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Covered Bond Outlook Bright

New legislation is sweetening the outlook for the U.S. covered bond market.

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SPREAD VOLATILITY SETTLES IN ON CMBS LENDERS

Volatility in the bond market over the past two weeks has caused a big headache for commercial mortgage-backed securities lenders looking to price new loans. **Goldman Sachs** has reportedly widened spreads on loans it recently quoted. What's more, *REFI* has been told that at least two CMBS originators and a few insurance companies have stopped quoting new loans. Officials at Goldman declined to comment, as did officials at **Deutsche Bank**, **Bank of America**, **JP Morgan**, **Citigroup** and **Morgan Stanley**.

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STUDY BOOSTS REITS VS. PRIVATE EQUITY

Cohen & Steers has released a white paper that shows REITS have outperformed private real estate vehicles, 95% of pension fund allocations still remain in private investments. "When clients think real estate, they think fund manager," **Martin Cohen**, co-chairman and co-ceo, told *REFI*. "They may view REITs as one step removed from the property. It is important to look at past cycles and give evidence that you do get higher returns and liquidity [with REITs]."

The report states that over the past 30 years, REITs have outperformed diversified core funds by 470 basis points annually. Over the past 10 years, that number rises to 560 points

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SOCAL OFFICES SET TO TRADE

Office towers in Irvine and Los Angeles are about to be sold. **Principal Global Investors** is expected to sign a contract for Figueroa Tower in Los Angeles while **Kilroy Realty** is preparing to acquire 2211 Michelson Drive in Irvine.

Principal is said to be buying the 280,000-square-foot building, located at 660 South Figueroa Street, for about \$74 million on behalf of its green real estate fund. The building is not LEED certified and will need to be improved to meet the requirements of the fund, market participants said. A contract has not yet been signed.

Seller **Milbank Real Estate Services** acquired the 24-story tower in 2004 for

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building properties on five sites that it has under contract. The company will have 27 properties after the IPO.

Palos Buys £400M London Apartments

Entrepreneur **Brett Palos** has acquired 21 apartment blocks across central London for £400 million, *Property Week* reports. The seller was **Lloyds Banking Group** and **Residential Land Holdings**, which will continue to manage the portfolio. Palos acquired the property through his company, **Prime London Residential**.

Macerich Mall Gets \$135M Wells Fargo Loan

Wells Fargo has originated a five-year, \$135 million loan to **Macerich** for its Vintage Faire Mall in California, *Commercial Real Estate Direct* reports. The company used the proceeds to pay

off a \$62 million mortgage, which was set to mature in September 2010. The property, which was 92% leased as of the end of 2009, is currently let to **JCPenney**, **Macy's**, **Sears** and **Forever 21**.

Lehman Wins \$5.2B Archstone Revamp Nod

Lehman Commercial Paper has secured bankruptcy court approval to restructure loans it provided to **Archstone-Smith Trust**, *The Wall Street Journal* reports. The restructuring plan for the real estate investment trust (REIT) calls for the conversion of about \$5.2 billion of secured debt into new equity. Lehman holds 47% of the controlling equity interests in Archstone while affiliates of **Barclays** and **Bank of America** hold another 47%. In October 2007, a Lehman affiliate and **Tishman Speyer** acquired Archstone in a \$22 billion leveraged buyout.

Strategies

Montreal Developer Turns Attention Back To Canada

The **SNR Group**, a Montreal-based development company, is ramping up a number of new investments in Canada. The company sold a substantial amount of its U.S. real estate between 2000 and 2005. "We felt the U.S. market was way overheating," said **Monty Steckler**, principal. "The fundamentals in Canada are better. We don't fly as high as they do in the U.S."

SNR has six subdivisions in the works in Montreal, ranging between 45 and 1,000 acres. It is also working on two investments in Calgary in the Province of Alberta—a 100 acre subdivision where infrastructure is currently being installed, and a 300 acre mixed-use subdivision that is in the planning stages. "We constantly pursue opportunities on both the land and revenue-producing side in both the Montreal area and Western Canada," Steckler added.

SNR develops and manages industrial, residential and public-private projects in Canada and the U.S. Most recently, it opened **Domaine du Parc**, a mixed-use subdivision outside of Montreal. The subdivision was constructed on 400 acres of wetlands that the company took control of, donating more than half as a nature park. "From a design standpoint, we had to be very careful so as to ensure that our development would not only be able to co-exist with the environment but would also enhance it," Steckler said. The residential component is comprised of single- and multifamily units. The development includes more than 2.1 million square feet of land zoned for a lifestyle center, which includes a government-built train station and bus station, and a commercial portion with big-box retailers, such as **Wal-Mart**.

Still, the company expects to get back in the U.S. market within the next 12-18 months. "We want to invest in the U.S.

right, and the money is starting to make sense again," Steckler said. The company is looking to acquire existing assets as opposed to developing new properties because it is less expensive.

AmVest Taps Arbor's Lending Platform

Mortgage banker **AmVest Capital** has formed a partnership that will allow its clients to access **Arbor Commercial Mortgage's Fannie Mae** lending platform. More than half of the 680 banks AmVest deals with are in some kind of trouble. "Banks are wounded and are sitting there going, 'I think this is a good deal, but I can't do it,'" said **Mark Kelley**, president of AmVest. "Banks need intermediaries to help them through the process."

AmVest's clients are largely seeking long-term, fixed-rate loans on apartments, mobile homes and assisted living facilities. AmVest researched the most active Fannie Mae lenders and eventually joined forces with Arbor due to its high client approval rating. "AmVest helps bankers while behind the scenes Arbor is helping us push loans through the system," Kelley said. The partnership could potentially double Arbor's lending volume over the next few years, he added.

The partnership will first offer short-term bridge loans and then will move into fixed-rate loans. In tertiary markets, loans will be around \$3 million, whereas in primary markets they will be around \$8 million. Leverage will be up to 85% financing.

Kelley said that bankers and borrowers didn't expect the severity of the current crisis. "We didn't think the other side of the tunnel would look like this," he said. "I know guys who have been on Wall Street for 25 years who are finished, not a simile of what they once were. We are asking ourselves 'What can we do? The bankers need our help.' It feels awful, but there is a lot of opportunity."