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Commercial Mortgage ALERT

THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION

Distressed-Loan Fund Progressing

A Swiss investment firm is on track to complete raising $100 million of equity next month for a fund that invests in distressed U.S. commercial and residential mortgages.

REInvest, which closed on $50 million of initial equity about a month ago, is expected to hold the final close on June 30. With leverage, the fund would have more than $200 million of buying power.

The vehicle, REInvest New Horizons 1, is shooting for a return of about 18% by acquiring nonperforming mortgages on all property types except hotels. The fund will decide on a case-by-case basis whether to restructure loans or move to take over underlying collateral. The fund is allocating 60-70% of its equity for commercial mortgages, including **FDIC** portfolios. The rest will be invested in residential loans.

Belgravia Capital of Irvine, Calif., is the fund's investment advisor. Belgravia will source acquisitions and handle underwriting. The members of the fund's investment committee are REInvest president **Dan Meyer** and directors **Tamer Amr** and **Henri de Bokay.** Capital is being solicited from wealthy individuals from Europe and Japan. The fund isn't open to U.S. investors.

Geneva-based REInvest was formed in 1997 by Meyer and Amr. The firm previously worked as a Swiss operating partner for **Morgan Stanley.** Its first commingled fund was a $25 million vehicle that invested in multi-family properties in and around Berlin.

REInvest is also looking to form joint ventures with debt-fund operators on individual investments. ❖

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THE GRAPEVINE

Tim Gallagher resigned from the commercial mortgage origination group at **Goldman Sachs** this week to rejoin **Morgan Stanley,** which he left five years ago. He's due to start working on Morgan Stanley's trading desk in August, the latest indication that the bank is eager to revive its dormant commercial MBS program. Gallagher took over Goldman's commercial mortgage effort in June, along with **Dan Bennett** and **Mitch Resnick.** Gallagher, a managing director, was focused on the investment-banking side of the business, with the other two concentrating on loan

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Suitors of Bankrupt Chain Seek CMBS Loan

The two private equity groups vying to take over bankrupt **Extended Stay Hotels** are each seeking to line up a financing commitment of roughly $2.2 billion from securitization shops.

The groups — one led by **Starwood Capital,** the other by **Centerbridge Partners** — need the commitments to support their buyout proposals for the 680-hotel company.

The lenders in the mix include **Bank of America, Deutsche Bank, Goldman Sachs** and **J.P. Morgan.** Each investment group is likely to select a lead lender. The lead lender for the winning group is likely to bring in other lenders to take down part of the commitment.

The commitment could lead to a giant single-borrower securitization. However, the winning group wouldn't be obligated to follow through with a CMBS offering. It could conceivably turn to the high-yield debt market as a more-economical

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MetLife, NY State Teachers Eye Big LA Loan

MetLife and **New York State Teachers** have the inside track to originate a $350 million fixed-rate mortgage on the City National Plaza office complex in downtown Los Angeles.

The financing assignment has attracted bids from a slew of insurers and securitization shops. But the team of MetLife and New York State Teachers has moved to the front of the pack and is expected to land the loan, according to market players.

The 2.6 million-square-foot complex, formerly known as Arco Plaza, is owned by a 75-25 partnership between **California State Teachers** and **Thomas Properties** of Los Angeles. The partnership is being advised on the financing by **Eastdil Secured.**

The loan is expected to carry a 10-year term and a coupon of slightly below 6%. The loan-to-value ratio would be about 65%, pegging the property's value at roughly $540 million.

The CalSTRS partnership wouldn't have to make principal payments for four

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After Big Lending Dip in '09, Insurers Revive

Lending by the largest insurance companies slumped sharply for the second straight year in 2009, but the industry is now back in a growth mode.

Originations by the 30 insurance organizations with the largest mortgage portfolios plunged by 41% in 2009, to $22.4 billion, according to **Commercial Mortgage Alert's** annual survey of lending by life insurers (see ranking on page 10). That was on top of a 35% decline in 2008. The upshot: Annual lending plummeted by $34.4 billion from the peak of $56.8 billion in 2007.

All but three of the Top 30 firms posted a decline in originations last year. **MetLife** regained the title of most-active originator, even though its volume slipped by 26%, to $3.4 billion. **Allstate** ranked second, with $2.44 billion of originations, followed by **Prudential** ($2.38 billion), **John Hancock** ($1.5 billion) and **Pacific Life** ($1.4 billion).

But all signs indicate that the tide has turned. Across the board, insurers have captured many of the best lending opportunities that have emerged so far in the

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