

Orix Puts \$1.5Bln of Distressed Loans, REO on Sales Block

Commercial Real Estate Direct Staff Report

Orix Capital Markets has placed some \$1.5 billion of distressed loans and foreclosed real estate up for sale in a pair of offerings that are being overseen by CBRE and Mission Capital Advisors, respectively.

The Dallas finance company is offering the portfolios in order to take advantage of strong investor demand for distressed and otherwise high-yielding assets. The offerings include both loans that it manages on behalf of CMBS trusts and that it holds on its own balance sheet.

CBRE has packaged the 57 assets with an unpaid balance, or book value of \$1.3 billion that it has been charged with selling into 11 pools and will take initial offers on individual pools or the portfolio in its entirety on May 20.

The largest pool is comprised of three foreclosed apartment properties with 1,909 units in Maryland that Orix had taken by foreclosing against a \$185 million mortgage that was securitized through LB-UBS Commercial Mortgage Trust, 2007-C2.

[The three properties are the 732-unit Seasons at Bel Air near the Aberdeen Proving Grounds in Bel Air; Cooper's Crossing, 727 units in Landover Hills, and Henson Creek, with 450 units in Forestville.](#)

The properties were last appraised in April 2012 at a value of \$169 million.

It also includes the 553,017-square-foot One Alliance Center office building in Atlanta's Buckhead area. The building, which was owned by a Tishman Speyer Properties venture, served as collateral for a \$165 million mortgage that also had been securitized through the LB-UBS 2007-C2 deal. It was last appraised in September 2011 at a value of \$80 million.

Mission Capital, meanwhile, is offering 41 assets with a balance of \$205.1 million. It has divided its offering into five pools, one of which contains only one asset: a nonperforming \$41.3 million mortgage against a 327,763-sf office and research-and-development property in Durham, N.C.

Mission Capital will take indicative bids for individual assets, pools or the portfolio in its entirety on May 21. It plans on conducting a best-and-final round of bidding on June 11.

The assets being offered through CBRE and Mission Capital represent much of the inventory that Orix is handling as a CMBS special servicer. The offering would also be its first substantial sale of loans in special servicing. And that's because of what it says is healthy investor demand.

"We think this ought to be something we ought to be trying," said Ed Smith, vice chairman of



Orix USA. He explained that a number of investment managers have raised substantial volumes of capital and are in search of potentially high-yielding assets. "They're eager to put their money to work," he said. And most are hunting for generous yields. "We thought that this would get some attention."

Both CBRE and Mission Capital have grouped assets into geographic pools, so an investor, for instance, can bid only for assets in the Northeast, or Southeast.

And both will entertain offers for their respective portfolios in their entirety.

Meanwhile, Orix is by no means looking to quit the special servicing business. While the company hasn't purchased any CMBS B-pieces in recent years, it has bought bonds higher up in the capital stack. In the event of another market downturn, those bonds might put it in the first-loss position, which would give it special servicing rights.

That's in fact how it took over special servicing for a number of the assets it's now offering.

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