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Commercial Mortgage ALERT

THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION

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THE GRAPEVINE

Commercial MBS trader **Mark Bower** resigned last week as a managing director at **Jefferies** and is heading to Chicago broker-dealer **Performance Trust Capital.** Bower had been at Jefferies since 2013, working in New York and Stamford, Conn. Before that, he was on the trading desks at **UBS** for two years and **RBS** for 11 years. He's expected to join Performance Trust later this month in Greenwich, Conn., and will continue to trade private-label CMBS.

After almost seven years at **Barclays** in New York, securitization sales pro **Kelly McGann** has jumped to a similar role at **Credit Suisse.** She started Monday at the Swiss bank, also in New York, as a director

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CMBS Issuers See Strong Finish to Quarter

Surging commercial MBS activity is brightening the outlook for first-half issuance totals.

Factoring in a busy pipeline of pending deals, volume is on track to reach $36 billion at midyear, up from $30.7 billion in last year's first half (see "U.S. Deals in the Works" on Page 10).

That reflects a dramatic turnaround from the first quarter, when volume slumped by 21%, to $15.2 billion, as new risk-retention regulations and other factors took a toll.

Some $6.9 billion of transactions have priced since March 31. Another $13.8 billion are in the queue through June 30. That puts second-quarter volume on track to reach $20.7 billion, nearly double the year-earlier total, which was depressed because of capital-markets volatility.

Issuance has stepped up noticeably this month. "This is the busiest week or two

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Rising Competition Depresses Loan Spreads

Insurers and U.S. banks have tightened loan spreads and eased lending terms on some mortgages in recent weeks.

The moves resulted from the combination of an increased supply of available financing and reduced demand from potential borrowers. Debt funds, foreign banks and commercial MBS lenders have become more active, heating up the competition. And property sales have sagged, causing a decrease in lending opportunities.

Spreads on some floating-rate loans have tightened by 10-30 bp over the past couple of months, lenders said. The trend has been most pronounced on high-quality properties with stable tenant rosters.

Nontraditional lenders, especially debt funds and mortgage REITs, have stepped up their activity, even bidding more aggressively on relatively large loans — not a traditional focus.

Likewise, CMBS programs are more active, after digesting the impact of

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2 Banks Win Loan for Office Project in NC

J.P. Morgan and **Fifth Third Bank** have written a $205 million loan for the development of an office tower in Charlotte.

A partnership between **Goldman Sachs** and local developer **Lincoln Harris** is constructing an 843,000-square-foot building in the central business district, and has pre-leased more than half the space to **Bank of America.**

The floating-rate loan, which closed about a week ago, has a term of five years, including extensions. The amount funded by each of the banks is unknown. J.P. Morgan and Fifth Third will probably syndicate portions of the debt to other banks.

The Goldman team is developing the tower at the former site of the **Charlotte Observer** newspaper offices, at 600 South Tryon Street. The partnership assembled a 10-acre parcel in several transactions that concluded last year, at a total cost of about $37.5 million. The sellers were the newspaper's parent company, **McClatchy,**

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Rush of Deals Greets CMBS Buyers

Commercial MBS buyers were kicking the tires on three offerings totaling $1.6 billion yesterday, after taking down $948 million of fresh paper from two other deals that priced the day before.

The only conduit transaction in the mix was a $644.7 million offering by **CCRE, Rialto Capital** and **UBS** that's expected to price next week (CFCRE 2017-C8). CCRE affiliate **Cantor Fitzgerald** and **UBS** are running the books.

The other deals in the market this week were single-borrower transactions. The largest was an $805 million securitization of senior floating-rate debt that **Deutsche Bank, Citigroup** and **J.P. Morgan** provided to **Hospitality Investors** of New York on 87 hotels in 29 states (HPLY 2017-HIT). The loan to the nontraded REIT formerly known as American Realty Capital Hospitality has a two-year term plus three one-year extension options.

The triple-A bonds went out the door on Wednesday with a spread of 85 bp over one-month Libor, based on the minimum weighted average length of 1.95 years. That was down from dealers' price guidance of 90-bp area (see Initial Pricings on Pages 17-18). The paper, rated AA-/AA+ by **S&P** and **Morningstar,** priced at 118 bp, down from talk of 125-bp area. The A-/A+ notes fetched 135 bp, down from 145-bp area.

Conversely, investors demanded spreads 5-15 bp wider than talk on all five classes of the other deal that priced Wednesday. That was a $143 million offering collateralized by a 10-year, fixed-rate loan that **Natixis** wrote for **JEMB Realty** on the 671,000-square-foot office building at 75 Broad Street in Lower Manhattan (NCMS 2017-75B). For example, the triple-A bonds went for 121 bp over swaps, after Natixis and co-bookrunner **Credit Suisse** shopped them with price guidance of 110-bp area.

Price guidance was unavailable for the conduit offering. But the early "whisper talk" from dealers indicated that just about every class of investment-grade bonds could be shopped at spreads about 5 bp higher than the levels achieved on corresponding tranches of the previous conduit issue.

The whisper talk was 100-bp area over swaps on the benchmark bonds, up from the 95-bp issuance spread seen in the $702.6 million offering by **Morgan Stanley, Bank of America** and **KeyBank** that priced May 4 (MSBAM 2017-C33). At the other end of the investment-grade capital stack, the triple-B-minus paper in the CFCRE offering was being whispered at 400-bp area — up from 395 bp on the comparable notes in the MSBAM deal.

Meanwhile, the price guidance was 93-94 bp over swaps on the triple-A class of a $480 million securitization of a 10-year, fixed-rate mortgage on office and retail space at the Olympic Tower complex in Midtown Manhattan (OT 2017-OT). The talk was 106-107 bp on the double-A-minus class and 135-bp area on the single-A-minus tranche.

That offering is collateralized by senior and junior portions of a $1 billion debt package that Deutsche, **Goldman Sachs** and Morgan Stanley wrote on part of the skyscraper and three adjacent buildings with a combined 414,000 sf of offices and 112,000 sf of retail space. The banks originated the loan on May 1 for **Oxford Properties,** which owns 67% of the collateral property, and **Crown Acquisitions,** which holds a 33% stake.

Elsewhere in the new-issue market, a syndicate led by J.P. Morgan kicked off marketing yesterday for a $500 million securitization of senior fixed-rated debt on the 1.8 million-sf office building at 245 Park Avenue in Midtown Manhattan (PRKAV 2017-245P). The 10-year loan is part of a $1.8 billion mortgage originated by J.P. Morgan, Natixis, **Barclays,** Deutsche and **Societe Generale.** The borrower, Chinese conglomerate **HNA Group,** used the proceeds to finance its $2.2 billion purchase of the building from a joint venture between **Brookfield Property Partners** of New York and **New York State Teachers.** ❖

PGIM Ends Conduit Link With SocGen

PGIM Real Estate moved its conduit-lending business to the sidelines this week and laid off several staffers in regional offices.

The **Prudential** investment-management unit ended a "table funding" agreement with **Societe Generale,** under which it sourced and underwrote conduit loans — with SocGen funding and securitizing them.

Also, Pru appears to have put a proposed $750 million debt fund on hold. Pru began soliciting equity last June for the vehicle, which would have invested in conduit loans, bridge loans, mezzanine loans and B-pieces.

"Given the opportunities we see in the current conduit originations market today, we will not be targeting new CMBS loans in 2017," said a PGIM spokesman. "Our overall appetite for loans this year remains unchanged at $15 billion."

The layoffs involved "fewer than 10 people," said a person familiar with the matter. Evidently, the majority of them were relatively junior staffers, including some in Atlanta and Chicago. The Pru spokesman said that most employees affected by the conduit-sector exit have been reassigned to other lending operations.

Prudential Mortgage Capital, which was put under the PGIM banner last year, formerly operated a conduit program with **Perella Weinberg.** That program, called Liberty Island, was formed in 2011 and contributed $2.8 billion of mortgages to securitizations before being disbanded last year when Perella exited.

There initially was talk that Pru was seeking to line up a new equity partner for the program. It then changed course, turning to the proposed debt fund, dubbed PGIM Real Estate Structured Income Venture. It's unclear how much traction the fund-raising efforts gained.

SocGen had entered into the table-funding agreement with PGIM early last year. ❖

TIAA, Mirae Team Up on Mezz Debt

A **Deutsche Bank** syndicate has placed $240 million of mezzanine debt on Olympic Tower and adjacent properties in Midtown Manhattan with **TIAA** and a South Korean pension-fund manager.

TIAA and **Mirae Asset Global Investments** bought the debt via a joint venture, with TIAA taking a slightly bigger piece than Mirae.

The coupon on the mezzanine debt is a thin 5%, reflecting the low leverage on the financing. Overall, Deutsche, **Goldman Sachs** and **Morgan Stanley** originated $1 billion of fixed-rate debt on the properties, which were appraised at $1.9 billion.

The collateral encompasses the 425,000 square feet of office space at Olympic Tower, at 641 Fifth Avenue, and another 101,000 sf of retail and office space in three adjacent buildings.

The properties are owned by a 67-33% partnership between **Oxford Properties** of Toronto and **Crown Acquisitions** of New York.

In addition to the mezzanine debt, the 10-year financing includes $611 million of A-notes and $149 million of B-notes. The Deutsche syndicate yesterday was close to pricing a securitization backed by $331 million of the A-notes and all of the B-notes (OT 2017-OT). ❖

Loan Sought for NY Redevelopment

Cornell Realty is trying to line up a $72.5 million bridge loan to convert three vacant storefronts in Midtown Manhattan into 43,000 square feet of high-end retail space.

The New York developer plans to tear down the adjacent, low-rise properties, at 257-263 West 34th Street, and construct a single four-story retail building. The 80-foot-wide site is between Seventh and Eighth Avenues, one block north of Madison Square Garden and Penn Station.

Cornell's broker, **Newmark Grubb,** is seeking bids for a short-term, interest-only loan with prepayment flexibility.

Cornell teamed up with **Chetrit Group** of New York to buy the properties in December 2015 for $86 million. A month later, Cornell bought out Chetrit, financing the move with a $48.5 million loan from **Madison Realty** of New York. The new loan would refinance the Madison mortgage.

The replacement building will have a glass exterior and a decorative electronic wall on the top floor that could be used for advertising. There will also be two underground levels.

Cornell and Chetrit own other properties on West 34th Street that aren't part of the planned redevelopment. ❖

Buyer of Mich. Offices Eyes Mortgage

The buyer of an office complex in suburban Detroit is looking for about $85 million of debt to finance the deal.

A Mexico City investment shop, **Aztec Fund,** has agreed to purchase the 916,000-square-foot Grace Lake Corporate Center, in Van Buren Township, Mich., for $149 million. The seller is **Sovereign Partners** of New York.

Aztec, which focuses on U.S. office and industrial properties with investment-grade tenants, is seeking floating-rate debt with a term of 3-5 years and a loan-to-cost ratio in the neighborhood of 57%. **CBRE** is brokering the sale and advising on the financing.

The campus was developed in 2004 by auto-parts supplier **Visteon** as its headquarters, at a cost of about $250 million. Visteon, which had spun off from **Ford Motor** in 2000, filed for bankruptcy in 2009 after its revenues plunged in the wake of the financial crisis. It emerged from reorganization the following year.

In 2012, Visteon sold the complex to Sovereign for $81.1 million and leased back a portion of the space, cutting the size of its footprint. Sovereign conducted renovations and brought in other tenants, including **Citigroup** and **General Electric.** The property is now about 97% leased, with a weighted average remaining lease term of nearly eight years.

Grace Lake Corporate Center is about 27 miles west of downtown Detroit and eight miles northwest of Detroit Metropolitan Airport. It consists of 10 connected buildings along the side of a lake. They feature high-end touches like hardwood floors, open floor plans, a full-service cafeteria run by an executive chef, sleeping pods, and business and fitness centers. There is room on the 282-acre campus to potentially double the size of the complex. ❖

CIBC Lends on Philadelphia Offices

CIBC has provided $77 million of debt on a Philadelphia office building that recently changed hands.

The floating-rate loan to a partnership between **Barings** and **MRP Realty** is backed by a 561,000-square-foot building known as Three Parkway. The term is three years, with a pair of one-year extension options. **HFF** arranged the financing, which closed last month.

Barings, an investment-management affiliate of insurer **MassMutual,** and Washington-based MRP teamed up to purchase the property in March from **TIER REIT** of Dallas. They paid $95 million in cash while working to line up the mortgage. HFF also brokered the sale.

A portion of the loan was set aside as future funding, to be drawn down for improvements or as performance milestones are reached. The occupancy rate is about 87%. In addition to filling vacant space, MRP has discussed plans to renovate the building and increase rents, capitalizing on its location in the city's primary office corridor.

The building last traded in 2006, when TIER, then known as Behringer Harvard REIT 1, bought it from **AmStar Group** of Denver for $90 million. **J.P. Morgan** provided a $67.1 million securitized loan for that deal. That mortgage was paid off in August, but it's unclear whether TIER obtained a new loan.

The 20-story building has used two addresses: Three Benjamin Franklin Parkway and 1601 Cherry Street. It stretches along the entire block of Cherry Street between Benjamin Franklin Parkway and North 16th Street, about two blocks northwest of City Hall. ❖

Eightfold Circles First B-Piece of Year

Eightfold Real Estate Capital is buying the junior portion of an upcoming conduit transaction by **Morgan Stanley, Bank of America** and **Wells Fargo** (BANK 2017-BNK5).

The agreement marks the first B-piece acquisition of the year for Miami-based Eightfold.

To satisfy risk-retention rules, the deal's three lenders will retain 5% of each class for the long term. Eightfold will buy the remaining 95% of the below-investment-grade classes, which won't be subject to any hold requirement.

Eightfold was the second-busiest buyer of B-pieces last year, after **Rialto Capital,** with nine acquisitions from deals totaling $8.1 billion.

Since then, the implementation of risk-retention rules has forced B-piece investors to adapt their strategies, and a number of formerly active investors have been quiet so far. Eightfold is expected to be an active buyer going forward.

Depending on the type of risk-retention structure employed, B-pieces may or may not be subject to long-term hold requirements. Eightfold is willing to bid either way. ❖

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I can remember in all of 2017," said one longtime conduit lender.

A rival echoed his sentiments, saying: "We've had good momentum, and it should hold steady through the rest of June."

Second-quarter activity has been bolstered by single-borrower transactions, which have totaled $3.5 billion, exceeding the $2.6 billion conduit tally.

But lenders look for such demand to soften in the coming weeks. "I'm not sure why, but we're not seeing a lot of large-loan requests for the next couple of months," said one longtime lender. "It could be we're just coming into a slow period, or it could be that fewer asset sales are getting done in some markets."

There is broad agreement among lenders that the CMBS market has largely sorted out the pricing impact of risk-retention rules, which took effect at the end of last year. Those regulations, aimed at curtailing aggressive lending, require lenders or B-piece buyers to retain long-term exposure to transactions.

"We've moved past risk-retention," said one industry veteran. "The biggest challenge now is all the new competition. We're losing loans to regional banks and smaller insurance companies — people who didn't used to pose that much of a threat."

One reason is the newfound willingness of some balance-sheet lenders to write nonrecourse loans — long the stronghold of conduit shops.

"The brokers will usually tell us who we lost a loan to, and we're hearing that we're losing to banks and lifecos a lot more often these days," said one conduit lender. "I think they are writing nonrecourse on a case-by-case basis. They won't do it for everything, but if they like the property and the sponsor, they are open to it."

Meanwhile, the exits of several smaller conduit shops doesn't seem to have depressed CMBS issuance. The business of those firms appears to have been largely absorbed by the remaining conduit operations.

"I think it's the ongoing 'institutionalization' of CMBS," said one longtime investor. "The regulations and the ups and downs of the market have made it easier for the better-capitalized players to survive. And that's not really surprising, when you think about it." ❖

CMBS DEALS IN THE WORKS

May

Seller/Borrower	Lead Managers	Deal Type	Rate Type	Risk Retention	Amount ($Mil.)
Starwood Capital (mall portfolio)	BofA, J.P. Morgan, Deutsche, Barclays	Single borrower	Mixed		$1,700
Goldman Sachs (GSMS 2017-GS6)	Goldman Sachs	Conduit	Fixed	L-shape	950
Credit Suisse, Natixis, Benefit (CSAIL 2017-C8)	Credit Suisse	Conduit	Fixed	Vertical	900
J.P. Morgan, Deutsche Bank (JPMDB 2017-C6)	J.P. Morgan, Deutsche Bank	Conduit	Fixed	Horizontal	900
J.P. Morgan, Starwood, Benefit (JPMCC 2017-JP6)	J.P. Morgan	Conduit	Fixed	Horizontal	900
Morgan Stanley, Citi, others (MSC 2017-H1)	Morgan Stanley	Conduit	Fixed	Horizontal	900
UBS, Wells, SocGen, Rialto, CIBC (UBS 2017-C1)	UBS, Wells Fargo, Societe Generale	Conduit	Fixed	Horizontal	900
CCRE, UBS, Rialto (CFCRE 2017-C8)	Cantor Fitzgerald, UBS	Conduit	Fixed	Vertical	645
HNA Group (245 Park Avenue)	JPM, Deutsche, Barclays, Natixis, SocGen	Single borrower	Fixed	Horizontal	500
Simon Property team (Del Amo Fashion Center)	Bank of America, Wells, Societe Generale	Single borrower	Fixed		375

June

Seller/Borrower	Lead Managers	Deal Type	Rate Type	Risk Retention	Amount ($Mil.)
Boston Properties partnership (GM Building)	Morgan Stanley, Citi, Deutsche, Wells	Single borrower	Fixed		$2,300
Morgan Stanley, BofA, Wells (BANK 2017-BNK5)	Morgan Stanley, Bank of America, Wells	Conduit	Fixed	Vertical	900
Wells Fargo, Barclays, UBS, C-III, Rialto Capital	Wells Fargo	Conduit	Fixed		900
Ladder Capital	Ladder Capital, others	Conduit	Fixed	Horizontal	700
RAIT Financial (RAIT 2017-FL7)	Citigroup	Multiple borrower	Floating	Horizontal	300

July

Seller/Borrower	Lead Managers	Deal Type	Rate Type	Risk Retention	Amount ($Mil.)
BofA, Morgan Stanley, Wells (BANK 2017-BNK6)	Bank of America, Morgan Stanley, Wells	Conduit	Fixed	Vertical	$900
J.P. Morgan, Starwood (JPMCC 2017-JP7)	J.P. Morgan	Conduit	Fixed	Horizontal	900
Jefferies LoanCore	Jefferies	Conduit	Fixed	Horizontal	900

REIT Credit Ratings for Senior Unsecured Debt

Office	Moody's	S&P	Fitch
Boston Properties	Baa2	A-	BBB+
Columbia Property	Baa2	BBB	
Highwoods Properties	Baa2	BBB	
Kilroy Realty	Baa2	BBB	
Piedmont Office Realty	Baa2	BBB	
Vornado Realty	Baa2	BBB	BBB
Alexandria Real Estate	Baa2	BBB	
Select Income REIT	Baa2	BBB-	
Corporate Office Properties	Baa3	BBB-	BBB-
Equity Commonwealth	Baa3	BBB-	
Franklin Street Properties	Baa3		
Government Properties Income	Baa3	BBB-	
Hudson Pacific Properties	Baa3	BBB-	BBB-
SL Green	Baa3	BBB-	BBB-
Mack-Cali Realty	Baa3	BBB-	BB+
Brandywine Realty	Baa3	BBB-	
Retail			
Simon Property	A2	A	A
Federal Realty Investment	A3	A-	A-
Westfield America	A3	BBB+	
Kimco Realty	Baa1	BBB+	BBB+
National Retail Properties	Baa1	BBB+	BBB+
Realty Income	Baa1	BBB+	BBB+
Tanger Factory Outlet Centers	Baa1	BBB+	
Regency Centers	Baa1	BBB+	BBB+
Weingarten Realty	Baa1	BBB	
DDR	Baa2	BBB-	BBB-
EPR Properties	Baa2	BBB-	BBB-
Retail Opportunity Investments	Baa2	BBB-	
Brixmor	Baa3	BBB-	BBB-
CBL & Associates	Baa3	BBB-	BBB-
Kite Realty Group	Baa3	BBB-	
Retail Properties of America	Baa3	BBB-	
Spirit Realty	Baa3	BBB-	BBB-
Store Capital			BBB-
Washington Prime	Baa3	BBB-	BBB-
Vereit	Baa3	BBB-	BBB-
Four Corners Property			BBB-
Multi-Family			
AvalonBay Communities	A3	A-	
Camden Property	A3	BBB+	A-
Equity Residential Properties	Baa1	A-	A-
Essex Property	Baa1	BBB+	BBB+
Mid-America Apartment	Baa1	BBB+	BBB+
UDR	Baa1	BBB+	
American Campus Communities	Baa2	BBB	
AIMCO			BBB-
Education Realty	Baa3	BBB-	

Healthcare	Moody's	S&P	Fitch
Ventas	Baa1	BBB+	BBB+
Welltower	Baa1	BBB+	BBB+
HCP	Baa2	BBB	BBB
Healthcare Realty	Baa2	BBB	BBB
Healthcare Trust of America	Baa2	BBB	
Care Capital Properties	Baa3	BBB-	BBB-
Omega Healthcare Investors	Baa3	BBB-	BBB-
Physicians Realty	Baa3	BBB-	
Senior Housing Properties	Baa3	BBB-	
Medical Properties	Ba1	BBB-	
Sabra Health	Ba3	BB	BB+
CareTrust	B1	BB-	
Quality Care Properties	B2	B+	
Hotel			
Hospitality Properties	Baa2	BBB-	
Host Hotels & Resorts	Baa2	BBB-	BBB
Gaming & Leisure	Ba1	BB+	
ESH Hospitality	B1	BB-	
MGM Growth Properties	B1	BB-	
Ryman Hospitality	B1	BB-	
FelCor Lodging	B2	B	
Industrial			
PS Business Parks		A-	
Prologis	A3	A-	BBB+
Duke Realty	Baa1	BBB+	BBB+
Liberty Property	Baa1	BBB	BBB
DCT Industrial	Baa2	BBB	
Eastgroup Properties	Baa2		BBB
STAG Industrial			BBB
First Industrial Realty	Baa3	BBB-	BBB
Rexford Industrial Realty			BBB-
Terreno Realty			BBB-
Self Storage			
Public Storage	A2		
CubeSmart	Baa2	BBB	
Life Storage	Baa2	BBB	
Data Center			
Digital Realty	Baa2	BBB	BBB
DuPont Fabros Technology	Ba1	BB+	
Equinix	B1	BB+	BB
CyrusOne	B1	BB	
QTS Realty	B1	BB	
Cell Tower			
American Tower	Baa3	BBB-	BBB
Crown Castle	Baa3	BBB-	BBB-
SBA Communications	B3	B+	
Uniti Group	Caa1	B-	BB-

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Competition ... From Page 1

risk-retention regulations that took effect at the end of last year.

At the same time, a drop in property sales has crimped demand for acquisition financing. Sales across property types plummeted by 18.3%, or $21.2 billion, in the first quarter from a year earlier, according to **CBRE.** The January-to-March tally was the smallest quarterly total in three years.

The upshot? "There's a feeding frenzy for deals that are getting recapitalized or refinanced," said one originator at a U.S. bank. "The debt funds have gotten a lot closer to the spread that balance-sheet lenders are offering."

Added a lender at a foreign bank: "If you have a deal that's stabilized, with very little lease-up issues, [everybody] is going after it."

As examples of the heightened competition, lenders cited two pending loan assignments for which active bidding has driven down proposed spreads to levels that pros described as very thin.

In the first case, a **John Buck Co.** partnership has found strong demand from potential originators of a mortgage on a luxury apartment tower in Chicago. The 402-unit property, which was completed last year, is called MILA, a name derived from its location at Michigan Avenue and Lake Street. Lenders said the competition has pushed the proposed loan size above $150 million and has depressed the expected spread to the vicinity of 250 bp over Libor. **HFF** is advising the partnership, which appeared to be close to selecting a lender this week.

The other example is a requested $175 million loan on roughly half of the space at the 414,000-sf Longwood Center office building in Boston. Sources said bids are in the low 200-bp area over Libor. **Eastdil Secured** is pitching the financing assignment for the owner, a **Clarion Partners** joint venture.

The increased competition has also pushed down yields on mezzanine debt for core properties in primary markets, in some cases below 6%.

To be sure, lenders stressed that it's too soon to conclude how sweeping the tighter spreads are or whether they can be sustained. Indeed, one veteran at an insurance company, while acknowledging the heightened competition, cautioned against interpreting the spread-tightening as an across-the-board drop. "You always see outliers where someone could come to that conclusion," he said.

But others said the trend is noticeable. "I think there's a dynamic going on in the market where the volume of deal flow is down because trades are down, there aren't a lot of deals for people to look at," said one originator at a bank. "And you've also got banks, life companies, debt funds and CMBS [programs] that are all really hungry." ❖

REIT Credit Ratings

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Mortgage	Moody's	S&P	Fitch
Starwood Property	Ba3	BB-	
Ladder Capital	Ba3	B+	BB
iStar Financial	B2	B+	
Diversified			
Prime Property Fund		A	
Washington REIT	Baa2	BBB	
W.P. Carey	Baa2	BBB	
Lexington Realty	Baa2	BBB-	BBB
American Assets	Baa3	BBB-	BBB
Broadstone Net Lease	Baa3		
Gramercy Property	Baa3	BBB-	BBB
Howard Hughes	Ba3	B+	
Other			
CoreCivic	Ba1	BB	BB+
Lamar Media	Ba1	BB-	
Iron Mountain	Ba3	BB-	
Outfront Media	B1	BB-	
GEO Group	B1	B+	
International Market Centers		B	
Capital Automotive	B2	B	

Note: Ratings are shown for REITs that primarily own U.S. commercial assets and issue unsecured bonds denominated in U.S. dollars.

Banks ... From Page 1

and a sheet-metal business that also had a facility there.

The developers have completed demolition and begun construction of the 33-story tower that would be one of Charlotte's five tallest buildings. The plans call for a parking deck and open green spaces. There have been discussions about additional phases of development that could include restaurants and other retail space, a hotel and residential units.

BofA last month signed a lease on more than 500,000 sf. The space will be used for "client-facing" operations, such as dealings with corporate clients and wealth-management activities. The bank said it was too early to say whether it would eventually move out of any other space it leases in the city. Its headquarters is five blocks away in the 1.1 million-sf Bank of America Corporate Center.

The project, due for completion in late 2019, represents one of the largest in the city in many years. The site encompasses a two-block area bounded by West Hill, West Stonewall, South Tyron and South Mint Streets. It's at the western end of the downtown area, close to several museums, hotels and other office buildings. The **Carolina Panthers'** football stadium is just across South Mint Street. ❖

Fitch: CMBS Defaults to Keep Rising

Fitch is forecasting another jump this year in conduit-loan defaults, following a 43% increase last year.

Some $8.2 billion of mortgages backing Fitch-rated conduit deals defaulted last year, up from $5.7 billion in 2015. That boosted the annual default rate to 1.1% in 2016 — up from 0.8% in each of the two previous years, but still far below the peak of 4.9% in 2010, according to a report the rating agency plans to publish on Monday.

An even greater increase is projected this year, mostly due to defaults at maturity among the cresting wave of loans that were securitized at the height of the market, senior director **R. Brook Sutherland** wrote in the 19-page report. As of yearend, some $7.8 billion, or 8.8%, of conduit loans securitized in 2006 had defaulted at maturity. The corresponding figure for the 2007 vintage will probably top $13 billion (or 10%) by the end of this year, Sutherland said.

Fitch also anticipates an uptick in defaults prior to maturity, which have been declining for the past six years.

Sutherland noted in an interview that defaults tied to "the wall of maturities have turned out to be not quite as catastrophic as everyone might have expected only a few years back." He attributed that to improved conditions in the commercial-property market, which have made it easier for borrowers to refinance.

As conduit loans often come with 10-year terms, "it's no surprise that we saw an increase in maturity defaults last year because so many loans were securitized in 2006," he said. A more significant increase is expected this year because the tally of loans securitized in Fitch-rated CMBS transactions hit an all-time-high of $129.8 billion in 2007, up from the previous record of $89.6 billion the year before.

The $8.2 billion increase last year brought the cumulative total volume of defaults, both before and after maturity, to $123.7 billion, representing 16.6% of the $746 billion of conduit issues rated by Fitch since 1993. That rate has ranged from 16.5% to 16.8% since 2012, peaking in 2013. ❖

Kroll Upgrades Loan-Search Function

Kroll has beefed up the data-searching capabilities in the online version of its monthly performance reports on outstanding commercial MBS.

The loan information contained in the KBRA Credit Profile reports, accessible to subscribers via websites operated by Kroll and **Trepp,** now can be sorted according to a wide variety of parameters selected by users.

The new "advanced search" function, which goes live today, "makes it a lot easier for subscribers to query our data across our coverage universe and get to what they're looking for," said managing director **Steve Kuritz,** head of Kroll's subscription-based CMBS surveillance operation.

Subscribers can choose to look at broad categories of loans or those that meet very specific criteria. For example, Kuritz said, an investor could search for mortgages that are backed by super-regional malls; have been designated as "loans of concern" by Kroll; and are in the collateral pools of 2012 conduit issues referenced by the sixth series of **Markit's** CMBX index. The results can be shown in a list or displayed on a map showing property locations.

Among other things, the upgrade also streamlines the process of searching for loans on properties occupied by specific tenants. This could be useful in cases like JC Penney, whose stores are listed 192 different ways in the "investor reporting packages" and Annex-A reports for outstanding CMBS, Kuritz said. "We've tagged all of these ahead of time to one specific tenant grouping, so that if a user types in any alias of JCP they are sure to not miss anything," he said.

Kuritz's group, based in Dresher, Pa., monitors the performance of more than 28,000 loans, currently totaling about $510 billion, in the collateral pools for roughly 750 outstanding CMBS deals. That encompasses the vast majority of deals since 2005, both private-label CMBS and **Freddie Mac** multi-family issues — whether or not they were rated by Kroll at issuance. It also includes about 100 pre-2005 deals, which the surveillance team covers based on client requests. ❖

Acore Inks Floater on Nashville Hotel

Acore Capital has written a $113 million floating-rate loan on a new hotel at the edge of Nashville's downtown entertainment district.

The 453-room Westin Nashville opened late last year at 807 Clark Place, adjacent to the Music City Center convention complex. **Castlerock Asset Management** of New York developed the property at a cost of about $120 million. Proceeds from the three-year Acore loan were used to retire construction financing. **Clearview Realty Finance** lined up the new debt.

The upper-upscale hotel has 20,000 square feet of event space, including a number of meeting rooms and a ballroom. There is a gym, an indoor swimming pool, two restaurants and a rooftop bar.

The property is in a section of the city dominated by tourist destinations, including the Country Music Hall of Fame and the Tennessee Performing Arts Center. ❖

M&T Originates Fannie Mortgages

M&T Realty Capital has written $82.7 million of **Fannie Mae** loans on nine apartment complexes in Mid-Atlantic states that have a single owner.

The fixed-rate loans, which closed April 28, have 10-year terms and a variety of interest-only options and early rate-lock provisions. The unidentified borrower used the proceeds to retire existing debt.

The portfolio encompasses 1,192 units. Four properties are in Hagerstown, Md., three are in Pennsylvania (in Harrisburg, Dover and Manchester), and the other two are in Virginia (in Richmond and Glen Allen).

Baltimore-based M&T Realty is a subsidiary of M&T Bank. ❖

Walton Street Lends on Phoenix Tower

Walton Street Capital has originated $51 million of debt on U.S. Bank Center, an office building in Phoenix.

The floating-rate loan, which closed within the past week, has an initial term of three years plus two one-year extension options. The collateral is a 372,000-square-foot office tower in Phoenix's central business district. **HFF** arranged the refinancing for the owner, a partnership between **ScanlanKemperBard** of Portland, Ore., and **Varde Partners** of Minneapolis, Minn.

U.S. Bank Center, at 101 North First Avenue, was constructed in the mid-1970s. The ScanlanKemperBard team bought the 31-story building in late 2014 for $59.7 million. At 407 feet, it's the second-tallest structure in the state behind Chase Tower, which is about a block away.

Walton Street originated the mortgage via its Walton Street Real Estate Debt Fund, which mainly writes floating-rate mortgages ranging from 3-5 years on a range of assets across the U.S. Some portion of the loan was set aside to be funded in the future for tenant improvements and leasing costs.

The Class-A property was twice owned by **Angelo, Gordon & Co.** The New York firm sold it in 2006 to **Pacific Office Properties,** a REIT controlled by **Shidler Group** of Honolulu. At the end of 2011, Angelo Gordon bought a $56.8 million loan on the property from special servicer **CWCapital** at a significant discount, then foreclosed and reassumed ownership. By the following year, Angelo Gordon held the building with a partner, San Diego-based **Parallel Capital.** They renovated the building and boosted leasing before selling it to the ScanlanKemperBard partnership. ❖

CALENDAR

Main Events

Dates	Event	Location	Organizer	Information
May 21-24	Commercial/Multifamily Servicing & Technology Conf.	Phoenix	MBA	www.mba.org
June 5-7	CREFC Annual Conference 2017	Washington	CREFC	www.crefc.org
Sept. 6-8	Western States CREF Conference	Las Vegas	CMBA	www.cmba.com

Events in US

Dates	Event	Location	Organizer	Information
May 15	Credit Risk Transfer Symposium	New York	IMN	www.imn.org
May 16	Breakfast-What Equity Capital is Planning for 2017	New York	MBA of NY	mbany.org
May 16	Cocktail reception	Boston	RELA	www.rela.org
May 16-17	Real Estate CFO & COO Forum	San Diego	IMN	www.imn.org
May 17	CRE Lending & Investment Summit	New York	iGlobal Forum	www.iglobalforum.com
May 17	CMBS Breakfast Meeting	New York	RELA & CREFC	www.rela.org
May 17	Disruptors of the Industry	New York	CREFC	www.crefc.org
May 17	Networking Event	Washington	RELA	www.rela.org
May 18-19	Middle-Market Multifamily Forum	Huntington Beach, Calif.	IMN	www.imn.org
May 23	Finance Forum: Navigating a New Era	New York	Alston & Bird	www.alston.com
May 23	Networking Event	New York	YREPNY	www.yrepny.org
May 24-25	Investors' Conference on CLOs & Leveraged Loans	New York	IMN	www.imn.org
June 1	Evolution of Commercial Real Estate Lending	New York	RELA	www.rela.org
June 8-9	Mortgage Notes, Non- & Re-Performing Loans	Dana Point, Calif.	IMN	www.imn.org
June 15	Strategic Real Estate & Lending Summit 2017	New York	MBA of NY	www.mbany.org
June 27	Enclosed Malls: Win, Place and Show	New York	CREFC	www.crefc.org
June 29	CMBS 101: An Introduction to CMBS	Dallas	CREFC	www.crefc.org
Sept. 7-8	Banking & Special Asset Forum (Midwest)	Chicago	IMN	www.imn.org
Sept. 12	Single Family Rental	New York	CREFC	www.crefc.org
Sept. 14-15	Banking & Special Assets Forum (Midwest)	Chicago	IMN	www.imn.org
Sept. 17-19	ABS East	Miami	IMN	www.imn.org
Sept. 18-19	Real Estate CFO & COO Forum	New York	IMN	www.imn.org
Sept. 25-26	Real Estate Family Office & Private Wealth Mgmt. Forum	Chicago	IMN	www.imn.org
Sept. 28-29	Real Estate Private Eq. Forum on Land & Homebuilding	Las Vegas	IMN	www.imn.org
Oct. 2-3	Mortgage Risk Management	Santa Monica, Calif.	IMN	www.imn.org

To view the complete conference calendar, visit The Marketplace section of CMAlert.com

INITIAL PRICINGS

Hospitality Mortgage Trust, 2017-HIT

Pricing date:	May 10
Closing date:	May 25
Amount:	$805 million
Seller/borrower:	Hospitality Investors
Lead managers:	Deutsche Bank, Citigroup, J.P. Morgan
Master servicer:	KeyBank
Special servicer:	Strategic Asset Services
Trustee:	Wells Fargo
Certificate administrator:	Wells Fargo
Offering type:	Rule 144A

Property types: Hotel (100%).
Concentrations: Florida (24.2%).
Loan contributors: Deutsche (40%), Citi (40%) and J.P. Morgan (20%).
Risk retention consultation parties: Deutsche and Citi.
Notes: Deutsche, Citigroup and J.P. Morgan teamed up to securitize the $805 million senior portion of a $915 million floating-rate debt package they had originated for Hospitality Investors on 87 hotels in 29 states. The 10,040-room portfolio, consisting of Marriott, Hilton, Hyatt and IHG brands, was appraised at $1.3 billion. The interest-only debt package, originated on April 28, has a two-year term, with three one-year extension options. The securitized debt is pegged to one-month Libor plus 256 bp. The debt package also includes $110 million of mezzanine debt with a coupon of one-month Libor plus 650 bp. Hospitality Investors, a nontraded REIT formerly known as American Realty Capital Hospitality, used $898.8 million of the proceeds to retire senior and mezzanine debt it had assumed in 2015 via its $1.8 billion takeover of Equity Inns from Goldman Sachs' Whitehall Street Real Estate Fund. That debt had been securitized in 2014 (EQTY 2014-INNS and EQTY 2014-MZ). To comply with risk-retention rules, Deutsche and Citi are retaining class "VRR Interest," which effectively is a 5% vertical strip up and down the capital stack.
Deal: HPLY 2017-HIT. **CMA code:** 20170097.

Class	Amount ($Mil.)	Rating (S&P)	Rating (MStar)	Subord. (%)	Coupon (%)	Dollar Price	Maturity (Date)	Avg. Life (Years)	Spread (bp)	Note Type
A	252.905	AAA	AAA	66.93	L+85	100.000	5/8/30	1.95	L+85	Floating
B	90.725	AA-	AA+	55.07	L+118	100.000	5/8/30	1.95	L+118	Floating
C	67.441	A-	A+	46.25	L+135	100.000	5/8/30	1.95	L+135	Floating
D	89.119	BBB-	BBB+	34.59			5/8/30	1.95		Floating
E	140.503	BB-	BB	16.22			5/8/30	1.95		Floating
F	124.057	B-	B	0.00			5/8/30	1.95		Floating
VRR Int.	40.250	NR	NR				5/8/30	1.95		Floating
X-CP(IO)	197.828*	BBB-	AAA				5/8/30			Floating
X-EXT(IO)	247.285*	BBB-	AAA				5/8/30			Floating

*Notional amount

INITIAL PRICINGS

Natixis Commercial Mortgage Securities Trust, 2017-75B

Pricing date:	May 10
Closing date:	May 25
Amount:	$143 million
Seller/borrower:	JEMB Realty
Lead managers:	Natixis, Credit Suisse
Master servicer:	KeyBank
Special servicer:	KeyBank
Trustee:	Wells Fargo
Certificate administrator:	Wells Fargo
Offering type:	Rule 144A

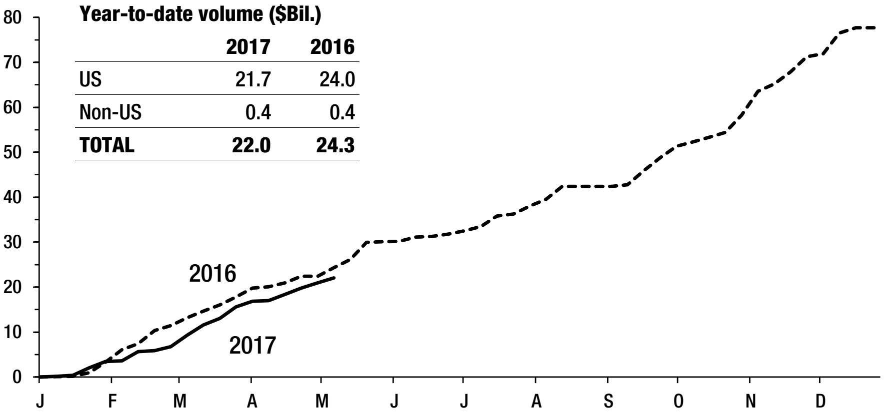
Property types: Office (100%).
Concentrations: New York (100%).
Loan contributors: Natixis (100%).
Risk retention consultation party: Natixis.
Notes: Natixis securitized $143 million of a $250 million fixed-rate debt package it had originated for JEMB Realty on the office building at 75 Broad Street in Lower Manhattan. The 671,000-square-foot property was appraised at $403 million. The interest-only debt package, originated on April 3, has a 10-year term. It encompasses $92 million of A-notes, an $84 million A-B note, a $54 million B-note and a $20 million mezzanine loan. Natixis securitized $59 million of the A-notes and all of the A-B note. The securitized debt has a 4.08% coupon. The mezzanine debt, which Natixis placed with Square Mile Capital, has a 6.25% coupon. JEMB used $243.5 million of the proceeds to retire debt that had been securitized in 2007 (CWCI 2007-C2). To comply with risk-retention rules, Natixis is retaining 5% of each class.
Deal: NCMS 2017-75B. **CMA code:** 20170095.

Class	Amount ($Mil.)	Rating (S&P)	Rating (MStar)	Subord. (%)	Coupon (%)	Dollar Price	Yield (%)	Maturity (Date)	Avg. Life (Years)	Spread (bp)	Note Type
A	56.997	AAA	AAA	48.87	3.858	103.000	3.519	4/9/37	9.87	S+121	Fixed
B	21.100	AA-	AA+	36.88	3.999	103.000	3.659	4/9/37	9.87	S+135	Fixed
C	16.664	A-	A	27.41	4.193	101.915	3.909	4/9/37	9.87	S+160	Fixed
D	20.442	BBB-	BBB	15.79	4.193	98.716	4.309	4/9/37	9.87	S+200	Fixed
E	27.797	BB-	BB-	0.00	4.193	92.672	5.109	4/9/37	9.87	S+280	Fixed
X-A(IO)	56.997*	AAA	AAA					4/9/37			Fixed
X-B(IO)	37.764*	A-	AAA					4/9/37			Fixed

*Notional amount

MARKET MONITOR

WORLDWIDE CMBS

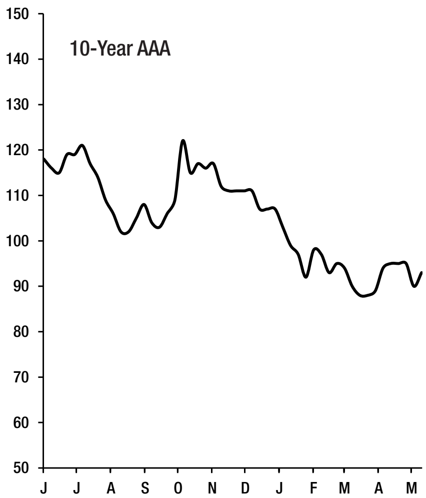


Year-to-date volume ($Bil.)

	2017	2016
US	21.7	24.0
Non-US	0.4	0.4
TOTAL	**22.0**	**24.3**

CMBS SPREADS

NEW-ISSUE SPREAD OVER SWAPS



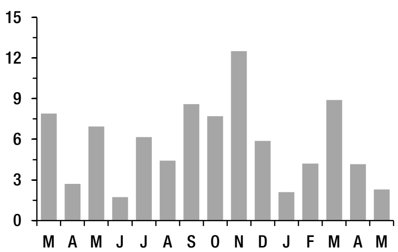
New Issue Fixed Rate (Conduit)	Avg. Life	Spread (bp) 5/10	Week Earlier	52-wk Avg.
AAA	5.0	S+45	S+46	59
	10.0	S+93	S+90	106
AA	10.0	S+134	S+132	156
A	10.0	S+176	S+175	245
BBB-	10.0	S+372	S+409	538

Markit CMBX 6	Dollar Price 5/10	Week Earlier	52-wk Avg.
AAA	100.0	100.0	99.4
AS	100.7	100.7	99.7
AA	99.4	99.4	98.3
A	96.5	96.3	96.1
BBB-	88.9	89.4	91.7
BB	81.1	81.5	84.4

Sources: Trepp, Markit

US CMBS

MONTHLY ISSUANCE ($Bil.)



CMBS TOTAL RETURNS

CMBS INDEX

As of 5/10	Avg. Life	Total Return (%) Month to Date	Year to Date	Since 1/1/97
Inv.-grade	6.1	-0.2	1.5	225.0
AAA	5.9	-0.2	1.3	208.4
AA	7.4	-0.3	1.7	99.0
A	6.8	-0.2	2.8	87.5
BBB	6.9	0.6	5.3	100.1

Source: Barclays

LOAN SPREADS

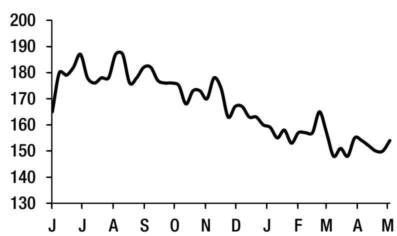
ASKING SPREADS OVER TREASURYS

10-year loans with 50-59% LTV

	5/5	Month Earlier
Office	154	154
Retail	148	148
Multi-family	144	144
Industrial	146	148

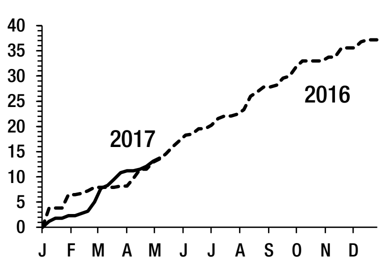
Source: Trepp

ASKING OFFICE SPREADS

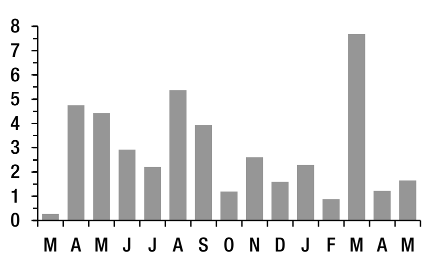


REIT BOND ISSUANCE

UNSECURED NOTES, MTNs ($Bil.)



MONTHLY ISSUANCE ($Bil.)



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

AGENCY CMBS SPREADS

FREDDIE K SERIES

	Avg. Life	Spread (bp) 5/11	Week Earlier	52-wk Avg.
A1	5.5	S+47	S+47	53
A2	10.0	S+62	S+62	68
B	10.0	S+190	S+195	268
C	10.0	S+305	S+310	448
X1	9.0	T+145	T+145	207
X3	10.0	T+315	T+330	518
Freddie K Floater		L+37	L+38	

FANNIE DUS

	5/11	Week Earlier	52-wk Avg.
10/9.5 TBA (60-day settle)	S+66	S+68	77
Fannie SARM	L+40	L+40	

Source: J.P. Morgan

THE GRAPEVINE

... From Page 1

on the securitized-product sales desk led by managing director **Bill Moody.**

Multi-family finance pro **James McArthur** is jumping to **JLL** from **Freddie Mac.** He starts Monday as a senior vice president in Los Angeles, arranging Freddie, **Fannie Mae** and **FHA** loans for apartment developers and owners. He'll report to managing director **Brian Halpern** and international director **Brian Kelleher.** McArthur spent about seven years at Freddie, where he was a production and sales manager for the Western region.

Originator **Greggory Applefield** has moved to **Rialto Capital** from **Mission Capital.** Applefield started May 1 as an executive director, originating CMBS and bridge loans for Rialto's mortgage-finance group. He's stationed in Aliso Viejo, Calif., reporting to **Brett Ersoff,** president of Rialto Mortgage Finance.

Kelly Boyer has joined **Rose Community Capital** as a managing director in Los Angeles, charged with expanding its West Coast activity. The subsidiary of New York-based **Jonathan Rose Cos.** originates **FHA** loans and makes direct and joint-venture investments in multi-family properties. Boyer came from **Citigroup,** where she was a director in the Citi Community Capital unit for about three years. She previously worked at **HUD** and **Ohio Capital Corp. for Housing.** At Rose, she reports to chief financial officer **Michael Arman.**

Hunt Mortgage has opened a lending office in Phoenix and hired **Matthew Frank** to lead it. He started last month as a vice president, originating **Freddie Mac** small-balance loans in the Southwest and nationally. Frank previously was a commercial loan officer at **Alaska USA Federal Credit Union's** office in Glendale, Ariz., and before that was a vice president at **Unison Bank.** At Hunt, he reports to director **Mark Besharaty** and senior managing director **Rick Warren.**

Matthew Toukatly joined **Arden Group** of Philadelphia last week as an assistant vice president in the debt-fund unit. Toukatly previously worked on the mezzanine-loan origination and acquisition team at **J.P. Morgan Asset Management.** Before that, he was in the CMBS and mezzanine-loan origination group at **Redwood Trust.** At Arden, he reports to managing director **Douglas P. Harmon.**

The New York chapter of the **Real Estate Lenders Association** has chosen its officers for the next two years. **Chris Niederpruem** will become president and **Aoife Burke** will serve as vice president, starting in July. Niederpruem is a managing director at **CIT Real Estate Finance** and previously worked at **Bank of Ireland.** Burke is a senior vice president at **Bank of America** who previously worked at **Allied Irish Bank** and **CIT.** Niederpruem will succeed current president **Karen Ramos** of **Credit Agricole,** and Burke will take over from **Lisa Komm** of **Landesbank Baden-Wurttemberg.**

Silverpeak Argentic wants to add an underwriter/transaction manager in Chicago. The position calls for 2-5 years of experience and involves working on CMBS, balance-sheet and mezzanine loans. The contact is **Christina Kuch** at ckuch@argenticmgmt.com.

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