COMMERCIAL OBSERVER | FINANCE WEEKLY

The Insider's Weekly Guide to the Commercial Mortgage Industry

1330 Avenue of the Americas.

COURTESY GETTY IMAGES

RXR Nabs $285M Mortgage for Midtown Office Skyscraper

DekaBank has provided a $285 million loan to **RXR Realty** for the office building at **1330 Avenue of the Americas**, property records show.

The Lead

The financing replaces and consolidates previous debt on the property with a new five-year, $97 million mortgage.

Tenants at the 534,000-square-foot tower include **Silvercrest Asset Management**, **CKR Law** and the **Robert Wood Johnson Foundation**, a public-health philanthropy. Furniture company **Knoll** leases a substantial 50,000-square-foot space on the building's first few floors for its flagship New York City showroom.

In 2011, **New York Community Bank** provided a $200 million loan on the 40-story building, between West 53rd and West 54th Streets. That debt supported RXR's $400 million acquisition of the tower, which was built in 1965 and

RXR...continued on page 3

In This Issue

"We're a big proponent of finding rising market opportunities, and I like the macro drivers of Southeast markets."

—**David Blatt**
from Q&A on page 12

Unilev Scores $90M Debt and Equity Recap for Wells Fargo Place

EXCLUSIVE

Beverly Hills-based **Unilev Capital Corp.** has received a $90 million debt and preferred equity package for **Wells Fargo Place**—a 37-story office property in St. Paul, Minn., Commercial Observer can first report.

KKR provided a $70 million five-year, floating rate loan in the deal, while an unnamed preferred equity investor provided the remaining $20 million.

The loan was previously securitized in the **Credit Suisse**-sponsored **CSMC 2007-C1 commercial mortgage-backed securities (CMBS)** deal. **Trepp** data shows the loan was transferred to special servicer **C-III Asset Management** in May 2016 due to imminent default and matured in November 2016. Servicing comments, also provided by Trepp, state that "month-to-month tenants and near-term lease expirations were the main issues surrounding the inability to obtain refinancing."

Iron Hound Management's **Christopher Herron** and **John Wood** negotiated a resolution

UNILEV...continued on page 5

Copperline Partners Raises Another $25M on Israeli Bond Market

New York- and Florida-based residential and hotel developer **Copperline Partners** has dipped back into the Israeli bond market, raising roughly $25 million last week through a debt offering on the **Tel Aviv Stock Exchange**.

Copperline issued around 86 million shekels in bonds last Thursday at a 4.25 percent coupon, according to sources with knowledge of the transaction. The deal is an expansion on the firm's Series B bond offering last February, which saw Copperline raise $75 million at an interest rate of 5.1 percent, as Commercial Observer reported at the time.

Including a previous $105 million Series A bond offering, Copperline has now issued more than $200 million in debt on the Tel Aviv Stock Exchange—which has emerged in recent years as a viable avenue for American real estate firms to raise capital at relatively low borrowing costs.

Copperline's latest bond offering "shows the demand and appetite of the [Israeli] market" for securities backed by U.S. real estate assets, according to **Yossi Levi** of **InFin**, the Tel Aviv-based financial consultancy that advised Copperline in the transaction.

It also indicates the market's confidence in Copperline, Levi said, as the deal was met with robust demand from Israeli investors that would have been capable of supporting an issuance of more 200 million shekels, or nearly $60 million.

Copperline, a private firm owned by the Schlesinger family, operates roughly 40 multifamily and hotel properties in New York, Florida and Connecticut. The company's Israeli bonds are backed by a portfolio comprises 27 of those assets, including its **Mayfair Hotel and Spa** in Miami and **Brazilian Court Hotel** in Palm Beach, Fla.

The Tel Aviv Stock Market.

COURTESY GETTY IMAGES

The $25 million raise came through a "public tender" open to a wide array of Israeli bond investors—a different structure than most Tel Aviv Stock Exchange debt issuances, which usually first comprise an "institutional tender," open to a select pool of Israeli institutional investors and high-net-worth individuals, before opening to the wider public.

Levi said the structure allowed Copperline to expedite the bond offering and most easily raise the relatively modest sum it sought, which will be used to assist upcoming payments on the firm's Series A bonds, which are due to mature in 2020. The firm's Series B bonds are due to mature in 2025.

Copperline could not be reached for comment.

Copperline wasn't the only U.S. real estate company to successfully issue debt on the Tel Aviv Stock Exchange last week; **The Moinian Group** raised nearly $170 million through its own bond offering, as CO reported last Thursday, taking the **Joseph Moinian**-led firm's total haul on the Israeli debt market to north of $530 million.—*Rey Mashayekhi*

RXR...continued from page 1

renovated 10 years ago.

RXR's 2010 acquisition of the property, designed by **Emory Roth & Sons**, culminated enduring interest in the building from **Scott Rechler**. The RXR CEO had long pestered 1330's previous owner, **Harry Macklowe**, about its availability and was finally able to put the deal together on short notice while preparing to attend his niece's bat mitzvah, *The Real Deal* reported.

DekaBank owned the building before Macklowe and still leases a suite on the 21st floor, according to data from **CoStar Group**. That association gave the lender such deep familiarity with the asset that the loan was a no-brainer, a DekaBank executive said.

"Being a tenant, we're here every day," said **Jason Oliver**, a director at the bank. "We like the building, and we like what RXR has done to the asset. They've been so successful with it."

The property manager has sought to make leasing efficient for tenants by building out ready-to-use offices when vacancies pop up, and a good chunk of the latest financing will fund that construction.

The idea is that "the tenant can just move right in—there's nothing to be done," Oliver said. "It's a plan which had already been taking place before we financed the building, and they're going to further that plan along and complete those build-outs."

When Macklowe owned the trophy asset, its $187 million mortgage was securitized in the Deutsche Bank-sponsored **COMM-FL14** CMBS transaction. That loan was paid off when RXR purchased the building.

Representatives from RXR and DekaBank were not available for comment.—*Matt Grossman*

Mesa West Lends $125M on California Multifamily Acquisition

Palo Alto, Calif.-based **Pacific Urban Residential** has secured $125 million in mortgages to acquire a portfolio of four California residential developments, according to an announcement from the lender, **Mesa West**.

The five-year floating-rate loans will finance a pair of properties in Alameda and Hayward in the San Francisco Bay Area, as well as two complexes in the suburban sprawl that connects Los Angeles and San Diego along Interstate 5.

The loans on the Bay Area properties amounted to about 80 percent of the underlying asset value, according to Mesa West, with the deals south of Los Angeles slightly less leveraged. Renovations meant to add value to the properties could bring down that ratio, according to **Brandon Bachner**, a Mesa West vice president.

In adding the portfolio, the borrower's strategy was "pretty uniform across all four properties," Bachner said. "There's a heavy focus on management and operations, and exterior and common areas."

The Alameda entry, **Atlantic Apartments**, is the deal's largest property, comprising 186 units split among a handful of three-story buildings. Its location, on an island that juts into the San Francisco Bay, offers bus and ferry commutes into Oakland and San Francisco. The other Northern California property, a 116-apartment complex several miles to the southeast in Hayward, may cater more toward residents who work in Silicon Valley or San Jose.

One of the four California residential developments.

COURTESY MESA WEST

The Southern California properties—the **Villas at Carlsbad** and the **Vista del Rey** in Tustin—are in the suburbs of Irvine and San Diego, respectively.

All in all, the properties are approximately 95 percent leased.

The strained state of the California multifamily housing stock piqued Mesa West's interest in the development, its vice president explained.

"I would say [multifamily is] underbuilt," Bachner said. "We like multifamily because of the risk-adjusted return it provides us."

Compared with office assets, "with multifamily, you're playing more of a rent game, and from a debt perspective that feels like a good place to be these days," he added.

Representatives for **IPA Capital**, which arranged the financing, were not immediately available to comment.

Commercial Real Estate Direct first reported that Pacific Urban was the buyer of the portfolio, which Mesa West declined to confirm. A representative for the property manager declined a request for an interview.—*M.G.*

UNILEV...*continued from page 1*

for the loan with C-III on behalf of Unilev, then arranged the new debt and equity recapitalization, sources said.

The 635,000-square-foot building was erected in 1987 and is located at **30 East Seventh Street** in downtown St. Paul.

Unilev acquired the property, previously known as **Minnesota World Trade Center,** from **Zeller Realty Group** in October 2006, according to the *Minneapolis/St. Paul Business Journal*, paying more than $100 million.

Prior to the new financing, the property was cash flowing and well occupied but required a recapitalization to pay off the previous debt, sources said.

"Through the new financing, new capital partners and a successful recapitalization, Unilev was able to pay this loan off at par, which is not the norm," one source familiar with the transaction told CO.

Today, Wells Fargo Place's government and state-driven tenants include **Minnesota State Colleges and Universities**, the **Internal Revenue Service** and—of course—**Wells Fargo**.

Officials at KKR declined to comment. Officials at Unilev did not respond to a request for comment. Officials at Iron Hound confirmed their involvement in the deal but declined to comment further.—*Cathy Cunningham*

Wells Fargo Place in St. Paul, Minn.

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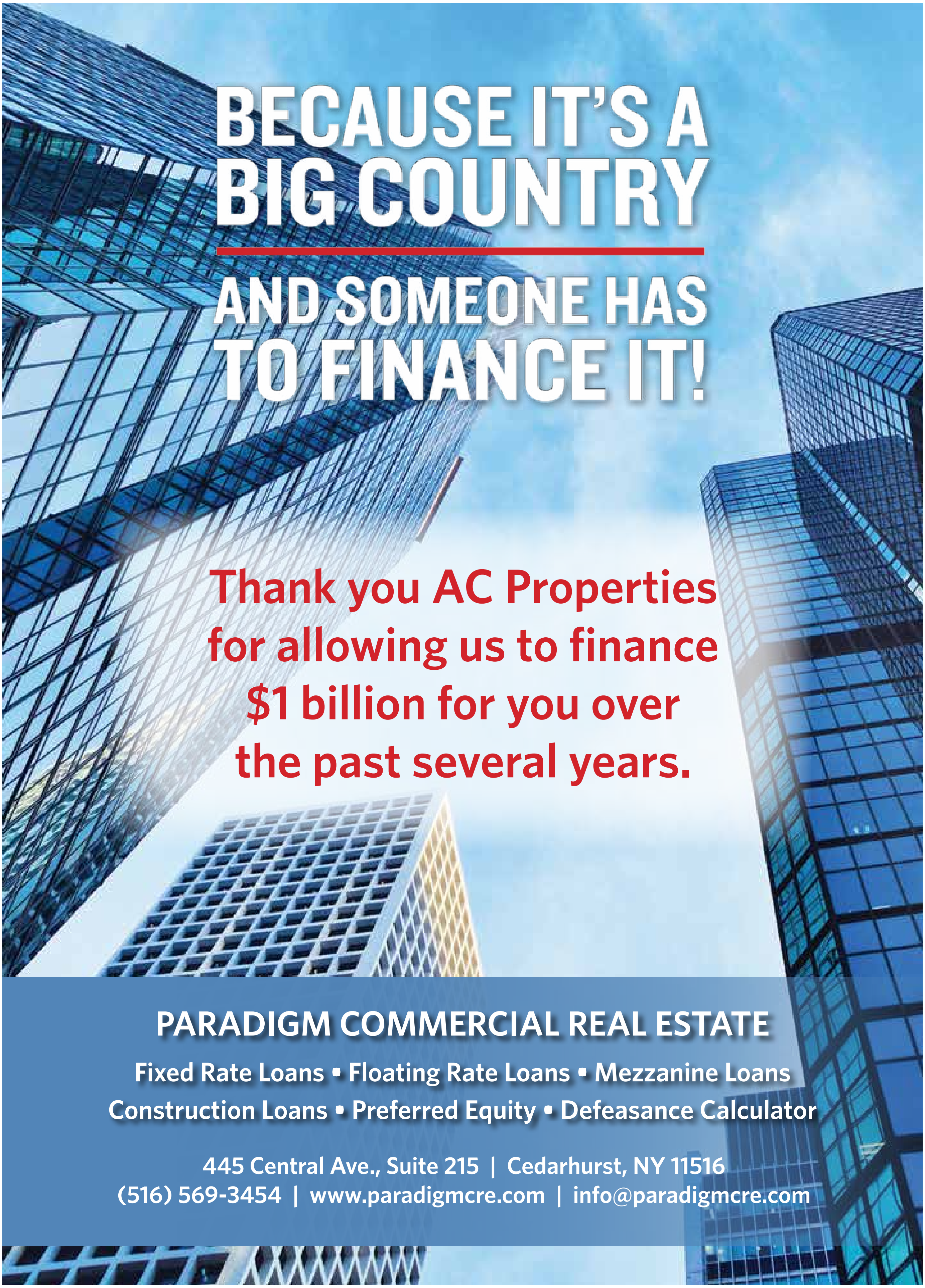
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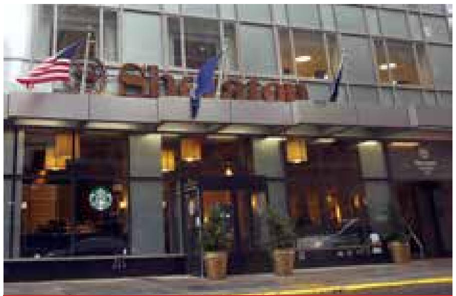
A Sheraton hotel in Brooklyn.
COURTESY GETTY IMAGES

Happy With Fundamentals, JLL Sees Banner Year for Hotels

A new report from **JLL** found that expectations of strong economic growth in the U.S. and a decline in the value of the dollar have combined to boost the outlook for hotel performance in 2018, Commercial Observer can exclusively report.

Those factors explain why lending in the lodging sector grew increasingly competitive in 2017 with rates tightening on debt from banks, debt funds and mortgage securitizations alike. Funds have played their hands most aggressively, JLL's data show: Their spreads shrank from as wide as 525 basis points above 10-year swaps in the first quarter of 2017 to as slim as 325 basis points a year later.

"As we begin 2018, the hospitality debt markets are exceptionally strong," the JLL research team, led by **Kevin Davis**, wrote. "All major lender types…are actively originating hotel loans, and lender sentiment is overwhelmingly positive."

The biggest boon to the sector has been strong gross domestic product expansion and expectations for more of the same this year. Hotels' benchmark performance metric, revenue per available room, closely tracks GDP performance, and the American economy is on pace to record its third consecutive quarter of growth above 3 percent, a feat it has not accomplished since 2004.

Supply-side factors in the financial industry have further needled lenders to step on the gas. 2006 and 2007, the climax years of the last business cycle for CMBS, saw huge issuance volumes, which fostered a stock of 10-year mortgages ripe for refinancing over the last two years. Now that that wave has receded, bankers are competing more aggressively over of a shrinking volume of loan opportunities, pressing those aiming to expand their balance sheets to pursue smaller loans than they would have previously.

Issuers of floating-rate CMBS loans, who formerly scoffed at deals worth less than about $200 million, are now entertaining opportunities to lend as little as $50 million at a time, according to JLL.—*M.G.*

CapStack Acquires Three-Building Nashville Multifamily Portfolio for $36M

Specialty investment bank **CapStack Partners** acquired a three-building multifamily portfolio in Nashville, Tenn., for $35.5 million from Memphis, Tenn.-based **Lennox Companies**, CapStack announced last week.

The portfolio acquisition includes three two-story, garden-style apartment complexes: **The Vistas** apartments, a 205-unit, 159,000-square-foot property located at **5319 Nolensville Pike** in Nashville; **Fawnwood Apartments**, a 158-unit, 139,000-square-foot complex at **321 Walton Lane** in Madison, a suburb of metro-Nashville; **Archwood Meadows**, a 112-unit, 116,000-square-foot complex at **110 Archwood Place** in Madison.

CapStack plans to engage a multimillion dollar renovation and repositioning program for the three complexes to "unlock embedded value and cash flow opportunities," according to a release from CapStack.

"This acquisition directly aligns with our investment parameters," CapStack CEO **David Blatt** said in prepared remarks. "Each property is exceptionally well located, has a stable operating history and offers a significant value-add opportunity. We intend to reposition the portfolio into high-quality workforce housing to capitalize on the strong demand for this type of product in Nashville."

This portfolio acquisition comes as an early part to the firm's push to invest in value-add and opportunistic multifamily assets across the Southeast. Last July, CapStack expanded its operations with the inclusion of an investment advisory platform—just a few months after the creation of its agency lending division that March. One month later, the firm received a mandate to acquire multifamily assets, sourcing opportunities in-house and through local and regional landlords and developers.

"We are pleased to be able to offer this strategy as part of our investment advisory platform and so soon after its launch," Blatt said. "Our intention has always been to manage our clients' investments throughout their respective life cycles, and today we are more than capable of doing just that."

CapStack completed the Nashville buy with operating partner North Carolina-based **MACC Venture Partners**, which has been tapped to manage the three complexes. In keeping with the firm's pledge to use local operators and developers, Blatt told Commercial Observer his firm is looking "to bring in partners like MACC that have on-the-ground operational expertise in the markets that we target."

Blatt added in prepared remarks, "When I launched CapStack, the broader vision was always to build an institution that blends highly informed capital markets advisory with investment management solutions for clients seeking alternative investments like real estate."

Neither officials at Lennox Companies nor its asset management arm, Lennox Living, could be reached for comment.—*Mack Burke*


Nashville, Tenn.
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M&T Bank Lends $95M on Sage Realty's Greenwich Village Office Building

M&T Bank has provided **Sage Realty Corporation**, the leasing and management arm of the **William Kaufman Organization**, with $95 million to refinance its landmarked office building at **2 Gansevoort Street** in Greenwich Village.

The loan consolidates and refinances roughly $50 million in previous debt from M&T Bank from November 2014, as Commercial Observer previously reported. In addition to the refinance, the bank provided the borrower with $45 million in new financing.

The purpose of the new financing is unclear as officials at Sage Realty and the William Kaufman Organization did not immediately respond to calls for comment.

The previous loan was a five-year loan, arranged by **Andrew Singer** of **The Singer & Bassuk Organization**, that funded tenant and capital improvements at the property, officials from the William Kaufman Organization told CO at the time. The old debt included a roughly $28 million land loan, a $13.9 million building loan and a $7.9 million project loan, property records show.

Originally built in 1912 as a warehouse and trade school—including the country's first TV repair school—at the intersection of West 13th, Horatio and Gansevoort Streets, the nine-story, roughly 201,000-square-foot former industrial building was designed by **William H. Dewar Jr.** The William Kaufman Organization, a family-run real estate owner and operator purchased the property—with an alternate address of **320 West 13th Street**—in 1948 and then moved to transition the property into one of the first office buildings in the neighborhood, as CO previously reported.

2 Gansevoort Street in Greenwich Village.

COURTESY PROPERTY SHARK

One of the buildings largest tenants is fashion company **Theory,** which occupies 79,000 square feet of space on a 16-year lease signed in September 2014.

Officials at M&T Bank declined to comment. *—M.B.*

MetLife Lends $144M to Finance Orlando Office Trio

Southwest Value Partners has sealed a $144 million mortgage to finance the acquisition of a portfolio of three Orlando, Fla., office buildings, according to an announcement from the lender, **Metlife Investment Management**.

The five-year cross-collateralized loan supported the purchase of **Bank of America Center**, **Citrus Center** and **One Orlando Centre**—all situated downtown. Bank of America Center, at 28 stories, and Citrus Center, at 19 stories, are among the tallest buildings in the city.

Combined, the three properties, which total over 1 million square feet, sold for $208 million, *The Orlando Sentinel* reported. All three had been in the hands of **Cousins Properties**, a real estate investment trust based in Atlanta.

Eastdil Secured brokered the transaction.

"This deal came about via our relationship with Eastdil and our familiarity with the Orlando office market," **Gary Dinka**, a MetLife managing director, wrote in an email. "The good locations, diverse rent rolls and strong sponsorship with fresh equity were just some of the elements of the deal that were attractive to us."

Tenants at the Bank of America building include its namesake bank as well as **Broad and Cassel**, a law firm with 10 offices throughout Florida.

Like the Bank of America tower in 1987, the Citrus Center was Orlando's tallest building when it topped out in 1971. Its suites host law firms and construction and engineering companies.

Southwest Value Partners, based in San Diego, maintains a diverse portfolio across regions and asset classes, including hotels, office buildings and multifamily developments in California, Arizona and the Midwest. In addition to the Orlando portfolio, it owns a **DoubleTree** hotel in Sunrise, Fla., about 10 miles west of Fort Lauderdale.

The deal immediately made Southwest Value Partners the second largest Orlando landlord, the *Sentinel* reported. The firm was founded by **Robert Sarver**, the owner of the **Phoenix Suns**.

Representatives from Southwest Value Partners, and Eastdil did not respond to requests for comment.*—Matt Grossman with additional reporting by Mack Burke*


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The Takeaway

Retail Loans Made Up Bulk of Special Servicing Transfers in 2017

"Throughout 2017, a total of 309 CMBS loans with just less than $5.3 billion in debt were transferred to special servicing," said Sean Barrie, an analyst at Trepp. "The property type with the largest volume of debt sent to servicing last year was retail, indicating how the 2017 news cycle went for that segment. In total, $2.6 billion in retail debt across 160 loans was shipped to servicing in 2017. Both the loan count and total balance figures are more than double the next-highest total by property sector. The largest loan transferred to servicing was the $402.7 million Toys 'R' Us portfolio. That note is backed by 123 Toys 'R' Us locations across the country and also has a freely prepayable portion. After Toys 'R' Us filed for bankruptcy in September 2017, the loan was sent to servicing but the retailers stated that no US stores would close. Aside from November's payment, the portfolio has remained current." **Source:** Trepp

Property Type	Balance	Loan Count
Retail	$2,648,292,395	160
Office	$1,282,730,208	73
Lodging	$655,000,936	29
Mixed-Use	$374,736,399	19
Industrial	$156,044,579	17
Multifamily	$97,492,291	6
Mobile Home	$56,888,640	2
Other	$23,331,213	3

MSA	Balance	Loan Count
New York-Newark-Jersey City, N.Y.-N.J.-Pa.	$440,718,006	17
Dallas-Fort Worth-Arlington, Texas	$208,955,872	5
Washington-Arlington-Alexandria, D.C.-Va.-Md.-W.Va.	$204,874,869	8
Phoenix-Mesa-Scottsdale, Ariz.	$167,158,041	5
Houston-The Woodlands-Sugar Land, Texas	$140,871,625	7
Lafayette, La.	$135,344,458	2
New Haven-Milford, Conn.	$124,273,764	3
Pittsburgh, Pa.	$119,419,950	8
Chicago-Naperville-Elgin, Ill.-Ind.-Wis.	$116,481,961	12
St. Louis, Mo.-Ill.	112,822,765.00	2

15 Largest Special Servicing Transfers - 2017

Loan Name	Balance	State	Delinquency Status	Special Servicing Transfer Date	Property Type
Toys "R" Us	$402,748,570	Various	Current	Sept. 22, 2017	Retail
JP Morgan Portfolio	$198,500,000	Various	Foreclosure	March 16, 2017	Mixed-Use
InterContinental New York Times Square	$188,000,000	N.Y.	Performing Matured Balloon	May 22, 2017	Lodging
JP Morgan International Plaza I & II	$156,771,335	Texas	Current	Jan. 24, 2017	Office
PDG Portfolio Roll-Up	$135,489,753	Ariz.	Foreclosure	March 16, 2017	Retail
Mall of Acadiana	$122,143,270	La.	Foreclosure	Feb. 24, 2017	Retail
Central Mall	$111,642,561	Various	Foreclosure	Dec. 20, 2017	Retail
One AT&T Center	$107,147,765	Mo.	REO	March 13, 2017	Office
Toys "R" Us Freely Prepayable	$94,540,640	Various	Current	Sept. 22, 2017	Retail
Charleston Town Center	$92,431,891	W.Va	Foreclosure	Sept. 4, 2017	Retail
Bangor Mall	$80,000,000	Maine	Foreclosure	Aug.28, 2017	Retail
Shadow Lake Towne Center	$78,350,929	Neb.	Non-Performing Matured Balloon	Oct.27, 2017	Retail
Marriott Houston Westchase	$72,153,268	Texas	Non-Performing Matured Balloon	July 24, 2017	Lodging
Milford Crossing	$71,568,981	Conn.	Foreclosure	Nov. 2, 2017	Retail
Shoppes at Park Place	$71,000,000	Fla.	Foreclosure	Jan. 6, 2017	Retail

Q+A

David Blatt

CEO of CapStack Partners

Commercial Observer: How has business been?

David Blatt: We've been busy growing our platform in terms of different offerings and capabilities. We've always had a focus on the advisory side and investment banking side—working on deal-level executions with a lot of developer-operators, and we've now broadened that focus to include what I'd define as securities-based work—so, private placements, fund formation and REIT formation work. We also became an investment adviser where we function as an investment manager and pursue acquisition opportunities. We rolled out a multifamily investment strategy, and we're partnering up with the sponsors that we've historically advised.

Which opportunities are you primarily pursuing within your multifamily strategy?

We've been focused on the Southeast and looking at value-add opportunities, particularly in markets like Nashville, Atlanta and the Carolinas.

Why do you like the Southeast?

We're a big proponent of finding rising market opportunities, and I like the macro drivers of Southeast markets. You're looking at in-migration, and the type of people coming in tend to be younger, educated people. There are educational institutions there. There's a growing food and beverage component, which—probably because I'm a New Yorker— I recognize the value in. And, there's the technology component. All of those factors are contributing into those markets.

Nashville seems to be an especially hot market right now.

There's definitely a lot of attention there. I think in the beginning everyone was really excited about it and now people are cautioning that it's being overbuilt. But for us, we're looking more at Class-B [properties], which isn't really factoring into the overbuilding debate. And even in that debate, everyone acknowledges that it's a function of time for the absorption of that inventory and less that it's a market that's going to soften.

On the capital-sourcing side of your business, are you still primarily working with alternative lenders?

Yes, we are. There are more firms that have been created, in addition to strategies within groups that have historically focused on some other part of real estate investing—equity or what

David Blatt

have you—that have formed these debt funds. A second component of our business that we're currently growing is that we're syndicating deals for a lot of these lenders.

How has that been going?

We have a larger population of lenders that need to lever in order to get their returns. So for us it's been a great way to transact and interact with these groups instead of just asking, "Hey, will you look at this deal to finance?" It also helps us to understand the capital makeup. The category of alternative lenders is a catchall, but every one of these groups comes to the table with a different capital makeup that's driven by their investors.

Do you think we're in a healthy market?

I do. There's definitely a sense of caution that has permeated the market from the buy side and from the finance side, but I don't see that as a bad thing at all—I think it's a really healthy thing. It slows the pace of transactions down, but people are being thoughtful about their execution and analyzing deals differently. I'm not seeing lenders make aggressive loans, and I think the alternative lenders have been very thoughtful about the financing they're providing, and considering, "What happens if I end up owning this property?"

I think regulated banks don't like to contemplate that possibility into their analysis because it inherently implies that they've made a mistake as a lender—because the primary execution is "I'm going to lend this money, you will pay me my rate and then repay me my money." But coming out of the last recession, a lot of the groups on the alternative lender side are much wiser about the prospect of owning assets.

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