

NOTE: This and two pages that immediately follow reflect some of the CMBS Conduit Businesses and their Group Heads in 1998, 1999 and 2000, respectively. The pages thereafter are the trade publications in their entirety from which these excerpts came, which provide additional context concerning this industry.

| Funding Source | Proj. '98 CMBS Volume (\$Mil.) | Originator | Contacts |
|---|--------------------------------|--|--|
| J.P. Morgan Michael Jungman 212-648-3636 | 1,750 | Dover House Capital | Atlanta: Kelly Ray, 770-351-8300 Boston: John Sullivan, 617-946-1633 Chicago: Brian Wloch, 312-541-3794 Charlotte: David Thrash, 704-554-6500 Dallas: Joe Sowell, 972-503-1030 San Francisco: John Jamison, 715-646-0123 Santa Ana, Calif.: Peter Rowe, 714-285-4800 |
| Lehman Brothers Brett Ersoff 212-526-4033 | 6,000 | Holliday Fenoglio, Houston | John Fenoglio, 713-527-9646 |
| | | Northland Financial, St. Louis | Rick Stevenson, 314-523-2111 |
| | | Legg Mason, Philadelphia | Craig Butchenhart, 215-496-3000 |
| | | Fowler Goedecke, Boston | John Fowler, 617-338-0990 |
| | | Laurette Realty, Charlotte | Tom Dennard, 704-332-4454 |
| | | Mellon Mortgage, Cleveland | Ned Huffman, 216-696-5432 |
| | | W. Lyman Case, Columbus, Ohio | Ted Schmidt, 614-481-3900 |
| Llama Capital Mike Lucash 501-444-4005 | 250 | Llama Mortgage Fayetteville, Ark. | Andrew Bethell, 501-444-4000 |
| | | McIlroy Bank, Fayetteville, Ark. | Gary Head, 501-575-1024 |
| | | Bank of Bentonville, Bentonville, Ark. | Danny Lewis, 501-271-1351 |
| | | Empire Bank, Springfield, Mo. | Russ Marquart, 417-881-3100 |
| | | State Bank & Trust, Tulsa, Okla. | Ray Baumgarten, 918-631-1407 |
| Merrill Lynch Robert Fitzpatrick 212-602-7501 Michael Norris 212-602-7502 | 2,000 | L.J. Melody Co., Houston | Brian Stoffers, 713-787-1900 |
| | | R.C. Wilson, Houston | Buddy Hopson, 713-840-8311 |
| | | Patrician Financial Co., Bethesda, Md. | Scott Suttle, 301-718-2000 |
| | | Berkshire Mortgage Finance, Boston | Kurt Reimann, 617-556-1584 |
| Weinbert & Associates, Atlanta | Larry Weinberg, 404-634-4700 | | |
| Midland Commercial Funding Steve Miller 800-746-4623 | 1,500 | Midland Commercial Funding | New England: Rick Butterfield, 816-843-5511 Mid-South: Veto Enna, 816-435-5045 Southeast: Terry Reigert, 816-435-6082 Mountain States: John Noli, 816-843-5509 West Coast: David Spotts, 816-435-2347 Great Lakes: Mark Levin, 816-435-2316 Upper Midwest: Dick Fuller, 816-435-6866 |
| Morgan Stanley Spencer Young 212-761-4000 | 2,500 | Morgan Stanley | Liz Haberkorn, 212-761-4471 George Kok, 212-761-4000 |
| National Realty Funding E.J. Burke 888-979-1200 | 900 | National Realty Funding | National: Clay Sublett, 888-979-1200 Mid-Atlantic: Jeff Kernis, 732-431-0058 Midwest: Dan Baker, 312-431-9234 |
| NationsBanc Montgomery Bill Green 704-388-1662 | 3,000 | Bankers Mutual, Newport Beach, Calif. | Trent Brooks, 714-851-9973 |
| | | Berkshire Mortgage Finance, Boston | Kurt Reimann, 617-556-1584 |
| | | First Security Bank, Las Vegas | Stephen Hamman, 702-387-3372 |
| | | L.J. Melody Co., Houston | Brian Stoffers, 717-787-1999 |
| | | Patrician Financial, Bethesda, Md. | William Comings, 301-718-2000 |
| | | Washington Mortgage, Vienna, Va. | Doug Moritz, 703-790-0730 |
| | | NationsBank Permanent Loan Group | Clyde Stutts, 704-386-2562 |
| | | NationsBank HealthCare Group | Julia Smith, 410-605-4027 |
| NationsBank Franchise Group | Randy Schultz, 404-607-5807 | | |
| Nomura Capital Kathy Corton 212-667-1735 | 6,000 | Nomura Capital | New York: Chuck Rosenzweig, 212-667-1522 Los Angeles: Wayne Brandt, 213-243-1732 San Francisco: Mike Brady, 415-743-1921 Chicago: Dave Murdoch, 312-408-9511 Hotel: Dan Abrams, 212-667-9171 Senior housing/healthcare: Ray Anthony, 212-667-1850 |
| Paine Webber Ron Wechsler 212-713-8963 | 1,000 | Paine Webber, New York | David A. Cohen, 212-713-9461 Kellogg C. Gaines, 212-713-1481 |



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Conduit Operators (continued)

Midland Commercial Funding

Contact: Steve Miller, 800-746-4623

Projected '99 CMBS Volume: \$2 billion

Originator: Midland Commercial Funding

West: David Spotts, 816-435-2347

Pacific Northwest: Bill Burghart, 816-435-6856

Mountain States: Terry Reigert, 816-435-6082

Midwest: Veto Enna, 816-435-5045

Upper Midwest: Dick Fuller, 816-435-6866

West Pennsylvania: Don Spalding, 412-762-2050

Philadelphia: Bob Goldstein, 215-585-7716

New Jersey: Stephanie Sehein, 732-220-3523

Northeast: Doug Schwarz, 732-220-3521

Southeast: Aldrain Taylor, 404-504-9116

Bank originations: Don Jackson, 602-220-9565

National accounts: Bill Osterman, 816-435-2346

Morgan Stanley

Contact: Spencer Young, 212-761-4512

Projected '99 CMBS Volume: \$5 billion

Originator: Morgan Stanley

Liz Haberkorn, 212-761-4471

George Kok, 212-761-4478

National Cooperative Bank

Contact: Steven Brookner, 202-336-5479

Projected '99 CMBS Volume: \$800 million

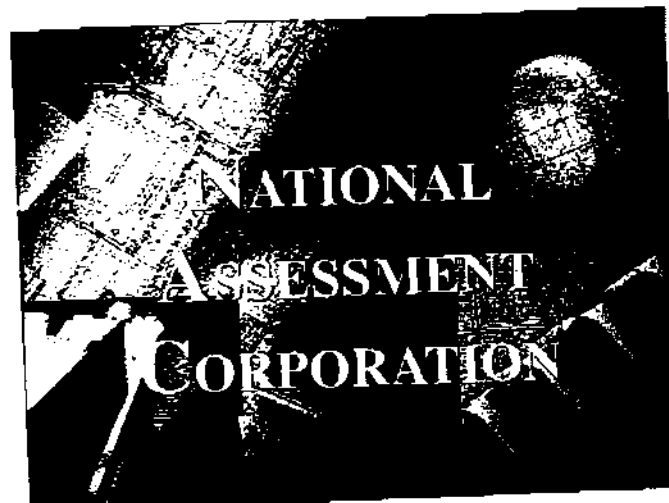
Originator: National Cooperative Bank

New York: Ed Howe, 212-808-0880

Chicago: Robin Odland, 312-255-1800

Washington: Joseph Sturrale, 202-336-7686

Continued on Page 19



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800-NAC-4754 (622-4754)

Charles Victor, Executive Vice President

Conduit Operators ... From Page 18**Midland Loan Services**

Contact: Steve Miller, 816-435-2312

1999 originations: \$1 billion

2000 originations (projected): \$1.5 billion

2000 offerings (projected): 3

Originators:

Office/Industrial: Steve Miller, 816-435-2312

Multi-family: Veto Enna, 816-435-5045

Retail: David Morrow, 816-435-2355

Hotels: Patrick O'Neal, 816-435-3601

California: David Spotts, 816-435-2347

Southwest/Mountain: Terri Reigert, 816-292-8648

Texas/Oklahoma: Bill Burghart, 816-435-6856

Upper Midwest/Northwest: Dick Fuller, 816-435-6866

Mid-South: David Ruisch, 816-292-8502

Great Lakes: Bill Avery, 312-338-5646

New England: Rick Butterfield, 816-292-8420

Del., N.J., Pa.: Bob Goldstein, 215-585-7716

Mid-Atlantic: Wit Solberg, 816-435-3615

Southeast: John Noll, 816-292-8419

Banking Group: Gary Kahn, 602-392-1530

Banking Group: Mike Berlau, 816-292-8422

PNC Bank: Scott Bassin, 412-762-7602

Special Lending: Bill Osterman, 816-435-2346

Morgan Stanley**Contacts:**

George Kok, 212-761-4478

Spencer Young, 212-761-4512

1999 originations: \$2 billion

2000 originations (projected): \$3 billion

2000 offerings (projected): 6

ORIX Real Estate Capital Markets**Contacts:**

Richard Curtin, 214-237-2207

Patrick Flick, 214-237-2201

1999 originations: \$300 million

2000 originations (projected): \$400 million

2000 offerings (projected): 2

Originators:

Houston: Scott Riggs, 281-591-4750

Dallas: Jon Moyer, 214-237-2204

Washington: Mike Devlin, 703-925-9885

San Francisco: Hal Steele, 415-433-0300

Los Angeles: Julie Gschwind, 310-642-0379

West Palm Beach, Fla.: Troy Schafer, 561-371-8372

Continued on Page 21

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COMMERCIAL MORTGAGE ALERT

The Weekly Update on Real Estate Finance and Securitization

February 2, 1998

CONDUIT PROGRAMS

Ranking of 1997 issuers **Page 8**
List of programs **Pages 10-15**

BT Again Seeking Trustee Jobs

Bankers Trust has decided to re-enter the competition for CMBS trustee assignments. **Page 2**

Shake Up Under Way at Chase

The bank is restructuring its mortgage-backed operation, as staff cuts **Page 3**

Crimi Offering Mezzanine Debt

The REIT unveiled a new program aimed at borrowers looking for subordinate mortgages. **Page 6**

CMBS Market Monitor

Page 15

THE GRAPEVINE

Lehman Brothers has agreed to pay a Citicorp syndicate close to par value for a \$117 million mortgage on a Chicago office building known as Boulevard Towers South. The investment bank will likely refinance the loan and securitize it later this year, probably as part of a pooled transaction. The 951,000-square-foot building, at 205 North Michigan Avenue, is owned by a group that includes affiliates of Metropolitan Life and the former JMB Realty. The mortgage, which at one time was in default but has since been restructured, matures in six months. Lehman is expected to restructure the loan in return for an equity stake in the property.

Word is that Banc One Mortgage Capital Markets has won the master-servicing contract for Donaldson, Lukfin & Jenrette's upcoming \$900 million conduit deal. That marks the

See GRAPEVINE on Back Page

Conduits Bullish on Continued Growth

After watching the conduit market double in size last year, participants expect rapid growth to continue in 1998, according to a survey by Commercial Mortgage Alert.

Twenty-one conduit operators expect to securitize at least \$1 billion of commercial mortgages, versus six that reached that mark last year. And four players are hoping to surpass \$4 billion, a level no one achieved last year.

While some projections will no doubt prove to be too optimistic, dramatic growth clearly is in the cards again. Last year, \$21.9 billion of conduit loans were securitized, up from \$10.2 billion in

See CONDUITS on Page 6

Conduit Volume

| | Amount (\$bil.) | CMBS (\$bil.) | % of Market |
|------|-----------------|---------------|-------------|
| 1993 | \$0.7 | \$17.5 | 3.8 |
| 1994 | 2.7 | 20.3 | 13.3 |
| 1995 | 4.4 | 19.0 | 23.4 |
| 1996 | 10.2 | 30.0 | 34.0 |
| 1997 | 21.9 | 44.3 | 49.5 |

CIBC Leads Bridge Loan on Big N.Y. Mall

A syndicate led by CIBC Oppenheimer has agreed to provide a \$390 million bridge loan on a new mega-mall in West Nyack, N.Y.

The floating-rate loan, which was scheduled to close last Friday, is replacing a \$290 million construction loan on Palisades Mall, which is being built by Pyramid Cos. of Syracuse, N.Y. The project, located about 20 miles north of New York, qualified for additional financing because it was expanded to 2.2 million square feet from the originally planned 1.8 million sf.

The bridge loan will be converted into a long-term mortgage within two years, probably via a securitization handled by CIBC. The firm was the also lead administrative agent on the year-old construction loan. The 10-member bridge-loan syndicate is co-managed by Key Bank, Hypo Bank and PNC Bank.

The mall, slated to open in March, will be among the largest in the country, combining traditional anchors with power-center stores and entertainment facilities, including an ice-skating rink. □

PNC Strikes Deal to Buy Midland

PNC Bank has agreed to pay \$375 million for Midland Loan Services in a deal that aligns a strongly capitalized bank with a leading servicer and originator of commercial mortgages.

The definitive agreement calls for Midland to continue to operate under its own name and be run by the same management, led by chief executive Alan Atterbury. The transaction is expected to close in the second quarter.

For PNC, the deal expands its real estate services, immediately making it a major commercial-mortgage servicer and giving it a nationwide origination network. There is also natural synergy with PNC's BlackRock Financial unit, a big CMBS

See MIDLAND on Page 4

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BT Again Seeking Trustee Jobs

After seeing its CMBS trustee business virtually dry up last year, **Bankers Trust** has decided to start competing again for contracts.

The bank has recruited **John Pennington** from market-leader **LaSalle National Bank** to oversee bidding for new assignments. Pennington, who was named vice president of marketing and business development, had been manager of the investor reporting and special projects group at LaSalle, which he joined in 1994 from **Bank of America**.

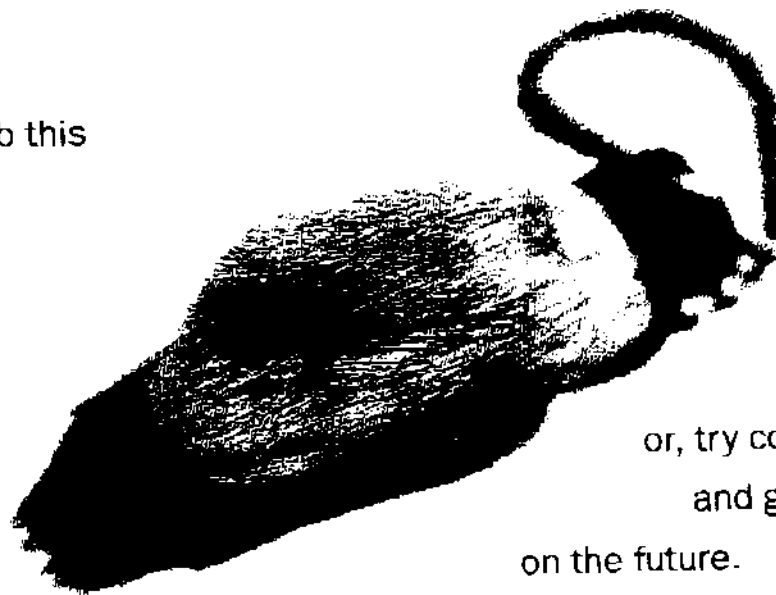
From 1992 to 1995, Bankers Trust was a leading player in the CMBS trustee market, winning \$9 billion of CMBS contracts. But its volume dipped sharply in 1996 as its closely affiliated servicing area became mired in operational problems. Another problem was a downgrade that cost the bank its vaunted double-A credit rating.

Last year, Bankers Trust decided to get out of the servicing business and temporarily stop bidding on trustee contracts. It ended up selling its \$7.9 billion commercial-mortgage servicing portfolio to **Mellon Mortgage**.

Bankers Trust now faces the challenge of rebuilding a reputation damaged by the servicing problems. The downgrade could also cause problems, as trustees with ratings below double-A have in the past been prevented from working on CMBS transactions that include triple-A securities. However, Pennington expects the rating agencies to give Bankers Trust the green light.

In contrast to CMBS, BT's trustee operation has remained active in the asset-backed and mortgage-backed markets. □

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Shake Up Under Way at Chase

Chase Securities' real estate operation is in flux, as the bank restructures its mortgage-backed securities operation and prepares to cut its staff.

Chase's commercial MBS group is not expected to take any hits in staff numbers, but the department has new leadership as a result of the mid-January resignation of **Ron Kripalani**, the former head of the commercial and residential MBS groups.

Michael Malter, who runs Chase's asset backed securities group, is now also overseeing primary issuance of commercial and residential MBS and the origination of commercial mortgages. National sales manager **Steve Kirsch** is heading up the MBS and CMBS trading desks on an interim basis. They assumed duties formerly held by Kripalani.

Additionally, **Jacqueline Slater**, a managing director who was directly responsible for commercial mortgage securitizations and reported to Kripalani, has been stripped of her supervisory role. Slater was in charge of warehousing loans, hedging positions, structuring securitizations and placing subordinate CMBS. For the time being, Slater and the employees who reported to her now report to Malter. A Chase spokesman said her future role has not been determined.

Patricia Micka, who had reported to Kripalani, remains in charge of commercial mortgage originations and now reports to Malter.

Chase is expected this week to announce layoffs of bond traders and salespersons among the residential MBS staff. The spokesman said that the exact number had not been determined as of late last week. Combined, the residential and commercial MBS groups have about 70 staffers.

Chase is telling employees that it has put all of the structured finance groups under one person — Malter — in an effort to make them more efficient. Many other institutions have already combined their asset-backed and residential MBS departments. □

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Amresco Buys Mortgage Bank

Continuing to expand its mortgage-origination network, Amresco has acquired the Boston mortgage bank **Fowler, Goedecke, Ellis & O'Conner**.

Amresco, which is headquartered in Dallas, will merge the firm into its Houston based **Holliday Fenoglio** unit, which will be renamed **Holliday Fenoglio Fowler**.

Fowler Goedecke, which was founded in 1981, has a staff of 17 originators in Massachusetts, Connecticut, New York and New Jersey. It will fill out the reach of Holliday Fenoglio, which has production operations in Texas, Georgia, Florida, California, Oregon, New York and Massachusetts. □

Mellon Mortgage Company

Mellon Mortgage Company is pleased to announce its acquisition of the servicing rights to GAFCO Franchise Loan Trust 1998-1

\$160,000,000

secured Franchise Loan originated by Global Alliance Finance Co., LLC, a wholly-owned subsidiary of Deutsche Bank, N.A. to Caribbean Restaurants, Inc. for 114 Burger King restaurants in Puerto Rico.

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Mellon Mortgage Company



Done Deal.

Midland ... From Page 1

investor that presumably will invest in Midland's securitizations.

As for privately held Midland, which is based in Kansas City, Mo., the transaction gives it access to low-cost funding from a deep-pocketed parent. At the same time, it provides a level of autonomy to the firm's senior managers, who have signed long-term employment contracts with PNC. And it allows Atterbury and his partners to cash out of their Midland stakes at a rich price.

In one respect, the transaction also marks a change in direction for Midland. Last March, the firm struck a joint-venture

arrangement with NationsBanc to work on conduit deals together. NationsBanc also sold \$4.2 billion of servicing rights to Midland and received a 5% stake in the company. However, the marriage evidently did not work out as expected, and the duo never ended up doing any transactions together. PNC will now buy NationsBanc's 5% stake.

Midland, which started out as an asset manager for Resolution Trust Corp., has grown into a significant player in the CMBS market. But it has been hampered by its thin capitalization.

The firm had explored various options for raising capital, including an initial public offering, before striking the deal with Pittsburgh-based PNC. Terms of the transaction were not disclosed, but PNC is believed to be paying about \$375 million, or 13 times Midland's 1997 net

income of \$29 million.

Midland has a \$24 billion commercial-mortgage servicing portfolio, mostly involving securitized mortgages. That is believed to be the second-largest such portfolio, after GMAC Commercial Mortgage's \$40 billion in servicing rights.

The firm has also built a nationwide origination network in the past few years. It originated \$700 million of loans last year and expects to write \$1.5 billion this year. PNC's conduit lending operation, which securitized \$178 million of loans last year, will be merged into Midland's program.

Under Midland's previous agreement with NationsBanc, the two players were to contribute mortgages to joint securitizations that NationsBanc would underwrite and Midland would service. NationsBanc also provided hedging expertise to Midland and a warehouse line of credit.

One of the reasons why the joint venture did not work, according to a Midland executive, was that Midland did not want to share the risk and profit associated with aggregating its loans. A NationsBanc executive declined to comment.

By not being exclusively tied to NationsBanc, Midland will now be able to sprinkle its loans among many deals in order to win additional servicing contracts, a strategy GMAC has successfully employed over the past year. Midland securitized \$398 million of conduit loans last year in two transactions. It will not conduct another securitization until after the PNC acquisition is completed. The underwriter for its next deal has not been selected yet. □

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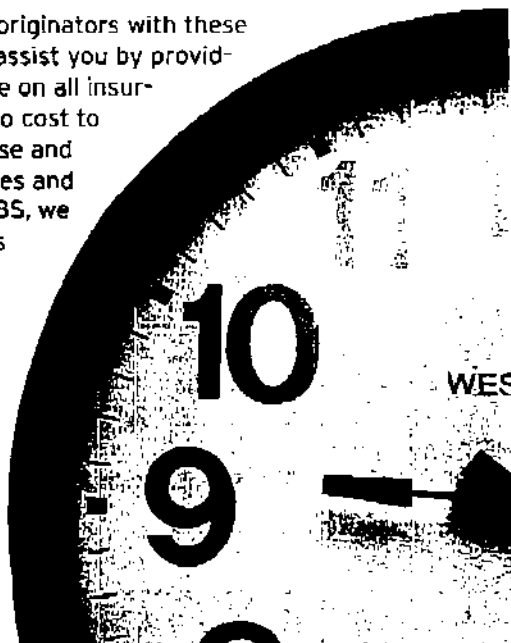
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Criimi Offering Mezzanine Debt

Criimi Mae is getting into the mezzanine-financing business.

The Rockville, Md., REIT expects to provide \$50 million to \$75 million of mezzanine loans this year, primarily in conjunction with first mortgages it originates.

The firm is touting a special feature of its program that will enable borrowers to improve their cash flow by making smaller-than-usual monthly payments.

That will be possible because Criimi will write mezzanine loans that match the term and amortization schedule of first mortgages. Most lenders require that mezzanine debt have

shorter terms and amortization schedules than first mortgages, resulting in higher monthly payments and an earlier balloon-payment date.

Criimi is willing to offer longer loan terms because it is comfortable with keeping the riskier credits in its portfolio. Such assets are not all that different from the subordinate CMBS that Criimi invests in, said **Don Drew**, a senior vice president of the REIT.

The program should help Criimi compete for first-mortgage business because the REIT will now be able to offer larger financing packages to borrowers. Its typical loan is likely to range in size from \$750,000 to \$1.5 million. While Criimi will target borrowers drawn to its prepayable first mortgages, it will also consider supplying stand-alone mezzanine financing. However, such loans must be \$5 million or larger.

Criimi is expecting a 15% return on its mezzanine loans, reflecting a premium it will charge for the longer loan terms.

Meanwhile, Criimi has opened a West Coast origination office. The San Francisco operation will be overseen by **Roger Ostrem**, who previously worked for **Manulife Financial**. □



1997

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Conduits ... From Page 1

1996. Conduit volume represented half of overall CMBS issuance, up from one third in 1996.

The conduit juggernaut is fueled by low interest rates, as well as securitized lenders' increasing competitiveness with traditional book-and-hold lenders.

Despite a long-predicted shakeout of conduit operators, the number of players has continued to grow. Last year, 29 conduits contributed mortgages to securitizations, up from 21 in 1996. And as players have gotten their production operations into gear, growth has soared. Volume more than doubled at eight conduits last year, while six other players securitized mortgages for the first time.

Shrinking profit margins, however, could put pressure on some conduits this year.

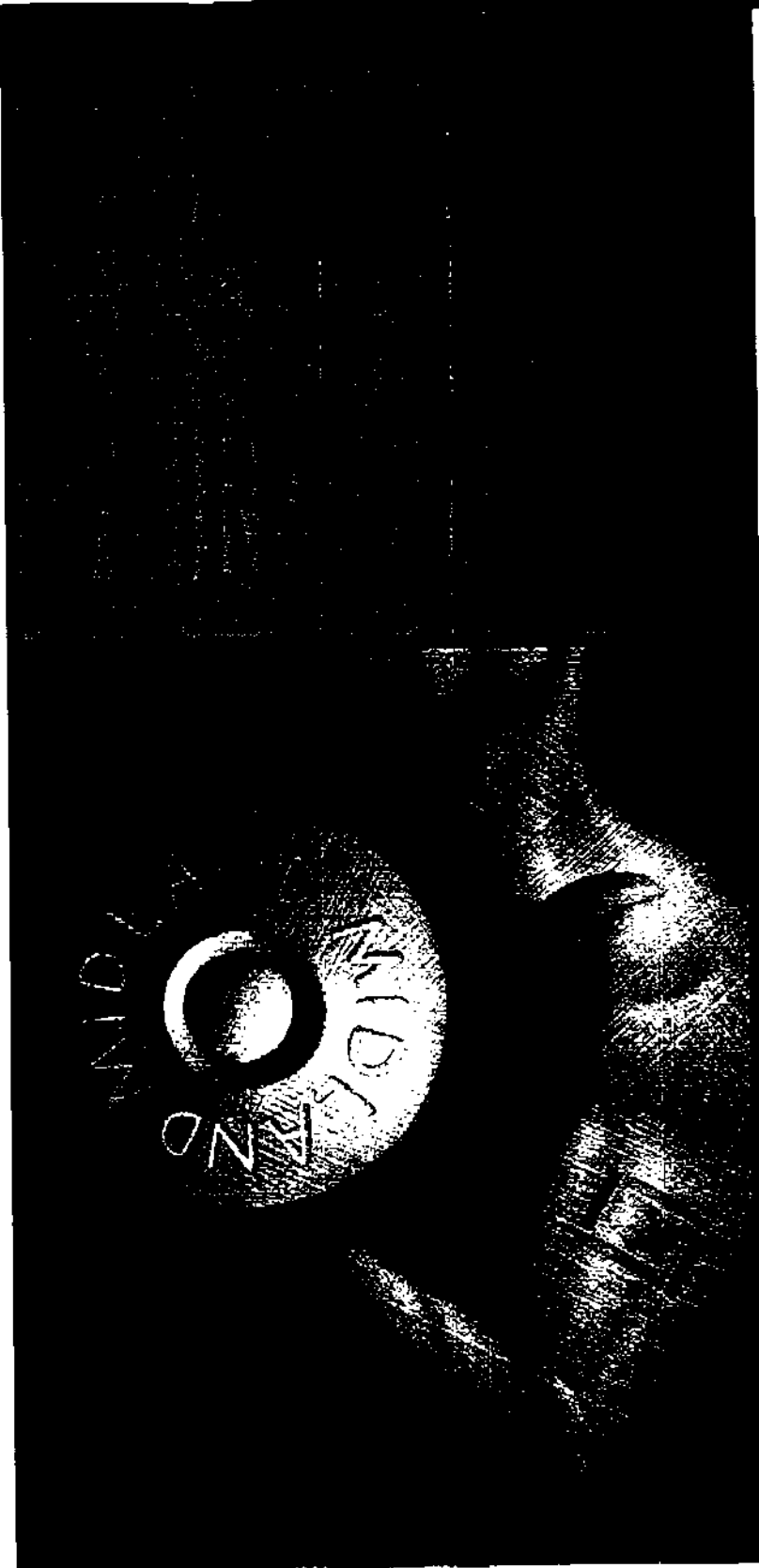
Nomura Asset Capital once again was the most-active player in 1997, securitizing \$3.2 billion of loans, up from \$1.7 billion in 1996. **Credit Suisse First Boston** was second, at \$2.8 billion, followed by **Lehman Brothers** (\$1.9 billion) and

See CONDUITS on Page 8

February 2, 1998

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Conduits ... From Page 6

its conduit partner, **First Union** (\$1.6 billion). **GMAC Commercial Mortgage** (\$1.4 billion) zoomed into fifth place, after securitizing just \$55 million in 1996. Other fast-growing players included **Deutsche Morgan Grenfell** (\$949 million), **GE Capital** (\$662 million) and **Amresco** (\$456 million).

Unlike Commercial Mortgage Alert's ranking of CMBS underwriters, this survey gives credit to conduit operators that supplied mortgages to securitizations. The conduit operator is defined as the party that owns the loans at the time of securitization.

The evolving nature of the securitization market has complicated the tracking of conduit activity. Initially, pooled securitizations of newly originated, fixed-rate loans fell into two discrete categories:

- Conduit deals, backed by mortgages of \$1 million to \$15 million to a large number of borrowers.
- Large-loan transactions, backed by loans of \$40 million or more to a relatively small number of borrowers.

But a new category has now emerged: "fusion" transactions, which involve both conduit and large mortgages. Because they are closer in structure to conduit offerings, Commercial Mortgage Alert is categorizing them that way. But that has the effect of inflating the conduit volume for players that have included large mortgages in conduit deals, particularly Nomura and First Boston. For example, more than half of Nomura's \$3.2 billion total last year stemmed from loans larger than \$25 million.

For this reason, Commercial Mortgage Alert has also ranked players according to mortgages contributed to both conduit and large-loan securitizations, thereby neutralizing the effect of fusion deals. Nomura led this ranking, too, with \$3.7 billion of securitized loans. But four investment banks that conducted their first large-loan securitizations moved up. Lehman climbed into second place (\$3.3 billion). Also gaining were **Merrill Lynch**, **Morgan Stanley** and **Goldman Sachs**.

While the name "conduit" originally referred to securitization alliances between funding sources and originators, the term has become a catch-all to describe any program that originates and pools mortgages of \$1 million to \$15 million for securitization, including those operated strictly in-house.

The combined 1998 projections of 30 conduit programs adds up to \$62.5 billion — a figure that seems wildly optimistic. It would not only be almost three times higher than last year's total, but also would handily exceed the \$51.5 billion prediction for total CMBS issuance by a panel of industry experts. Still, it's worth noting that last year's survey was remarkably prescient. The combined projections of individual players indicated that conduit issuance would double to \$22 billion. And while the actual volumes of individual conduit were often quite different than their forecasts, the combined projection almost exactly matched the actual volume. □

Conduit Securitization Activity

For joint deals, totals are based on collateral contribution

| | 1997 Amount (\$Mil.) | 1996 Amount (\$Mil.) | 1998 Proj. (\$Mil.) |
|--------------------------------|----------------------------|----------------------------|---------------------------|
| 1 Nomura Asset Capital | \$3,189.1 | \$1,662.1 | \$6,000.0 |
| 2 Credit Suisse First Boston | 2,822.2 | 0.0 | 5,000.0 |
| 3 Lehman Brothers | 1,881.5 | 397.2 | 6,000.0 |
| 4 First Union | 1,627.4 | 878.2 | 3,250.0 |
| 5 GMAC Commercial Mortgage | 1,400.7 | 55.3 | 4,500.0 |
| 6 Donaldson, Lufkin & Jenrette | 1,109.9 | 978.7 | 2,500.0 |
| 7 Deutsche Morgan Grenfell | 948.9 | 150.0 | 1,500.0 |
| 8 J.P. Morgan | 808.1 | 649.8 | 1,750.0 |
| 9 NationsBanc Montgomery | 759.4 | 787.5 | 3,000.0 |
| 10 Merrill Lynch | 683.8 | 907.3 | 2,000.0 |
| 11 GE Capital | 662.0 | 0.0 | 800.0 |
| 12 Chase Manhattan | 610.6 | 400.1 | 800.0 |
| 13 Citicorp | 591.8 | 450.8 | 600.0 |
| 14 ContiTrade | 550.5 | 435.0 | 1,500.0 |
| 15 Heller Financial | 505.2 | 0.0 | 1,500.0 |
| 16 Morgan Stanley | 476.5 | 500.3 | 2,500.0 |
| 17 Bear Stearns | 465.8 | 166.2 | 1,500.0 |
| 18 Amresco Capital | 455.8 | 0.0 | 1,800.0 |
| 19 Midland Commercial Funding | 398.0 | 540.5 | 1,500.0 |
| 20 Wells Fargo | 392.6 | 445.6 | 2,500.0 |
| 21 Teachers Insurance | 262.1 | 0.0 | 500.0 |
| 22 Goldman Sachs | 238.0 | 0.0 | 3,000.0 |
| 23 Salomon Smith Barney | 234.7 | 350.4 | NA |
| 24 Daiwa Securities | 181.3 | 0.0 | 750.0 |
| 25 PNC Bank | 177.9 | 34.1 | 550.0 |
| 26 Paine Webber | 153.7 | 209.8 | 1,000.0 |
| 27 Capital Lease Funding | 129.4 | 0.0 | 800.0 |
| 28 Residential Funding | 117.8 | 0.0 | NA |
| 29 Boston Capital Mortgage | 100.0 | 54.3 | 500.0 |
| OTHERS | 0.0 | 158.1 | 4,900 |
| TOTAL | 21,934.4 | 10,211.4 | 62,500.0 |

Top Conduit/Large Loan Programs

Based on collateral contribution

| | 1997 Amount (\$Mil.) | 1996 Amount (\$Mil.) |
|--------------------------------|----------------------------|----------------------------|
| 1 Nomura Asset Capital | \$3,688.7 | \$3,331.0 |
| 2 Lehman Brothers | 3,308.2 | 397.2 |
| 3 Credit Suisse First Boston | 2,822.2 | 0.0 |
| 4 First Union | 1,627.4 | 878.2 |
| 5 Merrill Lynch | 1,532.3 | 907.3 |
| 6 GMAC Commercial Mortgage | 1,400.7 | 55.3 |
| 7 Morgan Stanley | 1,231.0 | 500.3 |
| 8 Goldman Sachs | 1,225.4 | 0.0 |
| 9 Donaldson, Lufkin & Jenrette | 1,109.9 | 978.7 |
| 10 Deutsche Morgan Grenfell | 948.9 | 150.0 |



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Conduit Programs: Pipelines for Securitization

The following is a list of programs established to originate mortgages for securitization. In a few cases, some or all of the outside originators are not listed, either because they could not be learned or because a large number of originators are used.

| Funding Source | Proj. '98 CMBS Volume (\$Mil.) | Originator | Contacts |
|--|--------------------------------|---------------------------------|--|
| Amresco Capital Steve Beyer 214-953-7712 | 1,800 | Amresco Capital | Atlanta: Brown Thurman, 404-654-2753 Buffalo: Jamie Donigan, 716-852-1077 Chicago: Don Pluta, 312-460-8303 Vienna, Va.: Phil Morse, 703-506-9475 Englewood, Colo.: Steve Neighbors, 303-967-1900 Irvine, Calif.: Ken Dunbar, 714-798-2711 Phoenix, Ariz.: Don Jackson, 602-956-6976 Dallas: Jim Houston, 214-953-7721 |
| Bear Stearns Christopher Hoeffel 212-272-7918 Barry Schumacher 212-272-6858 | 1,500 | Bear Stearns, New York | Greg Spevok, 212-272-6104 |
| Boston Capital Mortgage Kingsley Greenland 617-624-8729 | 500 | Boston Capital Mortgage | Boston: Bill Fazzano, 617-624-8711 San Diego: Dan Berry, 800-329-0763 |
| Capital Lease Funding Steven Maloy 212-587-7676 | 800 | Capital Lease Funding, New York | Steven Maloy, 212-587-7676 |

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|---|---|---------------------------------------|---|
| Chase Manhattan Patricia A. Micka 212-622-3450 | 800 | Chase Manhattan Bank, New York | West, Mid-Atlantic, New England: Rochelle Dobbs, 212-622-3444 Southwest, Southeast: Steve Cisek, 212-622-3447 Midwest, correspondents: Ione Pernison, 212-622-3457 |
| CIBC Oppenheimer Michael Higgins 212-856-3594 | 750 | CIBC Oppenheimer | New York: Andrew Fawer, 212-856-3938 Chicago: Keith Oglesbee, 312-855-3227 Los Angeles: James Armstrong, 213-617-6229 Dallas: Ella Shaw Neyland, 214-855-2953 |
| Citicorp John Dowd 212-559-1502 Richard Jarocki Jr. 212-559-0217 | 600 | Citibank Consumer Bank | New York: Linda DeVico, 212-922-5937 California: Nelson Greene, 415-658-4315 Illinois: Ed O'Malley, 312-627-3915 |
| | | Citibank Private Banking, New York | Jerry Gates, 212-559-6674 |
| | | Collateral Mortgage, Birmingham, Ala. | Dave Roberts, 205-978-1841 |
| | | Financial Federal FSB, Memphis | Frank Stallworth, 901-756-2848 |
| | | GMAC Mortgage, Chicago | Michael Luby, 312-845-8550 |
| | | Heitman Financial, Beverly Hills | Joseph Perlmutter, 310-285-7277 |
| | | Huntington Capital, Columbus, Ohio | David Abshier, 614-480-4362 |
| | | KeyCorp Real Estate, Cleveland | Dan Freeman, 216-689-3824 |
| | | Legg Mason Real Estate, Philadelphia | R. Craig Butchenhart, 215-496-3062 |
| | | L.J. Melody Co., Houston | Brian Stoffers, 713-787-1900 |
| Mellon Mortgage, Overland Park, Kan. | Gardiner Champlin, 913-661-7546 | | |
| Mitchell Mortgage, Houston | Don Hickey, 713-377-7800 | | |
| ContiTrade Services Steve Wendel 212-672-2940 | 1,500 | Various | |

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13

| Funding Source | Proj. '98 CMBS Volume (\$Mil.) | Originator | Contacts |
|--|---|---|--|
| Credit Suisse First Boston Bill Adamski 212-325-2439 Mark Finerman 212-325-4348 | 5,000 | Credit Suisse First Boston, New York | Joseph Iacono, 212-325-3000 |
| | | ARCS Commercial Mortgage, Calabasas, Calif. | Brad Wilmont, 818-880-3300 |
| | | Belgravia Capital, Irvine, Calif | Jeff Tomei, 714-724-8700 |
| | | MultiLoan, White Plains, N.Y. | Randy Naylor, 914-948-7070 |
| | | Continental Wingate, Boston | Michael Berman, 617-574-9000 |
| | | Sutter Mortgage, Walnut Creek, Calif. | Curt Sutter, 800-854-8300 |
| | | Love Funding, St. Louis | Harry Cheatham, 319-512-8709 |
| Criimi Mae Donald Drew 301-468-3193 | 1,000 | Criimi Mae | Boston: Bill Gartner, 508-229-8950 Memphis: Janice Bird, 901-748-1760 Rockville, Md.: Don Erb, 301-231-0250 San Francisco: Roger Ostrem, 415-982-6204 |
| Daiwa Securities Frank Keane 212-612-6906 Evan Denner 212-612-6904 | 750 | Collateral Mortgage, Birmingham, Ala. | Dave Roberts, 205-978-1840 |
| | | Westminster Capital, Boca Raton, Fla. | Greg Schecher, 561-391-1737 |
| | | Carr Capital, Boston | Oliver Carr, 617-729-2277 |
| | | Sutter Mortgage, Walnut Creek, Calif | Curt Sutter, 800-854-8300 |
| | | Continental Wingate, Boston | Michael Berman, 617-574-9000 |
| Deutsche Morgan Grenfell Joel Horne 212-469-7602 | 1,500 | TransAtlantic Capital | New York: Lou Mirando, 212-469-8989 San Francisco: Hal Steele, 415-217-4231 Chicago: Tom Borow, 312-578-4105 |
| Donaldson, Lufkin & Jenrette Donald MacKinnon 212-892-4858 | 2,500 | Column Financial, Atlanta | Kieran Quinn, 404-239-5300 |
| | | Union Capital Investments, Atlanta | Collins Powell, 770-394-7121 |
| First Union Larry Brown 704-383-7407 | 3,250 | First Union National Bank, Charlotte | Correspondent program: Larry Brown, 704-383-7407 Nationwide direct: Multi-family: Ken Dickey, 704-383-7406 Commercial: Michael Cohen, 704-383-4753 Credit-tenant: Robin Sofia, 704-383-6385 Florida: Robin Carr, 904-361-3685 D.C.: Chris Troutman, 703-760-5525 Virginia: Keith Wells, 804-788-9747 NY/NJ: Ron Shapiro, 201-565-6386 West Coast: Gary Goss, 714-260-8010 Midwest: David DeBauche, 847-384-5375 Southwest: Mike Spoor, 713-787-7120 Portfolio purchases: Kyle Floody, 704-383-4755 |
| GE Capital Access Daniel Smith 972-383-7519 | 800 | GE Capital Access | Atlanta: Ed Coco, 404-877-1709 Boca Raton, Fla.: Paul Ahmed, 561-447-0408 Chicago: Bruce Gerhart, 312-360-7449 Charlotte: Shep Robinson, 704-333-7339 D.C./N.Y.: David Ridini, 202-637-4121 Dallas: David Detrick, 972-383-7521 Irvine, Calif.: Brent Wessel, 714-477-1528 San Francisco: Sharon Groenendyck, 415-247-1210 |
| Goldman Sachs Mitchell Sabshon 212-902-5686 | 3,000 | Archon Financial, Dallas | Wes Moffett, 972-501-3926 |
| | | Central Park Capital, Atlanta | Joe Mosley, 770-352-0117 |
| GMAC Commercial Mortgage Harold W. Purcell 215-328-3380 | 4,500 | GMAC Commercial Mortgage, New York | Daniel Driscoll, 212-214-0104 Steven Sokel, 212-214-0103 |
| Heller Financial David Friedman 312-441-6758 Robert Kukulka 312-441-7311 | 1,500 | Heller Financial | New York: Fran D'Loren, 212-880-2000 Chicago: Cheri Grossman, 312-441-6768 Denver: Brent Tharp, 303-592-8131 Atlanta: Dittany Schlegman, 770-980-6252 |
| IMH Commercial Holdings Clifford Endreson 714-477-9100 | 1,000 | Imperial Commercial Capital, Irvine, Calif. | Susan Endreson, 888-470-4222 |

| Funding Source | Proj. '98 CMBS Volume (\$Mil.) | Originator | Contacts |
|---|---|--|--|
| J.P. Morgan Michael Jungman 212-648-3636 | 1,750 | Dover House Capital | Atlanta: Kelly Ray, 770-351-8300 Boston: John Sullivan, 617-946-1633 Chicago: Brian Wloch, 312-541-3794 Charlotte: David Thrash, 704-554-6500 Dallas: Joe Sowell, 972-503-1030 San Francisco: John Jamison, 715-646-0123 Santa Ana, Calif.: Peter Rowe, 714-285-4800 |
| Lehman Brothers Brett Ersoff 212-526-4033 | 6,000 | Holliday Fenoglio, Houston | John Fenoglio, 713-527-9646 |
| | | Northland Financial, St. Louis | Rick Stevenson, 314-523-2111 |
| | | Legg Mason, Philadelphia | Craig Butchenhart, 215-496-3000 |
| | | Fowler Goedecke, Boston | John Fowler, 617-338-0990 |
| | | Laurette Realty, Charlotte | Tom Dennard, 704-332-4454 |
| | | Mellon Mortgage, Cleveland | Ned Huffman, 216-696-5432 |
| | | W. Lyman Case, Columbus, Ohio | Ted Schmidt, 614-481-3900 |
| Llama Capital Mike Lucash 501-444-4005 | 250 | Llama Mortgage Fayetteville, Ark. | Andrew Bethell, 501-444-4000 |
| | | McIlroy Bank, Fayetteville, Ark. | Gary Head, 501-575-1024 |
| | | Bank of Bentonville, Bentonville, Ark. | Danny Lewis, 501-271-1351 |
| | | Empire Bank, Springfield, Mo. | Russ Marquart, 417-881-3100 |
| | | State Bank & Trust, Tulsa, Okla. | Ray Baumgarten, 918-631-1407 |
| Merrill Lynch Robert Fitzpatrick 212-602-7501 Michael Norris 212-602-7502 | 2,000 | L.J. Melody Co., Houston | Brian Stoffers, 713-787-1900 |
| | | R.C. Wilson, Houston | Buddy Hopson, 713-840-8311 |
| | | Patrician Financial Co., Bethesda, Md. | Scott Suttle, 301-718-2000 |
| | | Berkshire Mortgage Finance, Boston | Kurt Reimann, 617-556-1584 |
| Weinbert & Associates, Atlanta | Larry Weinberg, 404-634-4700 | | |
| Midland Commercial Funding Steve Miller 800-746-4623 | 1,500 | Midland Commercial Funding | New England: Rick Butterfield, 816-843-5511 Mid-South: Veto Enna, 816-435-5045 Southeast: Terry Reigert, 816-435-6082 Mountain States: John Noli, 816-843-5509 West Coast: David Spotts, 816-435-2347 Great Lakes: Mark Levin, 816-435-2316 Upper Midwest: Dick Fuller, 816-435-6866 |
| Morgan Stanley Spencer Young 212-761-4000 | 2,500 | Morgan Stanley | Liz Haberkorn, 212-761-4471 George Kok, 212-761-4000 |
| National Realty Funding E.J. Burke 888-979-1200 | 900 | National Realty Funding | National: Clay Sublett, 888-979-1200 Mid-Atlantic: Jeff Kernis, 732-431-0058 Midwest: Dan Baker, 312-431-9234 |
| NationsBanc Montgomery Bill Green 704-388-1662 | 3,000 | Bankers Mutual, Newport Beach, Calif. | Trent Brooks, 714-851-9973 |
| | | Berkshire Mortgage Finance, Boston | Kurt Reimann, 617-556-1584 |
| | | First Security Bank, Las Vegas | Stephen Hamman, 702-387-3372 |
| | | L.J. Melody Co., Houston | Brian Stoffers, 717-787-1999 |
| | | Patrician Financial, Bethesda, Md. | William Comings, 301-718-2000 |
| | | Washington Mortgage, Vienna, Va. | Doug Moritz, 703-790-0730 |
| | | NationsBank Permanent Loan Group | Clyde Stutts, 704-386-2562 |
| | | NationsBank HealthCare Group | Julia Smith, 410-605-4027 |
| NationsBank Franchise Group | Randy Schultz, 404-607-5807 | | |
| Nomura Capital Kathy Corton 212-667-1735 | 6,000 | Nomura Capital | New York: Chuck Rosenzweig, 212-667-1522 Los Angeles: Wayne Brandt, 213-243-1732 San Francisco: Mike Brady, 415-743-1921 Chicago: Dave Murdoch, 312-408-9511 Hotel: Dan Abrams, 212-667-9171 Senior housing/healthcare: Ray Anthony, 212-667-1850 |
| Paine Webber Ron Wechsler 212-713-8963 | 1,000 | Paine Webber, New York | David A. Cohen, 212-713-9461 Kellogg C. Gaines, 212-713-1481 |

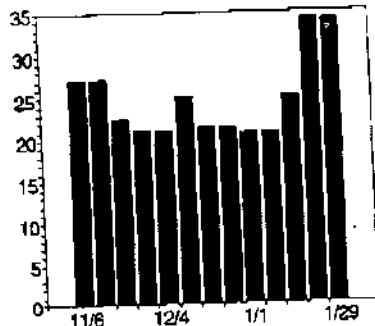
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|---|--------------------------------|--------------------------------------|---|
| PNC Bank Chris Milner 412-762-6110 Doug Schwarz, 412-768-4279 | 550 | PNC Bank | Pittsburgh: Rick Bogert, 412-762-4881 Philadelphia: Bob Goldstein, 215-585-7716 Chicago: Charles Krawitz, 312-908-3446 Washington: David Redmond, 202-393-2441 East Brunswick, N.J.: Stephanie Sehein, 732-220-3523 |
| | | PNS Realty Partners, Pittsburgh | John Pelusi, 412-281-8714 |
| | | Carey Kramer Co. | Tampa: T.J. Ownby, 813-221-7750 Orlando: Marc Sumner, 407-481-9920 |
| | | Eaton Partners, New Hampshire | David Eaton, 603-626-1964 |
| Prudential Mortgage Capital Marty Lanigan 973-367-3110 | 1,000 | Alliance Realty Advisors | Nashville: Steve Berry, 615-783-1000 Atlanta: Kin Heyward, 770-392-4288 Orlando: Jim Garner, 407-849-0108 |
| | | Cassidy & Pinkard | Davidson, N.C.: Buzz Foster, 704-892-0394 Washington: Phil Mudd, 202-463-1129 |
| | | Devon Realty Capital, Wayne, Pa. | Phil Deeler, 610-975-4444 |
| | | Hampton Financial, Fort Lauderdale | Scott Holloway, 954-493-9551 |
| | | Jacobson-Berger Capital | Englewood, Colo.: Steve Snyder, 303-741-4006 Dallas: Byron Berger, 972-233-7650 |
| | | JHP Realty Advisors | New York: Jim Houlhan, 914-472-6070 Boston: Gary Leach, 617-263-2455 |
| | | Johnson Capital, Irvine, Calif. | Guy Johnson, 714-660-1999 |
| | | Kensington Realty Advisors | Columbus, Ohio: Brian Trotter, 614-228-7899 Chicago: James Lee, 312-553-0780 |
| | | Northwest Commercial Mtge., Seattle | Gary Beem, 206-622-5933 |
| | | Plaza Realty Advisors, San Francisco | Jeff Day, 415-243-9300 |
| Theilman Financial, Overland Park | Donald Theilman, 913-642-4843 | | |
| Wells Fargo Bank Julie A. Forsythe 415-396-6616 | 2,500 | Wells Fargo | Sacramento: Brad Anderson, 916-440-4275 Chicago: Jaki Backer, 312-345-7669 Irvine, Calif.: Craig Brown, 714-251-4357 Denver: Larry Edmiston, 303-741-0800 Houston: Weir Goodwin, 713-250-2347 Atlanta: John Lauer, 770-435-3800 Phoenix: Dan Mercer, 602-378-6527 Washington: Bob Stout, 202-296-1796 San Diego: Ian Stuart, 619-699-3177 |

CMBS MARKET MONITOR: 1/29/98

Forward Supply
 Issues likely to price in coming months: \$33.9 Bil. (40 deals)



Deals Priced

\$6.3 Bil.

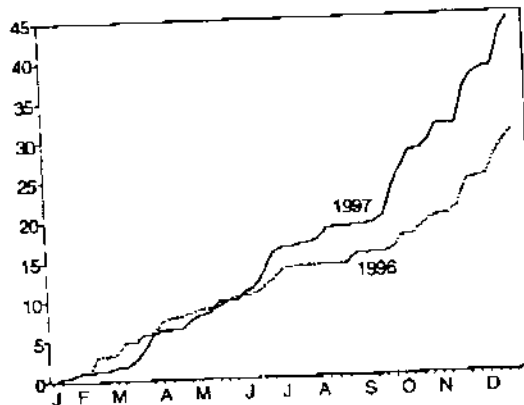
\$6.9 Bil.



Year-to-Date Volume

1997: \$44.3 Bil.

1996: \$30.0 Bil.



THE GRAPEVINE

... From Page 1
first conduit contract won by the Dallas-based originator and servicer since its formation last year by Banc One and ORIX USA. Meanwhile, Norwest Bank, which is making a big push in the CMBS trustee market, has won the trustee role on both the DLJ deal and an upcoming \$1 billion conduit offering by NationsBanc. Midland Loan Services will be master servicer for the NationsBanc deal.

GMAC Commercial Mortgage, Deutsche Morgan Grenfell and Lehman Brothers have decided to delay their three-way conduit deal by a month in order to avoid the heavy March calendar. The postponement will also give them a chance to increase the size of the offering, which was initially planned for \$1.5 billion.

The REIT investment community was buzzing last week about CCA Prison Realty Trust's \$100 million preferred stock offering. Insiders were shocked that the company was able to sell unrated preferred that pays only an 8% dividend, versus the more-typical 9% for unrated preferred. An executive at lead underwriter J.C. Bradford said that while CCA had not yet obtained an investment-grade rating, investors liked that fact that the company has low leverage and throws off plenty of cash to service its debt. Speculation was that the

underwriting group will sell most of the securities to retail accounts. CCA, which owns and operates state prison facilities, went public last year. Look for Moody's to soon issue ratings on the securities.

Nomura Asset Capital has provided \$135 million of financing for a partnership that is building a hotel in Times Square. The debt starts as a construction loan, converts into a bridge loan and ultimately will become permanent financing. The borrower, Times Square Partners, which is controlled by Intell Management and Investment, plans to develop a 50-story building that will be occupied by a Planet Hollywood hotel and restaurant.

Morgan Stanley was in the market last week with a \$326.1 million deal for Fannie Mae and National Cooperative Bank. Fannie Mae is contributing \$228.6 million of multi-family loans that were originated by its approved lenders, while NCB is kicking in \$97.5 million of its co-op loans. The underlying properties are located in 21 states, with concentrations in New York (31%) and Texas (15%). S&P, which is rating the \$21.2 million below-investment-grade portion, described the collateral pool as above-average in quality, but noted that the multi-family collateral has a relatively high loan-to-value ratio of 86.8%.

Meanwhile, BT Alex. Brown last week was close to floating \$422.8 million of

securities backed mostly by mortgages that Bankers Trust acquired in 1996 from USL Capital, the real estate financing arm of Ford Motor. The collateral pool is made up of 32 commercial mortgages. Bankers Trust will act as master servicer, GMAC Commercial Mortgage will be special servicer and State Street Bank will be trustee.

CALENDAR

Feb. 10: Real Estate Lenders Association holds its monthly breakfast meeting in New York. The speaker is Thomas A. Rizk, chief executive officer of Mack-Cali Realty. The meeting is open to lenders only. 212-692-9379.

March 5-8: Bond Market Association holds its annual meeting in Boca Raton, Fla. 212-440-9429.

March 22-24: Cornell University and Information Management Network hold their annual conference on hospitality-industry strategy in Dallas. 212-768-2800, ext. 1.

March 23-26: Strategic Research Institute holds a New York conference on commercial mortgage conduits. 800-599-4950.

April 3: New York University's real estate institute hosts its annual symposium on REIT mergers and acquisitions. 212-790-1324.

April 27-28: New York University holds its 20th annual New York conference on federal taxation of real estate transactions. 212-790-1362.

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COMMERCIAL MORTGAGE ALERT

The Weekly Update on Real Estate Finance and Securitization

February 15, 1999

CONDUIT PROGRAMS

Operators of securitization conduits, with their rosters of commercial-mortgage originators. **Pages 13-19**

S&P Mulls Preferred Rating Cuts

Many REIT issuers of preferred stock could see downgrades under a policy the agency is considering. **Page 2**

BofA Leads Flurry of Deals

The bank's \$1.2 billion CMBS issue is the first of seven slated to price in the weeks ahead. **Page 3**

Lease-Backed Deal Launched

Capital Lease is linking up with Bank of America for its second securitization of credit-tenant loans. **Page 3**

THE GRAPEVINE

There's a flurry of discussions going on among conduit operators interested in teaming up on deals. "Everyone's talking to everyone," said one player. The maneuvering is part of the fallout from last fall's market swoon. Conduits are eager to come to market more frequently to reduce the risk of aggregating loans. That means more players will be forced to team up on transactions to reach critical mass. Some teams could involve three or four players. Among the conduit operators scouting around for partners are Citigroup, First Union, Merrill Lynch and Paine Webber.

S&P plans to fine-tune its models for rating floating-rate CMBS. While the agency doesn't expect to make major changes, it does plan to re-examine the way it looks at some loans. Last
See GRAPEVINE on Back Page

Chastened Conduits Get Back to Business

After virtually closing up shop when the commercial MBS market crashed last fall, most conduit operators are back in force — albeit with a new game plan.

Increased competition in recent weeks has prompted lenders to tighten loan spreads and ease up on the stricter underwriting standards employed following the downturn, according to interviews with lenders, borrowers and rating-agency executives.

But loan demand has remained spotty. Some borrowers are waiting in the expectation that loan spreads will tighten further. Others remain angry at conduits that reneged on loan commitments. Nonetheless, there are signs that demand will pick up soon.

While many conduits have returned to the market, that does not mean their behavior is unchanged. The brush with disaster has chastened the operators, forcing adjustments in the way they do business. For the most part, the lenders are now focusing on plain-vanilla deals, planning to turn over their inventory much more quickly
See CONDUITS on Page 12

Big Loan Eyed for Times Square Building

An investment partnership that bought a Times Square office building at a bargain price three years ago plans to cash out later this year by seeking a mortgage of up to \$200 million.

The partnership, led by a unit of Zapco Holdings of Washington, paid \$55 million for the 500,000-square-foot property at 1500 Broadway. It financed the acquisition with \$45 million of relatively high-cost mortgages arranged by Lazard Freres.

The prepayment penalties on the loans expire this year, giving the partnership an opportunity to refinance the debt at lower rates — and capture some of the windfall profits that have resulted from a big run-up in the property's value.

The 33-story building stretches from 43rd to 44th Streets on the east side of Broadway in the heart of Times Square. Durst Organization is constructing an
See LOAN on Page 4

Morgan Stanley Lands Huge Office Loan

In the largest financing of a single property in six months, Morgan Stanley has won a hotly contested battle to provide a \$450 million mortgage on a massive Rockefeller Center office building.

At least half a dozen lenders were in the running before the property's owner, Mitsui Fudosan of Tokyo, narrowed down the field to Morgan Stanley and Chase Manhattan. It then tapped Morgan Stanley, which is expected to securitize the loan in a stand-alone offering within two months.

The mortgage is backed by the 2.3 million-square-foot building at 1251 Avenue of the Americas. The property, formerly known as the Exxon Building, stretches from 49th to 50th Streets on the west side of Avenue of the Americas.

The loan is the largest single-property financing in the U.S. since last July,
See OFFICE on Page 6

S&P Mulls Preferred Rating Cuts

S&P is considering a change in policy that could result in the abrupt downgrade of the preferred-stock ratings of REITs and other companies.

If enacted, the change could cause well over a dozen REITs to lose investment-grade status for their preferred shares. Currently, 17 of the 50 REITs with preferred-stock ratings from S&P are graded "BBB-," meaning that any downgrade would drop them into junk-level territory.

A lower rating would likely increase the cost of issuance by about 25 bp, which would be a bitter blow to the besieged sector. In recent months, REITs have increasingly turned to

preferred stock for financing because of weakness in the common-equity and bond markets.

S&P's review is focusing on whether the number of rating notches between a company's senior secured debt and preferred stock should be uniform across all sectors. In some cases, like REITs, there is now a one-notch difference, while in others sectors there is a two-notch gap.

The agency is weighing whether to institute a standard two-notch difference. That would enable a firm's subordinate debt to be rated at the notch in between. Since the preferred ratings of virtually all REITs are currently one notch below the senior unsecured ratings, the change would produce a flood of downgrades.

However, some people in the REIT industry are hoping that even if S&P adopts the new scale, the agency won't apply it to REITs, which seldom issue subordinate debt.

A decision is expected within a few weeks. □



LLAMA Capital Mortgage Company

Llama Capital Mortgage Company, a full-service commercial real estate finance company based in West Palm Beach, Florida is seeking candidates for the following positions:

Vice President, Capital Markets Structuring

The Vice President of Capital Markets Structuring will provide broad based capital markets and securitization support for all lending programs and be responsible for managing portfolios of whole commercial loans held for securitization including: (i) monitoring the portfolio composition and deal pipeline for optimal execution; (ii) establishing loan pricing; (iii) performing mark to market analysis; (iv) overseeing hedge strategy and daily positions; (v) structuring and reverse engineering the portfolio for optimal securitization execution and; (vi) management of the securitization process including interaction with rating agencies, investment banks, and partners. The successful candidate will have extensive bond structuring and reverse engineering experience with at least 2 years focus on commercial mortgage backed securities. Strong negotiating and presentation skills are required along with an advanced degree in Finance or Mathematics.

Commercial Loan Underwriter

This position will be responsible for all aspects of underwriting conventional first mortgages for securitization, mezzanine loans and CMBS acquisitions for all commercial property types. The candidate should have a thorough understanding of real estate fundamentals and conduit underwriting methodologies, as well as a minimum of two to three years experience in commercial real estate underwriting, lending or rating agency underwriting. A Bachelor's Degree is required as well as excellent real estate underwriting, analysis, organizational, and writing skills. Must be proficient in Excel, Word and Argus.

In-House Counsel

The In-House Counsel will be primarily responsible for supervising closings of commercial real estate loans that are originated for securitization, drafting form documents for a variety of structured finance programs, selecting outside counsel and overseeing all licensing and general legal matters for the company. Seeking candidates with strong business instincts and outstanding oral and written skills. Ideal candidates will possess a minimum of 5 years experience as a real estate attorney with a major law firm and will have graduated from a top law school. Experience with commercial real estate workouts and bankruptcies is a plus.

Qualified candidates please submit resumes to: Llama Capital Mortgage Company, 301 Clematis Street, Suite 3000, West Palm Beach, FL 33401, ATTN: Human Resources Director

Chase Expands

Chase Manhattan plans to expand its conduit operation by hiring about a dozen lending officers and opening offices in Dallas and Chicago.

The bank has also restructured the chain of command in the conduit, which is headed by managing director Patricia Micka. Rochelle Dobbs, also a managing director, was promoted to a new post, head of loan production.

The oversight of traditional-size conduit loans was previously divided among three executives, who were responsible for different regions. Those functions have now been centralized under Dobbs, who continues to report to Micka. She previously was responsible for the Northeast and West regions, as well as large-loan originations.

Chase's conduit, which already operates loan-production offices in New York, Houston and Los Angeles, is currently staffed by about 50 lending officers and 20 servicing specialists. The bank plans to add about a dozen originators, underwriters and loan closers over the next few months.

Chase operates one of the more active conduits. Last year, the firm securitized \$2.1 billion of conduit and large loans. The bank expects to originate more than \$3 billion of loans this year. □

BofA Leads Flurry of Deals

The commercial MBS market is bracing for a barrage of deals.

No fewer than seven transactions totaling \$6 billion are scheduled to be launched by the end of the month and priced by mid-March.

The spate of issuance, which will help clear out loan inventories that built up because of the market turmoil last fall, will provide a key test of CMBS prices. Spreads have generally been tightening in recent weeks as the market has regained its footing, and the performance of the upcoming deals will provide fresh indications of the sector's strength.

First out of the gate is a \$1.2 billion conduit offering that **Bank of America** launched last week. The transaction has a large concentration of collateral properties in California, representing 35% of the pool balance. Apartment (31%) and retail (26%) properties make up more than half the pool.

In a sign that spreads are tightening, underwriter **NationsBanc Montgomery** was shopping the transaction last week at spreads that were in line with those of a \$969 million **Wells Fargo-Morgan Stanley** deal that had more-favorable subordination levels. The triple-A portion of the Bank of America deal is supported by 29.75% subordination, versus 23% for the Wells deal, which priced last week (see Initial Pricing on Page 10).

The following is a breakdown of the deal, except for the junior classes, which are being acquired by **Banc One Mortgage**:

| Class | Amount (\$Mil) | Rating (M/S/D) | Avg. Life (years) | Price Talk (bp) |
|-------|----------------|----------------|-------------------|-----------------|
| A-1 | 198.9 | Aaa/AAA/AAA | 5.5 | 100 area |
| A-2 | 659.7 | Aaa/AAA/AAA | 9.5 | 117 area |
| B | 64.2 | Aa2/AA/AA | 9.7 | 128 area |
| C | 61.1 | A2/A/A | 9.8 | 145-150 |
| D | 67.2 | Baa2/BBB/BBB | 9.9 | 215-220 |
| E | 33.6 | Baa3/NR/NR | 9.9 | 315-320 |
| F | 51.9 | Ba2/NR/NR | 9.9 | 415-440 |

Meanwhile, a \$1 billion conduit transaction by **Residential Funding** and **Morgan Stanley** was expected to be launched last Friday. **Finova Realty** was originally expected to contribute loans to the transaction, but it will not participate.

Also launched last week was a \$500 million lease-backed conduit deal by **Capital Lease Funding** and **Bank of America** (see story on this page).

The other deals scheduled to hit the market over the next two weeks are:

- A \$1.6 billion conduit transaction by **Deutsche Bank** and **Banc One Mortgage**.
- A \$1.2 billion fusion deal by **GE Capital** and **Donaldson, Lufkin and Jenrette**.
- A \$540 million transaction backed by a loan on about 11 hotels owned by **Starwood Hotels & Resorts** (underwriters: **Lehman Brothers** and **Goldman Sachs**).
- A \$300 million floating-rate deal by **Imperial Credit** (underwriter: **J.P. Morgan**). □

Lease-Backed Deal Launched

Capital Lease Funding is preparing to conduct its long-awaited second securitization of loans backed by credit-tenant leases.

The New York lender will contribute \$384.5 million of credit-tenant loans to a \$492.5 million transaction, with **Bank of America** supplying the remaining \$108 million of collateral. Those mortgages, while not lease-backed, mesh well with **Capital Lease's** collateral because they carry 20-year terms and are fully amortizing.

The deal has qualified for favorable subordination levels from **Moody's**, **S&P** and **Duff**. The reason: **Capital Lease's** loans involve tenants with a high average credit rating: "A-." A hefty 80.5% of the transaction is rated triple-A.

Underwriter **NationsBanc Montgomery** began shopping the offering last week, with final pricing expected next week. The triple-A and double-A classes will be sold publicly, with the rest privately placed. **NationsBanc** has already lined up an unidentified B-piece buyer. **Midland Loan Services** will act as master and special servicer, but will not be buying any bonds.

The issue figures to be a bellwether for credit-lease lending. The sector was dealt a blow last year when one of the two pooled credit-tenant deals so far was put under review for possible downgrade only a few months after it priced. The \$646 million transaction, issued by **Daiwa Finance**, ran into trouble when the rating of two tenants at properties that accounted for 17% of the collateral pool were suddenly downgraded.

The only other deal backed solely by credit-tenant loans was conducted by **Capital Lease** in January 1997. That \$129 million offering was also underwritten by **NationsBanc**. The firm had hoped to conduct its follow-up offering last year, but held off because of market weakness. **Capital Lease** also tabled a plan to go public.

The largest loan in the upcoming deal, originated by **Bank of America**, is a \$44 million mortgage on Broadway at the Beach, a shopping and entertainment complex in Myrtle Beach, S.C., that is owned by the **Burroughs & Chapin**.

All of **Capital Lease's** collateral involves investment-grade tenants, including **Wal-Mart**, **Home Depot**, **Rite-Aid**, **Walgreen's**, **Royal Ahold** and **CVS Pharmacies**. For that reason, the bonds are expected to price closer to corporate bond levels than typical CMBS. □

Northwestern Funds Portfolio

Northwestern Mutual Life has originated a \$90 million mortgage backed by a 1.3 million-square-foot portfolio of office and industrial properties.

The 10-year, fixed-rate loan carries a rate of less than 7%. The borrower is **Realty Associates Fund IV**, a Boston-based partnership. The portfolio contains five office buildings and seven industrial properties. Most are located in Texas, with the remainder in Illinois, Georgia, Massachusetts and California. □

Pru Preps April Offering

Prudential Mortgage Capital has originated a \$40 million loan that will be included in its next securitization.

The 10-year loan is backed by four Illinois office buildings that encompass 630,000 square feet. The properties — owned by Fulcrum Capital of Sacramento — are fully occupied by the Illinois state government.

The loan will be part of a \$600 million pool of loans that Prudential plans to contribute to a \$1.3 billion transaction in April. The firm is close to lining up a partner for the issue, which will be underwritten by Prudential Securities.

Prudential Mortgage originally planned to contribute \$116

million of loans to a \$1 billion-plus offering in March by National Realty Funding and CIBC World Markets. But it subsequently decided not to participate and will now route those loans into its April deal.

Loan ... From Page 1

office tower directly across the street.

The partnership bought the building in September 1995 from Crossland Savings after the now-defunct thrift foreclosed on a \$76 million mortgage. At the time, the building generated some \$4 million of net operating income — just barely enough to support the Lazard financing package. Lazard placed a senior \$35 million mortgage with Credit Lyonnais and retained the \$10 million junior piece. The exact interest rates are not known, but the senior loan probably carries a coupon of 8% to 9%, while the junior portion's coupon is likely around 10%.

The loans carry five-year terms, with an option for a one-year extension. But they can be prepaid without penalties in a few months. The partnership has not yet started soliciting lenders, but plans to have a mortgage lined up within six months. "To refinance this building on a long-term basis would be the smart and prudent thing to do," said Charles Bendit, a principal of Taconic Investment Partners, which has an ownership interest in the building.

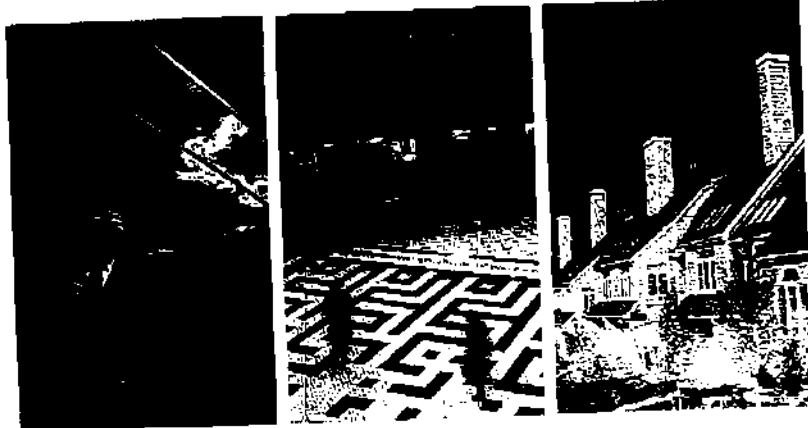
The property's value has soared amid the revitalization of Times Square. The owner has been able to boost rents, attract high-profile retail tenants and increase the amount of lucrative billboard space on the sides of the building. The most recent coup was leasing ground-level space to ABC's Good Morning America program at an astronomical rent — by some reports over \$8 million a year.

As a result, the property's value is now estimated to be more than \$250 million — making the investment a grand slam for the partnership. While the group could take its profit by selling the property, a mortgage is more attractive because it postpones a hefty capital-gains tax liability and leaves the potential for more upside if property values continue to appreciate.

How big a mortgage lenders would be willing to provide remains to be seen. But with the mortgage market starting to rebound, there figures to be strong competition for the assignment. □

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Daniel Panichelli, Principal - Carey, Kramer, Pettit, Panichelli & Associates, Inc.

"The nature of our client relationships is clearly underscored by Bear Stearns. What you did for us was most impressive. One client is actually referring business to us based on his experience with you."

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BEAR STEARNS

J.P. Morgan in Hiring Spree

J.P. Morgan is in the midst of a hiring spree aimed at enabling its conduit operation to double its originations.

Over the past month, the investment bank has hired 25 staffers, most of whom formerly worked for rival conduits, including those operated by **Capital America** and **Daiwa Finance**. J.P. Morgan plans to hire five more people in the next few months, bringing the conduit's total staffing to 95.

The conduit, J.P. Morgan Mortgage Capital, has also opened four additional loan-production offices, in Boston, Denver, Washington and Grand Rapids, Mich. That increased the firm's branch network to 11.

In addition to the hires, J.P. Morgan has promoted **Brien Wloch** to the post of national sales director. Wloch, who was previously a loan originator, reports to **Lamar C. Kelly Jr.**, who oversees the conduit, which was formerly called **Dover House Capital**.

Among the recently hired are:

- **Joe Tufariello**, formerly production manager for Capital America's East Coast operation. Tufariello, who reports to Wloch, will oversee originations from J.P. Morgan's New York, Atlanta, Charlotte and Washington offices.
- **Paul G. Jankovsky Jr.**, who formerly oversaw Merrill Lynch's Dallas office, will originate loans out of Dallas.
- **Dan Kerner**, formerly an originator for **Crümi Mae**. He will head the new Boston office.

- **Tim Koltermann**, formerly with Merrill Lynch's conduit. He will work on forming alliances with mortgage banks.
- **F. Alexander Ovalle**, who previously worked for Daiwa and Capital America. He will originate loans in Southern California.
- **Holly Schackow**, formerly an originator for **First Chicago**, will head the Grand Rapids office. □

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Office ... From Page 1

when **Lehman Brothers** provided a \$700 million loan to help **Conseco** and **Donald Trump** buy the 1.8 million-sf **GM Building** on Fifth Avenue in Manhattan. **Starwood Financial** subsequently bought a mezzanine position in the loan.

Mitsui acquired 1251 Avenue of the Americas in 1986 for \$610 million in cash and has left it unencumbered ever since. Last year it decided to start hunting for a mortgage. But potential lenders, stung by the market turmoil of last fall, weren't interested.

But things began shifting to Mitsui's favor late last year, when it received an offer from an insurance syndicate willing to provide a \$450 million credit. Mitsui rejected that proposal, but others soon followed. Wall Street lenders, suddenly eager to replenish depleted loan pipelines, began coming out of their self-imposed exiles with aggressive offers.

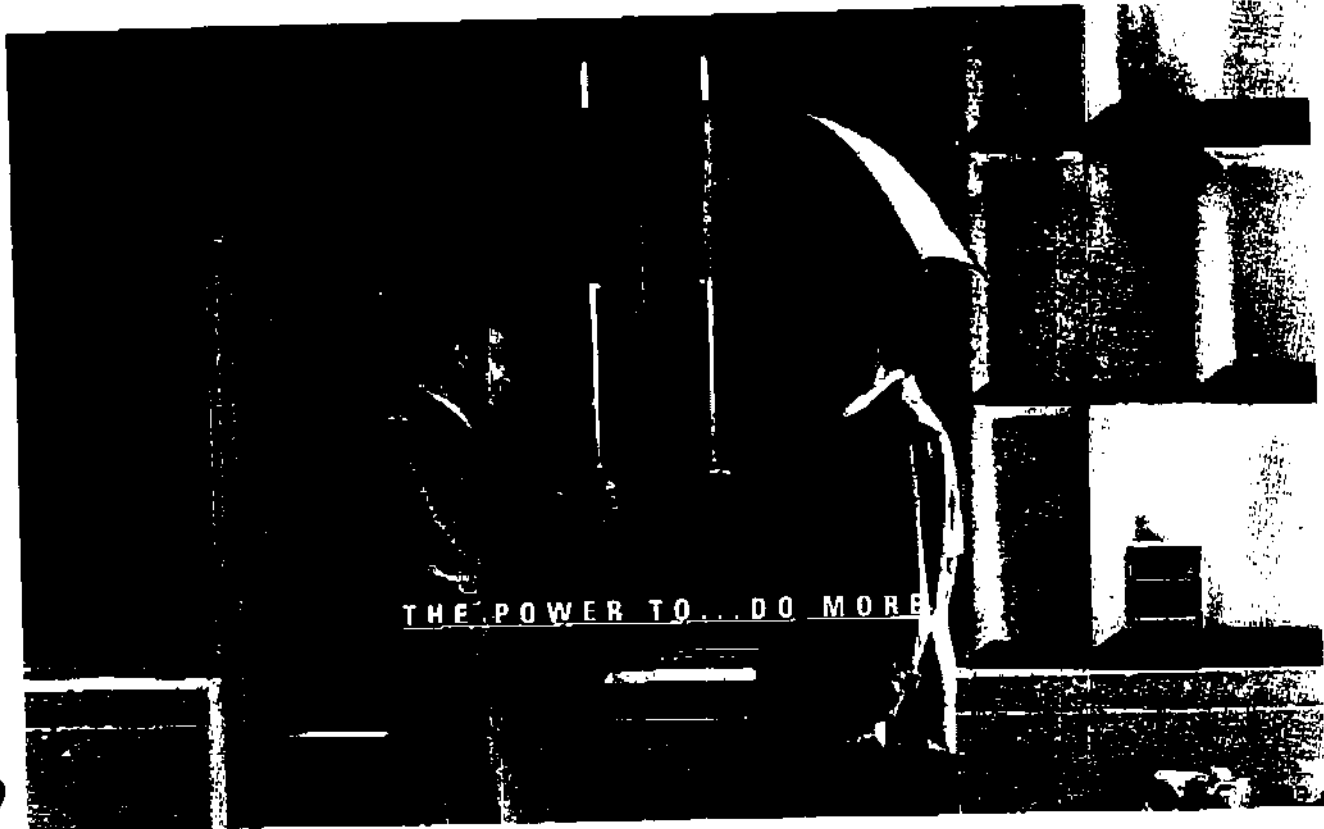
Some Wall Street lenders proposed unusual terms. At least one lender wanted to commit to a maximum rate, which would be lowered if CMBS spreads tightened by the time that a securitization took place.

The terms of Morgan Stanley's loan could not be learned. □

February 15, 1999

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7

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Primary Servicers Cry Foul

Some primary servicers of commercial MBS transactions are fighting mad over a proposal that could lead to the termination of their servicing contracts without cause.

The proposal, driven by Criimi Mae's bankruptcy filing, would affect transactions in which a master servicer is removed for poor performance or other reasons. At issue is whether the replacement master servicer should have the right to fire the transaction's primary servicers — and take over their contracts and fees.

Some rating agency officials contend that such an option

might be necessary to lure a replacement master servicer and thereby ensure that mortgage payments continue to be funneled promptly to bondholders. But primary servicers argue that removing them even though they are competently performing their jobs would be grossly unfair and deprive them of expected revenues.

The subject surfaced last fall when the language was proposed for a \$2 billion fusion deal by **Lehman Brothers**. The primary servicers of the transaction — **Banc One Mortgage Capital Markets, Laureate Realty, Legg Mason, Newport Mortgage and Northland Financial** — balked and have refused to sign the agreement. "It's like Khrushchev and Kennedy: Who's going to blink first?" said one servicing executive.

Primary servicers (who are also known as sub-servicers) collect loan payments from borrowers and forward the funds to a transaction's master servicer for ultimate distribution to bondholders. Lenders that originate loans used in conduit deals typically retain the primary-servicing rights to garner fee income and retain a relationship with borrowers. The number of primary servicers in a large securitization can vary widely, with some deals involving more than a dozen firms.

While the dispute is narrow in scope, it has touched a nerve among primary servicers. Initially theoretical, it subsequently increased in intensity when Banc One Mortgage terminated the primary servicers of a seasoned CMBS transaction after replacing Criimi as master servicer. Although the circumstances surrounding that deal were not directly comparable, they highlighted the risks involved.

Until now, contractual language for servicers had barely registered on anyone's radar screen. There isn't a standard contract between master and primary servicers, so guidelines often vary from deal to deal. In fact, in some cases, master servicers do have the right to terminate primary servicers at any time without cause. But the larger, more sophisticated primary servicers have generally insisted on agreements that protect them from removal. That's why they view the proposed language in the recent transactions as a threat.

The rating agencies have pushed for the change in the wake of the bankruptcy filing by Criimi, whose financial uncertainty forced it to sell

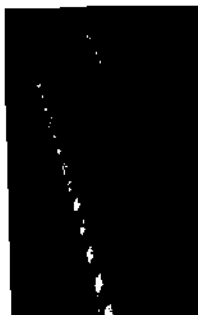
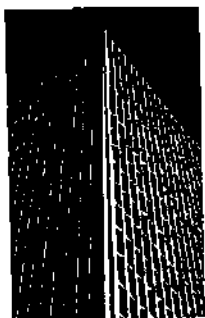
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Commitment and Service

February 15, 1999

COMMERCIAL MORTGAGE ALERT

9

... From Page 8

its master-servicing contracts. The agencies are concerned that the fee allocated for the master servicer in a transaction might not be enough to attract a replacement. One way to increase the compensation would be to give the new servicer the right to the primary-servicing fees.

While the dispute would seem to pit master servicers against primary servicers, that's not necessarily the case. A firm that is a master servicer on one transaction is often a primary servicer on another, creating dual interests. At the same time, master servicers are not particularly eager to include language in securitizations that would make it easier for them to get terminated.

The behind-the-scenes battle in the Lehman deal intensified last October when Banc One bought the master-servicing rights to two transactions from Criimi. The servicing agreements of one of the deals — the \$659 million Mortgage Capital Funding 1997-MC1 — had unusual language permitting the primary servicers to be terminated if Criimi was no longer the master servicer.

Banc One decided to exercise the option and buy out the contracts of about a dozen firms, including Citicorp, GMAC Commercial Mortgage, Midland Loan Services and NationsBank. For Banc One, the move provided direct economic benefits and eliminated the need to supervise an unwieldy number of sub-servicers.

Although the terminated servicers were paid fees based on a compensation schedule in the contracts, they were still unhappy about being elbowed out. For one thing, they considered the payoff to be inadequate. They also lost their link to the borrowers involved — which would have given them the inside track on refinancings.

On a broader basis, the action was a rude awakening for primary servicers, who say they were previously unconcerned about being terminated without their consent — because such a thing had never happened.

How the dispute raised in the Lehman deal will be settled remains unclear. The best guess is that provisions will be made to compensate terminated servicers.

But one thing seems certain: Primary servicers will be scrutinizing the language of their contracts more closely. □

UNSECURED NOTES

Duke Realty Investments

Amount: \$125 million

Date: Feb. 9

Lead Manager: Merrill Lynch

Co-managers: BT Alex. Brown, J.P. Morgan and Salomon Smith Barney

Note: The Indianapolis REIT last month floated \$100 million of preferred stock via underwriter Merrill Lynch.

| Amount (\$MIL) | Coupon (%) | Dollar Price | Yield (%) | Term (years) | Spread (bp) | Rating (M/S/D) |
|----------------|------------|--------------|-----------|--------------|-------------|----------------|
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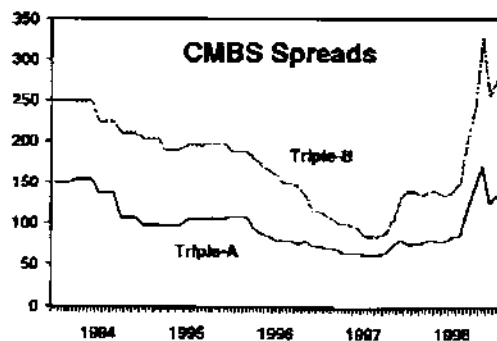
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How CMBS Are Performing

Spreads and returns

| | Spread to Treas (1/31/99) | Spread to Treas (12/31/98) | Duration (Years) | Total Return (Jan.) | Total Return (1998) |
|-----|---------------------------------|----------------------------------|---------------------|---------------------------|---------------------------|
| AAA | +125 | +136 | 4.71 | 1.44 | 8.38 |
| AA | +145 | +161 | 6.00 | 1.74 | 8.00 |
| A | +175 | +186 | 6.19 | 1.80 | 8.18 |
| BBB | +285 | +275 | 6.21 | 1.25 | 6.18 |
| BB | +575 | +575 | 6.01 | 1.60 | -4.82 |
| B | +825 | +825 | 5.84 | 1.16 | 3.15 |

Source: Morgan Stanley



INITIAL PRICING

Morgan Stanley Capital I Inc., 1999-WF1

Pricing date: Feb. 11
Closing date: Feb. 25
Dollar amount: \$968.5
Seller/borrower: Wells Fargo Bank, Morgan Stanley
Lead manager: Morgan Stanley
Co-managers: Goldman Sachs, Norwest Investment Services
Master servicer: Wells Fargo
Special servicer: GMAC Commercial Mortgage
Trustee: LaSalle National Bank
Property types: Multi-family (30.7%), retail (24.3%), industrial (16.9%), office (13%), hotel (9%), mobile-home (2.1%), self-storage (1.8%) and other (2.2%).
Location: California (45.6%), Texas (10.9%), Illinois (5.9%), Georgia (4.7%), Arizona (4.4%) and 24 other states (28.5%).
Offering type: SEC-registered
Notes: Wells and Morgan Stanley teamed up to securitize loans originated by their conduit programs. Wells contributed 60.7% of the pool balance, while Morgan Stanley supplied the rest. The largest loan in the portfolio, with a balance of \$41.2 million (4.3% of the pool balance), is secured by the Golf Mill shopping center, a 964,000-square-foot mall in Niles, Ill., that is managed by General Growth Properties. A GMAC Commercial Mortgage partnership is buying the junior tranches. See story on page 3. CMA code: C99017

| Class | Amount (\$Mil) | Rating (Moody's) | Rating (Duff) | Subord. (%) | Maturity (Date) | Avg. Life (Years) | Spread (bp) | Benchmark |
|---------|-------------------|---------------------|------------------|----------------|--------------------|----------------------|----------------|-------------|
| A-1 | 269.000 | Aaa | AAA | 23.00 | 11/15/31 | 5.50 | +100 | 5 yr Treas |
| A-2 | 478.754 | Aaa | AAA | 23.00 | 11/15/31 | 9.38 | +117 | 10 yr Treas |
| B | 48.425 | Aa2 | AA | 18.00 | 11/15/31 | 9.61 | +128 | 10 yr Treas |
| C | 43.583 | A2 | A | 13.50 | 11/15/31 | 9.64 | +150 | 10 yr Treas |
| D | 9.885 | A3 | A- | 12.50 | 11/15/31 | 9.64 | +175 | 10 yr Treas |
| E | 29.056 | Baa2 | BBB | 9.50 | 11/15/31 | 9.69 | +220 | 10 yr Treas |
| F | 16.949 | NR | BBB- | 7.75 | 11/15/31 | 10.48 | +320 | 10 yr Treas |
| G | 9.685 | Ba1 | BB+ | 6.75 | 11/15/31 | | | |
| H | 19.370 | Ba2 | BB | 4.75 | 11/15/31 | | | |
| J | 7.264 | Ba3 | BB- | 4.00 | 11/15/31 | | | |
| K | 8.232 | B1 | NR | 3.15 | 11/15/31 | | | |
| L | 12.107 | B2 | NR | 1.90 | 11/15/31 | | | |
| M | 4.842 | B3 | NR | 1.40 | 11/15/31 | | | |
| N | 4.843 | Caa2 | NR | 0.90 | 11/15/31 | | | |
| O | 8.717 | NR | NR | 0.00 | 11/15/31 | | | |
| X (IO)* | 968.512 | Aaa | AAA | | 11/15/31 | | | |

INITIAL PRICING

Care Homes No. 2 Ltd.

Pricing date: Feb. 5
Closing date: Feb. 15
Dollar amount: 265 million pounds (\$434.6 million)
Seller/borrower: Nursing Home Properties, London
Lead managers: Merrill Lynch and J.P. Morgan
Co-manager: Dresdner Kleinwort Benson
Master servicer: Nursing Home Properties
Trustee: Royal Exchange Trust
Property types: Nursing homes
Location: United Kingdom
Offering type: Non-U.S.
Notes: The offering financed a sale-leaseback transaction. Nursing Home Properties bought 103 nursing-home and long-term care properties in the U.K. from their operators and leased them back to the sellers. The London firm financed the acquisition by securitizing 25-year leases on the properties. The bonds, offered in London, were denominated in pounds. See story on page 7 of Jan. 25 issue. CMA code: 99027.

| Class | Amount (Pounds) | Amount (\$Mil.) | Rating (S&P) | Rating (Duff) | Subord. (%) | Coupon (%) | Dollar Price | Maturity (Date) | Avg. Life (Years) | Spread (bp) | Benchmark |
|-------|-----------------|-----------------|--------------|---------------|-------------|------------|--------------|-----------------|-------------------|-------------|-------------|
| A | 180.0 | 295.2 | AAA | AAA | 32.1 | 5.75 | 99.793 | 2/15/23 | 24.0 | +135 | 8% UK Govt. |
| M | 60.0 | 98.4 | A | A | 9.4 | 6.65 | 99.810 | 2/15/23 | 24.0 | +225 | 8% UK Govt. |
| B | 25.0 | 41.0 | BBB | BBB | 0.0 | 7.65 | 99.826 | 2/15/23 | 24.0 | +325 | 8% UK Govt. |

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Conduits ... From Page 1

and avoiding big loans that expose them to too much risk. In addition, they are more open to alliances with other conduits and originators.

When the CMBS market was brought to its knees last September by fallout from global economic turmoil, conduit lending slowed to a trickle. At the time, the slowdown was expected to last well into 1999. But the tide turned late last year, when a rebound in the CMBS market once again gave conduits an exit strategy for their loans. "It's almost as if someone turned on a light switch," said **Brian Stoffers**, an executive vice president of **L.J. Melody**, a Houston mortgage broker. "There's been a dramatic increase in lender interest."

As lenders began competing for a still-limited pool of borrowers, loan spreads began to drop. They now generally stand at less than 200 bp over Treasuries for less-risky properties and 225-250 bp for lower-grade properties. While still about 75-100 bp wider than last summer's levels, the spreads are 75-100 bp less than the peak reached last fall.

In addition to competing on price, conduits have increased the amount of proceeds they will provide to borrowers. When the market tanked, lenders pulled back to a strict 70% loan-to-value ratio. The cap has since moved back up to about 80% — which is still below the LTVs conduits were comfortable with until last summer.

As a result, the tightening of underwriting standards predicted last fall has been mild. "The crunch wasn't deep enough or long enough to have a lasting impression on underwriting standards," said **Irene Rundblom**, a senior vice president of **Duff**.

Now conduits are hoping for a rebound in loan demand. One damper has been a decline in property acquisitions because investors are finding it hard to raise equity. The furious pace of property sales last year was a key underpinning of the loan market.

While some property owners are holding back on financings because they anticipate spreads will tighten, others are looking elsewhere for loans because they are fed up with conduits. "Borrowers are still annoyed that their commitments were pulled" last fall, said **Joseph J. Ori**, director of **BDO Seidman's** real estate services group.

Lenders are seeing some hopeful signs that borrowers are starting to test the waters again. **Carmella Anderson**, a managing director of **Bank of America**, said the bank is fielding inquiries for about \$1 billion of commercial mortgages every week. While less than the \$1.5 billion rate at last summer's peak, it is much higher than the level experi-

enced last fall. "Borrowers stepped back at the end of the year, but since the first of January, they have come back," **Anderson** said.

Several factors point to an increased need for borrowing. Many owners that wanted to sell properties last fall are now looking to cash out by refinancing. Property sales should pick up, partly because a number of opportunistic investment funds are expected to liquidate assets this year. And some of the mortgages that were securitized in the early 1990s are scheduled to be refinanced.

"Financing will be to 1999 what property sales were to 1998, said **John Bralower**, president of **Sonnenblick-Goldman**, which is currently arranging more than \$600 million of loans.

Going forward, the conduit market will look somewhat dif-

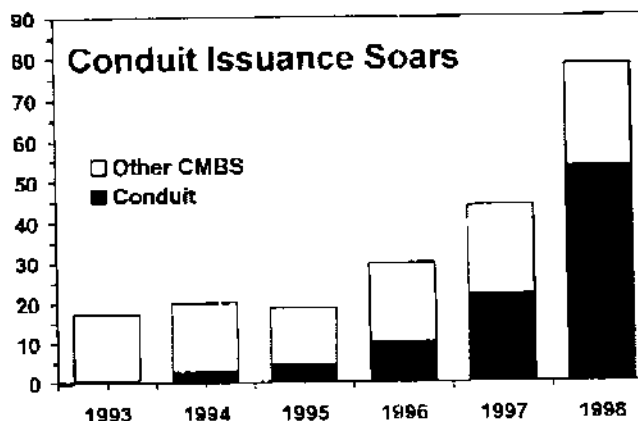
ferent than last year. Three big firms — **Capital America**, **Conti-Trade Services** and **Daiwa Securities** — have exited the business. Others, most notably **Credit Suisse First Boston**, remain, but with a substantially reduced presence. Still others — like **Amresco** and **WMF Group** — no longer fund loans, but originate mortgages for other lenders.

The surviving conduit operators plan to take steps to reduce their exposure in another downturn. Most say they will securitize more frequently. Others, like **National Realty Funding**, have reduced the length of time they will guarantee

spreads. **National Realty** previously guaranteed spreads from the day the loan document was written up. Now the guarantee is good only from the commitment date. That change, coupled with a more-frequent securitization schedule, means **National Realty's** average exposure to spread risk should be cut in half, to roughly four months, said **E.J. Burke**, the firm's president.

Another change is that originators are now more likely to share risk by teaming up on big loans. That's what **Goldman Sachs** and **Lehman Brothers** just did on a \$540 million mortgage to **Starwood Hotels & Resorts**.

Finally, in a throwback to the early days of the market, conduits and mortgage banks are again seeking to form stronger alliances, rather than work with a constantly changing cast of partners. "People don't want to do business with the conduit of the month," said **Mitchell Sabshon** of **Archon Financial**, an affiliate of **Goldman**. "They want long-term relationships." **Archon** recently entered into more-formal relationships with brokers **L.J. Melody** and **Cohen Financial** of **Chicago**. □



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February 15, 1999

COMMERCIAL MORTGAGE ALERT

13

Conduit Operators: Pipelines for Securitization

The following is a list of conduit operators that aggregate loans for securitization. In many cases, some or all of the outside originators are not listed.

Archon Financial/Goldman Sachs

Contact: Mitchell Sabshon, 972-501-3954

Projected '99 CMBS Volume: \$3 billion

Originators:

Archon Financial

New York: Ken Margala, 212-541-2417

Atlanta: Dan Maples, 404-262-2249

Dallas: Roddy O'Neal, 972-724-1474

Dallas (health care): Shane Lewis, 972-501-3921

Los Angeles: Greg Nakahira, 310-712-4987

Chicago: Stratos Athanassiades, 630-792-7380

Goldman Sachs

Fixed-rate "Grande": Mark Weiss, 212-902-9063

Floating-rate "Grande": Meg Blakey, 212-902-5408

Bank of America

Contact: Brian Scott, 602-594-4364

Projected '99 CMBS Volume: \$6 billion

Originators:

Bank of America

Mid-Atlantic, Northeast, Midwest: John Tinkey, 704-388-3669

Southwest, Southeast: Clyde Stutts, 704-386-2562

West: Jim Hildebrand, 415-445-4008

ARCS Commercial

Harold Rose, 818-676-3215

Bankers Mutual

Newport Beach, Calif.: Bryan L. Frazier, 714-851-9973

Berkshire Mortgage

Boston: Kurt Reimann, 617-556-1584

First Security Bank

Las Vegas: Sam Jeppson, 801-246-2710

LJ Melody Co.

Houston: Brian Stoffers, 713-787-1999

Patrician Financial

Bethesda, Md.: William Comings, 301-718-2000

Washington Mortgage

Vienna, Va.: Rob Schweitzer, 704-370-5500

Bear Stearns

Contacts:

Christopher Hoeffel, 212-272-7918

Barry Schumacher, 212-272-6858

Projected '99 CMBS Volume: \$1.5 billion

Originator: Bear Stearns

New York: Greg Spevok, 212-272-6104

Capital Lease Funding

Contact: Paul McDowell, 212-217-6300

Projected '99 CMBS Volume: \$900 million

Originator: Capital Lease Funding

New York: Steven Maloy, 212-217-6300

New York: William F. Paylor, 212-217-6300

Scottsdale, Ariz.: Mitch Davis, 602-609-4345

Continued on Page 14

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Conduit Operators (continued)**Chase Commercial Mortgage Banking**

Contact: Patricia A. Micka, 212-622-3450

Projected '99 CMBS Volume: \$3 billion

Originator: Chase Commercial Mortgage Banking
 Nationwide: Rochelle R. Dobbs, 212-622-3444

CIBC Oppenheimer

Contacts:

Michael Higgins, 212-856-3594

Richard Turnbull, 212-667-8557

Projected '99 CMBS Volume: \$1.2 billion

Originator: CIBC Oppenheimer

New York: Andy Kleinberg, 212-667-8547

Chicago: Chris Hughes, 312-855-3223

Los Angeles: Gary Goss, 213-617-6213

Atlanta: Joe Braver, 404-262-5308

Dallas: Ella Neyland, 214-855-2953

Citigroup/Salomon Smith Barney

Contact: Richard Jarocki, 212-559-0217

Projected '99 CMBS Volume: \$2 billion

Originators:

Bank United

Houston: Steve Champagne, 713-543-6955

BB&T

Winston-Salem, N.C.: Joe Brown, 336-733-1414

Citibank Private Banking

New York: Jerry Gates, 212-559-6674

Financial Federal

Memphis: Richard Wood, 901-759-2134

GMAC Commercial Mortgage

Harold Purcell, 215-328-3380

Greyfield Finance

Boston: Miller Blew, 617-338-6700

Funtington Capital

Columbus, Ohio: David Abshier, 614-480-4362

L.J. Melody Co.

Houston: Brian Stoffers, 713-787-1999

Legg Mason Real Estate

Philadelphia: B. Craig Butchenhart, 215-496-3062

Mellon Mortgage

Overland Park, Kan.: Gardiner Champlin, 913-661-7546

Mitchell Mortgage

Houston: Don Hickey, 713-377-7800

Skyrnar Capital

Miami: Steve Wood, 305-594-1996

Ward Cook Mortgage

Portland, Ore.: Richard Perkins, 503-275-8693

Credit Suisse First Boston

Contacts:

Mark Finerman, 212-325-4348

Bill Adamski, 212-325-2439

Projected '99 CMBS Volume: \$5 billion

Originator: Credit Suisse First Boston

Deutsche Bank Securities

Contact: Jon A. Vaccaro, 212-469-6985

Projected '99 CMBS Volume: \$2 billion

Originator: TransAtlantic Capital

New York: Lou Mirando, 212-469-8989

San Francisco: Hal Steele, 415-217-4231

Chicago: Tom Borow, 312-578-4105

Continued on Page 15



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COMMERCIAL MORTGAGE ALERT

15

Conduit Operators (continued)**Donaldson, Lufkin & Jenrette**

Contact: Donald MacKinnon, 212-892-4858

Projected '99 CMBS Volume: \$3.5 billion

Originators:

Column Financial

Kieran Quinn, 404-299-5353

Union Capital Investments

Collins Powell, 770-394-7121

Fannie Mae

Contact: Grace A. Huebscher, 202-752-3678

Projected '99 CMBS Volume: \$2 billion

Originators: (DUS lenders and others)

Finova Realty Capital**Contacts:**

Jeff Tomei, 949-442-8024

Dave Rogers, 949-442-8003

Projected '99 CMBS Volume: \$2.5 billion

Originator: Finova Realty Capital

Jeff Tomei, 949-442-8024

Dave Rogers, 949-442-8003

First Union

Contact: Barry P. Reiner, 704-374-4499

Projected '99 CMBS Volume: \$4.5 billion

Originator: First Union

Multi-family: Robert Verrone, 704-383-9664

Commercial: Chuck Walter, 704-383-3928

National: Brett Smith, 704-383-6135

Whole loans: Tim Martin, 704-383-8268

Constr, perm, large: Dave Shillington, 704-383-4132

GE Capital Access

Contact: Daniel J. Smith, 972-728-7519

Projected '99 CMBS Volume: \$6 billion

Originator: GE Capital Access

Boca Raton, Fla.: Paul Ahmed, 561-999-3108

Atlanta: Ed Coco, 770-999-6713

Los Angeles: Pete DeLeon, 213-996-5254

Phoenix: Gary Fairbanks, 602-852-8505

N.E./D.C.: David Harrison, 202-637-4170

N.E./New York: Scott Holcombe, 212-850-5800

Chicago: Bruce Gerhart, 312-360-7449

San Francisco: Sharon Groenendyck, 415-247-1210

Irvine, Calif.: Brent Wessel, 949-477-1528

Dallas: Dan Littauer, 972-728-7504

GMAC Commercial Mortgage**Contacts:**

Steven Sokol, 212-214-0100

Daniel Driscoll, 212-214-0100

Projected '99 CMBS Volume: \$5.5 billion

Originator: GMAC Commercial Mortgage

Barry Gersten, 212-214-0105

Jonathan Kaye, 212-214-0106

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(214) 692-4700

Continued on Page 16

Conduit Operators (continued)**Greenwich Capital****Contacts:**

Mark R. Jarrell, 949-225-5401

Gary E. Swon, 949-225-5401

Projected '99 CMBS Volume: \$1.5 billion

Originators:**Continental Wingate**

Boston: Michael Berman, 781-707-9333

Skymar Capital

Miami: Steven Hayes Wood, 305-594-1996

Washington Mortgage

Charlotte: Michael Greco, 704-370-5555

Heller Financial

Contact: Robert Kukulka, 312-441-7311

Projected '99 CMBS Volume: \$1 billion

Originator: Heller Financial

New York: Rich Meth, 212-880-7057

Atlanta: Blake Overbay, 770-980-6291

Florida: Kevin Vogel, 954-385-2263

Dallas: Mike Wallis, 214-220-7042

Chicago: Bill Avery, 312-441-7418

Denver: Rhett Nunnally, 303-592-8134

San Francisco: Ted Hopkins, 415-356-1342

Los Angeles: Sar Kotoyan, 310-446-4219

Impac Commercial Capital Corp.**Contacts:**

Rick Davenport, 949-477-9100

Cliff Endresen, 949-477-9100
 Projected '99 CMBS Volume: \$750 million
 Originator: Impac Commercial Capital
 Rick Davenport, 949-477-9100
 Cliff Endresen, 949-477-9100

J.P. Morgan**Contacts:**

Lamar C. Kelly Jr., 770-351-8330

Brien P. Wloch, 770-351-8330

Projected '99 CMBS Volume: \$2 billion

Originator: J.P. Morgan Mortgage

Atlanta: Robert Bernstein, 770-351-8321

Boston: Daniel Kerner, 617-946-1633

Chicago: Brien Wloch, 312-541-3794

Charlotte: David Thrash, 704-554-6500

Dallas: Rod Feppe Jr., 214-758-2170

Grand Rapids, Mich.: Holly Schackow, 616-975-0134

San Francisco: John Jamison, 415-954-9183

Santa Ana, Calif.: John Hosea, 714-285-4800

John Hancock Real Estate Finance**Contacts:**

Sam Davis, 617-572-9886

Debbie McAneny, 617-572-4522

Projected '99 CMBS Volume: \$750 million

Originator: John Hancock

East: David Henderson, 617-572-9894

Central: Barry Nectow, 617-572-0193

West: John O'Sullivan, 617-572-9881

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17

Conduit Operators (continued)**LaSalle National Bank**

Contact: Lawrence Silberman, 312-904-4533
 Projected '99 CMBS Volume: \$4 billion
 Originator: LaSalle National Bank
 Joseph Peri, 312-904-8623
 Charles Krawitz, 312-904-8013

Lehman Brothers

Contact: Brett Ersoff, 212-526-4033
 Projected '99 CMBS Volume: \$5 billion

Originators:

Legg Mason Real Estate
 Philadelphia: R. Craig Butchenhart, 215-496-3062
 Laureatte Realty
 Charlotte: Tom Dennard, 704-332-4454
 Northland Financial
 St. Louis: Rick Stevenson, 314-301-1810
 Holliday Fenoglio
 Houston: Mark Gibson, 214-265-0880
 L.J. Melody Co.
 Houston: Brian Stoffers, 713-787-1999
 Carey Kramer Co.
 Dan Pettit, 610-341-0200
 Collateral Mortgage
 Birmingham, Ala.: Dave Roberts, 205-978-1841
 Cohen Financial
 Chicago: Jack Cohen, 312-346-5680

Llama Capital Mortgage

Contact: Jordan Paul, 561-832-8480
 Projected '99 CMBS Volume: \$500 million
 Originator: Llama Capital Mortgage
 North: Richard Bosworth, 561-832-8480
 East: Bill Fazzano, 800-719-2262
 Southeast: Christine Wojcik, 800-719-2262

Merrill Lynch

Contact: Michael Norris, 212-602-7502
 Projected '99 CMBS Volume: \$2 billion

Originators:

Merrill Lynch
 New York: Stephen Geissler, 212-602-7526
 Dallas: Glenn Hargrove, 214-999-6656
 Newport Beach, Calif.: James Fowler, 949-720-3001
 Weinberg & Assoc.
 Atlanta: Larry Weinberg, 404-634-4700

Merrill Lynch-Canada

Contact: John Ho, 416-586-6491
 Projected '99 CMBS Volume: \$750 million

Originators:

Canada Life Mortgage
 Toronto: Bob Clarke, 416-366-6894
 First National Financial
 Toronto: Jamie McCallum, 416-593-1100
 Montrose Mortgage
 Richard Brownscombe, 204-982-1110

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Conduit Operators (continued)

Midland Commercial Funding

Contact: Steve Miller, 800-746-4623
 Projected '99 CMBS Volume: \$2 billion
 Originator: Midland Commercial Funding
 West: David Spotts, 816-435-2347
 Pacific Northwest: Bill Burghart, 816-435-6856
 Mountain States: Terry Reigert, 816-435-6082
 Midwest: Veto Enna, 816-435-5045
 Upper Midwest: Dick Fuller, 816-435-6866
 West Pennsylvania: Don Spalding, 412-762-2050
 Philadelphia: Bob Goldstein, 215-585-7716
 New Jersey: Stephanie Sehein, 732-220-3523
 Northeast: Doug Schwarz, 732-220-3521
 Southeast: Aldrain Taylor, 404-504-9116
 Bank originations: Don Jackson, 602-220-9565
 National accounts: Bill Osterman, 816-435-2346

Morgan Stanley

Contact: Spencer Young, 212-761-4512
 Projected '99 CMBS Volume: \$5 billion
 Originator: Morgan Stanley
 Liz Haberkorn, 212-761-4471
 George Kok, 212-761-4478

National Cooperative Bank

Contact: Steven Brookner, 202-336-5479
 Projected '99 CMBS Volume: \$800 million
 Originator: National Cooperative Bank
 New York: Ed Howe, 212-808-0880
 Chicago: Robin Odland, 312-255-1800
 Washington: Joseph Sturrale, 202-336-7686

Continued on Page 19



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Charles Victor, Executive Vice President

Conduit Operators (continued)

National Realty Funding

Contact: E.J. Burke, 816-460-2100
 Projected '99 CMBS Volume: \$2 billion
 Originator: National Realty Funding
 Northeastern: Steve Ring, 888-979-5275
 North Central: Dan Baker, 312-431-9234
 Northwest: Jeff Day, 888-979-1437
 East/Midwest: Clay Sublett, 888-979-1200
 West: Mike Caffrey, 888-979-1200

NW LLC

Contact: Kevin M. Byrne, 253-565-7255, ext. 16
 Projected '99 CMBS Volume: \$300 million
 Originator: NW LLC
 Western: Peter Hayden, 650-685-2424
 Central: Bob Martin, 253-565-7255, ext. 25
 Eastern: Frank Macy, 336-724-7351

Paine Webber

Contact: Ron J. Wechsler, 212-713-8963
 Projected '99 CMBS Volume: \$1.5 billion
 Originator: Paine Webber
 David A. Cohen, 212-713-9461
 Jerome Ellis, 212-713-7952
 Kellogg C. Gaines, 212-713-1481

Prudential Mortgage Capital

Contact: Mary T. Lanigan, 973-367-3110
 Projected '99 CMBS Volume: \$1.5 billion
 Originators:

Prudential Mortgage Capital
 Midwest: Dave Harvey, 312-228-6500
 East Coast: Keith Hires, 770-395-8603
 West Coast: Jeff Elm, 415-291-5001
 Alliance Realty Advisors
 Atlanta: Kin Heyward, 770-676-1000
 American Property Finance
 Neil Hammitt, 402-694-1018
 Cassidy & Pinkard

Washington: Phil Mudd, 202-463-2100
 Devon Realty Capital
 Wayne, Pa.: Phil Deeter, 610-975-4444
 Hampton Financial
 Fort Lauderdale, Fla.: Scott Holloway, 954-493-9551
 JHP Realty Advisors
 New York: Jim Houlihan, 914-472-6070
 Boston: Gary Leach, 617-263-2455
 Johnson Capital
 Irvine, Calif.: Guy Johnson, 949-660-1999
 Kensington Advisors
 Chicago: James Lee, 312-553-0780
 Mile High Properties
 Denver: Richard O'Brien, 303-764-6136
 Northwest Commercial Mortgage
 Seattle: Gary Beem, 206-622-5933
 Plaza Realty Advisors
 San Francisco: Chris Williams, 415-243-9300
 Thellman Financial
 Overland Park, Ks.: Donald Thellman, 913-642-4843

RF Commercial

Contacts:
 Bob Conway, 612-832-7508
 Bill Tyson, 301-2150-6284
 Projected '99 CMBS Volume: \$1.25 billion
 Originator: RF Commercial
 Washington: Bill Tyson, 301-215-6284
 Atlanta: Richard Warner, 770-280-1600

Teachers Insurance/Credit Suisse First Boston

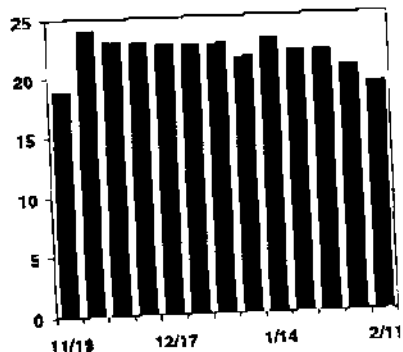
Contact: Dot Coddington, 212-916-6304
 Projected '99 CMBS Volume: \$500 million
 Originator: Amresco Capital
 Dallas: Ted Norman, 214-953-8445
 Dallas: Leonard Simpson, 214-953-8397

Wells Fargo Bank

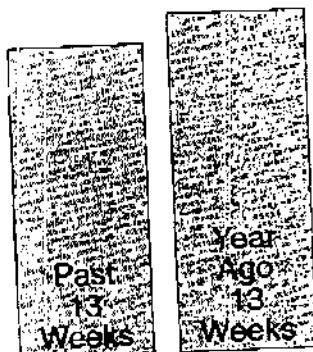
Contact: Julie A. Forsythe, 888-777-0067
 Projected '99 CMBS Volume: \$2.4 billion
 Originator: Wells Fargo
 Julie A. Forsythe, 888-777-0067

CMBS MARKET MONITOR: 2/11/99

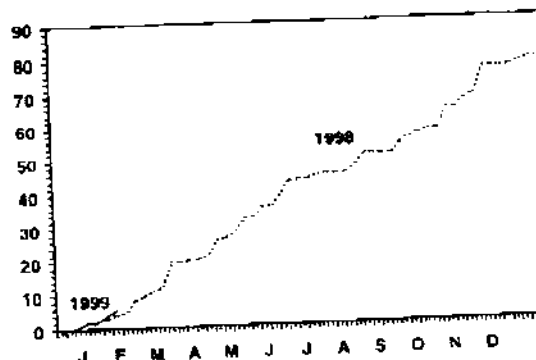
Forward Supply
 Issues likely to price
 in coming months:
 \$19.3 Bil. (21 deals)



Deals Priced
 \$16.0 Bil. \$17.0 Bil.



Year-to-Date Volume
 1999: \$5.4 Bil. 1998: \$4.0 Bil.



THE SCENE

... From Page 1
year, S&P rated only \$4.2 billion of floating-rate transactions, far less than the \$14.4 billion total for Moody's. The review might help S&P increase its share of that segment. But **Gale Scott**, who oversees the agency's CMBS group, said S&P has no expectations of catching up with Moody's. "There's a general philosophical difference between how we view" floating-rate transactions, she said.

Fred Burchill last week formally resigned as executive vice president and head of business development at **Criimi Mae**. The resignation follows his public expression of dissatisfaction with a proposed compensation package in the wake of Criimi's bankruptcy filing.

Steven Palmer, formerly senior underwriter for the CMBS group of **Deutsche Bank**, has landed at **Greenwich Capital Markets**. He was recently named senior credit officer for the firm's commercial real estate operations. Palmer was a victim of cutbacks last November in Deutsche's commercial real estate operation.

London-based **Principal Healthcare Finance** is gearing up to securitize leases on nursing homes and long-term-care facilities in the United Kingdom. The firm plans to float 100 mil-

lion pounds (\$163 million) of bonds via underwriter **Merrill Lynch**. The offering is expected to come to market next month. In 1997, **Principal Healthcare** — which is controlled by **Omega Healthcare Investors**, an Ann Arbor, Mich., REIT — conducted a similar 150 million-pound securitization via **Merrill and Dresdner Kleinwort Benson**.

ITLA Funding is turning bearish on the conduit market. The Encino, Calif., mortgage lender has cut its projected originations for this year in half, to \$500 million. "This has become a commodity business," said a senior executive. "The profits are just not there." The firm originated a most \$1 billion of loans last year, most of which were sold to a variety of conduit operators. ITLA considered forming formal alliances with one or two conduits, but has since scrapped that idea. Now the firm plans to park most of the loans it originates with an affiliate, **Imperial Thrift and Loan of Glendale, Calif.**

Duff has downgraded **First Union Real Estate Investments'** preferred stock because of uncertainty over the firm's future. The agency cut the Cleveland REIT's preferred stock rating to "B+" (from "BB-"). The securities are rated b3/B by **Moody's** and **S&P**. In its action, **Duff** noted that **First Union Real Estate's** ability to make dividend payments on its preferred is uncertain. The REIT is in the process of selling a

major portion of its assets, and it's unclear what the company's focus will be going forward. **First Union Real Estate** issued the preferred stock, which has \$33.7 million outstanding, in October 1996. The issue's first call date is in October 2001.

Fitch has begun rating primary loan servicers. The agency had previously rated only master and special servicers. The change is part of the agency's previously announced revision of its system for rating servicers. **Fitch** now rates servicers on a scale from 1-4. Previously, it awarded the servicers with an "acceptable" or "unacceptable" rating.

CALENDAR

Feb. 26-27: **Institute for International Research** presents a New York conference entitled "Environmentally Impacted Real Estate Finance & Investment." 888-670-8200.

March 1-2: **Institute for International Research** holds a New York forum on international real estate investment strategies. 888-670-8200.

March 11-14: Cannes, France, is the site for the tenth annual "International Property Market" conference produced by **Reed Midem Organization**. 212-689-4220.

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February 7, 2000

COMMERCIAL MORTGAGE ALERT

8

Conduits ... From Page 1

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Making matters worse is the recent spike in interest rates, which makes voluntary refinancings less likely. It also threatens to reduce property sales — a major impetus for loan demand.

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See CONDUITS on Page 22

Conduit Roundup

Figures supplied by securitization programs

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| Credit Suisse First Boston | 3,500 | 2,000 |
| J.P. Morgan | 3,000 | 2,100 |
| Morgan Stanley | 3,000 | 2,000 |
| Donaldson, Lufkin & Jenrette | 2,500 | 2,500 |
| First Union Capital Markets | 2,500 | 2,300 |
| Chase Manhattan | 2,000 | 1,800 |
| Deutsche Bank Mortgage Capital | 2,000 | 1,250 |
| Lehman Brothers | 2,000 | 2,100 |
| Archon Financial/Goldman Sachs | 1,500 | 1,000 |
| Merrill Lynch | 1,500 | 900 |
| Midland Loan Services | 1,500 | 1,000 |
| Wells Fargo Bank | 1,500 | 800 |
| Key Commercial Mortgage | 1,400 | 1,000 |
| Greenwich Capital | 1,250 | 800 |
| Bear Stearns | 1,200 | 1,300 |
| CIBC World Markets | 1,200 | 800 |
| Principal Financial Group | 1,200 | 625 |
| Paine Webber | 1,100 | 1,000 |
| Fannie Mae | 1,000 | 500 |
| RFC Commercial | 1,000 | 600 |
| Salomon Smith Barney | 1,000 | 1,000 |
| Capital Lease Funding | 900 | 700 |
| Heller Financial | 850 | 600 |
| Merrill Lynch-Canada | 750 | 375 |
| LaSalle Bank | 500 | 276 |
| Teachers Insurance/First Boston | 500 | 485 |
| ORIX Real Estate Capital Markets | 400 | 300 |
| TOTAL | \$4,750 | 38,111 |
| AVERAGE | 1.825 | 1,270 |

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THE GRAPEVINE

... From Page 1

ton L. Ginsberg. In November, the firm bought back all of the bonds from two Ginsberg deals after the underlying properties suffered severe operating problems. The securities had been underwritten by DLJ in 1991 and 1993. The firm now plans to foreclose on the mortgages, refurbish the collateral properties and, eventually, put them up for sale. The 38 apartment complexes are located in New Jersey, New York, Pennsylvania and Florida.

Merrill Lynch & Co. has placed \$29 million of CMBS for **Evans Withycombe Residential Inc.**, completing the second part of an offering by the Scottsdale, Ariz., REIT. Last August, the company issued \$102 million of notes backed by 22 apartment communities it owns in Phoenix and Tucson, Ariz. At the time, S&P gave Evans Withycombe the green light to issue up to \$29 million of additional bonds secured by the same portfolio of mortgages. Last week, the REIT exercised that option, floating a single class of securities.

RTC expects to tap \$46 million of credit reserves this month in order to prop up four of its commercial MBS issues. The underlying mortgages are being modified because cash flows are inadequate to pay bondholders. The affected deals are RTC Series 1992-C4,

1992-C5, 1992-CHF and 1993-C3. The total amount of loans collateralizing the four issues is \$2.7 billion.

Robert McGrath, who departed from J.P. Morgan Securities Inc. a few weeks ago, has surfaced as senior commercial MBS trader at **Chemical Securities Inc.** McGrath is the fifth member of Chemical's fledgling commercial MBS group. He will help to originate and price multi-family and commercial mortgages, as well as distribute the resulting securities. Before his eight-month stint at Morgan, McGrath was a trader at **Nomura Securities International Inc.**

Nationsbank Corp. is setting up a conduit that will originate retail and industrial loans. Some of the mortgages will be written by its own real estate banking group. To supplement those assets, the Charlotte banking company is soliciting third-party originators in other regions of the country. Nationsbank's multi-family conduit is moving closer to its first securitization, a \$200 million deal that is slated to be completed by April.

S&P has lowered its ratings a notch on five transactions backed by leases on stores occupied by **Kmart Corp.** The downgrade, to "BBB" from "BBB+," matches a reduction in Kmart's senior unsecured debt rating. The affected deals are: DR Structured Finance Corp., Series 1993-K1, 1994-K1 and 1994-K2; Kmart Corp. Mortgage Pass-Through Trust, Series 1994; and Kmart Funding Corp.

CALENDAR

Feb. 5-8: The Mortgage Bankers Association of America conducts its annual commercial real estate finance/multi-family housing conference in Orlando. (202) 861-6500.

Feb. 5-8: Strategic Research Institute presents its annual asset securitization symposium in Scottsdale, Ariz. (800) 599-4950.

Feb. 9-10: Urban Land Institute conducts an Atlanta workshop on financing and investing in real estate projects. The program will be repeated March 16-17 in Washington. (800) 321-5011.

March 9-10: Strategic Research Institute offers a San Francisco conference on commercial mortgage conduits and securitization. (800) 599-4950.

March 13-14: International Business Communications presents a conference on distressed securities. A session on real estate opportunities is led by **David J. Lowery** of Jones, Day, Reavis & Pogue; **Jeffrey Schaffer** of Oppenheimer & Co.; and **Owen D. Thomas** of Morgan Stanley Real Estate Fund. (212) 581-1000.

March 23-24: Executive Enterprises conducts a conference in New York on the securitization of commercial real estate. (800) 831-8333.

April 25-26: Institute for International Research presents a New York conference on commercial mortgage securitization. (212) 661-8740.

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FEBRUARY 7, 2000

9 CONDUIT OPERATORS

2 Nomura Lays Off 25 Asset Managers

2 Lehman Funds REIT

3 Swap-Spread Hike Derails Rally

3 GE Originating Convertible Floaters

3 Hypo Lends on Boston Tower

4 GE, Bank of Montreal Finance Hotel

4 FASB Won't Bow to Issuers' Wishes

25 FelCor Lining Up Mortgages

25 Loan Sought for Calif. Project

26 Sun Life Sells Stake in Portfolio

THE GRAPEVINE

The buzz is that **Whitehall Street Real Estate Fund** has circled the below-investment-grade classes of a \$452 million floating-rate deal that **Salomon Smith Barney** priced last week. The sale is noteworthy because issuers are concerned about whether an adequate B-piece-investor base will emerge in the mushrooming floating-rate market. It also marked the first time in memory that Whitehall, a major real estate investor operated by **Goldman Sachs**, is buying a B-piece. **Archon Group**, a Whitehall affiliate, will act as special servicer of most of the underlying loans. A **Salomon Smith Barney** executive declined to comment.

Weeks after launching an Internet service that links borrowers with commercial mortgage lenders, **Mike Greco** has

See GRAPEVINE on Back Page

Adamski Out as First Boston Restructures

Credit Suisse First Boston last week reorganized its real estate operation, a move that included the surprise departure of managing director **Bill Adamski**, who co-headed the commercial mortgage unit.

First Boston's real estate operation is being split into fixed-income and investment banking groups. **Mark Finerman**, a managing director who had worked closely with Adamski for several years after both were recruited by former real estate head **Andy Stone**, will head the fixed-income division. Managing director **Scott Butera** was tapped to head the investment banking division, which will mainly handle equity transactions.

The maneuver was seen as the latest in a series of steps aimed at moving away from the proprietary lending focus that Stone had established. Under his leadership, First Boston became one of the most-aggressive real estate lenders in the

See ADAMSKI on Page 24

Conduits Wary as Originations, Margins Sag

For conduit operators, 2000 is threatening to bring a double whammy: shrinking profit margins on a smaller volume of originations.

As lenders gather in Orlando this week for the **Mortgage Bankers Association's** annual real estate convention, their outlook is cautious, if not downright gloomy. Long gone are the high-flying days of 1997 and 1998, when loan demand was surging and a big commercial MBS rally was producing windfall profits. Now conduit operators are hunkering down in hope of surviving what they see as an inevitable round of industry consolidation.

While real estate fundamentals remain strong, lenders are troubled by two other trends. The first is smaller profit margins. This, in large part, is a normal outgrowth of a maturing market. As securitization has become a viable exit strategy, new lenders have rushed in, making the conduit business more

See CONDUITS on Page 8

Deutsche, Hypo Plan Big CMBS Deals in Europe

Deutsche Bank and **HypoVereinsbank** are separately planning to securitize large pools of European commercial mortgages, signaling a change in the way German banks will finance their loan portfolios.

The transactions, coupled with a previously reported deal in the works by another German bank, **Reinische Hypothekbank**, will break ground by involving loans on properties in multiple European counties.

The Reinhyp deal, which is expected to be backed by mortgages totaling 2 billion euros (\$1.9 billion), is on track to hit the market by the end of next month. The Deutsche and Hypo deals, each roughly 1 billion euros in size, should follow not too far behind. In all three deals, the collateral will be seasoned loans from the banks' own portfolios. Deutsche will underwrite its offering, while

See DEUTSCHE on Page 6

February 7, 2000

COMMERCIAL MORTGAGE ALERT

8

Conduits ... From Page 1

commodity-like. The flattening of profits has been further fueled by the increased use of hedging against fluctuations in CMBS spreads. That is expected to remove the peaks and valleys from the business — curbing the potential for big losses in a bear bond market, but also reducing the chances for outsized gains in a CMBS rally.

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| Chase Manhattan | 2,000 | 1,800 |
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| Lehman Brothers | 2,000 | 2,100 |
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| Merrill Lynch | 1,500 | 900 |
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| Wells Fargo Bank | 1,500 | 800 |
| Key Commercial Mortgage | 1,400 | 1,000 |
| Greenwich Capital | 1,250 | 800 |
| Bear Stearns | 1,200 | 1,300 |
| CIBC World Markets | 1,200 | 800 |
| Principal Financial Group | 1,200 | 625 |
| Paine Webber | 1,100 | 1,000 |
| Fannie Mae | 1,000 | 500 |
| RFC Commercial | 1,000 | 600 |
| Salomon Smith Barney | 1,000 | 1,000 |
| Capital Lease Funding | 900 | 700 |
| Heller Financial | 850 | 600 |
| Merrill Lynch-Canada | 750 | 375 |
| LaSalle Bank | 500 | 275 |
| Teachers Insurance/First Boston | 500 | 485 |
| ORIX Real Estate Capital Markets | 400 | 300 |
| TOTAL | 54,750 | 38,111 |
| AVERAGE | 1,825 | 1,270 |

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Conduit Operators: Pipelines for Securitization

The following is a list of conduit operators that aggregate loans for securitization. In many cases, some or all of the outside originators are not listed.

Archon Financial/Goldman Sachs

Contact: Mitchell Sabshon, 972-501-3954

1999 originations: \$1 billion

2000 originations (projected): \$1.5 billion

Originators:

New York: Rich Meth, 212-541-2417

Atlanta: Dan Maples, 404-262-2249

Dallas: Roddy O'Neal, 972-501-3915

Los Angeles: Ken Margala, 310-712-4980

Chicago: Mark McClure, 972-501-3910

Bankers Mutual, Newport Beach, Calif.

Brian L. Frazier, 949-754-6300

Berkshire Mortgage, Boston

Kurt Reinmann, 617-556-1584

First Security Bank, Las Vegas

Sam Jeppson, 801-246-2710

L.J. Melody, Houston

Brian Stoffers, 713-787-1999

Washington Mortgage, Vienna, Va.

Angelo Dentamaro, 703-610-1396

Bank of America

Contact: Carmela Anderson, 415-445-4009

1999 originations: \$1.2 billion

2000 originations (projected): \$5 billion

Originators:

Bank of America

Real Estate Banking: Ron Bennett, 704-388-3371

Commercial/Private Banking: Murray Small, 704-387-3112

Third-Party Origination: Clyde Stutts, 704-386-2562

Small-Loan Program: Jim Hildebrand, 415-445-4008

ARCS Commercial

Trevor Fase, 818-676-3224

Bear Stearns

Contacts:

Christopher Hoeffel, 212-272-7918

Barry Schumacher, 212-272-6858

1999 originations: \$1.3 billion

2000 originations (projected): \$1.2 billion

2000 offerings (projected): 4

Originators:

New York: Greg Spevok, 212-272-6104

Los Angeles: Ed Balazs, 310-201-3909

Chicago: Bill Wein, 312-580-6880

Boston: David Goldfisher, 617-654-2800

Continued on Page 10

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COMMERCIAL MORTGAGE ALERT

10

Conduit Operators ... From Page 9**Capital Lease Funding**

Contact: Paul McDowell, 212-217-6300

1999 originations: \$700 million

2000 originations (projected): \$900 million

2000 offerings (projected): 2

Originators:

New York: Steven Maloy, 212-217-6300

New York: William E. Paylor, 212-217-6300

Scottsdale, Ariz.: Mitch Davis, 480-609-4345

Chase Manhattan

Contact: Rochelle Dobbs, 212-622-3444

1999 originations: \$1.8 billion

2000 originations (projected): \$2 billion

2000 offerings (projected): 4

Originators:

Midwest/Southeast: Christopher Labianca, 212-622-3282

Texas: Dana Allen, 214-965-4156

Illinois: John Carbone, 312-580-1011

Southeast: David Kra, 212-622-3416

West: Alan Fox, 310-563-1849

Mid-Atlantic: Ione Permison, 212-622-3457

Northeast: Steven Cisek, 212-622-3447

CIBC World Markets**Contacts:**

Michael Higgins, 212-667-6851

Richard Turnbull, 212-667-8557

1999 originations: \$800 million

2000 originations (projected): \$1.2 billion

2000 offerings (projected): 3

Originators:

New York: Andrew Fawer, 212-667-8545

Chicago: Joe Prati, 312-855-3241

Atlanta: Joe Braver, 404-262-5308

Los Angeles: David Burt, 213-617-6257

Dallas: Lee Smalley, 404-262-5303

Credit Suisse First Boston**Contacts:**

Bill Adamski, 212-325-2439

Mark Finerman, 212-325-4348

1999 originations: \$2 billion

2000 originations (projected): \$5 billion

2000 offerings (projected): 6

Continued on Page 12

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Conduit Operators ... From Page 10**Deutsche Bank Mortgage Capital****Contact:**

Larry Brown, 212-469-5317
Ken Dickey, 212-469-7199

1999 originations: \$1.25 billion**2000 originations (projected):** \$2 billion**2000 offerings (projected):** 3-4**Originators:**

New York: Ken Dickey, 212-469-7199
Chicago: Rich Vance, 312-578-4106
San Francisco: John Jamison, 415-677-4326
Seattle: Pat Nizich, 425-831-7872
Charlotte: Michael Cohen, 704-632-3020

Donaldson, Lutkin & Jenrette**Contacts:**

Rob Brennan, 212-892-2946
Don MacKinnon, 212-892-4858

1999 originations: \$2.5 billion**2000 originations (projected):** \$2.5 billion**2000 offerings (projected):** 6**Originators:**

Column Financial, Atlanta
Kieran Quinn, 404-239-5353
Union Capital Investments, Atlanta
Collins Powell, 404-812-4800

Fannie Mae**Contact:** Grace Huebscher, 202-752-3678**1999 originations:** \$500 million**2000 originations (projected):** \$1 billion**2000 offerings (projected):** 2**Originators:** Various Fannie-approved lenders**First Union Capital Markets****Contact:** Barry P. Reiner, 704-374-4499**1999 originations:** \$2.3 billion**2000 originations (projected):** \$2.5 billion**2000 offerings (projected):** 4**Originators:**

Multi-family: Robert Verrone, 704-383-9664
Commercial: Chuck Walter, 704-383-3928
Small loans: Mike Kennerly, 704-383-7714
National accounts: Brett Smith, 704-383-6315

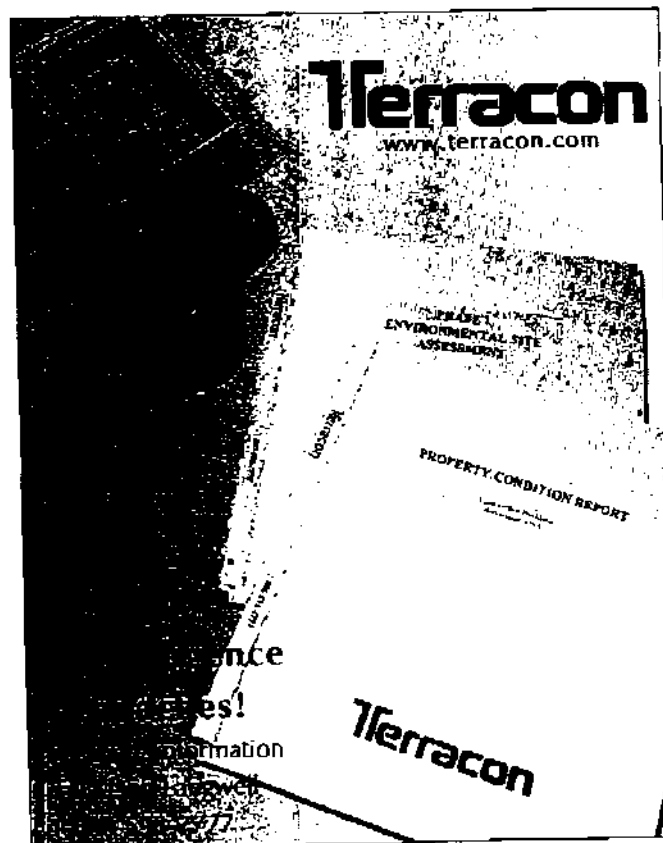
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November 1999



\$708,051,741

Fixed-Rate Conduit Loans Sold
GE Capital America, Inc. - Loan Seller
GE Capital Loan Services, Inc. - Master Servicer
GE Commercial Mortgage Corp. - Series 1999-002
November 1999



\$455,342,181

Fixed-Rate Conduit Loans Sold
GE Capital America, Inc. - Loan Seller
GE Capital Loan Services, Inc. - Master Servicer
GE Commercial Mortgage Corp. - Series 1999-003
October 1999

\$577,385,000

Floating-Rate Loans Sold
General Electric Capital Corporation - Loan Seller
GE Capital Loan Services, Inc. - Master Servicer
GE Capital Office Finance Corp. - Series 1999-004
November 1999



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14

Conduit Operators ... From Page 12**GE Capital Access****Contact:** Daniel Smith, 972-728-7519**1999 originations:** \$3 billion**2000 originations (projected):** \$5 billion**2000 offerings (projected):** 4**Originators:**

Dallas: Dan Littauer, 972-728-7504

Irvine, Calif.: Brent Wessel, 949-477-1528

Atlanta: Ed Coco, 770-990-6713

San Francisco: Sharon Groenendyk, 415-247-1210

Washington: David Harrison, 202-637-4170

New York: Scott Halcombe, 212-850-5835

Cincinnati: Mike Beidelman, 513-677-8653

Chicago: John Godin, 312-360-7426

Denver: Judy Pecsok, 303-675-0075

Orlando: Ashley Harkness, 407-236-9757

Phoenix: Gary Fairbanks, 602-852-5505

Dallas: Marion Hicks, 972-728-7533

Houston: Don Smith, 213-572-5222

GMAC Commercial Mortgage**Contact:** Don Haber, 212-214-0152**1999 originations:** \$3.8 billion**2000 originations (projected):** \$4 billion**2000 offerings (projected):** 5**Originators:**

GMAC Commercial Mortgage

Offices nationwide

Commercial Capital Initiatives, New York

Don Haber, 212-214-0152

Greenwich Capital**Contact:** Mark R. Jarrell, 203-618-2373**1999 originations:** \$800 million**2000 originations (projected):** \$1.25 billion**2000 offerings (projected):** 2**Originators:**

Greenwich Capital, Greenwich, Conn.

West: Gary Swon, 949-225-5401

Midwest: Dave Murdoch, 312-385-4212

Continental Wingate, Boston

Michael Berman, 781-707-9333

Skymar Capital, Miami

Steve Wood, 305-594-1996

Pinnacle Capital, Philadelphia

Sam Greenblatt, 215-564-3600

Berkshire Mortgage, Boston

Nancy Spokowski, 617-556-8148

Huntoon Hastings, Darien, Conn.

Glenn Reinardy, 203-662-7611

McCary Stevens, Hartford

Dave McCary, 860-297-5571

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16

Conduit Operators ... From Page 14**Heller Financial****Contacts:**

Robert S. Kukulka, 312-441-7311
John Fontaine, 312-441-7024

1999 originations: \$600 million**2000 originations (projected): \$850 million****2000 offerings (projected): 3****Originators:**

New York: Paul Mullaney, 212-880-2091
Atlanta: Blake Overbay, 770-980-6291
Dallas: Lance Wright, 214-220-7520
San Francisco: Ted Hopkins, 415-356-1342
Chicago: Chris Covey, 312-441-6737
Los Angeles: Sar Kotoyan, 818-409-1638
Denver: Rhett Nunnally, 303-592-8134
Orange County: Martin Wehrauch, 714-444-9004

J.P. Morgan**Contact:** Lamar Kelly, 770-351-8330**1999 originations: \$2.1 billion****2000 originations (projected): \$3 billion****2000 offerings (projected): 3-4****Originators:**

Atlanta: Lamar Kelly, 770-351-8330
Chicago: Brian Wloch, 312-541-3630

Dallas: Paul Geyer, 214-758-2010

Boston: Daniel Kerner, 617-946-1633

Southern California: Alex Ovale, 213-437-9608

Denver: Brent Tharp, 303-573-7155

Washington: Tim McCann, 202-776-7736

New York: Joseph Tufariello, 212-648-8813

Key Commercial Mortgage**Contacts:** E.J. Burke, 888-979-1200**1999 originations: \$1 billion****2000 originations (projected): \$1.4 billion****2000 offerings (projected): 3****Originators:**

Kansas City, Mo.: Clay Sublett, 888-979-1200

LaSalle Bank**Contact:** Robert J. Walter, 312-904-4027**1999 originations: \$276 million****2000 originations (projected): \$500 million****2000 offerings (projected): 3****Originators:**

Charles Krawitz, 312-904-8013
Trevor Cash, 312-904-6517
Jamie Donigan, 312-904-7255
Randy Martin, 312-904-6138

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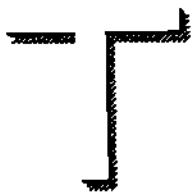
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Conduit Operators ... From Page 16**Lehman Brothers****Contact:** Brett Ersoff, 212-526-4033**1999 originations:** \$2.1 billion**2000 originations (projected):** \$2 billion**2000 offerings (projected):** 4-5**Originators:**

Legg Mason Real Estate, Philadelphia

R. Craig Butchenhart, 215-496-3062

Laureate Realty, Charlotte

Tom Dennard, 704-332-4454

Northland Financial, St. Louis

Rick Stevenson, 314-301-1810

Holliday Fenoglio Fowler, Houston

Mark Gibson, 214-265-0880

L.J. Melody, Houston

Brian Stoffers, 713-787-1999

Carey Kramer, Wayne, Pa.

Dan Pettit, 610-341-0200

Collateral Mortgage, Birmingham, Ala.

Dave Roberts, 205-978-1841

Cohen Financial, Chicago

Jack Cohen, 312-346-5680

Merrill Lynch**Contacts:**

Andrea Balkan, 212-602-7550

Michael Norris, 212-602-7550

1999 originations: \$900 million**2000 originations (projected):** \$1.5 billion**2000 offerings (projected):** 3**Originators:**

Northeast: Stephen Geisster, 212-602-7526

Mid-Atlantic: Injeel Harris, 212-602-7516

Mass./N.J.: James-Robert Sellinger, 212-602-7529

Central: Glenn Hargrove, 214-999-6656

West: James Fowler, 949-720-3001

Merrill Lynch-Canada**Contacts:**

John Ho, 416-586-6491

Bob Fitzpatrick, 416-586-6689

1999 originations: C\$500 million**2000 originations (projected):** C\$1 billion**2000 offerings (projected):** 3

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Conduit Operators ... From Page 18**Midland Loan Services**

Contact: Steve Miller, 816-435-2312

1999 originations: \$1 billion

2000 originations (projected): \$1.5 billion

2000 offerings (projected): 3

Originators:

Office/Industrial: Steve Miller, 816-435-2312

Multi-family: Veto Enna, 816-435-5045

Retail: David Morrow, 816-435-2355

Hotels: Patrick O'Neal, 816-435-3601

California: David Spotts, 816-435-2347

Southwest/Mountain: Terri Reigert, 816-292-8648

Texas/Oklahoma: Bill Burghart, 816-435-6856

Upper Midwest/Northwest: Dick Fuller, 816-435-6866

Mid-South: David Ruisch, 816-292-8502

Great Lakes: Bill Avery, 312-338-5646

New England: Rick Butterfield, 816-292-8420

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Mid-Atlantic: Wit Solberg, 816-435-3615

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Banking Group: Gary Kahn, 602-392-1530

Banking Group: Mike Berlau, 816-292-8422

PNC Bank: Scott Bassin, 412-762-7602

Special Lending: Bill Osterman, 816-435-2346

Morgan Stanley**Contacts:**

George Kok, 212-761-4478

Spencer Young, 212-761-4512

1999 originations: \$2 billion

2000 originations (projected): \$3 billion

2000 offerings (projected): 6

ORIX Real Estate Capital Markets**Contacts:**

Richard Curtin, 214-237-2207

Patrick Flick, 214-237-2201

1999 originations: \$300 million

2000 originations (projected): \$400 million

2000 offerings (projected): 2

Originators:

Houston: Scott Riggs, 281-591-4750

Dallas: Jon Moyer, 214-237-2204

Washington: Mikè Devlin, 703-925-9885

San Francisco: Hal Steele, 415-433-0300

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Conduit Operators ... From Page 18**Paine Webber****Contact:** Ron J. Wechsler, 212-713-8963**1999 originations:** \$1 billion**2000 originations (projected):** \$1.1 billion**2000 offerings (projected):** 5**Originators:**

David A. Cohen, 212-713-9461

Jerome M. Ellis, 212-713-7952

Kellogg C. Gaines, 212-713-1481

James J. Ruggiero, 212-713-2333

Scott Stein, 212-713-3625

Principal Financial Group**Contact:** Pat Halter, 515-247-7895**1999 originations:** \$625 million**2000 originations (projected):** \$1.2 billion**2000 offerings (projected):** 3**Originators:**

Southeast: Marty Cropp, 515-247-7884

Eastern: Ken Dubas, 515-246-7180

Western: Brian McLean, 515-247-6310

Large loan: Neil Salowitz, 515-235-5781

Prudential Mortgage Capital**Contact:** Martin T. Lanigan, 973-367-3110**1999 originations:** \$800 million**2000 originations (projected):** \$1.2 billion**2000 offerings (projected):** 2**Originators:**

Prudential Mortgage Capital

Midwest: Dave Harvey, 312-228-6500

East Coast: Keith Hires, 770-395-0603

West Coast: Jeff Elm, 415-291-5001

Alliance Realty Advisors, Atlanta

Kin Heyward, 770-676-1000

American Property Finance

Neil Hammitt, 402-894-1018

Cassidy & Pinkard, Washington

Phil Mudd, 202-463-2100

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Plaza Realty Advisors, San Francisco

Chris Williams, 415-243-9300

Thellman Financial, Overland Park, Kan.

Donald Thellman, 913-642-4843

RFC Commercial**Contact:** Bob Conway, 612-832-7508**1999 originations:** \$600 million**2000 originations (projected):** \$1 billion**2000 offerings (projected):** 4**Originators:**

Washington: Bill Tyson, 301-215-6284

Atlanta: Richard Warner, 770-280-1600

Salomon Smith Barney**Contact:** Joe Franzetti, 212-816-7328**1999 originations:** \$1 billion**2000 originations (projected):** \$1 billion+**2000 offerings (projected):** 4**Originators:**

Rich Jarocki, 212-816-7397

Steve Roberts, 212-816-7530

Bill Schachat, 212-816-7679

Teachers Insurance/Credit Suisse First Boston**Contact:** Dot Coddington, 212-916-4409**1999 originations:** \$485 million**2000 originations (projected):** \$500 million**2000 offerings (projected):** 1**Originators:**

Amresco Capital, Dallas

Ted Norman, 214-953-8445

Leonard Simpson, 214-953-8397

Wells Fargo Bank**Contact:** Julie Forsythe, 888-777-0067**1999 originations:** \$800 million**2000 originations (projected):** \$1.5 billion**Originators:**

San Francisco: Eric Smith, 415-222-1813

Sacramento: Brad Andersen, 800-575-8509

Sacramento: Mark Doris, 877-749-8429

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| Lines of Credit | \$2.5 |
| Conduit Loans | \$1.1 |
| Large Loans, Fixed Rate | \$1.2 |
| Credit Tenant Leases | \$0.7 |
| Total | \$12.8 |

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Conduits ... From Page 1

players will pull out altogether.

When speaking on the record, most conduit operators express optimism about volume this year. All but four of 30 conduits surveyed by **Commercial Mortgage Alert** predicted that their originations will increase this year. Overall, the surveyed lenders said that originations would climb by a whopping 44%, to \$54.8 billion from \$38.1 billion in 1999 (see accompanying table).

But that forecast seems wildly optimistic. In a similar sur-

vey a year ago, conduits predicted that their 1999 originations would total \$64.5 billion — far higher than the actual amount. Indeed, when speaking privately, a number of conduit operators confessed that they saw little hope that aggregate originations would rise.

Some lenders are going to emphasize floating-rate mortgages as a way to stimulate demand. Because the conduit market developed at a time of low interest rates, loans have almost exclusively carried fixed rates. But with interest rates on the rise, lenders are hoping to entice business by offering adjustable rates. For example, **Bank of America's** projection

of a sharp increase in originations this year is tied to the expectation that a new floating-rate program will take off.

But the shift to adjustable-rate product raises a question: Will the investor base be deep enough to handle the resulting rush of floating-rate securities? While the market for triple-A and double-A floaters is solid, demand starts to taper off for the other investment-grade levels and is downright suspect for the below-investment-grade portion. Some players — particularly the commercial banks — might get around this by parking floating-rate mortgages on their balance sheet until maturity, avoiding securitization altogether. ♦

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Correction

North Coast Mortgage of Seattle will assume the name of its parent, L.J. Melody. A Grapevine item in the Jan. 31 issue incorrectly described North Coast as a subsidiary of Holliday Fenoglio. ♦

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