo shifts south and Tribeca shifts north, the connection between the two will become more desirable," co-founder **David Peretz** said.

East End Capital was founded by **Broadway Partners** alumni Yormak and Peretz, who left Broadway soon after the firm became one of most renowned victims of the financial bust. Broadway, one of the most prolific buyers in the boom, lost several over-leveraged properties in the fallout, including the John Hancock Tower in Boston.

So far, Yormak and Peretz have shied away from the big-buck deals that Broadway fell victim to, preferring instead to focus on acquiring properties that are broken, either physically or in terms of capitalization.

East End has been working closely with **GreenOak Real Estate**, an investment firm founded by three former **Morgan Stanley** execs. Together, the partnership has acquired three office buildings and one mixed-use project. The joint venture is now closing out a deal to sell two mixed-use properties in SoHo for twice the amount that it acquired them for, according to published reports. East End acquired the properties at 21 and 25-27 Mercer Street for $18 million last year, and is now in contract to sell them for $34 million to a foreign buyer.

At present, East End Capital is working on a deal-by-deal basis, but eventually plans to start a general partnership fund—potentially as soon as the end of 2014. Yormak and Peretz acknowledged that it is still difficult to be a first-time fund raiser in the present environment. "Capital is still interested in brand names, which continue to see the lion's share of allocations," Yormak said. "We're filing investment memorandums, auditing all of our returns. We're running the business entirely as if we're already an institutional fund manager, to prepare. So when the day comes to raise a fund, we'll be ready."

Builders & Buyers

Princeton Holdings Eyes Properties in Manhattan, Brooklyn

Princeton Holdings is looking at two new projects, one in Manhattan's SOHO submarket and the other in Brooklyn's Bushwick submarket, both of which are being funded via the $75 million the firm received after selling its 25% stake in the "Ring Portfolio." Additional details regarding the new projects were not disclosed, but John Tabak, CEO, said the $75 million exit- not including the $10 million deposit return- was double what they paid for a stake in the one million square-foot Manhattan office properties. "It was simple economics. We were offered a lot of money, so the offer was not easy to turn down," Tabak said.

The firm specializes in urban core markets, including Miami, Los Angeles and, particularly, Manhattan's Midtown South submarket. Princeton typically invests between $10 million and $40 million among all asset classes. "For us, we evaluate the underlying value of real estate, the value that already exists, instead of creating it," Tabak said. "If it takes two or three years for value to increase, that's OK. We don't have a time limit on how long we hold properties. It's however long it takes to get the best returns."

Tabak noted that in this market, everything is going fast. For his firm, it's about looking for strong fundamentals that can drive maximum additions to ROI. "Everyone wants a piece of New York," he said. "I've never seen such a hot market…as soon as something is available, it gets eaten up."

ASB Targets $1.2 Billion in Deals for 2013

Despite a stagnant investment pace in the retail market, **ASB Real Estate Investments** predicts it will double its pace from last year, in which it closed 12 deals totaling $600 million. **Robert Bellinger**, CEO, told *REFI*: "I thought there would be more of a significant increase this year in market pace…but we're seeing more demand and less supply of investment opportunities," Bellinger said.

The Washington D.C.-based firm joined forces with **Blatteis and Schnur** recently to acquire 6904 Hollywood Boulevard in Los Angeles from **The CIM Group**. The purchase was made on behalf of ASB's Allegiance Fund, which currently has $2.5 billion in equity, and expands the firm's LA retail portfolio to 71,000 square-feet. Focusing on urban-core markets with office, multi-family, industrial and, particularly, retail properties, ASB invests in "iconic corridors" instead of malls. "This space is in a great location and not only is it a valued property, but it's a branding opportunity for tenants," Bellinger said. "There's more people walking up and down [Hollywood Boulevard] than people walking through the top mall in that market."

The roughly 45,000 square-foot, high-end building is half retail and half office space, with the retail space 100% leased to **Zara**, an international fashion company, and the office space leased to **Allied Integrated Marketing** and **Napoleon Perdis Cosmetics.** The rooftop billboard is leased to the **Walt Disney Company**, and was noted as an important part of the deal.

ASB is concentrated in urban markets such as Manhattan, San Francisco, Beverly Hills, Santa Monica, Venice, and downtown Washington D.C. Bellinger attributes this choice in markets to the growing trend of young people wanting to live in major cities.

Laurus Still Keen On Hotels

Los Angeles-based **Laurus Corp.** sees value in the hotel sector, despite an increase in competition. The company recently acquired the 119,734 square-foot Sheraton North Hotel in Beltsville, Md., and hopes to complete about 15 acquisitions this year. "We're on a slightly faster pace than last year, but there has certainly been an increase in competition in the hotel sector. Despite [this], we still have excellent deal flow and think there's opportunity in the market," said **Austin Khan**, chief investment officer.

The company is planning a $2.5 million renovation for the hotel, which is close to Washington, D.C.'s three major airports and the Metro. Government agencies such as the **FBI**, **FDA** and **NSA** have been consolidating their presence in the area, making the hotel an attractive asset, Khan said. "We seek out opportunities, like this one, that allow us to use our expertise to turn around and reposition assets," he added. Laurus likes the hotel sector given its continued strong revenue growth, Khan said. "Coming back from the downturn a lot of [growth] was coming from occupancies, but now we're seeing growth in rates. Growth in room rates provides much more operating leverage and that provides revenue flow through opportunity to the bottom line," he added.

The hotel sector, however, isn't the company's only game. Laurus invests in all asset classes, targeting value-added, high-quality suburban markets with strong underlying, economic fundamentals. In the hotel sector, the firm focuses on markets driven by business rather than leisure locations and targets properties of 150-500 rooms.

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Builders & Buyers

Chambers Street Targets Up to $400 million in Acquisitions

Chambers Street Properties is working on $100 million of new acquisitions as part of a plan to complete as much as $350-400 million of deals this year. The company invests in primary and secondary markets, mostly targeting single-tenant net-lease industrial and office properties. "People are continuing to look at high-quality properties and that's something we like to be at the forefront of," said **Phil Kianka**, chief operating officer.

With $3.3 billion in assets under management, the Princeton, N.J.-based company is concentrated on the East Coast but has properties in 22 states, Germany and the U.K. "Office properties are significant in capital expenditure requirements, but with respect to warehouse investments, you're not really putting out as much money in terms of improvements in cash flow stream," Kianka said.

The company is also actively working on asset management, signing a one-year lease extension with **Weber Distribution**. Weber has been a long-time tenant at the company's Tolleson Commerce Park II in Phoenix and fully occupies the property. "They're an excellent tenant and we want to see how we can work with them to help them expand," Kianka said. "Weber is figuring out its logistic needs, so we're giving them more time."

MTA Looking To Lease Headquarters

The Metropolitan Transportation Authority is accepting proposals for long-term net leases on what is soon to be the company's former headquarters, located on 341-347 Madison Avenue in Manhattan **Cushman and Wakefield** has the listing and the agency expects winning applicants to demolish and renovate the three building complex.

FAST FACT

The new lessee will be expected to tear down and redevelop the three-building complex at 341-347 Madison Avenue.

The plan to relocate was announced in 2011 as the MTA was deciding whether to sell or lease the three 20-story office buildings adjacent to Grand Central Terminal. The agency's new headquarters will be located at nearby 420 Lexington Avenue and downtown at 2 Broadway, buildings where the MTA already has a presence.

The announcement to move came shortly after the MTA budget crisis in 2010, although MTA spokesperson **Aaron Donovan** said the two cannot be directly linked. The agency also considered selling the properties twice in the past 15 years but each time has opted not to. Donovan declined to comment further.

The cutoff for proposals is August 14. Donovan would not say whether any have been received so far.

Nahas Sees Value in Middle-Class

Investors seeking undervalued Class B and C residential properties should take advantage of the real estate cycle's recovery phase, according to **Kareem Nahas,** founder of **The Nahas Group**. "Right now we're in an upward curve," Nahas said. "I think it's going to be a slow and steady recovery, with some downturns in the cycle. We're going to see interest rates go up and home affordability go down." Private qualified investors can invest in the group's fund, which targets multifamily and sometimes single-home properties.

Nahas would not disclose investment minimums but did say that the firm has roughly $10 million to invest. "All I can say is I deal with savvy investors with a lot of money, willing to take a small risk on something with high returns," he said.

Nahas says he won't invest in space under 50 units because returns are too slim. Middle to upper-middle class areas where the unemployment rate is low are where the firm drives maximum ROI. Because the commercial and residential markets coincide, a strong job market is crucial for profitability.

The Las Vegas-based group utilizes a specific five-year strategy. "We look for properties in need of capital improvement with high vacancies and use private investor funds to fix up the space within the first year," Nahas said. "By the second year we refinance and return money to the investors, resulting in high returns. By years four and five we either sell or hold the property for long term profit. We use this [approach] because it allows investors to receive most, if not all, of their investment within two years, still leaving them with a monthly cash flow and their initial funds for another investment."

FAST FACT

The firm projects an ROI of 10% by the second year, and 20% and 30% compounded returns over five years.

Overall, the group projects an ROI of at least 10% by the second year, followed by 20% to 30% compounded returns over five years.

Views

The Enforceability of Automatic Stay Waivers in Bankruptcy Cases

By Peter Janovsky

Peter Janovsky is a partner at Zeichner Ellman & Krause LLP in New York.

Imagine you or your client is the holder of a first mortgage on commercial property owned by a single asset real estate borrower. The borrower is in default and is threatening to file bankruptcy. Instead, the parties agree to the terms of a forbearance agreement, including provisions such as an extended maturity date, an altered payment schedule, acknowledgement of the debt, waiver of defenses and expedited foreclosure procedures. These may include consent to entry of a foreclosure judgment in the event of a default in the forbearance agreement or other procedures, which vary by state law.

The foreclosure provisions might ease the path to a judgment of foreclosure and sale of the property if the borrower defaults under the terms of the forbearance agreement. There is always a risk, however, that in the event of default, the borrower will file the bankruptcy case it previously threatened. Because of that risk, a lender should consider an agreement to waive the protections of the automatic stay in bankruptcy.

What is the Automatic Stay?

The filing of a case under the United States Bankruptcy Code triggers an "automatic stay," bringing to a halt essentially all actions that have been or may be commenced against the bankruptcy debtor, including the continuation of a foreclosure on real property. Thereafter, a secured creditor must appear and litigate in the bankruptcy court before proceeding to a foreclosure judgment and sale. Among the primary purposes of the automatic stay are (a) to give the debtor a "fresh start" by reorganizing or discharging its debts; and (b) to provide for fair and equitable treatment of the debtor's creditors.

A creditor can move for relief from the automatic stay any time after a bankruptcy begins. The first ground is for "cause, including lack of adequate protection" of the creditor's interest in the debtor's property."

Most commonly, this requires a showing that the property is declining in value through, for example, depreciation or accrual of real estate taxes that prime the mortgage lien.

Under a second ground, relief is appropriate under a two part test: (a) The debtor has no equity in the property at issue; and (b) the property is not necessary for an effective reorganization of the debtor.

A third ground applies only to "single asset real estate" debtors (defined in Bankruptcy Code Section 101(51B)), and provides that a creditor may obtain relief from the automatic stay 90 days after the bankruptcy filing date unless the Debtor either (a) files a plan of reorganization that "has a reasonable possibility of being confirmed within a reasonable period of time;" or (b) commences making monthly payments in an amount equal to the mortgage's non-default contract rate of interest.

Stay Waiver Provisions

The Bankruptcy Code prohibits provisions, known as *ipso facto* clauses, which terminate an agreement or create a default solely on the basis that a party has filed a bankruptcy case.[1] Thus, a forbearance agreement provision stating that the borrower defaults merely by the fact of a bankruptcy is not enforceable.

However, a "stay waiver" provision is limited to acts against property of the debtor and therefore does not automatically run afoul of the *ipso facto* prohibition. Such a provision typically states that if a borrower files a bankruptcy case,[2] the borrower (and guarantors, if any) consents [consent?] in advance to relief from any automatic stay, permitting continuation of foreclosure and other actions that would otherwise violate the automatic stay. In connection with this, the Borrower and Guarantors waive the right to object to relief from the stay and agree not to contest any motion by the lender seeking that relief.

Courts' Interpretation of Stay Waiver Provisions

Some courts have declined to enforce stay waiver provisions, particularly in single asset bankruptcies, arguing that because the debtor has only one asset, the stay waiver provision is essentially the same as an *ipso facto* clause. By removing the protection of the stay, the Court would be effectively rendering the bankruptcy a nullity.[3]

However, a majority of courts that have ruled on this matter have held that stay waivers are or may be enforceable.[4] The Court in *In Re Bryan Road, LLC*[5] enforced a waiver of automatic stay protection after applying a four part test:[6]

- the sophistication of the party making the waiver;
- the consideration for the waiver, including the creditor's risk

Views

and the length of time the waiver covers;

- whether other parties are affected, including unsecured creditors and junior lienholders; and
- the feasibility of the debtor's plan.

The first factor will not be in question in most commercial real estate cases, which generally involve sophisticated borrowers. The second factor can usually be met because the lender has typically made concessions in the forbearance agreement, such as deferral of interest, waiver of default rate interest or decrease in guarantors' liability. In many single asset cases, the secured creditor is the only creditor, and therefore the third factor can be met. Even if there are other creditors, the secured creditor can argue that the unsecured or subordinate creditors will be in no worse a position than they were prior to the case. The last factor will be fact specific. However, in many single asset cases (especially those filed on the eve of foreclosure), the property value is well below the secured debt, and a plan of reorganization is not likely to be feasible.

In a recent case in which our firm represented the lender, a Bankruptcy Judge upheld a waiver based on this analysis:[7]

[T]he Court is inclined to enforce waivers where they are between sophisticated parties, where there has been valuable consideration. And I believe the debtor's own counsel has acknowledged there was consideration for the waiver. It's built into the forbearance agreement. How much? It's always difficult to put a dollar amount to [it], but certainly it was a negotiated term of the forbearance agreement and these parties had an incentive to secure the best arrangement possible for the respective positions.

Stay relief was appropriate, held the Court, given:

the existence of the waiver, the failure to pay post petition taxes, the length of time in which this case has continued without the debtor being able to produce an appraisal and the existence of an agreed fair market value credit, an agreement on such -- on the dollar amount of that pre-petition.

Conclusion

Although a stay waiver provision is no guarantee that a lender will be granted *per se* relief from the automatic stay, depending on the circumstances and the jurisdiction, it can significantly increase the creditor's prospects for an early exit from bankruptcy court in a single asset real estate case.[8]

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[1] See 11 U.S.C. §§ 541(c) and 365(e)(1).
[2] Or in the case of an involuntary bankruptcy, a case is filed against the borrower.
[3] *See In re Jenkins Court Assocs. Ltd. Partnership*, 181 B.R. 33, 37 (Bank. E.D. Pa. 1995).
[4] *In re DB Capital Holdings, LLC*, 454 B.R. 804, 814 (D. Colo. May 25, 2011).
[5] *In Re Bryan Road, LLC*, 382 B.R. 844, 848 (Bankr. S.D. Fla. 2008).
[6] Other Courts have applied a ten part test. *See e.g.*, *In re Frye*, 320 B.R. 786, 791 (Bankr. D. Vt. 2005).
[7] *In re Bank Building, LP*, (Case No. 11-39636(MBK), Bankr. D.N.J. 2012) (available on Pacer).
[8] For a very recent case granting relief from the stay based in part on a stay waiver, see *In re 4848, LLC* 2013 Bankr. LEXIS 1438 (Bankr. E.D. Wisc., April 13, 2013).

People

Jones Lang LaSalle Makes Two New Hires

Jones Lang LaSalle has hired **Fred Fletcher** and **John Davis** as executive vice presidents in the firm's Atlanta-based capital markets group, the company announced. Both will work closely with **Faron Thompson**, international director, and the capital markets team to provide value-add services to regional clients. Fletcher, who joined the firm two years ago, and Davis come to Jones Lang LaSalle from Atlanta-based **Spring Street Capital**.

Medina Moves to CBRE

Gualberto "Gil" Medina has moved to **CBRE,** coming from his longtime position at New Jersey-based **Cushman and Wakefield,** according to the *Real Estate Alert*. It is believed Medina will focus on business development. Medina had been with Cushman and Wakefield since 2002 and was named an executive managing director of the firm in 2005.

Arnold Joins Rice Management

Alan Arnold recently joined **Rice Management** as real estate investment director for the Houston-based company, according to the *Real Estate Alert.* Arnold joins from **Lionstone Group** where he worked for 10 years as a senior vice president. Prior to Lionstone he held positions at **Martin Fein Interests** and **PricewaterhouseCoopers.**

Desco Named Vintage Executive V.P.

John Desco started this month at Los Angeles-based investment firm **Vintage Capital** as an executive v.p., according to the *Real Estate Alert.* In this position, Desco will head asset management and work on retail sector acquisitions for the company's real estate branch. He will report to founder **Fred Sands**. Desco joins from **Coyote Management**, where he served as senior v.p.

REAL ESTATE NEWS ROUNDUP

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

Henderson, TIAA-CREF Launch $20B JV

Henderson Group and **TIAA-CREF** will merge their European and Asian real estate businesses into an approximately $20 billion asset management unit, *Bloomberg* reported. The group, TIAA Henderson Global Real Estate will buy and manage commercial real estate, as well as multifamily assets. TIAA-CREF will own 60% of the venture, while Henderson will own 40%.

Greystone Makes FHA Loans

Greystone has originated $30 million of **Federal Housing Administration**-insured loans for two multifamily properties in Texas and Tennessee, the company announced. The 298-unit Hickory Point at Brentwood apartment complex in Nashville, Tenn. received $22.5 million of FHA-insured loan proceeds. The 192-unit Hunters Crossing apartment community in Longview, Texas received a $7.9 million loan. **Donny Rosenberg**, a managing director, led the efforts for Greystone's lending group.

HFF Wraps Miami Retail Deals

HFF closed a $35.9 million sale of two **Publix**-anchored centers, Plaza Alegre and Meadows, in the Miami submarket of West Kendall, according to a press release. Plaza Alegre is 95% leased to major tenants including **Goodwill** and **Wells Fargo**. Meadows is 96% leased to major tenants including **Supercuts** and **GNC**. HFF marketed the properties for seller **Equity One, Inc**. and a **Goldman Sachs** Real Estate Group Investment fund purchased both assets free of existing debt.

Asian Investors Target U.S. Properties

Equity investments in the U.S. from Asian investors, particularly those from Singapore, South Korea and China, are at a record high, the *Wall Street Journal* reports. Singapore's **Pontiac Land** is seeking to redevelop condos in Manhattan, while **The Government of Singapore Investment Corp.** recently acquired office space in San Francisco's Financial District. Combined, the three countries have invested $5.2 billion into U.S. real estate as of mid-June.

Related, JPM Ready Debt Fund

The fund arm of **Related Cos.** and a unit of **JPMorgan Chase's High Bridge Capital Management** have raised around $800 million for the origination and acquisition of high-yielding, commercial real estate debt, according to the *Wall Street Journal*. The venture, which will focus on short-term "gap" financing, will be led by **Brian Sedrish**, who joins Related Fund Management in July. The vehicle plans to make roughly 12 loans of about $50 million to $100 million each over the next two years.

FDIC Readies Portfolio Sale

The **Federal Deposit Insurance Corporation** is preparing its first structured asset portfolio sale of the year, according to *CRE Direct.* The agency is offering about $200 million in distressed assets. In the structured offering model, the FDIC offers investors a stake in the whole portfolio. Investors will be able to bid on around 25% of the total pool for this transaction.

Data-Driven *(Continued from page 1)*

REFI: How are you using data to drive your strategy?

We have a large research organization that generates data and tells how we can validate our pricing models. We also work to analyze statistics such as who is coming into sales centers and who is registering online. It points to very specific things. For example, with the Marlow development at Van Ness Avenue and Clay Street [in San Francisco], we told our client that we had determined that high percentage of the buyers of those units would be women. It turned out to be true.

REFI: Have you always had the infrastructure to do this kind of market research and analysis?

We had been meeting with a tech startup for about a year. They had been developing this infrastructure and we helped them refine the product and make it better for our specific use. The thing is, if you don't constantly innovate and change and grow, you'll stagnate and die.

REFI: What other trends have you gleaned from the data?

One example is that we saw all of these REITs buying land a few years ago. We told our clients to buy land to build condos. When. 2012 rolls around we are selling condos for $900-$920 per square foot. Clients ended up being able to get financing based on the data we had. Now, for a good neighborhood they are going for as much as $1,050 per square foot.

REFI: Who are the active investors in the San Francisco condo market right now?
You are seeing everybody from foreign banks, mostly Asian, to all of the large institutional players nationwide. What is happening now is you are seeing a shift from multifamily rentals to condo investments. There are 8,117 multifamily units being delivered between the past 12 months and the next 20. That is the equivalent of what's come online in the past 14 years.

REFI: Who is financing these investments?

On the construction side, you have large pensions, insurance companies and banks like **Bank of America**, **Wells Fargo**, **Bank of the West** and **East West Bank**. Everyone is coming in because the credit of the buyers is strong and there is little supply.

REFI: What is pricing like for a condo development loan?

From a larger institution, if you are a large developer with a track record you'll be in the 4-4.5% range. Smaller borrowers borrowing from a local bank are closer to 5.5%. The smaller banks charge a premium because they know those borrowers can't go to Wells Fargos of the world.

REFI: Are there opportunities for newer investors? Is there a flight to quality going on?

We are seeing a flight to quality but most investors have to find a local partner. It is an arduous task to get through the entitlement process in San Francisco and there is also very little land for sale. Most people coming in from the outside, unless they are established developers, will have to partner locally and then go out on their own.

—Max Adams

Recent San Francisco Condo Projects

Oyster Development Corp.*, with capital partner Toronto-based Tricon Capital Group has developed or will be developing the following:*

- The 98-unit Marlow project at Van Ness Avenue and Clay Street. Property is sold out with occupancy slated for later this year.
- Construction with begin this summer on 2558 Mission Street, a 114-unit condominium property.
- Development has begun on a 282-unit project at Pine and Franklin Streets.
- **Tishman Speyer** and partner **China Vanke** have broke ground this week on the 655-unit luxury Lumina development at Main and Folsom Streets.

Commercial Mortgage (Continued from page 1)

In the secondary market, spreads were out broadly as well. The bellwether A4s from GSMS 2007-GG10 hit a wide for the week of 165 basis points over swaps, a level not seen in nearly a year according to traders. Meanwhile, the selloff on AJs and AMs continued, driving down prices on the bonds. An approximately $303.3 million commercial real estate collateralized debt obligation was being unwound and out for bid on Wednesday. The list included 21 line items of AJ and mezzanine CMBS paper. The bonds were being bid at the low end of price talk, from dollar prices in the mid teens to low 90s.

—Max Adams

Jamestown Circles (Continued from page 1)

recently emerged as the top bidder for **Blackstone Group**'s 1888 Century Park East on the edge of West LA in Century City. Pricing for that property was in the range of $625 per square foot, or a total of $315 million (*REFI* 06/13).

In the first quarter, the overall vacancy rate for West Los Angeles was 14.8%, and the average asking rent was $3.44 per square foot, according to market data from **CBRE**. That compares with a vacancy rate of 16.8%, and average rental rates of $2.58 in the wider LA County.

The Lionstone Group acquired the 12-acre Lantana Media Campus for $200 million from troubled Los Angeles landlord **Maguire Properties**—now **MPG Office Trust**—in 2009. The deal, which traded at an 8% cap rate, was the largest property sale in Los Angeles County that year.

The Lantana listing is one of the largest properties focused on the entertainment industry in the West Los Angeles. It includes a two-story building completed in 1959, the **IMAX Corp.** headquarters that were built in 2000 and two other buildings developed by Maguire in 2007 and 2008. The property is almost fully occupied and tenants include **Revolution Studios**, **Dick Clark Productions** and IMAX, which inked a 10-year lease renewal last year. The property is about 95% occupied.

A spokesperson for Jamestown declined to comment. Calls to Eastdil and Lionstone were not returned. ***—Eleanor Duncan***

QUOTE OF THE WEEK

"The thing is, if you don't constantly innovate and change and grow, you'll stagnate and die."—**Chris Foley**, principal at **PolarisPacific**, on how he sees the firm's use of data in its sales and marketing strategies.

ONE YEAR AGO

Commercial real estate lenders were ahead of schedule in meeting their senior lending targets, but many had unsatisfied allocations for mezzanine loans and higher-yielding debt. Interest rates were increasing on mezzanine loans, as hedge funds offered loans of one to seven years at rates of 8-14% … **Rising Real Estate Group** was supposed to acquire 500 Orange Tower, located in Orange County, for $52 million. **Trammell Crow** was set to purchase Stadium Towers, in Orange County, for $52 million as well. Sales for the two office buildings fell apart after the buyers could not arrange financing.

FIVE YEARS AGO

Realpoint was granted Nationally Recognized Statistical Rating Organization status by the **Securities and Exchange Commission**. Realpoint, which became the first subscription-based rating agency focusing on structured finance, planned to rate new issue commercial mortgage-backed securities and then expand into the mortgage-backed and asset-backed securities market [Realpoint was acquired by **Morningstar Credit Ratings** in 2010]. …**Recap Advisors** gave 15 investors private marketing materials in order to bid on the Starrett City housing complex in Brooklyn. The investors were said to have met the firm's requirements after a $1.3 billion deal for the residential property fell apart in 2007.

CANDID REPORT OF THE WEEK

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June 24, 2013

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