

Commercial Mortgage

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

Colony Shops Mixed-Quality Assets

Colony Capital is offering \$90 million of mixed-quality loans and foreclosed properties.

The 323 assets have an average balance of \$278,500. Almost two-thirds of the aggregate balance is nonperforming, with roughly \$30 million of the portfolio performing.

Acquisition, development and construction loans account for 71% of the pool balance, and commercial real estate assets make up the rest. The assets are spread over 19 states, with concentrations in Florida (54.5% of the portfolio balance) and Michigan (10.7%). The collateral types vary widely.

The performing commercial mortgages have a 5.8% weighted average coupon and a weighted average maturity date of 2021. The performing acquisition, development and construction loans have a 5.6% weighted average coupon and a weighted average maturity date of 2021.

Mission Capital is running the auction for Colony, a Santa Monica, Calif., high-yield investment shop. Mission has divided the assets into four pools: two performing pools for each type of asset and two nonperforming pools for each. Investors can bid on individual pools or any combination. Initial bids are due on Nov. 18. Bids from finalists will be due on Dec. 11. ❖

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THE GRAPEVINE

Joseph DiMicali and Oliver Perry joined startup advisory and brokerage shop **Saratoga Springs Capital** two weeks ago. They signed up as partners of the firm, which opened in early October with worked most recently at S&P and before that was at **Bank of America** and **Moody's**. Perry previously was at **RBC Dain Rauscher**, before launching the Saratoga Springs, N.Y., firm. Sinclair spent about a year in **Wells Fargo's** commercial MBS group. He had previous stints at **EMAC Commercial Mortgage** and **Moody's**.

Bank of China and **New York Community Bank** have provided just shy of

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Risk Rule Seen Favoring Larger B-Piece Buyers

Change is coming to the B-piece business. As the commercial MBS industry prepares for the risk-retention rules due to take effect in about two years, B-piece buyers face the prospect of raising more capital from a broader range of sources, in order to stay in the game. The result, industry experts say, could be a different roster of players — likely fewer, larger firms, including new entities formed by combinations of high-yield and investment-grade bond buyers. "I think you're going to see a lot of innovative structures," said **George Green**, associate vice president of the **Mortgage Bankers Association**.

The reason: CMBS issuers are expected to rely on B-piece buyers to assume the risk-retention responsibility, and that will mean buying more bonds, farther up the capital stack, than those investors are accustomed to taking. "The rule is going to benefit larger, more diversified investment managers."

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Surge Pushing CMBS Tally Near \$100 Billion

A late surge of issuance has put the U.S. commercial MBS market within striking distance of the \$100 billion mark for the year. With less than two months to go, another \$18.5 billion of transactions are still in the pipeline, according to a review by **Commercial Mortgage Alert** (see U.S. Deals in the Works, on Page 8).

When added to the \$79.3 billion of deals that have already priced, that would lift the full-year total to \$97.8 billion. And there is rumbling that one or two large \$100 billion. Some \$21 billion of transactions were in the preliminary pipeline for another \$8.5 billion of transactions have materialized, with more still possible. For the CMBS market, reaching \$100 billion would be a milestone in its recovery from the financial crisis, which essentially halted issuance for 17 months. After

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GE to Lend Colony \$1.2 Billion for Purchase

GE Capital has agreed to provide around \$1.2 billion of debt to finance **Colony Capital's** pending acquisition of a large industrial portfolio from **Colonie Capital**. The terms of the loan are now being finalized, with **Colony** weighting a menu of leverage, according to people familiar with the process. The floating rate loan will fund operations over a term of five years. **Eastlight Securities** is advising **Colony**, a Santa Monica, Calif., portfolio, which contains mostly light-industrial buildings of less than 250,000 of square feet in 18 markets across the U.S. The 291 buildings are 85% leased by more than 650 tenants. At the tentative purchase price of \$54/M, **Colony** would see an initial annual yield of 6.25%. **CBRE** and **Eastlight** are jointly brokering the sale for **Colony**, an investment manager in Irving, Texas. ❖