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Commercial Mortgage ALERT

THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION

More Freddie Portfolio Sales Ahead

Pleased with the strong buy-side response to its first bulk offering of multi-family mortgages, **Freddie Mac** plans to roll out more portfolios of seasoned performing loans — but not right away.

The recent auction of the $194.8 million portfolio "was not a one-off" transaction, said **Michael Lipson,** Freddie's senior vice president of multi-family asset management and operations.

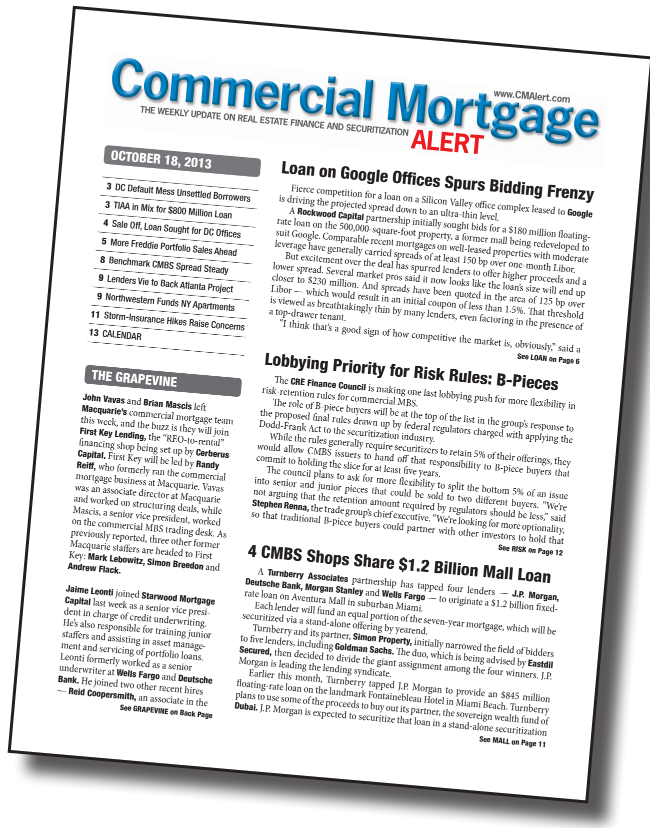
But the agency will likely wait until next year before scheduling a second auction of loans from its huge balance sheet. Future sales will be held opportunistically, depending on market conditions and the agency's ongoing asset-management strategies, Lipson said — unlike the guaranteed securitizations of newly originated, multi-family mortgages that Freddie floats every few weeks.

Some 23 banks, fund shops and other lenders submitted offers for Freddie's initial bulk-loan offering, the agency announced this week. After two rounds of bidding, **Colony Capital** of Santa Monica, Calif., walked away with the entire portfolio, paying roughly 90 cents on the dollar. **Mission Capital** advised Freddie on the sale, which closed Oct. 3. The mix of fixed- and floating-rate loans was split into two pools. One, with an aggregate balance of $171.2 million, consisted of 22 loans on multi-family and student-housing properties totaling 3,811 units. The other contained three loans, adding up to $23.6 million, on assisted-living facilities with a total of 453 beds.

The auction reflected the latest twist in long-running efforts by Freddie and **Fannie Mae** to comply with a mandate from their regulator, the **Federal Housing Finance Agency,** to reduce mortgage holdings. Both agencies have been operating under federal conservatorship since the height of the credit crisis in 2008. Before it could try a bulk loan sale, Freddie had to develop procedures and get approval from FHFA. "Now that we have it available as an execution model, we'll look for opportunities to do it again," Lipson said.

Freddie currently securitizes more than 95% of its originations in the multi-family sector. The legacy loans sold to Colony were extracted from Freddie's portfolio of unguaranteed multi-family mortgages, which stood at $69.4 billion on June 30. That was down from $79.6 billion a year earlier and $85.9 billion at yearend 2010.

Lipson is overseeing the management and gradual disposition of that relatively illiquid portfolio. Most of the reduction so far has been due to amortization and refinancings, he said. Virtually all of the multi-family loans in that balance-sheet portfolio are still performing, with only 0.05% of the overall balance delinquent by at least 60 days at the end of August. ❖



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Loan on Google Offices Spurs Bidding Frenzy

Fierce competition for a loan on a Silicon Valley office complex leased to **Google** is driving the projected spread down to an ultra-thin level.

A **Rockwood Capital** partnership initially sought bids for a $180 million floating-rate loan on the 500,000-square-foot property, a former mall being redeveloped to suit Google. Comparable recent mortgages on well-leased properties with moderate leverage have generally carried spreads of at least 150 bp over one-month Libor.

But excitement over the deal has spurred lenders to offer higher proceeds and a lower spread. Several market pros said it now looks like the loan's size will end up closer to $230 million. And spreads have been quoted in the area of 125 bp over Libor — which would result in an initial coupon of less than 1.5%. That threshold is viewed as breathtakingly thin by many lenders, even factoring in the presence of a top-drawer tenant.

"I think that's a good sign of how competitive the market is, obviously," said a

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Lobbying Priority for Risk Rules: B-Pieces

The **CRE Finance Council** is making one last lobbying push for more flexibility in risk-retention rules for commercial MBS.

The role of B-piece buyers will be at the top of the list in the group's response to the proposed final rules drawn up by federal regulators charged with applying the Dodd-Frank Act to the securitization industry.

While the rules generally require securitizers to retain 5% of their offerings, they would allow CMBS issuers to hand off that responsibility to B-piece buyers that commit to holding the slice for at least five years.

The council plans to ask for more flexibility to split the bottom 5% of an issue into senior and junior pieces that could be sold to two different buyers. "We're not arguing that the retention amount required by regulators should be less," said **Stephen Renna,** the trade group's chief executive. "We're looking for more optionality, so that traditional B-piece buyers could partner with other investors to hold that

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4 CMBS Shops Share $1.2 Billion Mall Loan

A **Turnberry Associates** partnership has tapped four lenders — **J.P. Morgan, Deutsche Bank, Morgan Stanley** and **Wells Fargo** — to originate a $1.2 billion fixed-rate loan on Aventura Mall in suburban Miami.

Each lender will fund an equal portion of the seven-year mortgage, which will be securitized via a stand-alone offering by yearend.

Turnberry and its partner, **Simon Property,** initially narrowed the field of bidders to five lenders, including **Goldman Sachs.** The duo, which is being advised by **Eastdil Secured,** then decided to divide the giant assignment among the four winners. J.P. Morgan is leading the lending syndicate.

Earlier this month, Turnberry tapped J.P. Morgan to provide an $845 million floating-rate loan on the landmark Fontainebleau Hotel in Miami Beach. Turnberry plans to use some of the proceeds to buy out its partner, the sovereign wealth fund of **Dubai.** J.P. Morgan is expected to securitize that loan in a stand-alone securitization

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THE GRAPEVINE

John Vavas and **Brian Mascis** left **Macquarie's** commercial mortgage team this week, and the buzz is they will join **First Key Lending,** the "REO-to-rental" financing shop being set up by **Cerberus Capital.** First Key will be led by **Randy Reiff,** who formerly ran the commercial mortgage business at Macquarie. Vavas was an associate director at Macquarie and worked on structuring deals, while Mascis, a senior vice president, worked on the commercial MBS trading desk. As previously reported, three other former Macquarie staffers are headed to First Key: **Mark Lebowitz, Simon Breedon** and **Andrew Flack.**

Jaime Leonti joined **Starwood Mortgage Capital** last week as a senior vice president in charge of credit underwriting. He's also responsible for training junior staffers and assisting in asset management and servicing of portfolio loans. Leonti formerly worked as a senior underwriter at **Wells Fargo** and **Deutsche Bank.** He joined two other recent hires — **Reid Coopersmith,** an associate in the

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