

Property News

SL Green Sells NYC Offices for \$251.5Mln

SL Green Realty Corp. sold two Manhattan office properties for a combined \$251.5 million and bought an interest in another for \$65 million.

The New York REIT, in separate transactions, sold the 193,000-square-foot 292 Madison Ave. for \$140 million, or \$725/sf, and sold 183,000 sf of office space at 110 East 42nd St. for \$111.5 million, or about \$611/sf.

That compares with a \$700/sf average for Manhattan office sales, according to Real Capital Analytics.

Also, Green acquired a 32.26 percent stake in 673,722 sf of office condo space at 1745 Broadway, paying \$65 million. The remaining interests in the building are owned by SITQ and Witkoff Group. Witkoff of New York had acquired the office condo space

at 1745 Broadway, which has a total of 2 million sf, in November for \$509 million from Jamestown, a German syndicator based in Atlanta.

Lehman Brothers and Wachovia Securities are providing a \$340 million mortgage with a fixed rate of 5.68 percent and a 10-year term for the 1745 Broadway deal. Green says its purchase values the office space at \$520 million, or \$772/sf.

The sales and acquisition are part
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Fund News

Texas Teachers Aims to Double Realty

The \$109 billion Teacher Retirement System of Texas has more than doubled its targeted investment allocation to real estate to 10 percent.

The pension fund has established allocations of 5 percent each for core real estate and opportunistic property investments. That compares to its current target of 4 percent for all real estate.

The shift in real estate allocations is

part of the pension's broader increased allocation for a variety of higher-yielding alternative investment types to a 35 percent target from 9 percent.

New real estate investment commitments by the fund's board since changing its asset allocation mix on April 12 include committing \$100 million to Blackstone Group's Blackstone Real Estate Partners VI, an opportunistic commingled fund that is expected to

raise \$10 billion in equity commitments, and \$125 million to Tricon IX, an opportunistic fund managed by Tricon Capital Group, a Canadian real estate investor.

The fund's board also authorized increasing existing commitment levels to Prudential Real Estate Investors' Prudential Property Investment Separate Account, or PRISA, and its follow-up PRISA II, both core property investment vehicles. In addition, it has committed to invest in BlackRock Realty

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CMBS News

Hillenbrand Partners Raising CMBS Fund

Hillenbrand Partners, which was formed last year to invest in subordinate CMBS and other structured finance assets, is well on its way to raising its initial investment vehicle.

As a result, it's looking to add staff, specifically two portfolio managers and an underwriter with a legal background. The three hires would be based in the company's Chicago headquarters.

The company was launched by Eric Hillenbrand, who previously had overseen CMBS B-piece investments for Banc One and its predecessor, First Chicago. He left Banc One in late-2004, after the company was acquired by JPMorgan Chase.

He launched Hillenbrand Partners soon after and embarked on an effort to raise what will be a \$750 million investment fund. The fund has had its first closing and would make investments in B-pieces in CMBS and residential mortgage-backed securities, as well as other structured finance products. Its investments are expected to be global.

With leverage, the fund would have a substantially greater investment capacity.

The company's North American investments are overseen by Kathleen Laird, who previously oversaw CMBS B-piece investments for JPMorgan. Its

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THE INSIDER

Blackstone Adds Properties to Offering

Blackstone Group will shortly start formally marketing some 10 million square feet of Chicago office properties that it took over as part of its acquisition of Equity Office Properties. The portfolio, which will be offered through HFF Inc., will also include a pair of suburban Chicago office properties that Blackstone assumed through its acquisition of CarrAmerica Realty last year. Those buildings are One North Parkway, with 251,000 square feet in Deerfield, Ill., and a three-building office complex with 315,000 sf in Bannockburn, Ill.

The portfolio is valued at more than \$2 billion, which would bring to nearly \$25 billion the amount of proceeds Blackstone has generated from the sale of certain Equity Office properties. It paid \$38.7 billion for the Chicago REIT.

SL Green Adds Roles to Execs

SL Green Realty Corp. has named Andrew Mathias, its chief investment officer since 2004, to the added post of president. He takes over the post from Marc Holliday, who will remain chief executive officer. Mathias is also chief investment officer of Gramercy Capital, which he helped create and spin-off into a separate company.

Separately, the company added the title of chief operating officer to Gregory Hughes, its chief financial officer. Both Mathias and Hughes continue to report to Holliday. The two promotions are among a series of executive changes at SL Green designed to reward certain key executives. Among them was the naming of Andrew Levine, the company's general counsel, to the post of chief legal officer. Also, the company has hired Isaac Zion, a managing director at Tishman Speyer Properties, as managing director in its investment group.

Johnson Capital Adds Hotel Capability

Donald W. Wise, a former first vice president who ran CB Richard Ellis' lodging and hospitality services group for 20 years until 2004, has joined Johnson Capital, where he has formed a global hospitality group.

Wise most recently ran his own investment advisory operation, Wise Hotel Investments. At Johnson, he will build a team that will provide a host of advisory services, from investment sales to debt placement for clients, specifically those with upscale, luxury and boutique properties.

The goal is to eventually open offices in Europe, Australia and China.

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of an active recent span for Green, which also included the purchase of the 333 West 34th St., a 330,385-sf office building, from CitiGroup for \$183 million, or about \$530/sf.

Green acquired 292 Madison in 1999 as part of a portfolio purchased from Reckson Realty Associates for \$51.1 million. Last year, Green Madis sold the other two parts of that portfolio, 286 and 290 Madison Ave., with a combined 150,512 sf, to APF Properties for \$63 million. Cushman & Wakefield has been handling the sale of 292 Madison.

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Advisors' BlackRock Diamond Property Fund, another commingled core property investment fund.

The pension fund also significantly upped its allocation for alternative investments in the equity markets and its absolute return portfolios. Its expected return under the new allocation strategy is 8.72 percent versus 8.16 percent that was expected under its previous mix.

Buchanan Street Partners Raises \$414Mln for Latest Fund

Buchanan Street Partners has raised \$414 million of equity commitments for Buchanan Fund V, an opportunistic investment vehicle.

Buchanan Street, a Newport Beach, Calif., investment manager, had initially aimed to raise up to \$350 million for the fund, which will originate mezzanine and other high-yielding debt instruments as well as make equity investments in office, industrial, retail and apartment properties.

The Los Angeles City Employees' Retirement System was among the investors in the fund, committing \$30 million.

So far, the fund has committed \$133.5 million of its capital in properties valued at more than \$500 million.

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CMBS Delinquency Rate Keeps Falling

The volume of delinquent CMBS loans continues to drop, falling to \$2.21 billion in March from \$2.37 billion a month earlier, according to Realpoint.

At the same time, the universe of CMBS loans tracked by the Horsham, Pa., research company has grown to \$757.5 billion from \$721.1 billion in February. So the CMBS delinquency rate is only 0.291 percent, down from 0.33 percent a month earlier. But because the universe of loans keeps growing, the delinquency rate is not a fair representation of mortgage defaults.

Last month, \$76.5 million of securitized mortgages were liquidated at a

loss of 35.9 percent. That's the lowest volume of monthly liquidations in more than two years, and compares with \$134.2 million of liquidations in February.

The largest loan to be liquidated was a \$16.3 million mortgage on One West Court Square, a 157,734-square-foot office property in Decatur, Ga., that suffered when its two main tenants vacated. The loan, securitized through Morgan Stanley Dean Witter Capital I Inc., 2002-TOP7, was resolved at a loss of only \$274,759, or 1.7 percent of its

balance.

Indeed seven of the 19 loans that were resolved during the month saw losses of 3 percent or less. But some had large losses.

The biggest loss was suffered by a \$3.3 million loan on the Villa Martinique apartments, a 146-unit property in Irving, Texas, that suffered from disrepair that prompted a major exodus of tenants. The loan, securitized through JPMorgan Commercial Mortgage Finance Corp., 2001-CIBC1, was foreclosed and the resulting property sold at what amounted to a 100 percent loss to the CMBS transaction.

Deutsche Bank Securitizing Piece of Macklowe Debt

Deutsche Bank is securitizing a chunk of the \$6 billion of debt it provided Macklowe Organization for its \$7 billion acquisition of eight Equity Office Properties Trust's Manhattan buildings. The properties were sold by Blackstone Group, which had assumed them through its \$38.7 billion acquisition of Equity Office.

Deutsche is securitizing \$1.13 billion of senior debt through COMM, 2007-FL14, which is slated to price in the coming weeks. That debt is senior to \$470 million of additional mortgages and \$1.5 billion of mezzanine financing on the property. It carries a rate pegged to Libor plus 70 basis points and matures next February. As part of the financing, Macklowe, which received equity or preferred equity from Fortress Investment Group, funded a \$191.5 million debt-service reserve and various other reserve accounts for leasing commissions and tenant and capital improvements. The financing was arranged by Cooper Horowitz.

The debt is backed by four of the eight properties Macklowe had purchased.

Macklowe purchased four other buildings from Blackstone as part of the portfolio. Those would be allocated \$2.9 billion of debt, some of which might be securitized in a future CMBS transaction.

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Philly's One South Broad on Sales Block

A group led by Brooklyn, N.Y., investor David Werner is offering for sale One South Broad Street, a 465,000-square-foot office building in Center City Philadelphia.

Werner has tapped the New York office of Jones Lang LaSalle to market the property, which was a former Wanamaker's department store.

The 25-story building is being offered without an asking price, but office properties in Philadelphia's central business district are selling for about \$181/sf.

One South Broad is fully leased to several high-profile tenants, including Wachovia Bank, Dorland Global, an advertising agency, Ashbridge Investment Management and National City Bank. Ground-floor retail tenants include Border's and McCormick & Schmick, a seafood restaurant.

Jones Lang LaSalle manages and leases the building, which has asking rents of \$21/sf.

The building generated roughly \$6 million in net operating income last year, according to servicer data compiled by Realpoint.

Werner purchased the property in 2003 for \$49 million, about \$105/sf, from an affiliate of JPMorgan Chase. At the time, the property was 85 per-

cent leased.

The building sits at the corner of Broad Street and South Penn Square, directly across from Philadelphia's City Hall building. It was built in 1932 by John Wanamaker for his department store. He later sold the property to Philadelphia National Bank, which is why some locals still refer to it as the PNB Building.

PNB merged with CoreStates, which sold the building in 1996 to JPMorgan for \$28.5 million. JPMorgan renovated the property in 2000.

The property is encumbered with \$43 million of debt, which is securitized via Wachovia Bank Commercial Mortgage Trust, 2003-C5. It carries a coupon of 6 percent and matures in May 2013.

Northstar Center Sells for \$62Mln

A venture between Triple Net Properties and Pacific Coast Capital Partners has paid \$62 million for the 813,000-square-foot Northstar Center, a mixed-use property in Minneapolis.

The venture purchased the property from Blackstone Group, which marketed it through HFF Inc.

The buyers funded the acquisition with an undisclosed amount of financing from Lehman Brothers, which was arranged by Buchanan Street Partners.

Northstar Center's office space is in two adjoining towers: Northstar Center East, at 625 Marquette Ave., with 276,000 sf of space, and Northstar

Center West, at 608 2nd Ave., with 537,000 sf. The complex also includes 70,000 sf of retail space, a 222-room Crowne Plaza Hotel, and a 1,000-space parking garage. Northstar East was built in 1916, while its sister was completed in 1962.

The office component is 90 percent leased. Tenants include Wells Fargo, Gabriel deGrood Bendt, an advertising agency, and Rust Environmental & Infrastructure, an architectural firm.

Blackstone acquired Northstar Center in October 2006 for \$59 million from Trizec Properties, which had owned the building since 1996.

Sterling American Properties Mulls Sale of Suburban St. Louis Office

Sterling American Properties is said to be mulling a sale of the Sevens Building, a 200,000-square-foot office property in the St. Louis suburb of Clayton, Mo.

The buzz is that the New York investment manager has tapped the St. Louis office of Colliers Turley Martin Tucker to help evaluate the potential sale of the property, which sits at 7777 Bonhomme Ave.

If Sterling chooses to go forward with a sale, the property would formally hit the block sometime this summer.

Sterling had offered the Sevens Building back in 2005 through the St. Louis office of CB Richard Ellis. It was offered along with its 875-space parking garage for \$40 million.

Typically, properties in the St. Louis area command \$171/sf, according to

Real Capital Analytics. That would peg a deal at \$34 million. But some Clayton properties have commanded significantly higher prices. For instance, KBS REIT paid \$290/sf, about \$94.5 million, for the Plaza at Clayton, a 325,1720-sf office building at 190 Carondelet Plaza in Clayton.

When the Sevens Building was offered in 2005, it was 85 percent occupied, with 40 percent of its space rolling over in the near term.

Much of that space has since been renewed and the property is now 83 percent occupied.

Sterling purchased the 36-year-old property in 1997 through one of its high-yield funds, Sterling American Property Fund II. It has spent \$4 million on renovations.

HILLENBRAND...From Page 1

international investments are overseen by Robert Karnes, who joined last year from Morgan Stanley. Before that, he worked with Hillenbrand at First Chicago.

While Hillenbrand was with First Chicago during the early 1990s, the company became among the early buyers of CMBS B-pieces. He also formed a servicing operation for First Chicago that grew to some \$5 billion and pioneered the use of collateralized debt obligations as a financing vehicle for subordinate CMBS.

Capital Lease Gets \$211Mln in Financing

Capital Lease Funding Inc. has lined up \$211 million of bridge financing from Wachovia Bank, allowing it to complete its \$364.4 million purchase of a portfolio of net-leased properties from the former Pitney Bowes Capital Corp.

The New York REIT said it had assumed \$159.3 million of existing debt on the 18 properties, but planned to re-finance much of the debt as well as sell certain other properties. It also would possibly raise additional equity or debt.

The Wachovia bridge facility, for which it paid \$2.6 million in fees, gives it time to execute those strategies.

It has a 90-day term, but could be extended for another 45 days. It pays a floating rate that is now 7.82 percent.

The portfolio contains three ware-

houses with 2.6 million square feet that are net leased through 2012 to Nestle USA Inc. in Pennsylvania, Indiana and California. Kroger Co. leases 11 grocery stores with a combined 685,000 sf in Kentucky, Georgia and Tennessee

through 2022. It also contains four office buildings with a combined 896,000 sf in Rhode Island, Nebraska and Connecticut that are net leased under relatively short agreements to Factory Mutual Insurance Co., Qwest Business Resources Inc. and Travelers Corp.

Countrywide Lends \$219Mln for Resort

Countrywide Commercial has provided \$219 million of floating-rate financing for the Kahala Hotel & Resort, an upscale 343-room property in Honolulu.

The property is owned by Trinity Investments, which had purchased it last year from Kahala Royal Corp. for \$176 million. At the time, the property was known as the Kahala Mandarin

Oriental Hotel, but was renamed after Mandarin Oriental was let go as manager.

Trinity had sold stakes in the property to Sala Azabu, a retailer of high-end furniture in Japan, and Ken Corp., a local developer. It is planning to renovate and reposition the property, which is said to sit on leased ground.

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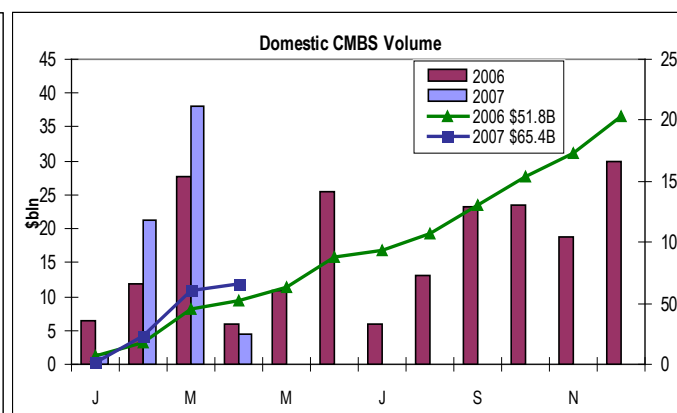
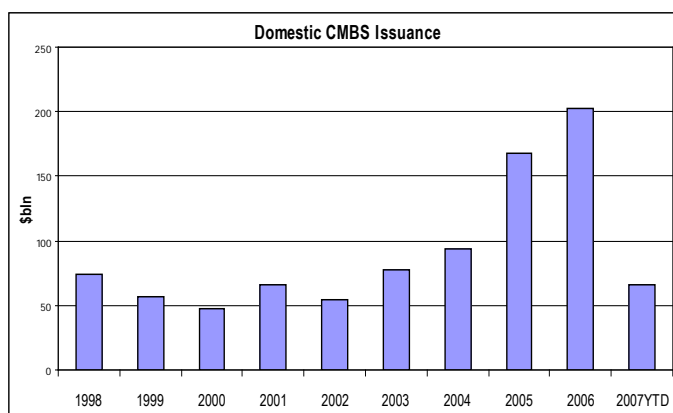
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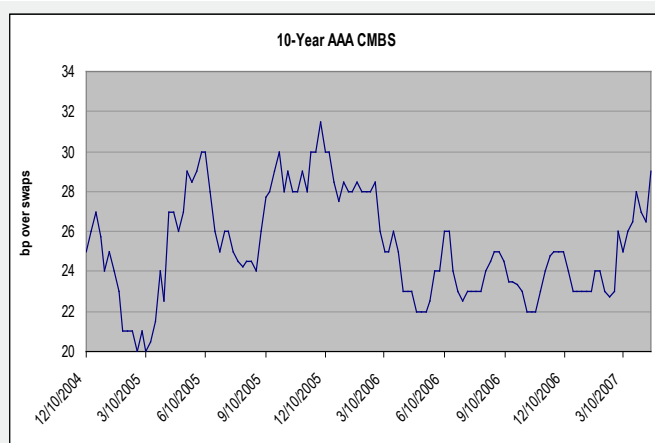
CMBS DATA

CMBS Pipeline

Seller/Borrower	Deal Type	Size (\$mln)	Mgr	Pricing Date	B-pce Buyer	SrAAA	BBB
JPMorgan Chase Comm Mtg Sec Corp., 2007-CIBC19	Conduit	3,000	JPM	May	JPM	NA	NA
ML-CFC Comm Mtg Trust, 2007-7	Conduit	3,000	ML	May	NA	NA	NA
Banc of America Comm Mtg Trust, 2007-2	Conduit	3,000	BA	May	Anth	NA	NA
Morgan Stanley Capital I Trust, 2007-HQ12	Conduit	2,000	MS	May	LNR	NA	NA
American Tower Trust I	special	1,750	MS	May	NA	NA	NA
COMM, 2007-FL14	Floater	2,515	DB	Apr	NA	NA	NA
LB-UBS Comm Mtg Trust, 2007-C2	Conduit	3,559	LB	Apr	Redwood	NA	NA
Wachovia Bank Comm Mtg Trust, 2007-C31	Conduit	6,000	WS	Apr	LNR	NA	NA
Credit Suisse Comm Mtg Trust, 2007-2	Conduit	3,298	CS	Apr	ING	NA	NA
GE Commercial Mortgage Corp., 2007-C1	Conduit	4,231	DB	Apr	LNR	NA	NA
TOTAL		32,353					
Bear Stearns Comm Mtg Sec Inc., 2007-TOP26	Conduit	2106	BS/MS	Apr. 5	Center	S+26	NA
Cobalt CMBS Comm Mtg Trust, 2007-C2	Conduit	2448	DB/Citi	Apr. 2	CWC	S+29	S+135
ML-CFC Comm Mtg Trust, 2007-6	Conduit	2,167	ML	Mar. 30	AmCap	S+29	S+135
Bear Stearns Comm Mtg Sec Inc., 2007-BBA8	Floater	1,762	BS/BA	Mar. 30	NA	L+7	L+70



CMBS Pricing Matrix



The CMBS Pricing Matrix is compiled every Monday using spreads for generic conduit paper provided by nine investment banks.

Reporting banks were quoting five-year swaps at 45-46bp over Treasuries, while 10-year swaps priced at 52-53bp over.

For historical data points, please visit the Commercial Real Estate Direct website, at www.crenews.com.

	4/20 (bp over swaps)	4/13 (bp over swaps)	4/06 (bp over swaps)	3/30 (bp over swaps)
5-yr AAA tight	25	22	22	23-24
5-yr AAA wide	26	22-24	22-24	23-25
10-yr AAA	26.5-32	24-31	24-31	25-31
SuperSr AAA	27.5-29	26-28	26.5-28	26.5-29
Junior AAA	36-38	32-36	33.5-36	32-36
AA	46-49	40-44	41-44	42-44
A	55-63	48-55	49-55	51-52
BBB	150-160	125-135	120-135	120-135
BBB-	200-210	170-185	155-180	150-180
BB	T+300-385	T+275-375	T+275-375	T+275-375
B	T+725-800	T+700-775	T+700-775	T+700-775

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