

Nomura, Morgan Head Loan Conduit Field

Look for Nomura Asset Capital and J.P. Morgan to stretch their lead over Street competition in the issuance of CMBS backed by conduit loans over the next few months. The success of Nomura's direct lending program and its firm relationships with niche originators such as Bloomfield Acceptance are likely to boost the investment banker's conduit loan production in the second half to just shy of \$1B despite the unpleasant uptick in interest rates in the last three months. Nomura heads our list of leading conduit issuers in the first six months of the year thanks to a single \$840M CMBS issue. But the investment banker will be hard pressed in the next few months by J.P. Morgan's aggressive mortgage conduit. Morgan's first half issuance total of \$705.6M puts the firm clearly ahead of a pack which includes DLJ, Merrill Lynch, Morgan Stanley and the North Carolina-based bank conduits NationsBanc and First Union.

Morgan was the only leading player to successfully deliver two conduit CMBS issues to the market in the first half. The firm has at least another \$300M in funded loans assembled with \$100M in outstanding commitments in its pipeline. Look for Morgan to produce another \$400M to \$500M issue by the fall. Its next issue is likely to be less dependent on loans originated by AMRESKO Capital Corp., which has been Morgan's lead horse in both previous originations. AMRESKO accounted for 42% and 47% respectively of the loans originated in both first half conduit issues. Morgan's reliance on AMRESKO's loans has been lessened in the last 18 months. AMRESKO provided 60% of the loans in Morgan's \$172M 1995-C1 issue.

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Daiwa Securities, J.P. Morgan and Furman Selz Realty strike deals with mortgage bankers to beef up their commercial mortgage conduit origination networks. Daiwa has recruited eight of a dozen originators the firm is seeking to fuel its reactivated program. J.P. Morgan signs up CMBS pioneer Hanover Capital Mortgage to funnel multifamily and commercial real estate loans to the investment bank for securitization. Newcomer Furman Selz Realty concludes an agreement with the Brookstone Group to originate loans for Furman's new boutique conduit program.

Daiwa Securities is accepting loan submissions from the eight correspondents it has signed since its return to the market this spring. The list of originators includes Remsen Partners of New York and Unvest Mortgage Capital of Atlanta. Daiwa expects to close on a \$30M package of conduit loans this week.

Loans recently closed for Daiwa's first CMBS issue include a \$4M loan on an apartment property in suburban Atlanta, three limited service hotels in California, and single-tenant retail properties owned by Kmart Corp. and Winn-Dixie Stores, Inc. Daiwa execs expect to add another half dozen origination sources to the conduit by late fall.

J.P. Morgan has added Hanover Capital Mortgage to its lineup of conduit loan correspondents. This brings to eight the number of firms originating for the active conduit issuer. Morgan's other originators include AMRESKO, Signet Bank,

*Continued on page 5***CMBS Activity
This Week**

Midland Commercial Funding raises its upper loan limit for the third time in two years. The Kansas City-based conduit will now fund loans up to \$15M. Midland will deliver a \$225M pool of smaller loans to the market in the next few weeks through conduit partner Prudential Securities.

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Wall Street Databank is a weekly update of CMBS personnel, lending activity and CMBS issuance among Wall Street's leading firms.

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Lehman Bros. and Goldman Sachs both cleared existing REIT debt off their books in recent deals. Lehman saw Anli Residential retire all of its existing debt after securing fixed rate loans with Fannie Mae and CIGNA. Goldman sold a \$183M first mortgage on General Growth Properties' Nauck Mall to a trio of LCs.

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NationsBanc Capital Markets eases spreads and prepay requirements on apartment loans funded via its NationsLink mortgage conduit.

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Banc One Commercial Mortgage, Midlantic Bank, John Hancock, Norwest Bank, and Home Savings. Hanover Capital currently originates apartment loans for Chase Manhattan Commercial Mortgage's conduit program. The new affiliation with J.P. Morgan will allow Hanover to originate financing for a full array of commercial property types, including offices, retail, mini-storage, manufactured home parks, hotels, congregate care facilities, nursing homes, and industrial properties.

Atlanta-based Furman Selz Realty concluded an agreement with Brookstone Partners to serve as the primary correspondent for Furman's new commercial mortgage conduit. Brookstone is the only originator Furman Selz plans to formally associate with for its conduit issues. Executives of the two firms cut their teeth in the 1980s junk bond market at the defunct Drexel Burnham Lambert. The two expect to fund and securitize \$100M in loans a quarter, with the first pool scheduled to come to market in September.

Furman Selz hopes to carve a niche as a boutique lender, offering to soft quote deals within 24 hours and

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CONDUIT CMBS ISSUANCE

Jan. 1 to June 30, 1996

| ISSUER | AMOUNT (\$000s) | No. of ISSUES |
|-------------------|--------------------|----------------|
| Nomura Securities | 840.0 | 1 |
| J.P. Morgan | 705.6 ² | 2 |
| DLJ | 470.0 | 1 |
| Morgan Stanley | 360.0 | 1 |
| Merrill Lynch | 347.0 | 1 ¹ |
| NationsBanc | 322.6 | 1 |
| First Union | 300.0 | 1 [*] |
| Citicorp | 241.2 | 1 [*] |
| Goldman Sachs | 241.2 | 1 [*] |
| Bear Stearns | 220.0 | 1 [*] |
| Chase Manhattan | 220.0 | 1 [*] |
| Paine Webber | 71.0 | 1 ³ |

* Denotes co-issue. Each issuer is given credit for 50% of originated total unless specified.

¹ Merrill Lynch acted as lead manager on co-issue with First Union in March.

² Total includes \$71M in mortgages purchased from PaineWebber. PaineWebber co-lead issue.

³ PaineWebber co-lead Bear Stearns/Chase Manhattan issue but did not contribute collateral.

Origination Networks...

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a two day application response time. The conduit will seek to finance well located single tenant retail properties in addition to the standard conduit menu of property types. Furman Selz offers 70% to 80% loan-to-value financing from \$1M to \$10M on 10-year terms with 25-year amortization schedules. Brookstone is quoting spreads over Treasury rates of 190 to 250 basis points for apartments with amortization stretching to 30 years. Hotel loans are being quoted at 290 to 375 b.p. for 10-year money at 70% LTV.