

COMMERCIAL MORTGAGE ALERT

The Weekly Update on Real Estate Finance and Securitization

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THE GRAPEVINE

Goldman Sachs is putting together the first conduit deal backed solely by loans with five- and seven-year terms, in hopes of feeding the strong demand for shorter-term securities with a fixed rate. Investors usually have to buy such paper in the secondary market.

Goldman and a couple of unidentified partners have already amassed a \$750 million pool of loans. They are looking to bring in additional players to increase the offering's size to \$1 billion, with an eye toward an April launch. Goldman started securitizing five- and seven-year loans a couple of years ago, but until now has sprinkled them in deals with longer-term mortgages.

Banc of America has two offerings headed for the market. The first, a \$1 billion fusion deal, is expected to be

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GMAC Seen Trimming Huge Balance Sheet

Even though **GMAC Commercial Mortgage** is no longer on the block, changes are still in store for the giant finance company.

GMAC is likely to downsize its massive balance sheet, arrange cheaper sources of financing, reduce bloated compensation packages over time, and streamline operations in order to eliminate redundancies and weed out poorly performing businesses.

People outside the firm said the moves are aimed at addressing weaknesses that became apparent during the long and ultimately unsuccessful effort to sell GMAC. They said GMAC would adjust its operations after being disappointed by how suitors valued the business.

But GMAC chief executive officer **Bob Feller**, while acknowledging GMAC

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CMBS Pro Planning Securitization Venture

Former **Morgan Stanley** executive **Spencer Young** is working on an ambitious venture that would team up with a commercial bank to originate mortgages, trade commercial MBS and invest in B-pieces.

The company would source loans for the bank, which in turn would fund the mortgages and hold them for securitization. Young's company would also form a commingled fund that would buy the B-pieces of resulting deals.

Young is in talks with several U.S. banks interested in using the venture as a springboard into the securitization market. He expects to finalize a deal by the end of the first quarter. The goal is to originate nearly \$1 billion of loans by yearend. The company's name will be tied to the name of the bank partner.

Young said he has recruited seven veteran CMBS executives for the effort, including originators, investment bankers and investment managers. He would

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BofA Tops Ranking of REIT Dealers Again

Banc of America has snared its third consecutive crown as most-active bookrunner for REIT bonds, squeaking past **Deutsche Bank**.

BofA led \$1.74 billion of offerings last year, finishing a bare \$40 million ahead of Deutsche (see ranking on Page 8).

The firms competed for business against a backdrop of slightly declining issuance and strong investor demand. Issuance totaled \$10.4 billion, down 2% from \$10.6 billion in 2002. Meanwhile, the growing appetite of investors for high-grade paper drove average REIT spreads down by about 125 bp.

While BofA retained its crown, the rest of the ranking was shuffled. No other member of the Top 5 in 2002 repeated the feat last year. Deutsche climbed to second place from 10th in 2002. **Lehman Brothers**, which captured third place with \$950 million of volume, had finished sixth the year before. **UBS**, with \$925

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identify only one — **Rob Cestari**, a former **Nomura** executive, who will head CMBS trading. The others do not want their names disclosed yet because they have not given notice at their firms, he said.

While many start-ups adopt a narrow focus, Young's venture is taking a soup-to-nuts approach. The operation will write loans, passing on the senior portions to the bank partner and retaining any mezzanine portions. When the loans are securitized, the venture will keep some of the junior bonds. And it will support the deals in the secondary market through trading.

The firm's capital markets group is also expected to buy CMBS and corporate REIT bonds in order to issue collateralized debt obligations. The B-pieces and mezzanine loans will be held by a \$100 million commingled fund that the venture plans to set up.

The venture will source institutional-quality loans of all sizes. With the strategy, Young is drawing from his experience at Morgan Stanley, where he helped form the "IQ" brand program, in which insurance companies, commercial banks and pension funds contribute high-quality loans to securitizations led by the investment bank. The venture's

loans will be contributed to securitizations conducted jointly with other conduit programs.

According to Young's business plan, the bank partner's projected return is 30% annually. The firm would be based in Manhattan, with four regional offices in the Midwest and West. It would employ 47 people by the end of the year and 65 by the end of 2005.

Young was one of the founders of J.P. Morgan's conduit program. He was hired by former J.P. Morgan CMBS chief **Michael Jungman** in 1994 and served as chief operating officer of the firm's first conduit operation. He left J.P. Morgan for **Morgan Stanley** in 1997. At Morgan Stanley, Young initially worked as a senior executive in the conduit group. He later became a senior coverage officer in the finance group before leaving the firm in November 2002. Since then, he has been developing his business plan and managing private-equity investments.

Cestari spent six years at Nomura, at one point running the CMBS trading desk. He left in 2000 to set up a trading platform at **CapitalEngine.com**, a Web-based real estate finance operation. The firm went out of business in 2001. After that, Cestari had a stint at **CIBC World Markets** and formed his own consulting firm, **Sinjin Fixed Income Advisors**, based in Manhasset, N.Y. ♦

Senior Mortgage Professional Charlotte, North Carolina

TIAA-CREF (Teachers Insurance) is currently filling a senior commercial mortgage origination position with extensive borrower client contact and new client development responsibilities. Will source, structure, negotiate, price and present mortgage investment opportunities from clientele consisting of REIT's, large national developers and pension fund advisors. Will additionally utilize capital markets knowledge to structure and price transactions with investment banks, and facilitate other real estate debt and equity investment opportunities across TIAA's product lines.

Requirements

Bachelor's degree required, MBA preferred with minimum of 10 years related experience in originating, analyzing, and negotiating large commercial mortgage loans in all property types. Position requires sophisticated technical, negotiating, marketing and client service skills. Credit background, investment banking and relevant real estate capital markets experience viewed favorably.

If you are qualified and ready for a challenge in a dynamic, innovative environment, you may mail or e-mail your resume and salary history to:



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