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Commercial Mortgage ALERT

THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION

SEPTEMBER 28, 2012

JP Morgan to Lead $3.5 Billion Hotel Loan

A syndicate led by **J.P. Morgan** has agreed to provide a $3.5 billion debt package for **Extended Stay Hotels.**

The borrower-friendly terms now prevailing in the commercial MBS market will enable the **Centerbridge Partners** group that owns the chain to reduce its borrowing rate and take a big chunk of cash out of the 664-hotel portfolio, after paying off the $2.7 billion existing mortgage.

The new financing will consist of roughly $2.5 billion of senior debt and $1 billion of mezzanine debt. J.P. Morgan and **Deutsche Bank** have each agreed to fund about 30% of the total, or $1.05 billion apiece. The remaining $1.4 billion will be divided evenly among **Bank of America, Citigroup** and **Goldman Sachs.**

All of the details haven't been nailed down, but the debt may carry a mix of fixed and floating rates. The senior portion will be securitized in a stand-alone deal before yearend. The lenders are expected to place the mezzanine debt with high-yield

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ING Curbs Lending, Cuts Staff at US Bank Unit

The U.S. real estate lending arm of Dutch bank **ING** has laid off half of its personnel, or 11 staffers, reflecting an ongoing retrenchment by European banks.

The layoffs occurred in the Los Angeles and New York offices of ING Real Estate Finance U.S. They didn't affect the company's U.S. life-insurance lending unit, ING Investment Management.

The remaining staffers at ING Real Estate will concentrate on managing its portfolio of $6 billion to $7 billion of commercial mortgages. The group will no longer originate loans.

The layoffs occurred at the end of last week. One person familiar with the matter said the entire Los Angeles team of about half-a-dozen was let go, including director **Chris Godlewski,** a **Helaba Bank** alumnus who headed the outpost since it opened in 2006.

About five people in New York were dismissed, including senior director **Maria Kastanis,** who is a former **Bank of America** executive, and vice president

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Macerich Seeks Giant Loan on Queens Mall

A **Macerich** partnership is seeking a fixed-rate loan of up to $650 million on a top-quality mall in New York's borough of Queens.

The partnership has asked lenders to submit proposals for a mortgage of either $600 million or $650 million on the property, called Queens Center. That would put the loan-to-value ratio at 50-55%. The loan term would be 10 or 12 years. **Eastdil Secured** is advising Macerich on the financing.

The new loan would enable Macerich and its partner, **Ontario Teachers,** to take a big chunk of cash out of the property after retiring a $320 million loan. That loan, which matures in March 2013, becomes eligible for prepayment on Dec. 1.

The 970,000-square-foot Queens Center is considered a "fortress" mall because of its high quality and strong in-line sales, which are to projected to hit $1,000/sf by yearend. The property, which is 97.2% occupied, is anchored by Macy's and

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THE GRAPEVINE

Gavin Elwes and **Mitch Ryan** joined **Five Mile Capital's** origination team last week. Elwes formerly was conduit co-head at **UBS,** while Ryan was a senior portfolio manager at **Guardian Life.** Elwes, a managing director, and Ryan, an executive director, report to portfolio manager **Jim Glasgow** and conduit head **Matt Philip.** Five Mile rolled out its conduit lending business over the summer, with backing from **Mitsubishi Corp.**

Former **Lehman Brothers** executive **Masood Bhatti** started three weeks ago as a managing director at **UBS** in New York. He reports to originations chief **Brett Ersoff.** Bhatti focuses on originating balance-sheet loans — a business UBS wants to expand. Commercial real estate chief **Ken Cohen** and most of his senior lieutenants are former Lehman staffers. Bhatti spent nine years on Lehman's real estate finance team, then worked at hotel acquisition

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Talmage Eyes $500 Million Debt Fund

Investment manager **Talmage** is shooting to raise up to $500 million of equity for its next debt fund, which would provide the sponsor with a relatively low profit split.

The unleveraged vehicle, Talmage Total Return Partners, would seek a 10-15% annual return by investing in commercial MBS, senior mortgages, B-notes and mezzanine debt. The New York firm, formerly known as Guggenheim Strategic Real Estate, is shooting to hold a first equity close within a few months, according to sister publication **Hedge Fund Alert.**

To attract investors, Talmage would take only 10% of the fund's profits after limited partners received a 10% preferred return. That profit split is half of the 20% industry standard. Also, there would be no "catch-up provision" to accelerate the distribution of profits to Talmage.

The company briefly talked to investors this year about raising $350 million for an opportunity fund that would have recapitalized properties and real estate companies, and acquired distressed debt. But little progress was made, and the firm instead turned its focus to the debt fund and separate accounts. The operator this month landed a $125 million commitment from **Oregon Investment Council** for a separate account.

The decision to shun leverage on the new fund's holdings follows heavy losses that Talmage suffered on investments acquired at the top of the market with debt financing. The firm's debut $353 million fund delivered a 12% average annual return for 2004-2006. But the $768 million successor, Guggenheim Structured Real Estate Fund 2, was virtually wiped out in 2008 when its CDO, CMBS and mezzanine-loan investments were hammered by the downturn. Lenders **J.P. Morgan** and **Credit Suisse** seized fund assets after Talmage was unable to meet margin calls.

Meanwhile, the $1.25 billion Fund 3, which invested mostly in 2007-2008, also came under pressure. With the market in disarray, Talmage sold off assets to repay all of the vehicle's debt — a move that "was costly to Fund 3, but insulated it from margin calls and related losses," according to the marketing materials for the new vehicle. Fund 3 has posted annual average losses of about 5%. Talmage reduced its management fee to minimize losses for the limited partners.

In its marketing materials, Talmage said an "unleveraged strategy was most appropriate given the ongoing turmoil in the financing markets and . . . extraordinary returns [achieved] without the use of leverage" on other Talmage investments. Unleveraged Talmage funds and separate accounts with $1.3 billion of total investments have posted internal rates of returns of 12-22% since 2008.

The company has invested more than $10 billion since it was founded in 2003 by **Edward Shugrue** as a joint venture with **Guggenheim Partners.** It separated from the Chicago investment firm in January and dropped the Guggenheim name, rebranding itself as Talmage. The company currently has $1.7 billion of assets under management via funds, separate accounts and CDOs. Talmage also is a rated special servicer and advises clients on workouts and recapitalizations.

Talmage wants to raise at least $250 million of equity for the new fund, which has a ceiling of $500 million. It is chipping in $5 million itself, and a founding investor has committed $25 million.

The investment period could range up to 18 months, and the fund's total life is projected at 3-5 years. Limited partners have the option of redeeming at the end of the investment period, but face a 2% withdrawal penalty during the first year and 1% during the second year. There would be a 1% management fee on invested capital only. ❖

Lineup Shifts for Blackstone Syndicate

Blackstone has closed on a $1.2 billion floating-rate debt package on the CalWest industrial portfolio with a slightly different lineup of lenders than originally discussed.

The five-year package, led by **Citigroup** and **UBS,** consists of a $950 million senior portion and $265 million of mezzanine debt. It closed about two weeks ago.

RBC and **New York Life** each took down $300 million of the senior debt. The remaining $350 million was evenly divided between Citi and UBS, which are likely to retain, rather than securitize, their portions.

The mezzanine debt was carved into senior and junior slices. The $120 million senior mezzanine piece was divided between RBC and **Apollo Global Real Estate,** which acted on behalf of a separate account that it manages. RBC's portion was slightly bigger than Apollo's. The senior mezzanine debt was pegged to about 800 bp over one-month Libor, with a minimum Libor rate of 0.5%.

GE Capital took down the $145 million of junior mezzanine debt, whose spread was described as the "low 900-bp range" over Libor, with a 0.5% Libor floor. GE placed most of the debt with its GE Capital Real Estate Debt REIT, whose investors include **Public Sector Pension Investment Board of Canada.** The rest was placed directly with the Canadian pension system.

Under the initial discussions in June, Citi and UBS would have provided $1 billion of senior debt, with Apollo and a **Goldman Sachs** fund dividing $300 million of mezzanine debt. The Goldman fund later dropped out, and then RBC, New York Life and GE entered the picture.

Blackstone, which was advised by **Eastdil Secured,** took over the 23.3 million-square-foot industrial portfolio in June when the previous owner, **Walton Street Capital** of Chicago, was unable to pay $2.5 billion of maturing debt. Blackstone held the controlling piece of junior debt.

Walton Street bought the portfolio at the top of the market in 2007 for $2.8 billion from **CalWest Industrial Holdings,** a joint venture between **Calpers** and **RREEF,** an investment-management arm of **Deutsche Bank.** The portfolio contains 52 warehouses, 34 business parks, eight office/flex properties and one parcel. ❖

S&P-Rated Deal Goes Smoothly

The first conduit deal rated by **S&P** in more than a year priced yesterday at levels that were generally in line with the previous multi-borrower offering.

But the transaction's junior investment-grade class ended up at a wider spread, which investors attributed in part to buy-side concerns about lower subordination levels afforded by S&P's new rating criteria (see Initial Pricings on Page 9).

The $1.1 billion offering by **J.P. Morgan** and **CIBC** was oversubscribed across the board, continuing a CMBS rally that took hold about three months ago.

The benchmark triple-A class priced at 88 bp over swaps. That was 3 bp wider than both price guidance and the spread on the equivalent long-term, super-senior tranche of the previous deal, a $1.3 billion offering by **Wells Fargo, Ladder Capital** and **RBS** that priced on Sept. 19.

But comparisons were complicated by a shift in the swaps rate. The yield on 10-year swaps was hovering around 1.7% yesterday, down from 1.79% when the Wells-Ladder-RBS deal priced. That drop prompted investors in the latest CMBS offering to demand fatter spreads to compensate, said one trader, who maintained that the class otherwise likely would have priced at a tighter spread than its predecessor.

Among the other three classes of super-senior bonds, those with a weighted average life of 7.4 years priced at 75 bp over swaps — down 5 bp from guidance and the issuance spread on equivalent paper in the previous deal. The others priced in line with talk and the earlier transaction, at 25 bp for 2.7-year paper and 50 bp for 4.9-year notes.

The spread was 145 bp on the junior triple-As, with 21% of subordination. That was 5 bp tighter than talk and in line with the last deal. The double-As went for 200 bp, down 15 bp from price talk, and the single-As for 270 bp, down 5 bp. The triple-B-plus class priced in line with talk at 425 bp.

The transaction was closely watched because it marked the return of S&P — and the absence of **Moody's** on a conduit deal for the first time since May 2011. S&P ran afoul of investors in July 2011 when it abruptly withdrew its ratings on a $1.5 billion multi-borrower transaction on the eve of settlement, citing the discovery of an inconsistency in the application of its rating criteria. The transaction had to be pulled from the market, infuriating bondbuyers. Conduit issuers subsequently boycotted the agency.

Many wondered whether investors would hold a grudge against the agency and bypass the deal. Another wild card was the recent change in S&P's methodology, which is now widely viewed as more lenient than that of Moody's.

But while some traditional investors said they did indeed bypass the deal, there were evidently enough other buyers to keep prices high.

One exception seemed to be Class E, rated triple-B-minus by S&P, **Fitch, DBRS** and **Kroll,** which priced at 535 bp. While that was 15 bp tighter than price talk, it was 35 bp wider than on equivalent bonds in the Wells-Ladder-RBS deal. Class E has 6.125% of credit enhancement, below the 7.125% in the previous issue, which was rated by Moody's and Fitch. In other words, that tranche has less of a firewall protecting against potential losses in the collateral pool than the previous deal. That was seen as tangible evidence of S&P's relaxed stand. ❖

Midwest Bank Shops Distressed Debt

A regional bank is marketing $131.6 million of mixed-quality mortgages and business loans, mostly tied to properties or real estate companies in the Chicago area.

The 113 loans to 42 borrowers include 50 performing loans totaling $26.5 million. The remaining $105.1 million of debt is more than 30 days delinquent, nonperforming or defaulted at maturity. **First Midwest Bank** of Itasca, Ill., has hired **Mission Capital** to run the sale. Indicative bids are due Tuesday, and final offers will be collected Oct. 23.

Chicago-area loans account for 86% of the total balance. The Indianapolis area accounts for another 9%, followed by Arizona, Florida, Iowa, Ohio and Wisconsin. The offering of fixed- and floating-rate notes has been split into two pools. Investors may bid on either or both.

One pool, totaling $71 million, encompasses 59 mortgages to 25 borrowers. The loans are backed by retail, multi-family and industrial properties, plus residential parcels and some vacant land. The amount owed by each borrower ranges from $779,000 to $10.6 million.

The other pool consists of 54 commercial mortgages and business loans with a combined balance of $60.6 million. Included are business loans to 17 borrowers and mortgages to 14 of the 17. Balances range from $1.2 million to $12.4 million per borrower. The mortgages are backed by office, retail, residential, industrial, self-storage and other properties. ❖

Loan Sought for Washington Offices

An **Edge Fund Advisors** partnership is reviewing bids from lenders for a $155 million loan to refinance a Class-A office building in Washington.

The Washington fund shop has taken proposals for both fixed- and floating-rate debt, with a term of five or seven years, backed by the 381,000-square-foot property at 1350 Eye Street NW. **Eastdil Secured** is advising Edge.

The debt package would have a loan-to-value ratio of under 60%, indicating a property value of at least $260 million. Edge and an **HSBC** investment unit bought an 80% stake in the building in 2010 from **Beacon Capital** of Boston for $167.4 million. The team later acquired the remaining equity interest.

The terms of the acquisition included the assumption of existing debt. **MetLife** had originated a $140.5 million fixed-rate loan in 2006, when Beacon acquired its interest from **Ling Brothers,** an Indonesian investment group. That loan was due to mature in 2011, but Edge secured a two-year extension.

The property was developed in 1989. The 12-story building is at the corner of 14th Street NW, overlooking Franklin Square Park. Its features include a rooftop terrace, a fitness center, a conference center and a restaurant. ❖

Commercial Real Estate

WELLS FARGO

Hospitality Properties Trust: CFO Mark Kleifges, President and COO John Murray, Senior Vice President Ethan Bornstein

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Use of Loan Payoff Draws Scrutiny

Some commercial MBS professionals last week were surprised to discover that $21 million of a $115 million loan payoff by one borrower was diverted to cover servicer expenses for another mortgage in the same securitization, rather than used to pay back senior bondholders.

The maneuver, clearly permitted under the pooling and servicing agreements for many securitizations, has been used periodically since the crash. But last week's action attracted scrutiny because of the relatively large amount involved.

The two loans at issue were securitized by **Credit Suisse** five years ago via a $3.3 billion pooled transaction (Credit Suisse Commercial Mortgage Trust, 2007-C2). One is a $475 million loan originally made to **Alliance Holdings** and affiliate **PJ Finance** on 32 apartment properties encompassing 9,504 units in five states. The other is a $115 million loan to **Walton Street Capital** on the 554,000-square-foot Park Central office complex in Denver.

Both loans ran into trouble and had to be modified. The Park Central loan was paid off in full this month, plus $1.4 million of interest that had accrued since the loan was extended and modified with a rate cut in May 2011, according to a servicer report.

After fees, expenses and the deferred interest are paid, normally the remaining loan proceeds would be used to pay down the principal balance of the senior bonds. But master servicer **Wells Fargo** opted to use $20.6 million of the Park Central loan payoff to repay itself for monthly interest payments it had advanced on the Alliance mortgage.

The move, noted by **Barclays** analyst **Keerthi Raghavan** in a Sept. 18 research report, caught some bond pros unaware. Some didn't realize that principal payments from one loan could be used to cover expenses on another loan. Others were surprised by the amount involved. "There have been other cases where this has happened, but this is the first big one I can remember," said one investor.

The question was not whether Wells should be repaid, but where the funds should come from. As master servicer, Wells was required to "advance" monthly bond payments to investors when the loan turned delinquent, so that distributions weren't disrupted. According to the terms of securitizations, such advances — effectively loans to bondholders — have a priority claim and must be repaid out of the deal's cashflow.

Wells' advances on the Alliance loan totaled $27.8 million. When the modification of the loan was approved in May by a bankruptcy court, Wells received a bulk payment of about $4.2 million. It then started repaying itself with funds that otherwise would have been used to pay interest to bondholders. Wells captured roughly $1 million a month, increasing the deal's total monthly interest shortfalls to about $1.3 million, affecting up to Class D, which was originally rated double-A-minus.

This month, when the trust received a $114.8 million principal payment from the payoff of the Park Central loan, Wells decided to recover the remaining $20.6 million of advances in one fell swoop.

Provisions that permit servicers to recover advances for one loan from principal payments on another mortgage started popping up in securitization documents in 2004 to ensure that servicers are repaid as quickly as possible. By the time issuance peaked in 2007, CMBS shops incorporated the provision into well over half of pooling and servicing agreements, but it was rarely used until the number of workouts exploded during the downturn.

The provision, called the Workout-Delayed Reimbursement Amount, effectively permits a deal to be undercollateralized. The balances on the mortgages in the Credit Suisse deal's collateral pool are now $25.3 million less than the $2.7 billion balance on the outstanding CMBS.

Master servicers generally seek to recover their advances as quickly as possible after a loan modification, while trying to minimize disruption in interest payments to senior bondholders. In cases of large advances, such as the Alliance loan, taking cash from principal payments can be the best way to accomplish that, servicers said. Their decisions on how to recoup advances are made independently of special servicers.

Some investors and traders questioned whether special servicers should agree to workouts that will result in principal being siphoned off. A better path, they said, would be to require a borrower to repay the advance up front or, failing that, to liquidate the loan.

"If you want to modify a loan, you have to get the borrower to pay back the servicer advances, or don't do it," said one trader. Using proceeds from the paydown of another loan "allows principal to get sucked out of the deal that's never going to come back," he added. ❖

Beech Street Finances Tenn. Rentals

Beech Street Capital has originated $92.6 million of **Freddie Mac** loans for the buyer of a Tennessee apartment portfolio.

The 1,333 units backing the loans are in three of the four Nashville-area properties that **Harbor Group International** acquired last month. The Norfolk, Va., investment shop paid a **Lehman Brothers** affiliate $130.5 million for the four complexes.

The fixed-rate mortgages have seven-year terms and are interest-only for the first two years. **Meridian Capital** of New York sourced the loans for Beech Street, which is based in Bethesda, Md. The two firms have a correspondent relationship.

The collateral properties are:

- The 627-unit Cherry Creek Apartments, at 1100 Crystal Spring Lane in Hermitage.
- The 360-unit Cambridge at Hickory Hollow, at 660 Bell Road in Antioch.
- The 346-unit Arbors at Brentwood, at 100 Brentwood Place in Nashville.

It's unknown whether Harbor Group arranged other financing for the fourth property, the 260-unit Preakness Apartments, at 630 Bell Road in Antioch.

The sale of the portfolio came as its previous debt was maturing. Lehman originated a $148.9 million debt package in 2007 for a joint venture between **Apogee New Dawn** and a Lehman affiliate, which purchased the properties for $146 million from **Equity Residential** of Chicago. The $116.8 million senior mortgage was securitized in a $3.2 billion pooled offering (LB-UBS Commercial Mortgage Trust, 2007-C7).

At the time, average occupancy across the portfolio was about 95%. That number slid to 88% during the economic crisis. Revenues fell below the level needed to service the securitized mortgage, which was placed into special servicing at the end of 2009. But the joint venture continued to make payments and even put money into renovations. The ownership and disposition of the $32.1 million mezzanine note were unclear.

By yearend 2011, occupancy at the four properties had recovered to 95.3%. Lehman emerged from bankruptcy this year and began looking to liquidate some of its holdings on behalf of its creditors. By that point, Apogee New Dawn no longer held an equity stake in the portfolio, but still managed the properties. ❖

Advisor Adds Capital-Markets Team

Fledgling advisory and investment shop **United Realty** has rolled out a capital-markets group.

The division, headed up by finance veteran **Barry Funt,** will help clients line up debt and equity capital and advise them on structured-financing options. Funt is expected to hire a handful of staffers for the group in the coming year.

New York-based United Realty opened its doors in January with an advisory arm and an investment division. The latter is structured as a REIT — United Realty Trust — which invests both in stabilized and in value-added properties.

Funt was general counsel at **Nomura's** commercial real estate finance unit in the late 1990s, when the securitization market was emerging. He later joined **Natixis Global Real Estate.**

United Realty was founded by chairman and chief executive **Jacob Frydman** and president **Eli Verschleiser.** Frydman is also managing partner of **Hudson-York Capital,** which he formed in 1995. Verschleiser was formerly chief executive of **Multi Capital,** a real estate investment-banking firm in New York. ❖

Queens ... From Page 1

JC Penney. In their respective chains, the JC Penney store is the top performer and the Macy's store ranks fifth.

Several in-line stores are also top performers for their companies, including outlets of A/X Armani, Aeropostale, Children's Place, Club Monaco, H&M and Pink. If the Macerich team succeeds in signing Apple to a pending 10,000-sf lease, in-line sales could jump to as high as $1,300/sf, according to marketing materials for the loan.

Macerich, a REIT in Santa Monica, Calif., bought the mall in 1995 and sold a 49% stake in 2009 for $152.7 million to Toronto-based **Cadillac Fairview,** a real estate firm that is wholly owned by Ontario Teachers.

Queens Center is at 90-15 Queens Boulevard in the Elmhurst section, about five miles from Midtown Manhattan. It sits at the intersection of three major roadways: Queens Boulevard, the Long Island Expressway and Woodhaven Boulevard.

The three-level mall, which has a 1,900-car garage, was constructed in 1973 and renovated and expanded in 2004. ❖

GE Alumnus Expanding Advisory Firm

A commercial real estate advisory firm led by former **GE Capital** executive **Jack Mullen** is branching out, offering asset-management services to its clients.

Since its launch in early 2009, **Summer Street Advisors** of Westport, Conn., has handled various types of analytics and risk-management work on about $15 billion of assets for banks, fund shops, private investors, special servicers and other clients.

As an asset manager, Summer Street goes a step further by arranging and executing transactions on behalf of individual clients, using brokers, banks and other service providers as needed, Mullen said. The new service "eliminates the learning curve of hiring an outside asset-management firm," he said.

"Once the upfront servicing, management and execution of a transaction is complete, our expert teams can manage the new and updated assets," said managing director **Steven Jason,** who is spearheading the asset-management effort.

Mullen founded Summer Street shortly after leaving GE in early 2009. As the firm continues to grow its core business, Mullen expects the asset-management initiative to account for 30% of its revenue by the end of next year. "It's just a natural, organic expansion of what we've been doing already, building on our analytics," he said.

Summer Street focuses on commercial real estate equity and debt investments, including commercial MBS. Investors, lenders and other parties to such transactions often hire the firm to help analyze or work out distressed assets they own or want to take on. Summer Street specializes in conducting due diligence, assessing risk, assigning values and assisting clients in developing asset-management strategies.

The firm has six staffers, as well as analysts who work on a contract basis. More employees will be added as the business grows, Mullen said.

Mullen spent six years at GE, most recently as a senior underwriter in Norwalk, Conn. He worked on the global valuation team, which evaluated the risk associated with investments in debt, joint-venture equity and corporate acquisitions in the commercial real estate sector. Mullen previously spent six years as a commercial-mortgage underwriter at now-defunct lender **Finova Capital** of Paramus, N.J., and nine years in the corporate-lending unit at **Chase Manhattan Bank.** ❖

ING ... From Page 1

Yelena Kharnas.

Though many European banks have scaled back in the U.S., the move came as a surprise to the group, said several people familiar with the matter. Earlier this year, **Michael Shields,** the London-based head of ING Real Estate Finance, discussed plans to expand lending outside core markets and projected a solid pipeline of capital for new deals.

The reason for the cutback was unclear. However, the list of hurdles facing European banks is well known, including tightening capital-reserve requirements that have been pushed by the **European Central Bank.**

"Most European banks have been, and still are, overleveraged," said a veteran New York-based lender with another European bank. "As bad as the U.S. banks were, the European banks were much more highly leveraged, and that's coming back to bite them."

Several banks based on the continent have cut back U.S. lending, and in doing so have sold off huge chunks of their loan portfolios. Among them are **Allied Irish, Anglo Irish** and **Bank of Ireland,** which together shed more than $12.5 billion of U.S. commercial mortgages last year via several massive portfolio sales.

At this point, it appears that ING won't be going that route. The word is that the parent company prefers to wind down the bank's U.S. loan portfolio by letting its mortgages mature.

The unit often syndicated large portions of its loans, as is common among European banks.

Shields, who heads activity in Europe and the Americas, was promoted to his current post in 2010. He relocated to London from New York several months ago. ❖

Hotel ... From Page 1

investors, seeking a coupon in the neighborhood of 12%.

The existing debt, originated two years ago, becomes eligible for prepayment with only a minimal penalty on Nov. 23. That package, arranged by J.P. Morgan and Deutsche, has a blended rate of 7.4%. It consists of a $2 billion senior loan with a 6.2% coupon and $700 million of mezzanine debt at a blended rate of 10.9%. The dealers securitized the senior portion via a standalone transaction (Extended Stay America Trust, 2010-ESH).

The proceeds remaining after the existing debt is repaid will return most, if not all, of the equity that the Centerbridge team invested when it bought Extended Stay out of bankruptcy in July 2010.

Centerbridge, **Blackstone** and fund shop **Paulson & Co.** bought the company for $3.9 billion after previous owner **Lightstone Group** declared bankruptcy. New York-based Lightstone had purchased Extended Stay from Blackstone for $8 billion at the top of the market in 2007.

The portfolio, which has an 81% average occupancy rate, encompasses 73,520 rooms at properties built between 1986 and 2007. They are scattered across the country, with concentrations in the Los Angeles, Seattle, Oakland, Washington, Chicago and Houston areas. The hotels are all in the extended-stay category and fly various flags, including Extended Stay America, Extended Stay Deluxe and Homestead Studio Suites. The company recently moved its headquarters to Charlotte from Spartanburg, S.C. ❖

Pru Inks Seattle-Area Apartment Loan

Prudential Financial has provided fixed-rate mortgages totaling $103 million on two suburban Seattle apartment properties.

The seven-year loans are backed by the 880 units at the Reserve and the Sanctuary, adjacent complexes in Renton, Wash. **Jones Lang LaSalle** lined up the financing for the developer, **Fairfield Residential** of San Diego, which used the proceeds to retire a maturing construction loan from **U.S. Bank.**

The loan-to-value ratio is about 60%, putting the value of the properties at roughly $170 million. The complexes were completed in 2009 and 2010 on eight acres at 1202 and 1205 North 10th Place, about 15 miles southwest of Seattle. Each consists of a cluster of five-story buildings around a courtyard with a swimming pool. Other amenities include a fitness center, a spa, a clubhouse, conference rooms and parking garages.

The apartment buildings are part of a master-planned development called The Landing that also contains more than 600,000 square feet of stores and restaurants. It's on 46 acres at the south end of Lake Washington, close to Interstate 405 and the Renton Municipal Airport. ❖

INITIAL PRICINGS

J.P. Morgan Chase Commercial Mortgage Trust, 2012-C8

Pricing date:	Sept. 27
Closing date:	Oct. 18
Amount:	$1,136.6 million
Seller/borrower:	J.P. Morgan, CIBC
Lead manager:	J.P. Morgan
Co-managers:	CIBC, Deutsche Bank
Master servicer:	KeyCorp
Special servicer:	Midland Loan Services
Operating advisor:	Pentalpha Surveillance
Trustee:	Wells Fargo
Certificate administrator:	Wells Fargo
Offering type:	SEC-registered

Property types: Office (35.6%), retail (26.3%), mixed-use (16.3%), industrial (9%), hotel (7.3%), self-storage (3.2%), multi-family (1.7%) and manufactured housing (0.6%).
Concentrations: Texas (19.6%), Maryland (12.7%) and Missouri (11%).
Loan contributors: J.P. Morgan (87.8%) and CIBC (12.2%).
Largest loans: A $125 million loan to Simon Property on the 1.2 million-sf Battlefield Mall in St. Louis; a $92.4 million loan to Oaktree Capital, KBS Realty, Hackman Capital and Calare Properties on seven industrial properties, encompassing 2.9 million sf, in Connecticut and Massachusetts; an $84 million loan to Martin Selig on the 280,000-sf office building at Fifth Avenue and Yesler Way in Seattle; an $81.6 million loan to General Growth Properties on the 407,000-sf Gallery at Harborplace mixed-use complex in Baltimore; a $61 million loan to Beacon Investment Properties on three Houston office buildings encompassing 570,000 sf; a $58.2 million loan to Greenfield Partners on 18 Maryland office properties encompassing 698,000 sf; a $50.3 million loan to Bradley Freels on the 244-room Hotel Sorella Citycentre in Houston; a $41.5 million loan to Mark Karasick on the 528,000-sf Wells Fargo Center office building in Winston-Salem, N.C.; and a $37.7 million loan to Robert Goddard on the 529,000-sf Crossings office complex in Dallas.
B-Piece buyer: BlackRock.
Notes: J.P. Morgan and CIBC teamed up to securitize commercial mortgages that they had originated. **CMA code:** 20120079.

Class	Amount ($Mil.)	Rating (S&P)	Rating (Fitch)	Rating (DBRS)	Rating (Kroll)	Subord. (%)	Coupon (%)	Dollar Price	Yield (%)	Maturity (Date)	Avg. Life (Years)	Spread (bp)	Note Type
A-1	76.634	AAA	AAA	AAA	AAA	30.00	0.705	100.000	0.696	10/15/45	2.69	S+25	Fixed
A-2	189.227	AAA	AAA	AAA	AAA	30.00	1.797	102.500	1.257	10/15/45	4.88	S+50	Fixed
A-3	426.122	AAA	AAA	AAA	AAA	30.00	2.829	102.500	2.540	10/15/45	9.75	S+88	Fixed
A-SB	103.623	AAA	AAA	AAA	AAA	30.00	2.379	102.500	2.008	10/15/45	7.36	S+75	Fixed
A-S	102.292	AAA	AAA	AAA	AAA	21.00	3.424	102.500	3.135	10/15/45	9.91	S+145	Fixed
B	56.829	AA	AA	AA	AA	16.00	3.977	102.499	3.685	10/15/45	9.91	S+200	Fixed
C	44.043	A	A	A	A	12.13	4.778	102.499	4.385	10/15/45	9.91	S+270	Fixed
EC	203.164	A	A	A	A	12.13	3.872	102.500	3.559	10/15/45	9.91		Fixed
D	35.518	BBB+	BBB+	BBB (high)	BBB+	9.00	4.826	91.297	5.935	10/15/45	9.91	S+425	Fixed
E	32.676	BBB-	BBB-	BBB (low)	BBB-	6.13	4.826	84.034	7.035	10/15/45	9.91	S+535	Fixed
F	15.628	BB	BB	BB	BB	4.75				10/15/45	9.95		Fixed
G	17.049	BB-	B	B	B	3.25				10/15/45	9.99		Fixed
NR	36.939	NR	NR	NR	NR	0.00				10/15/45	9.99		Fixed
X-A(IO)	897.898*	AAA	AAA	AAA	AAA					10/15/45			Fixed
X-B(IO)	238.682*	NR	NR	AAA	AAA					10/15/45			Fixed

*Notional amount

Gleacher Expands Securitization Unit

Gleacher & Co. is continuing to expand its structured-product sales and trading operation, even as it pursues the possibility of selling a stake in itself or teaming up with another firm.

Over the last month, the New York broker-dealer added a second trader, **John Rosa,** to its commercial MBS desk. It also hired two senior salesmen, **Martin Baxter** and **Stephen Lei,** to handle private-label and agency CMBS, residential mortgage bonds and asset-backed securities.

Baxter and Lei, plus at least two more recruits expected to start next week, boost Gleacher's structured-product sales force to more than 20 staffers. The team reports to executive managing directors **Perrin Arturi** and **Donald Ullmann,** who were hired in May to spearhead a fixed-income unit that focuses heavily on sales and trading of mortgage-related securities.

Baxter, who joined Gleacher as a managing director two weeks ago, is setting up a Washington sales office. He spent the last 10 years at broker-dealer **Amherst Securities** in McLean, Va. He previously worked at **Raymond James & Associates** for a little over six years and **Paine Webber** for nine years.

Lei started as a director in Gleacher's main office on Sept. 19, moving over from the New York sales desk at broker-dealer **KGS-Alpha Capital.** Before joining KGS from the now-defunct **Nariman Point Advisors** two years ago, Lei had stints at **HSBC, Goldman Sachs** and **Fitch.**

Rosa joined Gleacher on Aug. 27 to work with **Glenn Riis,** who was hired as head CMBS trader in July. They are part of a trading group headed by **George Smith,** who reports to Arturi and Ullmann. Rosa was most recently a director handling CMBS on **Barclays'** proprietary-trading desk for about 18 months. He left the bank in July 2011. His career as a New York-based CMBS trader and credit analyst also included a two-year stop at **Stone Tower Capital** and 11 years on the prop desk at **ING.**

Gleacher has been rebuilding its fixed-income team since a number of sales and trading executives left in the spring to launch a similar platform at **Brean Murray,** a boutique New York investment bank that traditionally focused on stocks.

Meanwhile, at the behest of some of its backers, Gleacher last month hired **Credit Suisse** to help it explore "strategic alternatives," which include selling a piece of itself or forming a partnership with another firm. ❖

INITIAL PRICINGS

MSBAM Commercial Mortgage Securities Trust, 2012-CKSV

Pricing date:	Sept. 25
Closing date:	Oct. 17
Amount:	$405.7 million
Seller/borrower:	Bank of America, Morgan Stanley
Lead managers:	Bank of America, Morgan Stanley
Master servicer:	KeyCorp
Special servicer:	KeyCorp
Trustee:	Wells Fargo
Certificate administrator:	Wells Fargo
Offering type:	Rule 144A

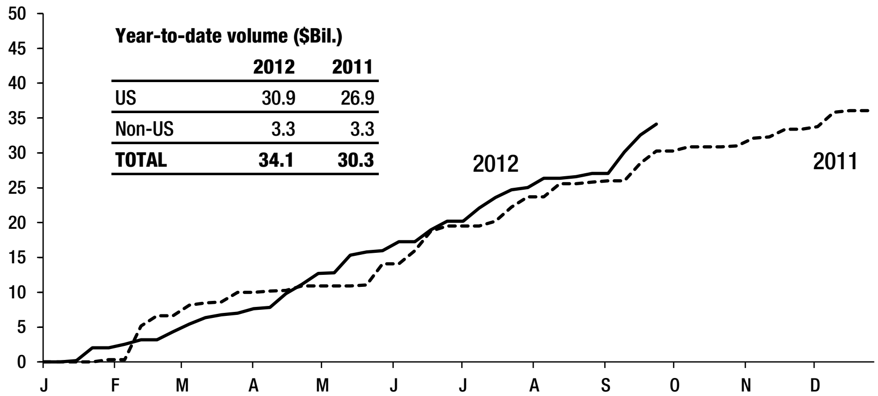
Property types: Retail (100%).
Concentrations: Oregon (53.2%) and California (46.8%).
Loan contributors: BofA (53.2%) and Morgan Stanley (46.8%).
Notes: BofA and Morgan Stanley teamed up to securitize two 10-year, fixed-rate mall loans that they had separately written for different borrowers. On Sept. 5, BofA originated a $216 million interest-only mortgage, with a 4.2% coupon, for General Growth Properties and Illinois State Teachers on 632,000 sf at the 1.4 million-sf Clackamas Town Center mall in Happy Valley, Ore. On Aug. 31, Morgan Stanley originated a $190 million partially amortizing loan, with a 4.4% coupon, for Taubman Realty on 1.2 million sf at the 1.4 million-sf Sunvalley Shopping Center in Concord, Calif. The appraised values were $370 million for Clackamas Town Center and $350 million for Sunvalley Shopping Center. The loans are neither cross-collateralized nor cross-defaulted. The GGP team used most of its proceeds to retire a $201 million loan from Prudential. Taubman used $115.1 million of its proceeds to retire a mortgage that Goldman Sachs securitized in 2003 via a $1.6 billion offering (GS Mortgage Securities Corp. II, 2003-C1). Class CK is backed solely by the $25.2 million junior portion of the Clackamas Town Center loan. **CMA code:** 20120120.

Class	Amount ($Mil.)	Rating (S&P)	Rating (MStar)	Rating (Kroll)	Subord. (%)	Coupon (%)	Dollar Price	Yield (%)	Maturity (Date)	Avg. Life (Years)	Spread (bp)	Note Type
A-1	36.106	AAA	AAA	AAA	31.02	2.117	102.497	1.610	10/15/30	5.31	S+73	Fixed
A-2	243.760	AAA	AAA	AAA	31.02	3.277	102.492	2.991	10/15/30	9.94	S+125	Fixed
B	37.538	AA	AA	AA	21.77	4.088	102.492	3.799	10/15/30	9.99	S+205	Fixed
C	40.879	A	A	A	11.70	4.437	100.948	4.249	10/15/30	9.99	S+250	Fixed
D	22.278	BBB+	BBB+	BBB+	6.21	4.437	96.251	4.849	10/15/30	9.99	S+310	Fixed
CK	25.186	BBB	BBB-	NR	0.00				10/15/30	9.99		Fixed
X-A(IO)	279.866*	AAA	AAA	AAA		1.310	8.883	3.513	10/15/30		T+200	Fixed
X-B(IO)	78.417*	A	AAA	AAA					10/15/30			Fixed

*Notional amount

MARKET MONITOR

WORLDWIDE CMBS



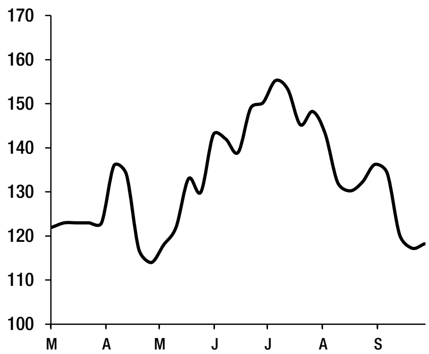
Year-to-date volume ($Bil.)

	2012	2011
US	30.9	26.9
Non-US	3.3	3.3
TOTAL	**34.1**	**30.3**

CMBS SPREADS

NEW-ISSUE SPREAD OVER SWAPS

10-Year AAA



New Issue Fixed Rate (Conduit)	Avg. Life	Spread (bp) 9/26	Week Earlier	52-wk Avg.
AAA	5.0	S+56	S+55	118
	10.0	S+118	S+117	145
AA	10.0	S+208	S+207	286
A	10.0	S+311	S+311	393
BBB	10.0	S+466	S+476	588

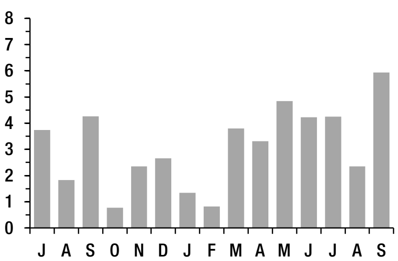
Legacy Fixed Rate (Conduit)	Avg. Life	Spread (bp) 9/26	Week Earlier	52-wk Avg.
AAA	5.0	S+109	S+108	+177
	10.0	S+158	S+157	+226
AA	10.0	S+1,644	S+1,642	+2,016
A	10.0	S+2,254	S+2,252	+2,631
BBB	10.0	S+3,919	S+3,912	+4,258

Markit CMBX 5	Dollar Price 9/26	Week Earlier	52-wk Avg.
AAA	94.4	95.5	91.8
AA	45.3	46.6	44.6
A	27.1	28.3	30.4
BBB	17.8	17.9	18.1
BB	5.0	5.0	5.0

Sources: Trepp, Markit

US CMBS

MONTHLY ISSUANCE ($Bil.)



CMBS TOTAL RETURNS

CMBS INDEX

As of 9/20	Avg. Life	Total Return (%) Month to Date	Year to Date	Since 1/1/97
Inv.-grade	3.7	1.2	8.5	189.2
AAA	3.5	0.6	6.0	178.2
AA	3.9	1.6	10.2	78.1
A	4.1	1.7	11.8	61.6
BBB	4.2	2.7	16.5	62.3

Source: Barclays

LOAN SPREADS

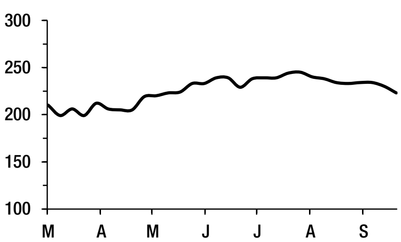
ASKING SPREADS OVER TREASURYS

10-year loans with 50-59% LTV

	9/21	Month Earlier
Office	223	234
Retail	215	223
Multi-family	201	214
Industrial	215	223

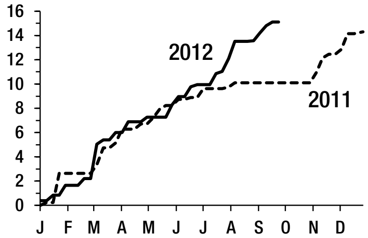
Source: Trepp

ASKING OFFICE SPREADS

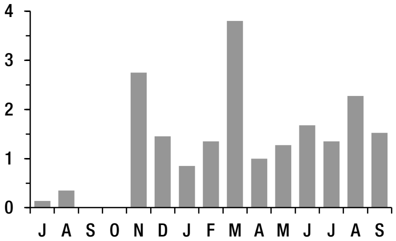


REIT BOND ISSUANCE

UNSECURED NOTES, MTNs, ($Bil.)



MONTHLY ISSUANCE ($Bil.)



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

SPREADS

8/21	Maturity	Rating (M/S)	Amount ($Mil.)	Spread (bp)	CDS (bp)
Kimco	10/19	Baa1/BBB+	300	T+150	115
Simon Property	3/22	A3/A-	600	T+105	83
Equity Residential	12/21	Baa1/BBB+	1,000	T+110	86
Prologis	3/20	Baa2/BBB-	540	T+192	166
AvalonBay	9/22	Baa1/BBB+	450	T+126	74
Duke Realty	6/22	Baa2/BBB-	300	T+205	123
Boston Properties	2/23	Baa2/A-	1,000	T+153	89
Health Care Property	8/22	Baa2/BBB	300	T+177	118
Regency Centers	4/21	Baa2/BBB	250	T+170	
Liquid REIT Average		Baa1/BBB+	527	T+154	107

Source: Wells Fargo

THE GRAPEVINE

... From Page 1

and management firm **Scout Real Estate Capital** for the past three years.

Constantine "Tino" Korologos joined **Situs** two weeks ago as a managing director responsible for expanding the firm's commercial real estate advisory practice. Korologos formerly worked in the capital markets group at **Deloitte,** on the agency execution team at **Wachovia** and in the commercial MBS group at **Bear Stearns.**

Dan Wolins and **Mike Schutz** signed on with consulting firm **Spring11** this month. Wolins is a senior underwriter focusing on client relationships and Schutz is an underwriter. Wolins formerly was a director at **Deutsche Bank's** commercial real estate group in London. Before that, he worked on the CMBS team at **Credit Suisse** in New York. Schutz was an associate for **ING's** real estate finance team. Both report to Spring11 co-founder **Benek Oster.** The New York firm is looking to hire at least 10 more staffers there and a handful in London. Spring11 provides due-diligence and other third-party services for lenders.

Former **Goldman Sachs** executive **Jim Conway** resurfaced Monday in the Dallas office of **A10 Capital.** He's chief credit and risk officer at the Boise, Idaho, lender, which writes short-term senior loans on transitional properties. Conway spent 13 years with Goldman's commercial-mortgage group in Irving, Texas, focused on originating loans for securitization. He was co-chief executive of the group, alongside **Roddy O'Neal,** until leaving Goldman in 2010. Conway previously worked at **Phoenix Realty Securities** and **Travelers Insurance.**

Distressed-debt attorney **David Barksdale** rejoined **Ballard Spahr** as a partner in Los Angeles on Monday, six months after leaving for a similar position at rival **Alston & Bird.** Barksdale specializes in helping special servicers work out and restructure commercial MBS loans. He also works on commercial-mortgage originations as part of the real estate department chaired by partner **Michael Sklaroff** in Philadelphia. Barksdale was also a partner during his previous five-year stint at Ballard, and before that at **McDonald Carano** in Las Vegas.

Kevin Nishimura, a director at **JER Partners,** will be added to **Deutsche Bank's** special situations group in the coming weeks. He'll focus on high-yield real estate debt opportunities for the bank's balance sheet.

Kasowitz Benson has enlisted an 11th attorney to the commercial real estate practice it launched last year. **Julia Forte** started Monday as an associate in the firm's New York headquarters. She had been in-house real estate counsel at outsourcing firm **ADP** of Roseland, N.J., since July 2011. Forte was previously an associate at law firms **Skadden Arps** and **Sidley Austin.** There are now six Skadden alumni on Kasowitz's real estate team — including its head, partner **Wallace Schwartz.**

Pooja Sharma will join **Arbor Commercial Mortgage** next month as an underwriter. She has been a debt analyst at **CoStar** unit **Property and Portfolio Research** for the past four years. Before that, Sharma had stints at **Merrill Lynch** and **Fitch.**

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