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Commercial Mortgage ALERT

THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION

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REITs Try to Avoid Debt-Covenant Triggers

Diminished cashflows and marked-down property values are putting some REITs at risk of breaching covenants on their unsecured bonds and credit lines.

Several REITs have had to negotiate with banks for waivers of certain provisions in their revolving credit agreements, and others are expected to follow. Bond covenants, while less sensitive to short-term dips in a REIT's revenue, are more difficult to change, requiring a vote by investors.

When banks grant waivers, they typically come with higher interest rates and restrictions on property sales or purchases, dividend payouts and stock buybacks. Companies that have obtained waivers on their bank lines to date include shopping-center REIT **Brixmor** and hotel owners **DiamondRock Hospitality** and **Park Hotels & Resorts.**

Relief from bond covenants would likely require similar trade-offs — if a majority of noteholders could be persuaded to agree.

By and large, industry pros say, REITs should be able to weather the economic

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Silverstein Seeks Loan to Buy LA Skyscraper

Silverstein Properties is floating a request for about $327 million of debt to finance its planned purchase of U.S. Bank Tower in downtown Los Angeles.

The New York firm is in advanced talks with **OUE** of Singapore to buy the 1.4 million-square-foot building for $425 million to $450 million, or up to $321/sf. If completed, it would be one of the largest commercial property deals in the U.S. since the pandemic brought the investment-sales market to a virtual halt three months ago.

Silverstein, via **Eastdil Secured,** is soliciting quotes for a floating-rate debt package with a total term of five years. About $246 million would be funded at closing to finance the acquisition, while the balance would be drawn over time to cover leasing expenses and associated costs.

As previously reported by sister publication **Real Estate Alert,** OUE initially put U.S. Bank Tower on the block in January 2019, with expectations that bids could reach $700 million, or roughly $500/sf. The fact that OUE is negotiating a sale price

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Smaller Bridge Lenders Capitalize on Crisis

The coronavirus pandemic has broadened origination opportunities for bridge lenders that previously saw few chances to bid on loans to large, institutional borrowers.

Commercial-mortgage brokers and lending pros said smaller shops are reaping the benefit of a widespread market disruption that has prompted many banks, REITs, fund operators and other commercial real estate lenders to curtail their activities in the last three months.

"I've been surprised by how many people still have their 'pencils down,' " said **Scott Waynebern,** president of **Limekiln Real Estate** of New York. "When we are talking to brokers and borrowers, we are just not seeing a lot of people show up." **MF1 REIT,** a joint venture between Limekiln and **Berkshire Residential Investments** of Boston, invests in bridge and mezzanine loans on apartment properties.

"Conventional lenders have really tightened their lending parameters and/or

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THE GRAPEVINE

Industry veteran **Hal Holliday** is retiring from **CBRE** in the coming weeks. In 1982, Holliday co-founded the real estate advisory firm **Holliday, Fenoglio & Co.,** which later was purchased by Dallas-based **Amresco.** Amresco, in turn, acquired other businesses to eventually create **Holliday Fenoglio Fowler,** later known as **HFF.** That national brokerage and advisory firm was acquired last year by **JLL.** Holliday joined **Live Oak Capital** in 2000. Eight years ago he moved to CBRE, where he is a Houston-based executive vice president in the debt and structured-finance group. "Very few can claim Hal's achievements," said CBRE senior managing director **Mark Taylor.** "He's in the top percentile of all real estate professionals."

Servicing pro **Rob Walton** started a new job this week as a managing director at **Trimont Real Estate** in Dallas. He joined Atlanta-based Trimont from **Fannie Mae,** where he had worked since 2004. Walton

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Floater Sought for Houston Campus

Lenders are looking at a request for $168 million of debt on a sprawling office complex in Houston.

The loan would be backed by the 1.3 million-square-foot Post Oak Central campus, in the Uptown district. A joint venture between **Canada Pension Plan** and Orlando-based **Parkway Property Investments** is asking for quotes on floating-rate financing with a term of five years. Some $130 million of the proceeds would be funded at closing, with the remainder set aside for leasing costs and other future expenses. **Eastdil Secured** is advising the partnership on the debt.

The complex consists of three 24-story office towers on roughly 17 acres off Interstate 610, also known as Loop 610, between Interstates 10 and 69.

The property last traded in 2013, when a **J.P. Morgan** partnership sold it to Atlanta-based **Cousins Properties** for $232.6 million. Later that year, **TIAA** originated a $188.8 million fixed-rate mortgage with a seven-year term. It's unclear if that loan remains in place.

Three years after the purchase, Cousins acquired Parkway Properties of Orlando in a $3 billion deal, and the firms' Houston properties were spun out in a new REIT managed by Parkway's executive team. One year after that, in October 2017, Canada Pension bought that REIT for $1.2 billion, while the Parkway executives acquired the REIT's operational business and formed Parkway Property Investments.

Post Oak Central is about 70% leased. The Canada Pension team is poised to launch a renovation and leasing program. The current largest tenant is **Apache Corp.,** an oil and gas exploration company that occupies a little over 40% of the office space under a triple-net lease running until 2024.

The complex includes 90,000 sf of retail space, fitness and conference facilities, and 4,200 parking spaces. It carries a LEED gold designation.

The property is a short distance north of the 2.3 million-sf Galleria mall, along a corridor studded with shopping centers, offices and residential developments. ❖

Spreads Diverge on Conduit Offering

Spreads moved in opposite directions on the benchmark and subordinate tranches of the latest "all-bank" conduit deal this week, as senior commercial MBS investors began to push back against the recent tightening trend.

Wells Fargo, Bank of America and **Morgan Stanley** were poised to price a $617.9 million offering today, with dealer guidance pointing to a spread of 115 bp over swaps on the long-term, super-senior bonds (BANK 2020-BNK27). That was 10 bp wide of early "whisper" talk and from the level seen on the previous conduit transaction, which priced last week.

Down the stack, however, spreads were tightening. The class rated "BBB" by **Fitch** and **Kroll,** the lowest offered for wide-spread distribution, was being shopped at 450 bp, in by 25 bp from whispers.

Investors said demand for new-issue CMBS remains high, and were divided on the reason for the bifurcation. Some noted that the largest loan in the deal was backed by a Las Vegas casino — a $61 million senior piece of a $3 billion mortgage that **Blackstone** and **MGM Resorts** used to purchase the Bellagio Hotel & Casino. Others said low 10-year Treasury yields were weighing on senior noteholders.

After blowing out as wide as 350 bp at the onset of the coronavirus crisis in March, benchmark conduit spreads tightened markedly in recent weeks. With Treasury yields hovering around 70 bp, the total return for investors in those bonds has dipped below what they were getting in February.

"On the triple-A, the all-in yield is now less than pre-Covid," one investor said. "Meanwhile, the mezzanine tranches are many times oversubscribed. Clearly, different animal spirits are at work."

J.P. Morgan, LoanCore Capital, Deutsche Bank and **Goldman Sachs** also were in the market with a $909.4 million conduit offering expected to price next week (JPMDB 2020-COR7) The benchmark class was being whispered in the area of 115 bp.

In pre-pandemic days, offerings from all-bank shelves typically achieved stronger pricing than other conduit transactions because of a perception they would have better support in the secondary market. That didn't hold true for the benchmark class of the BNK27 deal. The previous issue, backed by loans from **KeyBank, Barclays, Societe Generale, Rialto Capital** and **Natixis,** priced June 12 with the long-term, super-senior class going out at 105 bp, 40 bp tighter than the previous conduit deal two weeks earlier (see Initial Pricings on Pages 12-14).

Despite the latest widening, market pros said buyer demand was strong. "There is just a lot of money out there, and the Fed is pumping trillions of dollars into the financial markets," said another investor. "It has to go somewhere, and there isn't that much product."

The BNK27 and COR7 transactions were expected to bring to a close roughly six weeks of steady offerings, which followed a freeze that lasted about as long after the March blowout. The recent deals have been backed by loans written before the crisis slowed originations to a crawl.

"After these two deals, it seems like everyone is accounted for in this post-Covid flurry of sanitized deals," one investor said. "So if that takes care of the pipeline, the question is how long it takes to accumulate enough new loans to do a new post-Covid deal."

One wild card: Some bankers expect fresh single-borrower offerings to emerge as early as next month, before any fresh conduit offerings arrive.

The spread-tightening trend also has extended to agency paper. **Freddie Mac** this week priced a $1.2 billion fixed-rate deal (FREMF 2020-K110) at extremely tight levels. The triple-A-rated A-2 class moved in by 3 bp from guidance to price at 42 bp over swaps, the tightest comparable print since 2014.

Also in the market this week was a $405.3 million commercial real estate CLO from **Ready Capital** (RCMF 2020-FL4). J.P. Morgan and Deutsche were running the books.

Last week, **MF1 REIT** floated an $820 million CLO, pricing the triple-A-rated tranche at 205 bp over one-month Libor. That was 40 bp inside the pricing of the comparable tranche from the previous CRE CLO on May 29. ❖

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Property Shop Adds Debt Strategy

Distressed-property investor **Bridge33 Capital** will soon begin buying outstanding loans and commercial MBS.

The Seattle fund operator will continue to focus primarily on value-added investments in the retail and office sectors. But the market disruption stemming from the coronavirus pandemic presents an additional opportunity to pursue high-yield returns via secondary-market purchases of commercial mortgages and CMBS, said **Julio Siberio,** the firm's head of acquisitions.

"This strategy will be complementary to our equity business," he said. "We'll likely stay focused on retail, but we will opportunistically look at other asset classes too."

For example, Siberio said, Bridge33 is among the investors that have submitted "best and final" offers on a large portfolio of loans, backed by a variety of property types, that an undisclosed seller put on the block.

Bridge33 will target loans and bonds throughout the capital stack, with an eye toward buying at a discount and holding the notes to maturity. The firm isn't looking to take control of the underlying properties, preferring instead to work with the borrowers on loan workouts. But it's prepared to seize the assets and operate them if necessary.

"That's a good backstop for us, having that capability to stabilize and operate properties on our own," Siberio said.

The firm is investing via Bridge33 Real Estate Partners 2, a $220 million commingled vehicle that closed this month on its final round of equity. Shooting for annual returns in the mid-teens, the fund will use minimal leverage.

Bridge33 was founded in 2012 by former **Morgan Stanley** executives **Jahan Moslehi** and **Andy Chien.** Siberio, another Morgan Stanley alumnus, came aboard early last year from **Pimco.**

Since 2013, Bridge33 has acquired $375 million of properties encompassing 3.8 million square feet of retail and office space in 17 states. It bought most of those properties from CMBS special servicers. ❖

Senior Lenders: Mezz Comes First

Commercial real estate developers are finding it more difficult amid the pandemic to line up senior and junior debt that can be drawn down simultaneously, which helps reduce borrowing costs.

Among the shrunken field of lenders that have continued to quote new loans since the virus struck in March, just about any shop willing to originate senior debt on a construction project will insist that the subordinate, or mezzanine, portion of the debt package be fully funded first, industry pros said.

While the mezzanine components of construction financings traditionally were funded prior to the senior debt, in recent years originators at the top of the capital stack often relaxed that requirement amid stiff competition. "It got to the point where borrowers just expected it," one banker said.

Developers prefer the pari-passu distribution of funds from senior and junior loans over the sequential system because the mezzanine portion is pegged to a higher interest rate than the senior debt. Drawing down both equally as needed results in a lower blended rate from the start of a project, as opposed to initially relying solely on mezzanine financing.

But the sequential structure has become "the new norm over the last few months," said **Josh Zegen,** a managing principal at **Madison Realty Capital,** a New York lender that focuses partly on bridge loans and mezzanine debt.

"It's a lot more costly from a borrower perspective," he said, noting that lenders have also generally raised rates and reduced leverage for new debt up and down the capital stack.

Industry pros pointed to **Bank OZK** of Little Rock, Ark., **Centennial Bank** of Conway, Ark., and **Pacific Western Bank** of Beverly Hills as being among the senior lenders that favor the sequential structure for construction financings. For its part, Bank OZK said that always has been its preference.

"We were disappointed to see a deterioration in structures [in the sector] over the last few years," said **Brannon Hamblen,** president of the bank's real estate specialties group. "There was a lot of pressure against sequential lending . . . which is mostly what we do."

Still, Bank OZK has allowed the pari-passu structure in the past and would consider it again if the risk can be mitigated, Hamblen said. The bank usually reserves that structure for low-leverage loans to particularly strong borrowers that are building high-quality properties in major markets, he added.

Meanwhile, the economic fallout from the pandemic has also prompted originators of senior debt to become more choosy about the mezzanine lenders they're willing to be paired with on construction deals. That could rule out some lower-tier shops and foreign investors, which might be ill-suited to replace the borrower if it runs into trouble.

The senior lenders "are trying to make sure any mezzanine owners are actually capable of being owner-operators, as opposed to just being financing providers," said one industry veteran at a firm that writes bridge and mezzanine loans. ❖

Loan on Harlem Rentals Available

Benefit Street Partners is offering a $42 million performing loan it originated about two years ago on eight apartment buildings in Upper Manhattan that are almost fully occupied.

The floating-rate loan to Brooklyn-based investor **Isaac Herskovitz** is backed by two complexes totaling 199 units in the Hamilton Heights neighborhood of Harlem.

Cushman & Wakefield is shopping the securitized debt for Benefit Street, a New York fund shop that's moving to reduce its investments in the city amid the widespread market disruption stemming from the coronavirus pandemic. The sale would remove the loan from the collateral pool of a $610 million commercial real estate CLO managed by Benefit Street (BSPRT 2018-FL3).

The debt, which is expected to trade at or near par value, doesn't include any future-funding commitments. Initial bids are due in early July and final offers will be collected about two weeks later. The sale would likely close next month as well.

The interest-only loan will reach initial maturity in March 2021. The borrower has two one-year extension options, each of which can be exercised for a 50-bp fee. Once extended, the principal must be paid down at the rate of $46,115 per month, in addition to the interest payments.

The interest rate of 370 bp over one-month Libor is subject to an 80-bp Libor floor. The loan-to-value ratio is 63.7%, which pegs the property's current value at about $66 million.

Herskovitz paid $55 million to buy the collateral properties from **Galil Management** of Brooklyn in 2015.

One of the complexes, which opened in 1905, consists of five five-story buildings totaling 105 units at 609-619 West 135th Street. The other encompasses three six-story buildings, with a total of 94 units, developed in 1908 at 137-145 West 145th Street. All eight buildings have a mix of studios and 1-3 bedroom apartments.

Meanwhile, Benefit Street closed yesterday on the sale of a $57.5 million performing loan, including future-funding commitments, that it wrote in February for the developer of a waterfront condominium complex in Queens, N.Y. **Black Creek Group** of Denver paid close to par value for the two-year floater, which had a balance of $44.2 million when it was put up for sale in April.

Newmark advised Benefit Street on the sale of that loan, which is backed by the 134-unit Allura Waterfront Residences. The borrower is New York developer **King's USA Group,** which expanded and converted a former industrial property on a three-acre site along Flushing Bay. The project was completed late last year. ❖

Developer Seeks LA Hotel Mortgage

The developer of a high-end hotel in downtown Los Angeles is in the market for a $44 million mortgage.

The collateral would be the 148-room Downtown LA Proper Hotel, at 1100 South Broadway on the edge of the city's Fashion District. **Kor Group** of Santa Monica, Calif., recently finished redeveloping the hotel, which is due to open in the next month or so.

Kor tapped **Mission Capital** to arrange the financing. Lenders are being told the borrower wants maximum prepayment flexibility.

Financing hotels has been all but impossible since the pandemic largely shut down the sector three months ago. However, the loan-to-value ratio on the Proper Hotel financing would be roughly 33% — a conservative number that could entice lenders to make an exception in this case.

The 13-story building went up in the 1920s and operated for many years as the Case Hotel. It later served as a job-training center and subsequently fell into disrepair.

Kor formed a joint venture to buy the property in 2013 for $13.5 million, according to published reports. It's unclear if the other partners are still on board.

Kor secured about $40 million of financing to redevelop the property — the bulk of which was provided by **Bank OZK.** Most of the proceeds from the new loan would be used to extinguish the outstanding debt.

Kor finished the project in recent months. Features include a rooftop pool, a fitness center, 14,000 square feet of meeting and event space, and multiple restaurants and bars. ❖

Debt Eyed for Mass. Rental Project

A development group is in the market for about $64 million of construction debt for a planned oceanfront apartment complex north of Boston.

A joint venture between **Carlyle Group** and **Post Road Residential** has tapped **JLL** to line up the financing. The debt would back the development of a 230-unit luxury building in Revere, Mass., 7 miles north of central Boston. The property would be among several new and planned residential complexes in a development known as Waterfront Square.

Post Road, of Fairfield, Conn., has been planning construction of the building, at 656 Ocean Avenue, for a few years. It's unclear when Washington-based Carlyle entered the partnership.

The project, dubbed The Robinson, would consist of a 12-story apartment building and a three-level garage with 305 spaces. The property is directly across from Revere Beach, which became the first designated public beach in the country in 1896. The beach also hosts the International Sand Sculpting Festival. The location is a block from the Wonderland station on Boston's MBTA commuter rail line. ❖

Loan Sought on Wall Street Offices

Silverstein Properties is looking to refinance a Wall Street office property with $165 million of fresh debt.

The New York firm is soliciting proposals for both fixed- and floating rate loans with terms of 5-10 years on its 615,000-square-foot tower at 120 Wall Street. **Ackman-Ziff Real Estate** is brokering the debt package for Silverstein.

The 34-story building, which opened in 1931, overlooks the East River. Silverstein has owned it for four decades.

Morgan Stanley originated a $135 million mortgage on the property around yearend 2013, according to city records. The outstanding balance of that loan presumably would be retired with proceeds from the new mortgage.

The property, at the corner of South Street, originally was occupied by the **American Sugar Refining Co.** The top floors have a wedding-cake design with multiple setbacks.

The building has been extensively renovated over the years — most notably after Superstorm Sandy flooded Lower Manhattan in 2012. The work included moving utility systems from the basement to what had been retail space. More recently, Silverstein completed a comprehensive redesign of the lobby about a month ago.

In 1992, the city designated the property an "association center," a classification that means Silverstein is exempt from real estate taxes on space leased to nonprofit tenants. A large portion of the tenant roster is in that category, including **Foundation for AIDS Research (amfAR), Catalyst** and **Girls Inc.** ❖

Triggers ... From Page 1

turmoil brought on by the coronavirus pandemic, as most were in strong financial positions before it struck. That was due in part to heavy bond issuance that enabled them to pay down credit lines, which they were then able to tap as the crisis squeezed revenues.

There are notable exceptions, such as mall operator **CBL Properties,** which this week missed a second interest payment to bondholders and has warned of "substantial doubt that it will continue to operate as a going concern."

Other retail and hotel REITs are under stress, as those property sectors have been most severely hit by travel cutbacks and social-distancing rules. Many have already worked out forbearance agreements with mortgage lenders and commercial MBS servicers, but must also juggle their responsibilities to unsecured lenders.

"There is a lot to think through," said one REIT-bond investor. "A lot of the bank covenants are based on the last quarter's net income . . . so if you are a lodging or mall company, you clearly could breach" as a result of a temporary drop in revenue.

That comes into play in calculating the ratio between a REIT's unsecured debt and its unencumbered holdings. Bond agreements typically require that the value of property portfolios exceed unsecured debt by 1.5 times. It's one of several financial tests generally included in covenants.

"The unencumbered-assets-coverage maintenance test is arguably the most important," said **Stephen Boyd,** who leads REIT-bond ratings at **Fitch.** "It protects unsecured lenders from being subordinated to mortgage debt. It's a way of keeping everyone honest."

While most bond deals base the value of unencumbered assets on their historical cost, bank-credit agreements usually calculate the value based on net operating income from the most-recent quarter, divided by a specified capitalization rate. Plunges in cashflow due to the pandemic-induced shutdowns of many hotels and retail properties could cause REITs to suddenly fail those tests.

Without a waiver, a covenant breach could spell disaster. It could prompt a bank to call in a credit line, forcing property sales at distressed prices. In the case of a bond agreement, failure to maintain the required debt ratios typically results in restrictions on taking on additional debt, and in some cases the immediate acceleration of the amortization schedule. In addition, a default on bank debt can trigger a default on bonds, and vice-versa.

The REIT-bond investor said he believed that so far, when banks have granted covenant waivers, they have come with restrictions that are good for investors.

"Breaching a covenant or coming close is not generally what you want to see, because it implies a pretty material disruption in the business," he said. "But no one predicted this global health crisis. If you view this as a transitory problem that will pass, then you can see a way through to the other side."

Valuing REIT assets has become increasingly difficult amid uncertainty about future revenues and a dearth of property trades. In a June 4 report, **Green Street Advisors,** the parent of **Commercial Mortgage Alert,** estimated the aggregate value of U.S. commercial properties has fallen by 11% since the onset of the pandemic, with mall and hotel values dipping 25%. Most REIT stocks are well below their early-March prices.

But some market pros insist property values can rebound sharply once the economy begins to recover.

"Falling stock prices are not an indication of any lasting impact on property value overall," said **Calvin Schnure,** an economist at trade group **Nareit.** "There will be a lot of variation across property types, but quality properties will hold their value better. REITs tended to pay up for quality, and now they get some protection."

Dirk Aulabaugh, global head of advisory services at Green Street, agreed that REITs have typically bought higher-quality assets, and entered the current crisis in much better financial

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Bridge ... From Page 1

are taking a wait-and-see approach," said **Jonathan Daniel,** a principal at debt-fund operator **Knighthead Funding.** "The supply of bridge capital available for financing real estate has dropped meaningfully."

Industry pros noted that many of the previously active bridge lenders have reduced originations or retreated to the sidelines because it has become impossible — or at least too costly — to fund new loans by tapping repurchase facilities from banks or issuing commercial real estate CLOs.

The pullback has created a near-term opportunity "for lenders like Knighthead that hold dry powder and who are not reliant on leverage," Daniel said. He added that the Greenwich, Conn., firm "is well positioned to finance distressed situations as they come to fruition, which is something we haven't seen in a long time."

An executive at another debt-fund operation said his firm recently originated some of the largest bridge loans in its history.

"Approximately eight of 10 competitors [are] relatively inactive," the executive said. "We are still hearing them giving pricing . . . [But] we do not see many of them closing anything." Their quotes seem to indicate they don't want to win the loans, he added.

Bridge lenders typically write loans on transitional properties, and underwriting such debt has become far more difficult amid the economic downturn caused by the pandemic. Lenders also have been hampered by a lack of "comps" as a result of a sharp drop in both lending activity and investment-sales volume.

In the multi-family and industrial sectors, "a case can be made that those property values may actually increase based on where interest rates are today and the availability of capital for financing those asset classes," Daniel said. "Retail, hospitality and office properties, on the other hand, are a bit more challenging in the current environment based on the unknowns."

Either way, "if I took a transitional loan to my credit committee right now, I would get laughed at," said one industry veteran at a major fund-management company. "The more traditional shops are not going to take a chance," he said. However, "the smaller shops have more flexibility."

Mezzanine lenders also are getting into the act, he noted. Amid higher rates and lower leverage, some are switching to senior bridge loans or stretching to originate them along with mezzanine debt. ❖

Skyscraper ... From Page 1

at least 35% below the original valuation is an indication of the havoc the crisis has wreaked on some segments of the commercial real estate market. Eastdil also is brokering the property sale.

The 72-story building, at 633 West Fifth Street, was developed by **Maguire Properties** in the late 1980s. OUE, a public company that runs several REITs, acquired it in 2013 from Maguire successor **MPG Office** of Los Angeles for $367.5 million. Occupancy at the time was 50-60%.

OUE signed U.S. Bank to a 10-year renewal of its lease on 105,000 sf of office and retail space. It then undertook a $50 million renovation to boost the building's profile and attract a wider range of tenants.

The tower was about 85% occupied when OUE listed it early last year. But by September, the owner instead began soliciting quotes for a loan of up to $415 million to refinance the property. The financing apparently never materialized. In any case, OUE decided to put the building back on the market.

Social-distancing protocols necessitated by the pandemic have made it especially difficult to market tall buildings whose tenants share banks of elevators. U.S. Bank Tower derives a significant portion of its revenue from a tourist attraction on the top floors called the Skyspace, which includes a restaurant, an observation deck and an exterior reinforced-glass slide. But it has been closed since mid-March.

The tower was the tallest structure in Los Angeles until Wilshire Grand Center was completed in 2016. That property, developed two blocks away by South Korean business conglomerate **Hanjin,** took the title by less than 100 feet and is currently the tallest structure west of the Mississippi River.

The purchase of U.S. Bank Tower appears to be Silverstein's first major acquisition on the West Coast. The developer, led by **Larry Silverstein,** is best-known for rebuilding the World Trade Center complex in Lower Manhattan after the 9/11 terror attacks. But the firm has been expanding its investments beyond New York and last year made its first acquisition in Philadelphia. It was part of a partnership that paid $451.6 million to **Equity Commonwealth** of Chicago for a 1.3 million-sf office tower at 1735 Market Street. ❖

Triggers ... From Page 9

shape than the last recession, with less leverage and more unencumbered assets. "If you look at the Great Recession, a number of large REITs had to issue equity because they were in danger of tripping covenants if they didn't," he said. "They issued at prices that were very dilutive to shareholders. If you fast forward to today, balance sheets are in much better shape. There is not as much leverage. They should not be forced into that position."

Ana Lai, who leads REIT-bond ratings for **S&P,** said the pandemic has posed challenges to analysts attempting to gauge the fiscal health of REITs, because there are so many uncertainties about when it will end and how behaviors might change as a result. Cashflows "are going to be under pressure," she said. "That pressure could apply some valuation pressure, despite the low-rate environment. We're still in the middle of the storm when it comes to determining the long-term impact." ❖

INITIAL PRICINGS

BBCMS Mortgage Trust, 2020-C7

Pricing date:	June 12
Closing date:	June 25
Amount:	$807.8 million
Seller/borrowers:	KeyBank, Barclays, Societe Generale, Rialto Capital, Natixis
Lead managers:	Barclays, KeyBank, Societe Generale, Natixis
Co-managers:	Bancroft Capital, Academy Securities
Master servicers:	Wells Fargo, KeyBank, Midland Loan Services
Special servicers:	Rialto Capital, KeyBank, SitusAMC, Aegon USA Realty, Midland Loan Services, LNR Partners
Operating advisor:	Park Bridge Financial
Trustee:	Wilmington Trust
Certificate admin.:	Wells Fargo
Offering type:	SEC-registered

Property types: Multi-family (28.5%), office (26.9%), self-storage (17.4%), retail (10.9%), industrial (6.1%), manufactured housing (5.1%) and mixed-use (5%).
Concentrations: California (34.7%) and New York (15.7%).
Loan contributors: Key (34.4%), Barclays (27.9%), SocGen (20%), Rialto (10.7%) and Natixis (7%).
Largest loans: A $60 million senior portion of a $1.5 billion loan to Maximus Real Estate on 3,165 units at the 3,221-unit Parkmerced apartment complex in San Francisco; a $60 million senior portion of a $682 million loan to New York State Teachers and RREEF America REIT 2 on the 1 million-sf office building at 525 Market Street in San Francisco; a $50 million portion of a $210 million loan to Maximus Real Estate and Vanbarton Group on the 283-unit Cove at Tiburon apartment complex in Tiburon, Calif.; a $50 million portion of a $66.6 million loan to Inland Private Capital on 12 self-storage facilities, totaling 740,000 sf, in Michigan; a $49.5 million portion of a $69 million loan to Weston, Inc., owned by Legacy Properties, on 16 industrial properties, consisting of 2.5 million sf, in South Carolina; a $45 million portion of a $64.3 million loan to ExchangeRight Real Estate on 24 single-tenant retail properties and three medical-office properties, consisting of 422,000 sf, in 12 states; a $40.5 million loan to SmartStop Asset Management and Strategic Storage Trust 4 on seven self-storage facilities, consisting of 471,000 sf, in five states; a $40 million senior portion of a $324 million loan to Acuity Capital Partners on 17 multi-family and 10 mixed-use properties, totaling 1,132 apartments and 57,000 sf of commercial space, in Manhattan and Brooklyn; a $39.5 million senior portion of a $297.6 million loan to KKR and FS Investments on a 516,000-sf office condo, fully leased to F5 Networks, and a 259-space garage at the F5 Tower in Seattle; and a $36 million loan to Felton Properties on the 204,000-sf Arbors office campus in Thousand Oaks, Calif.
B-piece buyer: Rialto.
Risk-retention sponsor: Barclays.
Notes: Barclays, Key, SocGen, Rialto and Natixis teamed up to securitize 49 commercial mortgages they had originated or purchased on 153 properties across 26 states. To comply with U.S. risk-retention rules, Barclays, Key and SocGen are retaining the VRR Interest, which effectively is a 5% vertical strip.
Deal: BBCMS 2020-C7. **CMA code:** 20200147.

Class	Amount ($Mil.)	Rating (Moody's)	Rating (Fitch)	Rating (DBRS)	Subord. (%)	Coupon (%)	Dollar Price	Yield (%)	Maturity (Date)	Avg. Life (Years)	Spread (bp)	Note Type
A-1	13.198	Aaa	AAA	AAA	30.00	1.079	99.998	1.066	4/15/53	2.69	S+80	Fixed
A-2	115.000	Aaa	AAA	AAA	30.00	2.021	102.997	1.335	4/15/53	4.60	S+100	Fixed
A-3	38.000	Aaa	AAA	AAA	30.00	2.007	102.999	1.530	4/15/53	6.72	S+105	Fixed
A-4	75.000	Aaa	AAA	AAA	30.00	1.786	100.995	1.671	4/15/53	9.49	S+103	Fixed
A-5	270.000	Aaa	AAA	AAA	30.00	2.037	102.995	1.696	4/15/53	9.61	S+105	Fixed
A-SB	26.000	Aaa	AAA	AAA	30.00	2.029	102.994	1.587	4/15/53	7.28	S+107	Fixed
A-S	89.214	Aa3	AAA	AAA	18.38	2.444	102.997	2.101	4/15/53	9.72	S+145	Fixed
B	28.778	NR	AA-	AA (H)	14.63	3.152	102.998	2.802	4/15/53	9.72	S+215	Fixed
C	28.779	NR	A-	A (H)	10.88	3.605	99.137	3.802	4/15/53	9.72	S+315	Fixed
D	33.574	NR	BBB-	BBB (L)	6.50	3.605	80.097	6.502	4/15/53	9.73	S+585	Fixed
E	15.349	NR	BB-	BB	4.50				4/15/53	9.81		Fixed
F	7.674	NR	B-	B	3.50				4/15/53	9.81		Fixed
G	26.861	NR	NR	NR	0.00				4/15/53	9.81		Fixed
VRR Int.	40.391	NR	NR	NR					4/15/53	8.55		Fixed
X-A(IO)	537.198*	Aaa	AAA	AAA		1.633	11.268	3.633	4/15/53		T+300	Fixed
X-B(IO)	117.992*	NR	AA-	AAA		0.989	8.463	3.744	4/15/53		T+300	Fixed
X-E(IO)	15.349*	NR	BB-	BB (H)					4/15/53			Fixed
X-F(IO)	7.674*	NR	B-	B (H)					4/15/53			Fixed
X-G(IO)	26.861*	NR	NR	NR					4/15/53			Fixed

*Notional amount

INITIAL PRICINGS

MF1 Ltd., 2020-FL3

Pricing date:	June 12
Closing date:	June 25
Amount:	$820.0 million
Seller/borrower:	MF1 REIT
Lead managers:	Credit Suisse, J.P. Morgan
Co-manager:	Amherst Pierpont
Master servicer:	KeyBank
Special servicer:	CBRE Loan Services
Trustee:	Wilmington Trust
Note admin.:	Wells Fargo
Offering type:	Rule 144A

Property type: Multi-family (100%).
Concentrations: California (17%), Colorado (12.6%) and Texas (10.4%).
Loan originator: MF1 REIT (100%).
Largest loans: A $100 million portion of a $240.4 million loan to Korman Communities on three apartment complexes: the 258-unit AVE Clifton in Clifton, N.J., the 300-unit AVE Somerset in Somerset, N.J., and the 264-unit AVE Malvern in Malvern, Pa.; a $75.9 million portion of an $81.9 million loan to GMF Capital and Sage Management on the 534-unit Fairland Crossing apartment complex in Silver Spring, Md.; a $63.9 million portion of a $100 million loan to a Veritas Investments partnership on 11 apartment properties, totaling 261 units, in San Francisco and Oakland; a $57.3 million portion of a $61.5 million loan to Sunroad Holding on the 202-unit Portola Apartments in Centennial, Colo.; and a $51.9 million portion of a $100 million loan to a Veritas Investments partnership on 12 apartment properties, totaling 170 units, in the greater Los Angeles area.
Notes: MF1 REIT, a joint venture between Limekiln Real Estate and Berkshire Residential Investments, floated a static commercial real estate CLO backed by seven whole loans and 19 loan participations, initially totaling $803 million, it had originated on 51 properties in 17 states. The remaining $17 million of bond proceeds will be used to fund and acquire pre-identified loan participations that have not yet closed. On a weighted average basis, the collateral pool has a spread of 294 bp over one-month Libor, a seasoning of four months and a remaining term of 26 months (54 months including extension options). The loan participations have future-funding commitments totaling $113.3 million that are not initially part of the collateral pool. However, for 24 months after the deal closes, MF1 can use repaid principal to add future-funding components to the collateral pool. To comply with U.S. and E.U. risk-retention rules, MF1 is retaining the Preferred Shares at a price that equals at least 5% of the total deal proceeds. It is also retaining Classes F and G.
Deal: MF1 2020-FL3.

Class	Amount ($Mil.)	Rating (Moody's)	Rating (DBRS)	Subord. (%)	Coupon (bp)	Dollar Price	Maturity (Date)	Avg. Life (Years/Ext)	Spread (bp)	Note Type
A	445.875	Aaa	AAA	45.63	L+205	100.000	7/15/35	1.77/4.36	L+205	Floating
A-S	110.700	NR	AAA	32.13	L+285	100.000	7/15/35	2.56/4.56	L+285	Floating
B	43.050	NR	AA (L)	26.88	L+375	100.000	7/15/35	2.56/4.62	L+375	Floating
C	49.200	NR	A (L)	20.88	L+450	100.000	7/15/35	2.57/4.64	L+450	Floating
D	39.975	NR	BBB	16.00			7/15/35	2.64/4.64		Floating
E	8.200	NR	BBB (L)	15.00			7/15/35	2.64/4.64		Floating
F	36.900	NR	BB (L)	10.50			7/15/35	2.67/4.72		Floating
G	23.575	NR	B (L)	7.63			7/15/35	2.72/4.72		Floating
Pref.	62.525	NR	NR	0.00			7/15/35			Floating

INITIAL PRICINGS

FREMF Mortgage Trust, 2020-K110

Pricing date:	June 16
Closing date:	June 25
Amount:	$1,151.0 million
Seller/borrower:	Freddie Mac
Lead managers:	Morgan Stanley, J.P. Morgan
Co-managers:	Brean Capital, Goldman Sachs, Siebert Williams Shank, Wells Fargo
Master servicer:	KeyBank
Special servicer:	KeyBank
Trustee:	U.S. Bank
Certificate admin.:	U.S. Bank
Offering type:	Agency

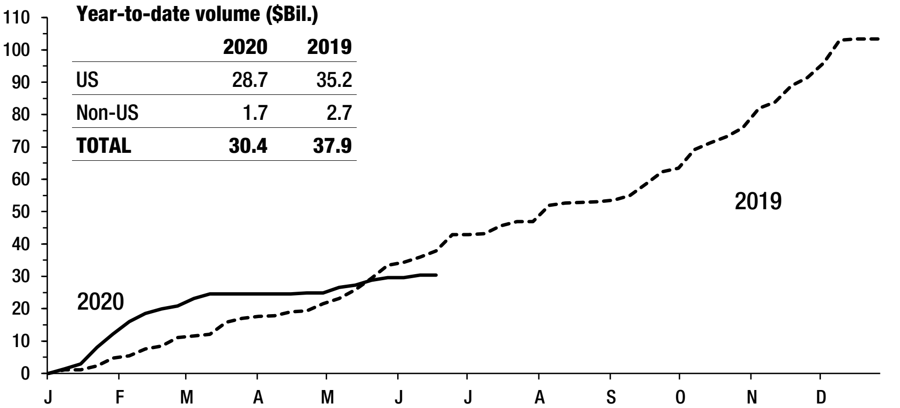
Property types: Multi-family (93.6%) and manufactured housing (6.4%).
Concentrations: California (14.7%), Texas (14.1%) and Florida (12.7%).
Loan originators: Berkadia (23%), Key (11.4%), CBRE (10.8%), Walker & Dunlop (8.1%), M&T Realty (7.6%), JLL (7.4%), Citigroup (7.2%), Capital One (6.9%), HFF (4.2%), Newmark (Berkeley Point) (2.9%), Greystone (2.7%), NorthMarq (1.9%), Hunt Real Estate (1.8%), Grandbridge Real Estate (1.4%), Orix Real Estate (1%), Bellwether Enterprise (0.8%) and Arbor Agency (0.7%).
Largest loans: A $93.1 million loan on the 354-unit second phase of the Prominence Apartments in San Marcos, Calif.; four crossed loans totaling $85.4 million on four apartment complexes, totaling 800 units, in Florida, Virginia and North Carolina; six crossed loans totaling $61 million on six manufactured housing communities, consisting of 1,985 pads, in five states; a $51.2 million loan on the 248-unit Elms at Arcola in Sterling, Va.; and a $50.5 million loan on the 324-unit Tuscany at Lindbergh in Atlanta.
Notes: Freddie securitized 53 fixed-rate multi-family mortgages recently originated by 17 of its pre-approved lenders. One loan has an 11-year term and the others have 10-year terms. Freddie guaranteed Classes A-1, A-2 and A-M, which were publicly offered. Class D, which is unguaranteed, was placed privately with Oaktree Capital. The ratings shown for the guaranteed classes are based only on the credit quality of the collateral.
Deal: FREMF 2020-K110. **CMA code:** 20200155.

Class	Amount ($Mil.)	Rating (Fitch)	Rating (Kroll)	Subord. (%)	Coupon (%)	Dollar Price	Yield (%)	Maturity (Date)	Avg. Life (Years)	Spread (bp)	Note Type
A-1	142.411	AAA	AAA	19.75	1.016	99.995	1.009	6/25/53	7.17	S+45	Fixed
A-2	781.306	AAA	AAA	19.75	1.477	102.994	1.142	6/25/53	9.67	S+42	Fixed
A-M	141.004	NR	NR	7.50	1.236	99.994	1.231	6/25/53	9.83	S+50	Fixed
D	86.329	NR	NR	0.00				6/25/53	9.87		Fixed
X-1(IO)	923.717*	AAA	AAA		1.698	13.148	3.678	6/25/53	9.28	T+300	Fixed
X-2A(IO)	923.717*	AAA	AAA					6/25/53	9.28		Fixed
X-AM(IO)	141.004*	NR	NR		1.868	16.169	2.462	6/25/53	9.83	T+175	Fixed
X-2B(IO)	227.333*	NR	NR					6/25/53	9.85		Fixed
X-3(IO)	86.329*	NR	NR		3.404	24.797	6.214	6/25/53	9.87	T+550	Fixed

*Notional amount

MARKET MONITOR

WORLDWIDE CMBS

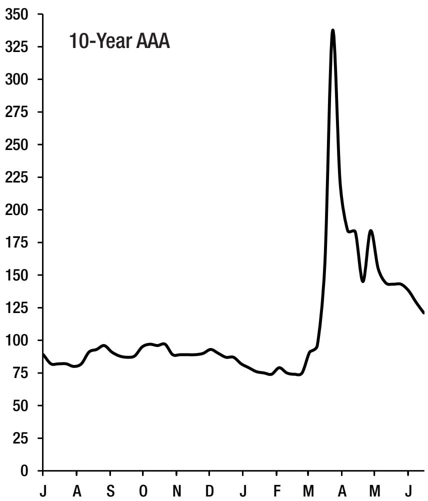


Year-to-date volume ($Bil.)

	2020	2019
US	28.7	35.2
Non-US	1.7	2.7
TOTAL	**30.4**	**37.9**

CMBS SPREADS

RECENT-ISSUE SPREAD OVER SWAPS



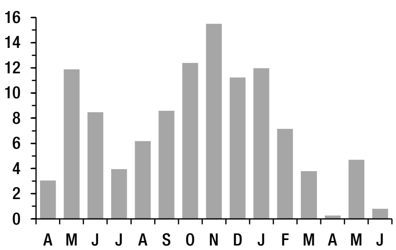
Recent Fixed Rate (Conduit)	Avg. Life	Spread (bp) 6/17	Week Earlier	52-wk Avg.
AAA	5.0	S+115	S+132	95
	10.0	S+121	S+129	110
AA	10.0	S+245	S+265	199
A	10.0	S+385	S+415	278
BBB-	10.0	S+720	S+742	434

Markit CMBX 6	Dollar Price 6/17	Week Earlier	52-wk Avg.
AAA	100.6	100.6	100.6
AS	N/A	N/A	101.5
AA	96.9	96.9	101.5
A	86.8	88.1	96.8
BBB-	71.5	74.5	85.8
BB	53.4	59.3	75.3

Sources: Trepp, Markit

US CMBS

MONTHLY ISSUANCE ($Bil.)



CMBS TOTAL RETURNS

CMBS INDEX

As of 6/17	Avg. Life	Total Return (%) Month to Date	Year to Date	Since 1/1/97
Inv.-grade	5.8	1.1	3.6	275.5
AAA	5.8	0.9	5.7	260.8
AA	6.1	1.9	-0.3	124.7
A	5.4	2.5	-10.5	92.5
BBB	5.8	3.1	-16.5	104.8

Source: Barclays

LOAN SPREADS

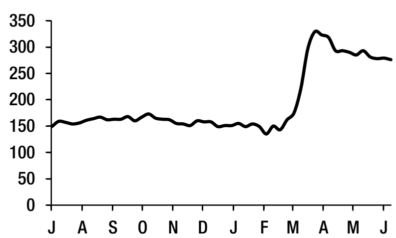
ASKING SPREADS OVER TREASURYS

10-year loans with 50-59% LTV

	6/12	Month Earlier
Office	276	293
Retail	267	282
Multi-family	260	282
Industrial	258	280

Source: Trepp

ASKING OFFICE SPREADS



AGENCY CMBS SPREADS

FREDDIE K SERIES

	Avg. Life	Spread (bp) 6/18	Week Earlier	52-wk Avg.
A1	5.5	S+45	S+49	57
A2	10.0	S+42	S+50	59
AM	10.0	S+50	S+55	64
B	10.0	S+290	S+315	232
C	10.0	S+350	S+390	289
X1	9.0	T+300	T+325	178
X3	10.0	T+550	T+625	355
Freddie K Floater		L+50	L+55	

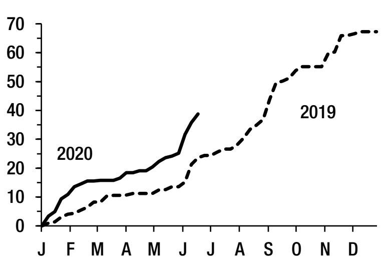
FANNIE DUS

	6/18	Week Earlier	52-wk Avg.
10/9.5 TBA (60-day settle)	S+50	S+52	66
Fannie SARM	L+62	L+65	68

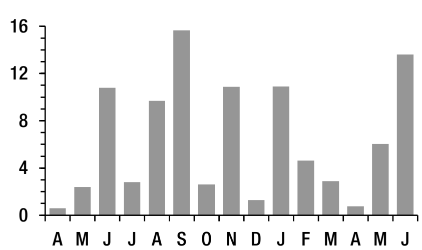
Source: J.P. Morgan

REIT BOND ISSUANCE

UNSECURED NOTES, MTNs ($Bil.)



MONTHLY ISSUANCE ($Bil.)



Data points for all charts can be found in The Marketplace section of CMAlert.com

THE GRAPEVINE

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previously spent time at **PNC, Bank of America** and **Woodward & Lothrop.**

Securitized-product sales pro **Ryan Rossitto** is headed to **Jefferies** in August after sitting out a gardening leave. He recently left his post as a New York-based director at **Bank of America,** where he placed a mix of structured products including commeercial MBS. Before joining BofA in 2016, Rossitto spent 12 years at **Morgan Stanley** in a similar capacity.

Most members of **Sabal Capital's** loan-origination team have been on furlough during the pandemic, but the Irvine, Calif., lender intends to bring them back when business picks up, sources said. Conduit lenders largely suspended originations in mid-March, as the coronavirus outbreak temporarily froze the debt market and threatened to wreak havoc on commercial property cashflows. But CMBS lenders have begun rolling out new deals, and conduit shops are said to be quoting new loans once again. Sabal completed its first conduit offering just before the pandemic struck, pricing a $400.1 million deal on Feb. 21 (SBALR 2020-RR1). There's no word on when the firm will resume originating loans.

B6 Real Estate continues to add brokers. **Drew Ahlers** joined the brokerage's New York headquarters last week as an associate director in the capital-advisory division. He reports to managing director **Dylan Kane** and partner and senior managing director **Steven Sperandio.** Ahlers jumped after a year-long stint in **Newmark's** New York office. He previously worked at **MidCap Financial** of Bethesda, Md. B6, founded in 2018 by former **Massey Knakal** co-founder **Paul Massey,** has continued to hire during the coronavirus pandemic. While the firm has cut back-office staff, in April it added a three-person capital-markets team led by senior managing director **Trisha Connolly,** who relocated from Chicago.

Chicago-based broker-dealer **Performance Trust** has added a CMBS trader to its New York office. **Mark Lee** arrived this month from **Barclays,** where he had worked since 2018. He previously was at **Bay Crest Partners** of New York, where he focused on CMBS and non-agency residential MBS. Before that, he did an earlier stint at Barclays and also worked at **MKP Capital** of New York.

Chicago brokerage **Alpha Capital CRE** is looking to hire. The shop wants to add 2-3 producers to line up debt and equity for clients. Candidates should have five-plus years of experience. In addition, the firm is seeking to hire a head analyst or underwriter with 2-5 years of experience. Alpha also may look to add another analyst.

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