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THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION **ALERT**

JANUARY 15, 2016

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THE GRAPEVINE

Veteran originator **Jonathan Greenhouse** is returning to **CIBC**. He'll start in the coming days as an executive director and senior originator in Newport Beach, Calif. Greenhouse was most recently at **Guggenheim Partners**. He joined that firm in New York in 2012 amid a flurry of hires and later opened and headed an office in Santa Monica, Calif. Greenhouse previously was an originator at CIBC from 2000 to 2008, and then did consulting work for a few years. At CIBC, he'll

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Buyers Resigned to Holding B-Pieces 10 Years

B-piece buyers have concluded that risk-retention regulations will be even more onerous than initially believed.

The rules, which will take effect Dec. 24, impose the requirement that buyers hold B-pieces for at least five years. But investors now say that the way the guidelines are written, buyers will typically end up having to retain the bonds for the entire life of a conduit deal — at least 10 years. The realization is making it harder for investment managers to attract capital for such purchases, which are vital for the operation of the commercial MBS market.

That's the latest in a series of worries resulting from ongoing analysis by CMBS issuers and investors about how the long-planned regulations will affect the sector. "As we get closer to the compliance deadline and more people are thinking harder about how they're going to deal with risk retention, problems like this are going to

See BUYERS on Page 10

Blackstone Taps 3 Lenders for BioMed Deal

Blackstone has lined up \$2 billion of floating-rate financing from three banks for its pending takeover of **BioMed Realty**.

Citibank and **MUFG Union Bank** won the mandate for a \$1.25 billion loan on 16 office and laboratory properties. Separately, **J.P. Morgan** will lead a \$720 million debt package on a single office/lab property: the 704,000-square-foot Center for Life Science Boston, at Three Blackfan Circle in southwest Boston.

With the two loans, Blackstone has now raised \$5 billion of total debt for its \$8 billion acquisition of the San Diego REIT. The fund shop, which is being advised by **Eastdil Secured**, previously tapped Citi to lead a \$3 billion fixed- and floating-rate debt package backed by other portions of BioMed's 18.8 million-square-foot portfolio of office and lab properties, which are leased to life-science companies. Citi will securitize a significant portion of that debt.

Citi and Union Bank plan to syndicate their debt package, which will have a two-year term and three one-year extension options. A portion will likely be structured

See BIOMED on Page 5

CMBS Pros Diverge on Outlook for Spreads

Amid increasing volatility in financial markets, commercial MBS pros are split on whether new-issue prices will soon recover from last year's plunge.

The average forecast floated by a panel of traders, lenders and investors calls for the spread on long-term, super-senior bonds in conduit offerings to dip slightly by midyear, and for pricing on triple-B-minus bonds to remain flat. But individual projections diverge sharply.

Eight of the 13 respondents to **Commercial Mortgage Alert's** semi-annual spread-outlook survey expect the benchmark triple-A spread to tighten from the yearend level of 138 bp over swaps, while five expect further widening. And there's a big gap between the most-bullish call, 105 bp, and the most-bearish, 155 bp.

At the other end of the investment-grade capital stack, four prognosticators believe the spread on triple-B-minus bonds will tighten from the yearend mark of 575 bp, while six think it will rise and two say it will be unchanged at midyear. Again,

See CMBS on Page 11

Three Banks Backing SF Office Project

Wells Fargo, J.P. Morgan and **Fifth Third Bank** have tentatively landed a \$350 million financing assignment for the construction of an office building next to San Francisco's new transit hub.

The Wells syndicate is now finalizing the loan agreement with the **MetLife** partnership that is developing the 770,000-square-foot Park Tower at a projected cost of about \$700 million.

The other finalist was the team of **Bank of America, Helaba Bank** and **RBS Citizens**.

The MetLife partnership began pursuing a five-year, floating-rate loan last summer via **Eastdil Secured**. The discussions with lenders ended up being lengthy, partially because of negotiations about the amount of recourse that the borrowing group would provide. The final provisions couldn't be learned.

MetLife has a 95% interest in the development partnership, with the remaining interest held by **John Buck Co.** and **Golub & Co.**, both of Chicago.

The trio, which acquired the site from the **City of Chicago** for \$172.5 million, broke ground on the project in October on a speculative basis, and no lease agreements have since been announced. Completion is scheduled for 2018.

The site is at Beale and Howard Streets, just south of the Financial District. It is across from the 1 million-sf Transbay Transit Center, now under development.

The 43-story Park Tower will include 10,000 sf of street-level retail space and 50,000 sf of outdoor and open space, including "sky decks" on 14 floors. Because of the building's angle and height, 70% of the office space will have views of San Francisco Bay. ❖

Paramount Eyes Refi at 2nd NY Tower

On the heels of refinancing one large Midtown Manhattan office property, **Paramount Group** is back in the market looking for a mortgage on another.

The New York investment shop is seeking about \$550 million of debt on the 787,000-square-foot building at 31 West 52nd Street. It prefers a term of seven or more years. The proposed structure would see \$450 million funded upfront, with the remaining \$100 million available over the next few years if certain performance measures are achieved.

Eastdil Secured is shopping the assignment to a mix of lenders. The brokerage also advised Paramount on the \$1.25 billion debt package completed last month for the 2.6 million-square-foot office tower at 1633 Broadway. The syndication of that loan is expected to close shortly (see article on Page 5).

Paramount bought 31 West 52nd Street in late 2007 from a partnership between the **Deutsche Bank** investment unit formerly known as RREEF and Houston-based **Hines**, paying \$595 million. The following year, Paramount sold a 35.8% interest to **J.P. Morgan Asset Management** in a deal that valued the property at about \$610 million. Paramount bought back that stake last year in a transaction that reflected a sharp jump in value, to almost \$1.1 billion.

The bulk of a new loan would go to retire an existing mort-

gage, which sources said is held by **Helaba** and has a balance of about \$420 million.

The building is mid-block between Fifth Avenue and Avenue of the Americas. Market pros say it's viewed as being just as high-quality as 1633 Broadway, pointing to solid prospects for tight pricing as lenders compete for the assignment.

The granite-and-glass tower, built in 1985, is six blocks south of Central Park, in a district that includes several museums, upscale hotels and numerous luxury retailers. It has an entrance on West 53rd Street, directly across the street from the Museum of Modern Art, and a 120-space underground garage.

The property is fully occupied, with law firm **Clifford Chance** its leading tenant. **Deutsche Bank** had its U.S. headquarters in the building until 2003. ❖

Mesa West Lends on Chicago Tower

Mesa West Capital has led a \$210 million floating-rate debt package on the office and parking portions of John Hancock Center in Chicago.

After committing to provide the entire package, Mesa funded the \$175 million senior portion and lined up an unidentified institutional investor to provide the \$35 million mezzanine component.

The 100-story John Hancock Center is at 875 North Michigan Avenue, along Chicago's Magnificent Mile. The debt package, which closed two weeks ago, is backed by 894,000 square feet of office space on floors 13-41 and a 710-car parking garage. The collateral is owned by a **Hearn Co.** partnership, which was advised by **CBRE**.

The debt package has a five-year term. The loan-to-value ratio couldn't be learned, but Los Angeles-based Mesa West typically provides leverage of 65-70%, indicating the property is worth up to \$323 million.

The Hearn partnership used most of the proceeds to retire existing debt. The rest will be used to finance leasing and capital costs.

The office component is 85% leased to a variety of tenants, anchored by global marketing firm **Interpublic Group** (127,000 sf until 2024).

The skyscraper opened in 1970, with residences on 49 upper floors. **Deutsche Bank** and **NorthStar Realty Finance** of New York took over the entire building, except the residential condos, in 2012 after a joint venture led by **Goldman Sachs'** Whitehall Street Real Estate Fund failed to refinance its maturing loan package.

In 2013, Deutsche and NorthStar sold the office space and garage to Chicago-based Hearn, **Lynd Co.** of San Antonio and **Mount Kellett Capital** of New York for \$140 million. The Hearn partnership has plowed about \$45 million into upgrades.

The Deutsche partnership also sold the other portions of the building. The 172,000-sf retail component was acquired by **Prudential Investment** and **Madison Capital** of New York. A French firm, **Montparnasse 56 Group**, bought the 24,000-sf Hancock Observatory, on the 94th floor. A 34,000-sf radio and television broadcast facility was also sold. ❖

Smart Strategies for Securing Top Talent

How an effective workforce can be a key factor in driving growth



Gary Teague
Market Executive
Pacific Northwest
Bank of America
Merrill Lynch

Companies in the U.S. are implementing new, effective ways to generate growth and move forward in a fast-paced business environment. According to a recent Bank of America Merrill Lynch survey of CFOs across all industries, U.S. economic ratings are up significantly since the beginning of 2015 and the outlook for revenue growth is strong—

72% of CFOs report earnings are on target or have exceeded plan.

Gary Teague, Pacific Northwest Market Executive, Bank of America Merrill Lynch, explains that “to capture growth for the long term, acquiring and retaining talent is key to making the most of opportunities for growth. In many cases, hiring and developing the right talent is more important than finding financing.” Before taking on new business initiatives, CFOs are paying more attention to whether they can staff—rather than finance—a new project. But profound challenges remain, including employees and executives nearing retirement age, intergenerational differences between millennials and baby boomers, and identifying qualified, work-ready candidates.

CFOs are being held accountable to help solve the talent-growth equation, requiring them to expand beyond their core responsibilities. Here we explore best practices to find and retain top talent.

ATTRACTING THE STRONGEST CANDIDATES

“When talent is a scarce and valuable resource, management should engage in talent development as part of their strategic planning,” Teague states. This can take the form of managing the HR function, optimizing wages and benefits, and developing competitive compensation structures that fit the company’s financial plan. In many cases, CFOs, knowing the financial capacity the firm has, need to take the lead with creative ideas and methods to attract talent from competitors (or retain their best people), be prepared to increase salaries or to invest in training employees to fill gaps.

With a shallow talent pool for specialized employees, companies need to start early in their recruitment; partnering with colleges and universities to create curriculum and degree programs that produce work-ready graduates.

TRANSFERRING “TRIBAL” KNOWLEDGE

According to the Pew Research Center, an estimated 10,000 baby boomers turn 65 every day. As this broad trend becomes a reality for many companies, CFOs need to partner with HR and benefits departments to develop hiring strategies to replace and educate those new employees. For companies with aging workforces, managing the transfer of firm-specific, or “tribal,” knowledge to the younger generations is critical.

Mid-size companies may be able to overcome smaller recruiting budgets by emphasizing that younger workers can stand out, be recognized for their contributions and advance faster in their professions. Alternatively, larger companies must act more current with their offerings in order to compete with smaller businesses with more creative and nimble benefits.

Since millennials—who will comprise 75% of the global workforce by 2025—seek rapid growth in their careers, employers are required to closely match expectations where possible. In addition to offering benefits such as a competitive 401(k), financial literacy training can reduce young workers’ anxieties about money and lead to more satisfied, loyal and engaged employees. In fact, financial wellness programs are becoming the new normal in workplace benefits, and include discussions around debt management, budgeting, college savings and personal savings habits. In short, employers are improving the personal lives of their employees, not just boosting financial acumen. Not surprisingly, in the Bank of America Merrill Lynch 2015 Workplace Benefits Report, 81% of mid-size companies said financial wellness will be a standard benefit program 10 years from now.

RECOGNIZING GENERATIONAL DIFFERENCES

Understanding what motivates the new workforce

and its needs will help employers maintain a competitive edge in attracting talent. Millennials are seeking meaningful work from an employer committed to societal issues. In the course of managing the new, younger workforce, there is an opportunity to adjust the corporate culture. To this generation, these criteria can be more important than pay.

As a result, a clear statement of purpose and community engagement are important parts of a successful culture that can build brand favorability. Consequently, companies are incorporating community events into client interaction and employees’ schedules, such as paid time off for volunteerism. More flexible hours, family-friendly schedules, and extended leave to care for aging parents are also critical components in packages for all workers.

For long-term, experienced staff, achieving work-life balance is top of mind. Offering consulting opportunities that allow them to travel and spend time with their grandchildren is an important benefit. Going forward, CFOs have to bridge the gap between HR and finance, developing competitive compensation structures that not only bring in and retain the best talent but support company culture.

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Margin Plan for Agency Loans Dead

Industry trade groups have successfully lobbied regulators to drop a proposal that would have subjected some agency multi-family lenders to margin requirements.

Finra, the regulatory body for securities dealers, had asked the **SEC** in October to approve the plan. But after protests from the **Mortgage Bankers Association** and other trade groups, the regulatory agencies this week decided not to proceed.

“Had the original proposal been imposed, it would have been highly disruptive to the multi-family housing finance market, including the liquidity provided for workforce rental housing,” said senior vice president **Tom Kim**, head of the MBA’s commercial/multi-family group. “We are very pleased that the SEC and Finra carefully considered” the objections.

The proposal was intended to protect broker-dealers against losses during a major market downturn. It was primarily aimed at originators of single-family mortgages, but would have also applied to multi-family loans. The trade groups argued that it would have imposed significant costs on multi-family lenders to address a risk that was insignificant. While the multi-family provision was removed from the proposal, the single-family component is still pending before the SEC.

The plan would have applied to multi-family agency loans securitized one-off on a “forward-settling” basis. In such cases, the lender commits to sell a security backed by a loan

to a broker-dealer, subject to settlement after the loan closes. The dealer then marks that security to market value daily until settlement occurs — resulting in paper gains or losses. If a loan on which a dealer books a paper gain fails to close, the dealer would have to unwind that gain, resulting in a loss. Under the plan, if the potential net loss to a broker-dealer exceeded \$250,000 across all pending loans from a specific agency lender, that lender would have had to post margin equal to the size of the loss.

The trade groups pointed out that multi-family loans rarely fail to settle. They also noted that systemic risk is minimal in the multi-family finance market, which is a fraction of the size of the single-family counterpart.

By exempting multi-family loans from the plan, the SEC and Finra “recognized that the multi-family securitization market is significantly different from the broader market” for forward-settling securities, said **Eileen Grey**, an associate vice president at MBA. ❖

Conduit Issuers Test Investor Demand

Commercial MBS issuers this week were trying to gauge the stock-market decline’s spillover effect on bond prices.

Two conduit transactions were in the market, but official price talk was still unavailable for either yesterday afternoon.

CCRE, **Societe Generale** and **Liberty Island** began shopping a \$703.6 million offering last week (CFCRE 2016-C3), with early “whisper talk” of 143-bp area over swaps for the long-term, super-senior class. But since then, the stock-market plunge that started with the new year accelerated, and investors said that spreads were under further pressure.

The long-term, super-senior classes of two of the last three conduit deals to price in 2015 carried a spread of 140 bp over swaps — a level not previously seen since mid-2012.

The other conduit deal being shopped this week was a \$1 billion offering by **Deutsche Bank**, **CCRE**, **Ladder Capital** and **Jefferies LoanCore** (COMM 2016-CCRE28). Meanwhile, **Credit Suisse** was on the verge of marketing a \$1.1 billion conduit issue with four partners: **Silverpeak Real Estate Finance**, **Rialto Mortgage Finance**, **BNY Mellon** and **Jefferies LoanCore** (CSAIL 2016-C3).

The COMM and CSAIL offerings were originally slated to come out last month, but dealers decided to postpone the marketing campaigns after spreads widened dramatically in November.

At the other end of the investment-grade capital stack, the whisper talk was 590-bp area on the triple-B-minus paper in the CFCRE offering. The corresponding level was 525 bp in one of the last conduit transactions to price last month.

Elsewhere in the new-issue market this week, **Citigroup** was marketing a \$508.9 million rental-home securitization (HPA 2016-1). The collateral pool involves 2,232 single-family rental properties owned by Chicago-based **Home Partners of America**. The bonds are backed by a floating-rate loan with a two-year term and three one-year extension options. ❖

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Loan on Midtown Tower Split 11 Ways

Five banks that wrote a \$1.25 billion mortgage on a Midtown Manhattan office tower have lined up six more lenders to take pieces of the debt.

The loan to **Paramount Group** on the 2.6 million-square-foot building at 1633 Broadway closed last month. The joint lead arrangers are **Landesbank Baden-Württemberg**, **Wells Fargo**, **Deka Bank**, **Helaba Bank** and **ING Real Estate Finance**.

A \$475 million chunk of the loan is being divvied up among **Aozora Bank**, **Bank of East Asia**, **BNY Mellon**, **J.P. Morgan**, **MUFG Union Bank** and **TD Bank**. The syndication is expected to close by early next week. LBBW is the administrative agent and Wells is the syndication agent.

The six banks buying into the loan are taking pieces of varying sizes, averaging nearly \$80 million. The building, known as Paramount Plaza, is viewed as a top-notch asset by lenders, and the syndication was significantly oversubscribed.

Paramount received \$1 billion of the proceeds upfront, and can draw the remaining \$250 million over three years if financial hurdles are met. It used \$926 million to retire a loan that was to mature this coming December. **Eastdil Secured** advised on the refinancing.

The seven-year loan is pegged to 175 bp over one-month Libor, and the floating rate was swapped to an effective 3.87% fixed rate through December 2021.

Paramount has its headquarters in the tower. In November 2014, it bought the 25% stake it didn't already own from **Beacon Capital** of Boston in a deal that valued the property at \$2.2 billion. ❖

Law Firm Not Finished Growing

Kelley Drye plans to keep adding attorneys to its real estate practice this year, increasing the group by up to a third.

That practice now encompasses about 30 attorneys in the Manhattan headquarters and five other cities, following the hiring of five lawyers over the past year.

With commercial-mortgage issuance expected to rise again this year, plans call for recruiting another 5-10 attorneys with various levels of experience, including some senior lawyers in Los Angeles, said **Paul Keenan**, who co-chairs the real estate practice with fellow partner **Karyn Fulton**.

More than 20 attorneys focus on clients that originate portfolio loans or commercial MBS debt. Most of them work at offices in New York, Parsippany, N.J., or Stamford, Conn. The real estate practice also advises property owners on sales, acquisitions, construction, leasing and financings.

As previously reported, the latest additions to the real estate team included industry veteran **Joseph Forte**. Among other things, his presence will bolster Kelley Drye's focus on commercial-mortgage servicing and loan workouts, Keenan said. "We've done some work in that area, but not to the extent he has," he said.

What's more, Forte's arrival "adds new depth to our real estate practice in terms of regulatory and market issues,"

Keenan said. "He's been out there working on the cutting edge for a long time."

Forte spent the past three years in the commercial real estate finance group of **DLA Piper**. He and **Barbara Shachnow** moved over to Kelley Drye last Friday as partners, based in New York. Forte was also a partner at DLA Piper, and Shachnow was of counsel. ❖

Morgan Stanley Seeks DC Office Loan

A **Morgan Stanley Real Estate** vehicle is looking for a \$150 million loan on a downtown Washington office building.

Eastdil Secured is pitching the assignment to insurance companies. The 10-year fixed-rate loan would be backed by the 245,000-square-foot Lafayette Tower, at 801 17th Street NW. The loan-to-value ratio would be 50%, indicating a property value of \$300 million.

There isn't any existing debt on the property, which Morgan Stanley owns via its Prime Property Fund. The vehicle initially purchased a 65% stake in a 2014 deal that valued the property at \$229 million, and later acquired the remaining interest. The seller was New York-based **Property Group Partners**, formerly called Louis Dreyfus Property.

The Class-A property is at H Street, just off Lafayette Square Park and about a block from the White House. Property Group developed the 11-story, glass-covered building in 2009 on the site of an earlier structure it had acquired in 2005 for \$68.5 million from **Blum Frank** of Bethesda, Md.

Lafayette Tower is 95.9% leased, according to **CoStar**. Law firm **Fried Frank** is the largest tenant, leasing 103,000 sf until 2026. The property has street-level retail space, a health club and a 119-car garage. It's less than a block from the Farragut West Metro Station. ❖

BioMed ... From Page 1

as mezzanine debt.

Three of the collateral properties are in the Kendall Square section of Cambridge, just outside Boston: the 65,000-sf building at 450 Kendall Street, the 349,000-sf building at 500 Kendall Street and the 303,000-sf building at 675 West Kendall Street. The tenants in those three include pharmaceutical and biotechnology companies, such as **Genzyme**, and venture capital firm **MPM Capital**. All three properties were developed in the past 15 years, with 450 Kendall Street completed just a year ago.

The Center for Life Science Boston is valued at about \$1 billion, putting the loan-to-value ratio of J.P. Morgan's mortgage in the vicinity of 70%. The loan will have a two-year term, with three one-year extensions. J.P. Morgan is carving off a \$100 million slice of mezzanine debt. The bank will syndicate the debt package.

The state-of-the-art research facility, which was completed in 2008, is fully occupied. The two largest tenants, **Beth Israel Deaconess Medical Center** and **Boston Children's Hospital**, have leases that run for more than eight additional years. Other tenants include **Dana-Farber Cancer Institute** and the **Immune Disease Institute**. ❖

RANKINGS

REIT Bond Issuance Climbs Again; BofA Takes Crown

Another year, another record for REIT bond issuance.

Fifty-two REITs floated \$31.4 billion of unsecured bonds in 2015, up 5%, setting a new high-water mark for the fourth year in a row. A dip in the third quarter was followed by a strong finish in the fourth — and the new year has gotten off to a quick start.

The factors that have been driving the sustained growth remain in place: historically low interest rates, a strong property market and large amounts of unsecured REIT debt reaching maturity. Still, industry experts are predicting that vol-

ume will taper off at least slightly this year.

The REIT-bond bookrunner rankings saw a shakeup last year, as **Bank of America** took the crown, ending **J.P. Morgan's** three-year reign. BofA led \$4.7 billion of offerings, up a whopping 46% from the previous year, and increased its market share to 14.9% from 10.8%. J.P. Morgan's tally increased 20% to \$4 billion, placing it second with a 12.8% share.

There have been three billion-dollar-plus deals already this year. **American Tower**, **Boston Properties** and **Simon Property** issued a combined

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REIT Bonds

	Issuance (\$Bil.)
2006	\$18.5
2007	9.4
2008	3.5
2009	8.8
2010	17.5
2011	14.3
2012	23.3
2013	27.0
2014	29.9
2015	31.4

Bookrunners of Unsecured Notes Issued by REITs in 2015

	2015 Issuance (\$Mil.)	No. of Deals	Market Share (%)	2014 Issuance (\$Mil.)	No. of Deals	Market Share (%)	'14-'15 % Chg.
1 Bank of America	\$4,682.6	38	14.9	\$3,215.4	32	10.8	45.6
2 J.P. Morgan	4,024.8	39	12.8	3,357.1	32	11.2	19.9
3 Citigroup	3,243.2	27	10.3	2,738.4	20	9.2	18.4
4 Wells Fargo	3,097.6	32	9.9	3,011.6	33	10.1	2.9
5 RBC Capital	2,759.7	19	8.8	1,821.4	20	6.1	51.5
6 Barclays	1,869.8	16	6.0	2,613.0	17	8.7	-28.4
7 Morgan Stanley	1,586.2	15	5.1	1,890.8	11	6.3	-16.1
8 Goldman Sachs	1,488.3	16	4.7	1,019.6	7	3.4	46.0
9 UBS	1,182.1	7	3.8	1,181.7	10	4.0	0.0
10 Credit Agricole	1,036.2	9	3.3	273.1	3	0.9	279.4
11 Deutsche Bank	1,033.1	13	3.3	1,100.4	10	3.7	-6.1
12 U.S. Bank	896.4	12	2.9	1,331.7	18	4.5	-32.7
13 Jefferies	839.6	9	2.7	997.9	12	3.3	-15.9
14 TD Securities	565.0	4	1.8	227.3	2	0.8	148.6
15 SunTrust	326.4	6	1.0	674.7	8	2.3	-51.6
16 RBS	316.7	3	1.0	1,420.2	11	4.8	-77.7
17 Credit Suisse	316.1	3	1.0	1,000.0	4	3.3	-68.4
18 Mizuho	300.0	1	1.0	130.0	1	0.4	130.8
18 Santander	300.0	1	1.0	0.0	0	0.0	
20 Scotiabank	278.1	4	0.9	87.5	1	0.3	217.8
21 PNC	152.8	2	0.5	62.5	1	0.2	144.4
22 MUFG	150.0	3	0.5	304.8	4	1.0	-50.8
23 HSBC	111.1	1	0.4	35.7	1	0.1	211.1
24 KeyBank	101.7	4	0.3	429.2	6	1.4	-76.3
25 BNY Mellon	83.3	1	0.3	75.0	2	0.3	11.1
26 SMBC Nikko Capital	73.1	1	0.2	0.0	0	0.0	
27 Regions Securities	41.7	1	0.1	135.0	3	0.5	-69.1
27 Stifel Nicolaus	41.7	1	0.1	0.0	0	0.0	
29 BBVA	30.0	1	0.1	237.5	2	0.8	-87.4
29 Capital One	30.0	1	0.1	0.0	0	0.0	
OTHERS	395.0	4	1.3	493.6	7	1.7	-20.0
TOTAL	31,352.1	68	100.0	29,865.0	61	100.0	5.0

RANKINGS

Lead- and Co-Managers of Unsecured Notes Issued by REITs

		2015 Issuance (\$Mil.)	No. of Deals	Market Share (%)	2014 Issuance (\$Mil.)	No. of Deals	Market Share (%)	'14-'15 % Chg.
1	Bank of America	\$22,542.6	43	71.9	\$20,266.5	40	67.9	11.2
2	J.P. Morgan	21,991.8	43	70.1	18,566.5	37	62.2	18.4
3	Citigroup	19,133.8	33	61.0	16,446.5	26	55.1	16.3
4	Wells Fargo	18,542.6	41	59.1	17,140.0	39	57.4	8.2
5	RBC Capital	16,758.0	28	53.5	13,893.5	30	46.5	20.6
6	Morgan Stanley	15,069.3	24	48.1	17,896.5	29	59.9	-15.8
7	U.S. Bank	14,664.5	35	46.8	15,296.5	33	51.2	-4.1
8	SunTrust	14,583.0	29	46.5	9,010.0	19	30.2	61.9
9	Scotiabank	13,575.0	23	43.3	7,146.5	12	23.9	90.0
10	Regions Securities	13,500.0	31	43.1	13,256.5	31	44.4	1.8
11	Goldman Sachs	12,652.3	23	40.4	6,946.5	11	23.3	82.1
12	MUFG	12,300.0	22	39.2	13,780.0	27	46.1	-10.7
13	Barclays	11,147.5	21	35.6	13,553.5	21	45.4	-17.8
14	BB&T	11,100.0	22	35.4	10,833.5	24	36.3	2.5
15	BBVA	11,008.0	19	35.1	13,756.5	24	46.1	-20.0
16	PNC	10,739.5	24	34.3	14,812.1	29	49.6	-27.5
17	TD Securities	10,350.0	17	33.0	9,783.5	18	32.8	5.8
18	Credit Agricole	10,208.0	16	32.6	8,730.0	15	29.2	16.9
19	Capital One	8,575.0	20	27.4	9,450.0	19	31.6	-9.3
20	SMBC Nikko Capital	8,100.0	16	25.8	13,896.5	23	46.5	-41.7
20	BNY Mellon	8,100.0	14	25.8	5,383.5	9	18.0	50.5
22	UBS	7,950.0	12	25.4	9,383.5	17	31.4	-15.3
23	Deutsche Bank	7,350.0	17	23.4	9,572.6	15	32.1	-23.2
24	HSBC	6,850.0	8	21.8	5,596.5	9	18.7	22.4
25	Jefferies	6,500.0	12	20.7	6,100.0	15	20.4	6.6
26	Fifth Third Securities	5,414.5	9	17.3	5,210.0	10	17.4	3.9
27	Mizuho	5,350.0	9	17.1	6,841.8	12	22.9	-21.8
28	RBS	4,689.5	9	15.0	12,080.0	21	40.4	-61.2
29	Stifel Nicolaus	4,658.0	10	14.9	1,400.0	5	4.7	232.7
30	KeyBank	4,508.0	13	14.4	5,293.5	14	17.7	-14.8
31	Credit Suisse	4,208.0	8	13.4	11,439.1	14	38.3	-63.2
32	BNP Paribas	2,550.0	3	8.1	2,807.4	5	9.4	-9.2
33	BMO Capital Markets	2,425.0	6	7.7	2,350.0	6	7.9	3.2
34	Comerica	2,300.0	5	7.3	4,450.0	12	14.9	-48.3
35	Raymond James	1,850.0	4	5.9	2,550.0	8	8.5	-27.5
35	ING Financial	1,850.0	2	5.9	2,396.5	3	8.0	-22.8
37	Santander Investments	1,800.0	2	5.7	4,400.0	8	14.7	-59.1
38	Macquarie Capital	1,750.0	2	5.6	0.0	0	0.0	
39	Evercore Partners	1,500.0	3	4.8	250.0	1	0.8	500.0
39	Commerzbank	1,500.0	1	4.8	0.0	0	0.0	
39	EA Markets Securities	1,500.0	1	4.8	1,400.0	2	4.7	7.1
42	FTN Financial	1,400.0	4	4.5	650.0	2	2.2	115.4
43	Huntington Investment	1,300.0	3	4.1	500.0	1	1.7	160.0
44	Sandler O'Neill	1,200.0	2	3.8	650.0	2	2.2	84.6
	OTHERS	4,145.0	12	13.2	7,005.0	15	23.5	-40.8
	TOTAL	31,352.1	68	100.0	29,865.0	61	100.0	5.0

RANKINGS

REIT Issuers of Unsecured Bonds in 2015

	2015 (\$Mil.)		2015 (\$Mil.)		2015 (\$Mil.)
HCP	\$1,950	Medical Properties	\$558	CubeSmart	\$250
Prologis	1,544	Essex Property	500	DuPont Fabros Technology	250
American Tower	1,500	FelCor Lodging	475	Healthcare Realty	250
Digital Realty	1,450	Federal Realty Investment	450	Kite Realty Group	250
Select Income REIT	1,450	Hudson Pacific Properties	425	Regency Centers	250
Ventas Realty	1,400	American Campus Communities	400	Retail Properties of America	250
Omega Healthcare Investors	1,300	Kilroy Realty	400	Weingarten Realty Investors	250
Welltower (Health Care REIT)	1,250	Liberty Property	400	WP Glimcher	250
Brixmor	1,200	Mid-America Apartment	400	STAG Industrial	220
Equinix	1,100	National Retail Properties	400	STORE Capital	175
Simon Property	1,100	Ryman Hospitality Properties	400	CyrusOne	100
W.P. Carey	1,040	Columbia Property	350	Gramercy Property	100
Iron Mountain	1,000	Alexandria Real Estate Equities	300	Outfront Media	100
DDR	900	Corporate Office Properties	300	SL Green	100
Host Hotels & Resorts	900	EPR Properties	300	Terreno Realty	100
Kimco Realty	850	UDR	300	Eastgroup Properties	75
AvalonBay Communities	825	Public Storage	265	TOTAL	31,352
Equity Residential Properties	750	Corrections Corp. of America	250		

Crown ... From Page 6

\$3.6 billion of notes, all pricing on Jan. 8. But the early spurt of activity hasn't changed the doubts of market pros that 2016 will be another record year.

"It's hard to make predictions from a small sample size, and these offerings were from large, well-established REITs," said **Steven Marks**, who heads up **Fitch's** U.S. REIT group. "What will be a true test of market depth and receptivity will be whether smaller, lower-rated companies can access the public market, and at what spreads."

He and other pros said those smaller REITs ran into some investor resistance and spread-widening last year. "There's more turbulence under the hood than overall numbers let on," Marks said.

While his agency doesn't publish volume predictions, Marks said Fitch has a broad estimate of \$30 billion for 2016.

Phil Kibel, **Moody's** team leader for REIT bond ratings, predicted issuance would land somewhere between 2013's \$27 billion and 2014's \$29.9 billion.

Wells Fargo analyst **Thierry Perrein**, who limits his forecast to investment-grade paper, anticipates \$25 billion to \$27 billion. In a research report, Perrein said property fundamentals should "remain solid, although conditions likely will slow at some point in the near future considering we are further along in the economic cycle." He said refinancing will be the primary driver for issuance this year.

The market's record-breaking pace has defied the experts'

cautious predictions in each of the past four years. Some said they were caught off guard last year by the high volume of bonds issued to finance corporate acquisitions — notably in the healthcare and technology sectors.

"Was last year's volume total a surprise? Yes," said Kibel. "The growth last year was mainly through large acquisitions." But he added: "I think [M&A activity] will be down this year."

Among last year's healthcare mergers were **Omega Healthcare Investors'** acquisition of **Aviv REIT** for \$2.4 billion and **Ventas'** \$1.3 billion purchase of **Ardent Health Services**. In the technology realm, **Digital Realty** bought **Telx** for \$1.9 billion and **American Tower** purchased the rights to \$5 billion worth of **Verizon** wireless communications towers. Each of those acquiring companies issued more than \$1 billion of unsecured bonds in multiple deals last year.

A healthcare REIT, **HCP**, was the year's top issuer, floating almost \$2 billion of bonds in three transactions.

Fitch estimates that REITs will have about \$7 billion of maturing unsecured debt to refinance this year, up from \$6.5 billion last year. Maturities will top out at \$10 billion next year before easing to \$9 billion in 2018. Marks expects REITs also will continue to issue bonds to pay down revolving credit facilities.

Twelve debut issuers floated \$6.6 billion of unsecured bonds last year, up 13% from the \$5.8 billion generated by nine first-time issuers in 2014. Every inaugural issue since March has been placed privately.

"Pricing in the private-placement market has become more

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RANKINGS

Global CMBS Issuance in 2015

Deal Category (US)	2015 (\$Mil.)	No. of Deals	% of Total	2014 (\$Mil.)	No. of Deals	% of Total	'14-'15 % Chg.
Conduit/fusion	\$62,118.7	60	61.5	\$57,497.4	50	61.1	8.0
Single borrower	30,690.7	51	30.4	25,099.8	43	26.7	22.3
Freddie Mac (non-guaranteed)	5,254.1	40	5.2	3,088.2	18	3.3	70.1
Short-term (pooled)	2,001.0	5	2.0	5,706.4	13	6.1	-64.9
Lease-backed	395.0	1	0.4	1,036.6	3	1.1	-61.9
Seasoned collateral	281.5	1	0.3	782.9	3	0.8	-64.0
Distressed collateral	267.5	2	0.3	873.1	4	0.9	-69.4
TOTAL	101,008.5	160	100.0	94,084.4	134	100.0	7.4

Deal Category (Non-US)	2015 (\$Mil.)	No. of Deals	% of Total	2014 (\$Mil.)	No. of Deals	% of Total	'14-'15 % Chg.
Single borrower	\$3,369.3	8	64.8	\$4,450.5	9	77.4	-24.3
Fixed rate (multiple borrowers)	971.2	3	18.7	985.9	4	17.1	-1.5
Short-term (pooled)	862.0	3	16.6	317.2	1	5.5	171.8
TOTAL	5,202.5	14	100.0	5,753.6	14	100.0	-9.6

Offering Type	2015 (\$Mil.)	No. of Deals	% of Total	2014 (\$Mil.)	No. of Deals	% of Total	'14-'15 % Chg.
SEC-registered	\$61,899.9	59	58.3	\$57,315.5	49	57.4	8.0
Rule 144A	39,108.5	101	36.8	36,422.8	84	36.5	7.4
Non-U.S.	5,202.5	14	4.9	5,753.6	14	5.8	-9.6
Private placement	0.0	0	0.0	346.1	1	0.3	-100.0
TOTAL	106,210.9	174	100.0	99,838.0	148	100.0	6.4

Note Denomination	2015 (\$Mil.)	No. of Deals	% of Total	2014 (\$Mil.)	No. of Deals	% of Total	'14-'15 % Chg.
U.S.	\$101,008.5	160	95.1	\$94,446.4	135	94.6	6.9
U.K.	2,143.7	3	2.0	2,488.4	5	2.5	-13.9
Euro	2,087.6	8	2.0	1,917.3	4	1.9	8.9
Canada	971.2	3	0.9	985.9	4	1.0	-1.5
TOTAL	106,210.9	174	100.0	99,838.0	148	100.0	6.4

Property Type	2015 (\$Mil.)	No. of Deals	% of Total	2014 (\$Mil.)	No. of Deals	% of Total	'14-'15 % Chg.
Office	\$25,737.5	24	24.2	\$23,973.8	24	24.0	7.4
Retail	24,169.8	22	22.8	24,349.9	24	24.4	-0.7
Hotel	21,083.8	19	19.9	20,808.9	20	20.8	1.3
Multi-family	15,600.1	14	14.7	14,986.4	15	15.0	4.1
Warehouse/industrial	12,138.8	11	11.4	5,960.6	6	6.0	103.7
Mobile-home park	1,467.2	1	1.4	2,488.2	2	2.5	-41.0
Nursing/retirement	1,098.1	1	1.0	1,039.4	1	1.0	5.6
Other	4,915.5	4	4.6	6,230.8	6	6.2	-21.1
TOTAL	106,210.9	174	100.0	99,838.0	148	100.0	6.4

Square Mile Provides DC Office Mezz

Square Mile Capital has agreed to write a \$60 million mezzanine loan on an office building in Washington.

The fixed-rate loan will have a 10.5-year term in order to coincide with the maturity of the seasoned senior mortgage on the 700,000-square-foot building, at 1050 Connecticut Avenue NW. **Eastdil Secured** is arranging the mezzanine loan for **Lerner Enterprises** of Rockville, Md.

MetLife wrote the \$250 million senior loan in 2011. It has since paid down to about \$235 million.

The property, called Washington Square, is 96% occupied. Major tenants include law firms **Baker Hostetler** (100,000 sf until 2025) and **Gibson Dunn** (205,000 sf through 2021), as well as the **American Bar Association** (61,000 sf until 2028).

The 12-story building, constructed in 1982, extends along L Street to 18th Street. It has a direct entrance to the Farragut North station of Washington's Metro system. ❖

Seer Circles B-Piece of MSBAM Deal

Seer Capital has circled the subordinate portion of an upcoming conduit deal by **Morgan Stanley** and **Bank of America** (MSBAM 2016-C28).

The issuers awarded the bonds to Seer on a negotiated basis, rather than through a competitive bidding auction.

Last year, New York-based Seer bought the below-investment-grade components of 10 deals totaling \$7.8 billion. ❖

Buyers ... From Page 1

keep popping up," said **Dechert** partner **Rick Jones**.

The risk-retention rules, which were mandated by the Dodd-Frank Act of 2010 after the market crash, are aimed at forcing lenders to write higher-quality loans by requiring them to retain exposure to potential losses down the road. Securitization sponsors will have to keep "skin in the game" by holding on to 5% of their deals. In the case of CMBS, that responsibility can be fulfilled by selling the bottom 5% of a transaction to a B-piece investor, which then must hold it for at least five years.

But market pros have concluded that holders are unlikely to sell after the five-year deadline. The reason: B-pieces must be sold intact, a requirement that creates problems for both the initial holder and potential buyers.

Investors that buy the below-investment-grade portions of conduit deals at issuance now often sell the lower-yielding double-B class, and sometimes also some single-B notes, down the road in order to take profits and recycle capital for new purchases. But their business model has called for retaining over the long term the unrated class and most or all of the single-B class — both to garner the highest potential yield and to maintain control of the transaction's special-servicing rights, which can generate healthy fees if collateral loans run into trouble. So buyers will be reluctant to sell B-pieces intact after the five-year

requirement expires, CMBS pros said.

At the same time, the pool of potential buyers for a block of seasoned bonds that range widely in grade would be small. Making matters worse, the 5% retention requirement is based on the entire transaction proceeds. That means B-pieces will now include triple-B bonds and possibly even single-A paper, resulting in an even broader range of grades. "It's too much of a mixed bag — there's no natural buyer for the unrated class up through the triple-Bs," said one veteran investor.

Those factors have led B-piece buyers to readjust their thinking. "We initially thought of it as a five-year hold," said one pro. "But now we're looking at it as a 10-year hold. We're going to be retaining these bonds for the life of the deal."

"We've come to the same conclusion," said another longtime B-piece buyer. "And when you think about it, it could actually go past 10 years, because some of [the collateral] loans could get extended beyond their original 10-year terms."

That investor added that the realization is making it even harder for B-piece buyers to raise equity, saying: "Zero liquidity and a 10-plus-year hold — where do you find the capital that has the appetite for that kind of risk? That is hard money to find."

Under the rules, two investment firms can team up to buy a B-piece at issuance, but only on a pari-passu basis. Likewise, the initial B-piece buyer can sell the paper intact after five years to two firms on a pari-passu basis.

The requirement that the initial holder sell the B-piece intact is in effect until two-thirds of the transaction's collateral balance has been retired. Because of the limited amortization in conduit deals, that effectively means 10 years.

The sale of B-pieces is restricted to buyers deemed to be eligible. While the rules don't spell out specifics for B-piece holders, lawyers presume their eligibility requirements will be the same as the ones outlined for deal sponsors that retain risk themselves, such as minimum capital levels and the release of financial audits.

A securitization's sponsor is responsible for verifying that the B-piece buyer meets the eligibility requirements. So the initial buyer will have to agree, under contract, to remain in compliance and to restrict any sale of the securities to eligible parties.

The sponsor could be held liable for any breaches and possibly be charged with violating the Securities Exchange Act of 1934, which was amended by Dodd-Frank to include the risk-retention requirement for securitizations. Penalties might include fines or an issuer being barred from the securities market or from floating bonds via its SEC-registered shelf entity. ❖

Correction

A Jan. 8 article, "Brown Was Top Seer in 2015," said that **Larry Brown** of **Starwood Mortgage** was the survey participant who came closest to predicting U.S. commercial MBS issuance in 2015. In fact, Brown tied for the closest prediction with **Jeffrey Berenbaum** of **Citigroup** and **A.J. Sfarra** of **Wells Fargo**. ❖

CMBS ... From Page 1

the range of forecasts is broad, from 485 bp to 700 bp.

The array of predictions reflects widespread uncertainty among CMBS pros — usually an optimistic bunch. In fact, they often have good reason to be bullish when investors return after the yearend holidays, armed with fresh capital and looking to put it to work. But their outlook is clouded now by both macroeconomic and CMBS-specific factors that have been undermining prices since the middle of last year.

A CMBS rally that got started in late 2013 pushed the prevailing benchmark spread down to the 80s and 90s in early 2015. But it climbed through the second half amid turmoil in the broader fixed-income markets, investors' mounting concerns about sliding collateral-credit quality and a lack of secondary-market liquidity, which has largely dried up since early last year.

Stable spreads are conducive to CMBS issuance because they make it easier for originators to price and warehouse loans for securitization. So the difficulty in forecasting the direction of spreads is sure to give them headaches, and could make it harder for the packed field of conduit shops to compete with portfolio lenders.

"The market has been reset, and at the very least we're going

Forecast for CMBS Spreads at Midyear

Projections for 10-year paper on June 30, 2016

	Treasury Yield (%)	Spread to swaps (bp)		
		Super-snr. AAA	Junior AAA	BBB-
John Beaman, Claros Fund	2.8	125	165	500
Dan Bennett, Jefferies LoanCore	2.4	110	140	485
Thomas Digan, Sorin Capital	2.0	150	195	595
Marc Dolfman, BTG Pactual	2.3	155	195	600
Stephen Gargiulo, Cantor Fitzgerald	1.8	150	195	600
Marshall Glick, AllianceBernstein	2.6	150	195	650
Nishant Kapur, Morgan Stanley	2.5	105	140	500
Young Kwon, Apollo Global Management	2.1	140	185	625
John Levy, John B. Levy & Co.	2.6	125	155	
Barry Polen, Hunt Mortgage	2.4	120	160	575
Harris Trifon, Western Asset Management	2.4	120	150	500
Paul Vanderslice, Citigroup	2.4	135	175	575
Jeff Williams, Brookfield Investment	2.5	135	180	700
Average Prediction for June 30	2.4	132	172	575
Actual Yearend 2015	2.3	138	163	575

Spreads Rose Far Above Forecasts

The second-half widening of commercial MBS spreads exceeded the most-bearish forecasts of market pros.

Most of the experts surveyed at midyear by **Commercial Mortgage Alert** predicted the spread on 10-year, super-senior CMBS would tighten from the June 30 level of 100 bp over swaps. The average call of the 15 participants was for a yearend spread of 89 bp. Only two of them foresaw any widening: **Thomas Digan** of **Sorin Capital** and **Marc Dolfman** of **BTG Pactual**. Their 105-bp estimate proved closest — although still far off the mark — as the benchmark spread finished the year at 138 bp.

The same pattern prevailed at the junior-triple-A level, where the average prediction was for the spread to tighten to 121 bp from 135 bp. Dolfman alone predicted an increase, to 145 bp. The spread on those bonds actually grew to 163 bp.

Digan, meanwhile, came closest to the triple-B-minus spread with his call for a 20-bp rise, to 445 bp, compared with an average prediction of 386 bp. In fact, the spread at that level blew out to 575 bp.

Conversely, the 10-year Treasury yield dipped by 10 bp to 2.3% on Dec. 31, while the pros, on average, had expected it to climb to 2.7%.

to remain at these spread levels for quite some time," said **Marc Dolfman**, a CMBS portfolio manager at **BTG Pactual**, whose forecast for benchmark spreads was the widest in the survey. He based it partly on expectations of heavier issuance this year and continued market volatility. Dolfman also cited the liquidity shortage, which stems from new risk-based capital rules that have prompted banks to pull back significantly from their traditional role of making markets in their CMBS issues.

"CMBS has historically benefitted from secondary-market liquidity, and it's just not the same," Dolfman said. That makes it difficult to sell large amounts of outstanding paper quickly. Even buy-and-hold investors have been requiring wider spreads to compensate them for the risk of investing in a less-liquid market, Dolfman said.

The most-bullish forecast for midyear benchmark spreads, 105 bp, came from executive director **Nishant Kapur**, who oversees CMBS distribution at **Morgan Stanley**. With the prevailing spread at its highest level since mid-2012, he figures that more investors will realize CMBS is being undervalued and start jumping into the sector — boosting demand and pricing.

"With CMBS cheapening as much as it has, it becomes very attractive," Kapur said. He added that the second-half plunge in bond prices has prompted many conduit lenders to strengthen their loan-underwriting standards and reduce leverage, and that improvement in collateral-credit quality should help push benchmark spreads down. But while he expects CMBS to outperform other fixed-income investments, he cautioned it won't be immune from overall market volatility.

Another of the bullish forecasters, portfolio manager **Harris Trifon** at **Western Asset Management**, agreed that CMBS has become undervalued. He projects a benchmark spread of 120 bp

See CMBS on Page 12



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CMBS ... From Page 11

on June 30.

“Despite widespread pessimism that’s out there in our marketplace, I haven’t come across anybody that’s anticipating a meaningful slowdown in rent growth or a reduction in property values,” Trifon said. “The fundamentals are going to stay strong, and the Street is going to create better-quality deals.”

At the triple-B-minus level, the most-optimistic prediction came from capital-markets chief **Dan Bennett** at **Jefferies LoanCore**, who foresees the spread tightening by almost 100 bp to 485 bp. Portfolio manager **Jeff Williams** at **Brookfield Investment** took the most-bearish view, anticipating that spreads would blow out to 700 bp at midyear.

On junior-triple-A bonds, the average forecast calls for the spread to hit 172 bp at midyear, up 9 bp from Dec. 31. Eight pros expect widening, with the most-bearish projection, 195 bp, shared by Dolfman and three others: portfolio manager **Thomas Digan** of **Sorin Capital**; trader **Stephen Gargiulo** of **Cantor Fitzgerald** and buy-side analyst **Marshall Glick** of **AllianceBernstein**. Five survey respondents predict tightening, with Bennett and Kapur leading the bulls at 140 bp. ❖





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Prime Backs Buyer of Calif. Offices

Prime Finance has written a \$104 million floating-rate loan for the buyer of a suburban San Diego office portfolio.

The New York fund operator closed the mortgage three weeks ago for **Hill Cos.**, which purchased four properties in Carlsbad, Calif., encompassing 524,000 square feet. The seller was **Regent Properties** of Los Angeles. The price was undisclosed.

The loan has a term of three years and two one-year extension options.

The Englewood, Colo., borrower, headed by **James Hill**, will use \$4.3 million of the loan proceeds to cover leasing costs. The portfolio has an average occupancy rate of 91.4%. The buildings are about 35 miles north of San Diego.

Regent had completed some upgrades since acquiring the properties separately over the last four years. The largest is the 230,000-sf Studio 2200, at 2200 Faraday Avenue. Regent overhauled the facade, landscaping and lobbies. The two-story building is 85% leased. ❖

Sorin Touts CMBS-Trading Strategy

Sorin Capital is setting up a fund that would invest in commercial MBS.

The Stamford, Conn., firm projects its Sorin CMBS Active Trading Fund has the capacity to manage up to \$500 million. It plans to launch the vehicle by midyear, with perhaps \$250 million of investor capital.

The fund would employ a short-term trading strategy, often moving in and out of positions daily. It would buy some bonds from dealers that have been reducing their inventories in response to regulations, including the **Bank for International Settlements'** Basel 3 accord and the Dodd-Frank Act. The firm also plans to hedge via short positions in **Markit's** CMBX index, which tracks credit-default swaps tied to CMBS.

The minimum contribution for investors is expected to be about \$10 million. Fees are tentatively set at 1.5% of assets and 20% of profits.

Sorin, which has been trading CMBS since being launched in 2004, now runs \$780 million via hedge funds and alternative mutual funds. The firm is led by founder **Jim Higgins** and head trader **Thomas Digan**. **Chris Rae** oversees marketing. ❖

Due-Diligence Shop Still Expanding

Birdsey Group plans to continue its hiring spree.

The real estate consulting and due diligence firm expects to add 10-20 staffers this year, barring a major market disruption. That would be on top of the addition of 23 recruits last year, which lifted the Atlanta shop's total current staffing to 40.

Birdsey plans to hire 4-5 commercial-mortgage underwriters right away and possibly add the same number in the third quarter, said chief executive **Sandford Birdsey**. Its clients in the commercial real estate sector include agency and private-label

lenders, servicers, B-piece buyers and other investors.

The 11-year-old company is also looking to hire some business-development and residential-mortgage specialists.

The underwriter openings require at least three years of experience. The recruits would work in Atlanta, Dallas and Irvine, Calif., with at least one person in each location to start.

They would join the contract-underwriting and due-diligence practice led by managing director **Robert Burton** in Atlanta. He came aboard a year ago from **Covius**, after almost 12 years in a similar area at that Atlanta-based firm and its predecessors.

Applicants should call Burton at 404-419-2386 or send resumes to careers@birdseygroup.com. ❖

Loan Sought on Hotel in Arlington

A partnership is shopping for a fixed-rate loan of up to \$50 million to refinance its leasehold interest in a suburban Washington hotel.

The 176-room Residence Inn Arlington Courthouse, in Arlington, Va., is owned by Washington-based **Donohoe Cos.** and **Penrose Group** of Vienna, Va. The duo, which prefers a 10-year term, is pitching the assignment to insurance companies and commercial MBS shops via **Eastdil Secured**.

The extended-stay hotel, which is managed by Donohoe, was built in 2009. It's undergoing \$2.9 million of improvements to maintain its Residence Inn franchise agreement with **Marriott International** of Bethesda, Md. The renovation includes new carpets and upgrades to the lobby, breakfast area and fitness center. That work is expected to be completed in March.

The partnership has a lease on the underlying ground from Arlington County until 2081. The annual ground rent is 2% of gross revenues.

The 10-story hotel is at 1401 North Adams Street, next to the Arlington County government complex and the Courthouse Metro Station, which provides access to downtown Washington about four miles away.

Hotels in Arlington had a 77.1% average occupancy rate last year — a six-year high. ❖

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Starwood Finances Ohio Hotel Buyer

Starwood Property originated a \$54.2 million floating-rate loan last week that financed an **H.I.G. Realty** partnership's acquisition of the Hyatt Regency Cincinnati.

The mortgage has a five-year term, including extension options. Starwood, of Greenwich, Conn., structured the financing with a senior portion, which may be syndicated, and mezzanine components, which Starwood will retain.

The H.I.G. partnership acquired the 491-room hotel from **Legacy Asset Management** of Rapid City, S.D. New York-based H.I.G. teamed up on the purchase with **Silverpeak Real Estate** of New York and **Davidson Hotels & Resorts** of Atlanta.

The hotel, at 151 West Fifth Street, was built in 1984. ❖

Crown ... From Page 8

competitive with public-market issuance, acting as a 'safety valve' for several issuers who were pursuing public-market offerings," Marks said. He noted that in addition to debut issu-

ers, **SL Green** went the private-placement route with a \$100 million transaction in November.

Experts say potential headwinds this year include further moves by the **Federal Reserve** to raise interest rates — although issuance might surge in the weeks leading up to an expected increase, as it did last year. In May, amid speculation about an impending hike, a single-month record of \$6.3 billion of bonds were issued. The Fed actually delayed its modest increase in short-term rates until mid-December.

In the bookrunner rankings, in addition to the change at the top, the rest of the top five positions also changed from the year before. **Citigroup** came in third with \$3.2 billion of assignments (an 18% increase from 2014), switching places with Wells, which had \$3.1 billion of deals (up 3%). **RBC Capital** moved up to fifth place from seventh with \$2.8 billion, a 52% increase.

Those five banks finished in the same order in a separate ranking that gives full credit to all members of underwriting syndicates. Leader BofA was hired as lead- or co-manager on \$22.5 billion of deals, giving it a hand in 72% of last year's issuance. ❖

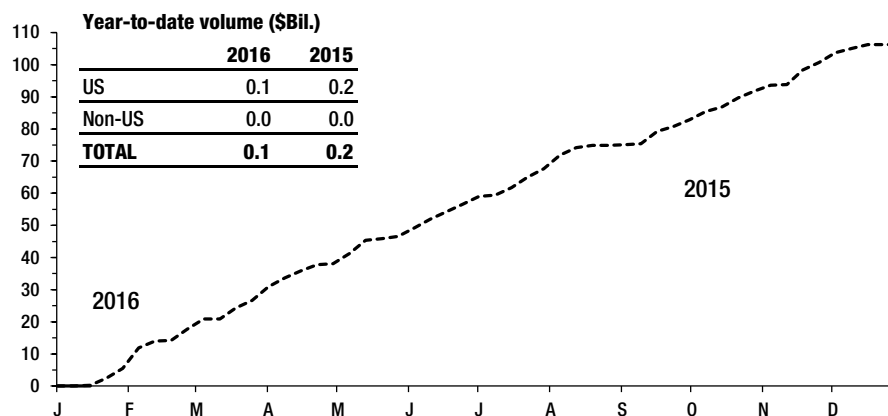
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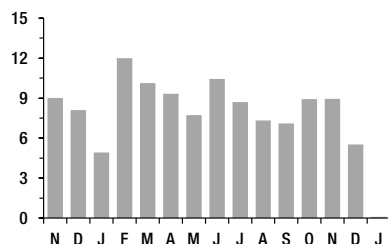
MARKET MONITOR

WORLDWIDE CMBS



US CMBS

MONTHLY ISSUANCE (\$Bil.)



CMBS TOTAL RETURNS

CMBS INDEX

As of 1/13	Avg. Life	Total Return (%)		
		Month to Date	Year to Date	Since 1/1/97
Inv.-grade	5.7	1.1	1.1	212.8
AAA	5.9	1.3	1.3	198.2
AA	5.0	0.7	0.7	89.5
A	4.2	0.6	0.6	74.7
BBB	4.7	0.5	0.5	81.9

Source: Barclays

LOAN SPREADS

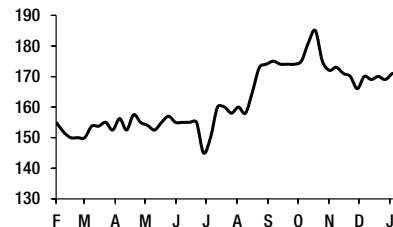
ASKING SPREADS OVER TREASURYS

10-year loans with 50-59% LTV

	1/8	Month Earlier
Office	171	171
Retail	167	160
Multi-family	163	163
Industrial	168	168

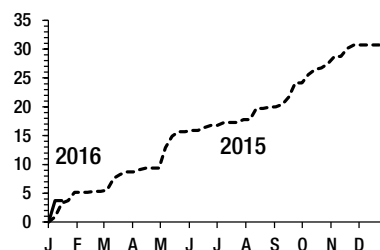
Source: Trepp

ASKING OFFICE SPREADS

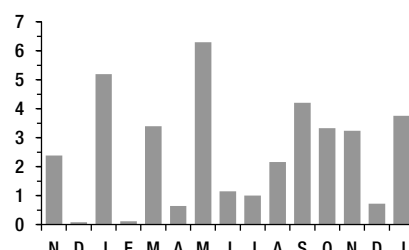


REIT BOND ISSUANCE

UNSECURED NOTES, MTNs (\$Bil.)



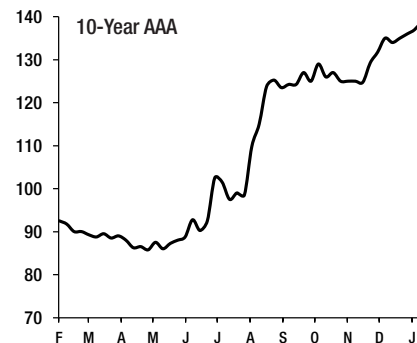
MONTHLY ISSUANCE (\$Bil.)



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

CMBS SPREADS

NEW-ISSUE SPREAD OVER SWAPS



New Issue Fixed Rate (Conduit)	Avg. Life	Spread (bp)		
		1/13	Week Earlier	52-wk Avg.
AAA	5.0	S+97	S+96	71
	10.0	S+139	S+137	106
AA	10.0	S+219	S+217	172
A	10.0	S+304	S+302	231
BBB-	10.0	S+560	S+548	424

Legacy Fixed Rate (Conduit)	Avg. Life	Spread (bp)		
		1/13	Week Earlier	52-wk Avg.
AAA	5.0	S+189	S+186	138
	10.0	S+167	S+163	127
AA	10.0	S+1,016	S+1,011	965
A	10.0	S+1,494	S+1,488	1,437
BBB	10.0	S+3,130	S+3,114	3,039

Markit CMBS 6	Dollar Price		
	1/13	Week Earlier	52-wk Avg.
AAA	97.3	97.5	98.0
AS	97.5	98.0	99.1
AA	97.3	98.0	99.9
A	95.9	96.6	99.7
BBB-	95.2	96.1	99.5
BB	93.9	95.2	99.2

Sources: Trepp, Markit

AGENCY CMBS SPREADS

FREDDIE K SERIES

	Avg. Life	Spread (bp)		
		1/14	Week Earlier	52-wk Avg.
A1	5.5	S+65	S+65	43
A2	10.0	S+85	S+84	59
B	10.0	S+365	S+355	219
C	10.0	S+495	S+485	297
X1	9.0	T+225	T+225	174
X3	10.0	T+585	T+585	405
Freddie K Floater	7.0	L+73	L+75	

FANNIE DUS

	Spread (bp)		
	1/14	Week Earlier	52-wk Avg.
10/9.5 TBA (60-day settle)	S+95	S+93	68
Fannie SARM	L+73	L+75	

Source: J.P. Morgan

THE GRAPEVINE

... From Page 1

report to **Barry Schumacher**, who runs the Newport Beach office.

Stephen Williams has joined **KeyBank Real Estate Capital** as a senior mortgage banker, tasked with originating commercial MBS and balance-sheet loans in the Southeast. He started last month in Atlanta, reporting to **Matthew Ruark**. Williams came from **CCRE** and previously worked at **Voya**, **J.P. Morgan** and **Bank of America**.

Former **S&P** analyst **Andrew Foster** has signed on with **Fitch** in New York, where he'll help rate CMBS servicers. He started Monday as a director, reporting to senior director **Adam Fox**. Foster filled a similar role at S&P in Dallas, where he was an associate director until early last month. He had transferred to the servicer-evaluation team in 2012, about a year after joining S&P's CMBS group as an associate in the ratings-surveillance

area. Foster previously spent about five years at special-servicer **C-III Asset Management**.

Anthony Wong has moved to an originations role at **Bank of China's** New York outpost. He started in recent weeks, coming over from **Bank of East Asia**, where he was a senior vice president. He'd worked at Bank of East Asia since 2012, helping build and expand a large-loan platform. Before that, Wong was a managing director at **PNC** for several years and earlier worked in **Citigroup's** CMBS group.

Amherst Capital is looking for an originations and underwriting associate for its newly formed commercial real estate lending team in New York. Candidates need at least two years of experience and competence in financial modeling. Amherst is a subsidiary of **BNY Mellon**. The contact is **Sarah Pitman** at sarah.pitman@bnymellon.com.

Brokerage **Meridian Capital** has hired **Joshua Berman** as a vice president in its New York headquarters. Berman

started last week, lining up debt and equity on a range of commercial real estate properties. He reports to senior managing director **Drew Anderman**. Berman was an underwriter at New York-based **Silverpeak Real Estate Finance** for a year. Before that, he spent seven years at appraisal firm **Leitner Group**, which was acquired by advisory shop **Butler Burgher Group** in 2014.

The **CRE Finance Council's** 17th annual January conference drew a record crowd to South Florida for the third year in a row. Some 1,796 registrants turned out early this week for the trade group's "Industry Leaders Conference" at the Loews Miami Beach Hotel, up from 1,696 at last year's gathering and 1,561 in 2014. The pre-crash peak was 1,550 in 2007.

Large-balance bridge lender **Acore Capital** wants to hire an underwriter with at least three years of experience. The recruit would work in the San Francisco firm's New York office. Apply at careers@acorecapital.com.

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