

# Commercial Mortgage ALERT

THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION

[www.CMAlert.com](http://www.CMAlert.com)

## M&I Bank Markets Defaulted Loans

**M&I Bank**, one of the most-active sellers of distressed assets, is shopping a \$235.8 million portfolio of mostly defaulted loans.

The offering consists of 47 loans collateralized by a mix of property types, construction projects and land. The properties are in 16 states, with large concentrations in Arizona and Illinois.

Almost all of the mortgages are defaulted or tied to borrowers who have filed for bankruptcy. Only two, totaling \$3.2 million, are performing.

The level of distress is likely to tamp down offers. Investors can bid on individual loans or any combination. Bids are due Aug. 26. The Milwaukee bank wants to close sales by the end of September. It is being advised by **Mission Capital Advisors** of New York.

Among the largest loans in the portfolio are a \$17.6 million land loan in suburban Phoenix and a \$14.2 million condominium-conversion loan on a property near Chicago. Twenty-nine loans have balances of less than \$5 million.

The largest loan is backed by 34 acres in Gilbert, Ariz. Developer **Opus West** acquired the land in December 2007 with the intent of building a mixed-use property. But the project never got off the ground, and the loan went into default in April. Phoenix-based Opus, one of the five regional operating companies of Opus Corp. of Minnetonka, Minn., filed for bankruptcy in July, following in the footsteps of two other Opus units.

The condo-conversion loan, which had an original balance of \$36.1 million, is backed by an age-restricted complex, called Mallinckrodt in the Park, in Wilmette, Ill. M&I began foreclosure proceedings after the borrower was able to sell only 48 of the 81 units.

M&I is a unit of Marshall & Ilsley, one of the nation's most-active lenders on commercial real estate. At the end of March, the holding company had \$19.4 billion, or almost one-third of its assets, invested in commercial real estate debt, ranking 18th among U.S. banks, according to **Foresight Analytics**.

## Commercial Mortgage ALERT

THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION

AUGUST 14, 2009
2 Centerline Targets Small Fannie Loans
2 Three Pros Launch Advisory Shop in LA
2 Lender Originates First Mortgage
3 Debt Funds See Some Hopeful Signs
3 CMBS Prices Flat Amid Light Trading
4 Ariz. Bank Refinances Airline's HQ
5 M&I Bank Markets Defaulted Loans
7 Texas Shop Shelves First Debt Fund
9 CALENDAR
11 RATING CHANGES

### THE GRAPEVINE

Senior commercial MBS trader **Rick Turnbull** left **CDO World Markets** last week. His plans are unknown. Turnbull had been a fixture in the Canadian bank's New York outpost, serving in the real estate investment banking group managing director **Michael Higgins**. He managed traded bonds and loans secured by commercial real estate, adding distribution by reworking structures and distributing such products.

Portfolio manager **Greg Matthews** departed **AIA Investments** in New York on Aug. 5, after 15 years at the asset-management arm of insurer AIG. There's no word on his plans. Matthews initiated and ran AIG's investments in CMBS from 2002, when he was named head of property management, trading and research for securitized products. Matthews reported to managing director **Sonia Hamstra**, who

See GRAPEVINE on Back Page

### Barclays Extends \$2 Billion Crescent Loan

Barclays has granted a three-month extension on a \$2 billion floating-rate loan that helped finance Morgan Stanley's ill-fated takeover of **Crescent Real Estate Equities** at the top of the market in August 2007. Morgan Stanley has sold \$1.4 billion of Crescent properties, enough to reduce the original \$3.3 billion balance of the Barclays loan. But the sale effort has been slowed by the illiquid market. If Morgan Stanley is unable to pay down on its reference to the remaining debt, the result could be one of the larger defaults in the down market.

In a regulatory filing last Friday, Morgan Stanley said it was in talks with Barclays "regarding the orderly transfer of collateral and asset operations and other related matters." That vague wording could mean that Morgan Stanley plans to

see CRESCEANT on Page 4

### REIT-Bond Revival Spurs Questions for TALF

Will the sudden re-opening of the REIT-bond market throw cold water on the Federal Reserve's TALF program?

The Fed is set to open this week after seven REITs took advantage of an unexpected thawing in the bond market to float \$2.2 billion of senior unsecured notes.

One of the REITs, **Property**, was touted as a possible issuer of commercial MBS under the TALF program. Two other potential CMBS issuers — **Vornado** and **Westfield** — also have credit ratings and could decide its moment to float unsecured debt.

The bond guessing game in lending circles these days is which property owners will jump into the CMBS market. Under TALF (formally known as the Term Asset-Backed Securities Loan Facility), the Fed will provide low-cost financing to buyers of super-senior CMBS.

The goal is to jumpstart the moribund CMBS market in order to give property

see REIT on Page 8

### Dealers Snap Up Bonds From a Failed CDO

Wall Street dealers snapped up much of \$763.1 million of commercial MBS that

**Bank of America** offered at auction this week. Amid surging demand for high-grade CMBS in the secondary market, dealers loaded up on the 'A-'M' and 'A-'J' bonds, which were part of the collateral pool of the failed \$3.4 billion CDO. The heavy supply caused prices for such paper to level off, after rising steadily for the past few weeks.

The subordination level, current rating and specific deal. The securities consisted of bonds from Rockford, Ill., which sold for 40-80 cents on the dollar, depending on the mezzanine and junior tranches of the original triple-A portions of securities placed under review for downgrade since issuance.

The sale led to a drop in prices of corresponding credit-default swaps tracked by **Markit's** synthetic CMBS index. The reason: Because most of the giant bid list

see DEALERS on Page 4