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## Real World Offices

The buildings plan a road trip to Sleepy Hollow.

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## REGULATORS SET TO ISSUE CRE WORKOUT GUIDELINES

Regulators from the Office of the Comptroller of the Currency, the Federal Reserve, the Office of Thrift Supervision, Federal Deposit Insurance Corporation and the National Credit Union Administration are working together on new guidelines that will set standards for examiners who are working with banks to restructure troubled commercial real estate and construction loans. The guidelines will be applied uniformly across the participating agencies, said Dean Debuck, a spokesman for the OCC. Debuck declined to comment further.

The goal of the guidelines is to give examiners and lenders a clearer path to workouts, said an official at one of the agencies. "It is one-stop shopping, so people know what the policies are. These are not new rules." But one market participant familiar with the agencies said a

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## INSTITUTIONAL-FOCUSED GSA OFFICE FUND TO DEBUT

Washington, D.C.-based Perseus Realty Partners has unveiled a new fund that targets office buildings leased to the U.S. government. The company is in the process of closing \$400 million for the fund. With leverage, the fund will have as much as \$800 million to \$1 billion of buying power. The focus is unique for a fund that targets institutional investors, although at least one exists for high-net-worth investors.

The company will seek properties greater than 75,000 square feet in the 10 largest markets where the U.S. government leases more than one million square feet of space. The fund will invest mainly in office buildings, but could also buy properties such as courthouses or medical buildings leased by the Veterans Administration. The U.S.

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## STERNLICHT: FDIC KEY TO RECOVERY

Barry Sternlicht, ceo of Starwood Capital Group, believes that Federal Deposit Insurance Corporation incentives are critical to bringing people back into the market. "Without this sort of FDIC participation, you are invited to wait and see for the next four to five years what happens," Barry Sternlicht told REFI.

Starwood recently purchased a portfolio from the bankrupt Corus Bank with the FDIC's assistance. The agency contributed over \$1 billion toward the \$2.77 billion purchase price, which came to 62 cents on the dollar. Without the FDIC participation the portfolio would have fetched considerably less.

Sternlicht said the Starwood partnership didn't run those exact calculations. "The nature of both the financing and equity participation increased the price significantly. It changed the dynamic and modeling for the portfolio," he said.

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Check www.iirealestate.com during the week for breaking news and updates.

## Strategies

### DDG Partners Seeking Middle-Market Development Plays

**DDG Partners** is seeking middle-market development and acquisition opportunities in New York. The firm, led by **Joe McMillan**, is looking at multifamily and boutique hotel and office developments. It wants to make equity investments of \$10 million to \$25 million but has bid on deals as large as \$75 million with leverage.

The firm has in-house design and construction management staff and can bring fresh equity as well as development and marketing expertise to troubled projects. It invests with capital from its principals and high-net-worth investors. "What we would really prefer to do is negotiate a transaction with both the lender and the developer," McMillan said. "That's our preferred route to go. It's better for everyone involved and a much more efficient way to invest."

Geographically, the firm is focused on New York. It has developed condo properties in high-end downtown Manhattan neighborhoods and the Carroll Gardens section of Brooklyn.

### Walter & Samuels Seeks Out Performing Properties

At a time when many owners are looking for distressed opportunities, New York-based **Walter & Samuels** is sticking to performing, cash-flowing properties. "We stand against the grain because this is a market where people are looking for distressed real estate," said **Marc Berley**, executive managing director. "Some people will make money by buying distressed real estate. But we think the better way is to earn money the old-fashioned way, by finding properties that are already cash-flowing and making them run better."

The company manages more than three million square feet of office space and additional retail space in the New York metro area. Its main focus, however, is on pre-war buildings in Midtown Manhattan, with an emphasis on properties with character. "We love great locations and I think Manhattan, which has been hit hard of late, is still the best place to be," Berley said. "We look for properties we can take to the next level. We make investments where we know we can add value through asset management."

Improving the performance is key to the company's strategy. **Walter & Samuels** manages properties that its principals are partners in and also takes on third-party assignments. When taking on a new assignment, the company begins with an onsite inspection and a review of the building's financial information.

Cost savings can come from a range of areas, including raising energy efficiency and lowering insurance and labor costs. "We have an incentive to cut costs and optimize income," Berley said.

Cutting costs isn't always as simple as it sounds, Berley cautioned. "And increasing income requires thinking outside the box as well as within it, especially in a difficult market. In a slow economy it is harder to raise income, so cutting costs becomes essential. You don't stop trying to raise income, but you have to go to market in creative ways to do it," he added.

### Ventras Raising Capital For Debt Buys

**Ventras Capital Advisors** is raising \$250 million to \$350 million to acquire highly-rated commercial mortgage-backed securities, mezzanine debt and commercial real estate collateralized debt obligations. The firm, which was recently formed by Denver-based **MBH Enterprises**, focuses on commercial and residential real estate acquisition opportunities as well as distressed asset management and dispositions. It will invest via a series of funds.

MBH is already a residential investor through affiliate **Integrated Asset Services** and decided to look into the commercial side given the number of dispositions. It also sees opportunities to invest in well-performing CMBS, explained **Greg McManus** principal. To this end, the firm has hired McManus, **Scott Roth** and **Patti Unti** from **Capmark Investments Securities**.

Ventras decided to cap its equity raising at \$350 million. "We don't want to raise more because there is a very small segment of bonds that are offering unprecedented returns," explained McManus. "Real estate is very idiosyncratic. We don't expect all deals to perform the same way, but we have a team good at underwriting, credit and loss dispersion of a certain vintage of bonds," Unti added.

Over the long term, Ventras will expand its services to include residential whole loans, distressed debt and special servicing. All of this, however, will not be available until after 2010. It may also provide workout expertise to banks and small firms but has not done so yet.

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