

Commercial Mortgage

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

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THE GRAPEVINE

Brett Gross, Peter Mignone, Donald Simone and Mitchell Williams joined New York law firm **Hunton & Williams** this week as partners in its real estate practice. The four formerly led the real estate finance practice at **Thacher Proffitt**. **Carl Schwartz** chairs the New York group within Hunton's real estate practice, which is helmed by **William Walsh**. Schwartz and partner **Laurie Grasso** joined the firm in April from **Herrick Feinstein**. ❖

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JUNE 8, 2012

- 15 LOANS IN SPECIAL SERVICING
- 19 REGULATORY ROUNDUP
- 27 MEZZANINE LENDERS
- 2 Life Companies Take Us to the Party
- 3 In a First, 'Hedge Note' Paid Off in Full
- 3 CWC Capital, Basis, Artemis Team Up
- 4 CFI, Redwood Ink NY Hotel Debt
- 4 Eightfold Snags Third B-Piece
- 4 Spreeds Match Talk in RBS-Wells Deal
- 4 Helaba Finances NY Retail Building
- 9 Berkshire Preps for Life After Agencies
- 10 MetLife Funds \$337 Million of Loans
- 10 Dunn, Sulberg Resettle
- 11 FDIC Shopping Mixed Bag of Loans
- 13 CMBS Delinquencies Inch Up to 8.7%

THE GRAPEVINE

Commercial MBS trader **Kee Chan** resigned Monday from **Nomura** to take a job at **UBS** in New York. When he starts as a managing director in three months, Chan will focus on syndicating new issues and secondary market trading under managing director **David McNamee**. Chan joined Nomura's New York trading desk in 2009 after more than 11 years at **Lehman Brothers**, which he left shortly after it went bankrupt in 2008. In York advisory shop that he co-founded with two other Lehman alumni — including **Ken Cohen**, who now runs the commercial real estate group at **UBS**.

TilMort Real Estate has hired veteran industry attorney **John D'Amico** to run **See GRAPEVINE on Page 25**

Core Lenders, Chasing Yield, Eye Mezz Sector

In search of higher yields, senior lenders are increasingly pushing into the mezzanine loan sector. The added competition, coupled with lower benchmark interest rates, has driven down returns on mezzanine loans, prompting some lenders to move into secondary markets to meet their return hurdles. But lenders report that overall demand for mezzanine loans is relatively strong, fueled in part by a wave of recapitalizations by overleveraged property owners.

Commercial Mortgage Alert, in its first annual review of mezzanine lenders, has identified 65 players that actively provide high-yield financing on commercial property that is structured like mezzanine debt. The list, on Pages 27-33, includes investment managers, fund shops, finance companies, REITs and insurance companies. Also included are investment banks that place mezzanine financing with third party lenders on Page 26

S&P Proposal Seen as Move to Rebuild Brand

Bond pros view **S&P's** proposed changes to its methodology as a clear-cut attempt by the beleaguered agency to bring its rating approach more in line with that of its rivals in order to revive its decimated commercial MBS market share. But reactions were mixed about how quickly the changes, put out for comment this week, might enable the agency to repair its reputation, which has been battered by mistakes over the past few years.

The proposals would effectively soften the tougher standards that **S&P** adopted in mid-2009. The intent then was to appeal to investors by taking a harder stance on credit quality. But the move backfired when a huge swath of legacy bonds was suddenly downgraded, wiping away many buyers and leaving them distrustful of the subordination levels available from other agencies.

The updates: **Moody's** and **Fitch** have been eating the former market leader's lunch. **See PROPOSAL on Page 8**

JP Morgan Backs Hotel Play by Blackstone

J.P. Morgan has agreed to provide a \$350 million floating rate loan to finance **Blackstone's** purchase of a mortgage on 13 high-quality but overleveraged hotels that it is angling to seize.

As **AREA Property** partnership acquired the 3,500-room portfolio in 2007 via its top-of-the-market purchase with \$639 million of debt from **Bear Stearns**. But the hotels' value plummeted during the downturn. Despite some recovery in recent years, it remains well below the current loan balance of \$607.1 million. While the properties generate enough revenue to cover payments on the floating-rate mortgage, thanks to the historically low Libor rate, the AREA partnership is unlikely to be able to refinance when the debt matures in September. That would open the door for Blackstone to foreclose.

New York-based AREA and its partners — **JP Capital Advisors** of New York and **See HOTEL on Page 11**