Green Street

Commercial Mortgage Alert

THE WEEKLY UPDATE ON REAL ESTATE FINANCE & SECURITIZATION

Cred IQ Joins Operating Advisor Fray

Cred iQ has quietly started an operating-advisor business and has begun talking to issuers this week about bidding on commercial MBS assignments against the two firms that have dominated the space for several years.

Mike Haas and **Bill Petersen,** co-founders of the Radnor, Pa., commercial real estate data provider, said the move is a logical step in their effort to increase transparency for CMBS investors using the latest technology.

"We're monitoring every loan month after month, paying particular attention to distressed assets, so it's just a natural fit to expand," Petersen said. "It's very much a niche business with only two players, and we want to bring another level of transparency."

Cred iQ has been test-driving the system for a few months on a $1.4 billion conduit deal issued in 2013 (WFRBS 2013-C11). **Trimont Real Estate Advisors** originally served as operating advisor on that transaction but has since left the business. It recently turned over the assignment to Cred iQ.

To take over the deal, Cred iQ had to notify rating agencies and win approvals from the controlling class. It then set up a separate arm to avoid conflicts of interest.

Cred iQ also brought aboard two senior managing directors to run the unit. **James Reed,** who's worked in commercial real estate for decades, arrived in June. He's spent time at **Oppenheimer Multifamily Housing and Healthcare Finance, Ally Financial, GMAC ResCap** and **Capmark. Marc McDevitt** arrived in July from **KBRA,** where he worked in its subscription loan-surveillance business, KBRA Credit Profile. He previously spent time at **BNY Mellon.**

The operating-advisor role was created in the aftermath of the 2007-2008 financial crisis as an added layer of investor protection to help ensure that special servicers didn't abuse the wide discretion they were given to work out distressed CMBS loans. The rules were later formalized as part of federal risk-retention requirements for CMBS deals.

Operating advisors are paid a nominal fee annually to track each loan and advise special servicers if a deal goes bad, but they can't remove servicers or force them to follow recommendations.

Following the financial crisis, four companies were active in the market. Trimont and **SitusAMC** stopped bidding on new deals about three years ago, leaving the field to **Pentalpha** and **Park Bridge Financial.**

Advisors have said that while their workloads increased sharply during the pandemic as loan fundamentals deteriorated, they've managed to keep up. Even as conditions have steadily improved, some controlling classes on deals have been wiped out, and the importance of advisor reports to investors has risen.

One advisor conceded that it's possible for rivals to win deals by bidding aggressively, but he noted that Trimont and SitusAMC eventually decided it was too difficult to profit from such a labor-intensive and specialized business. ❖

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CMBS, CLO Shops Keep Pedal to the Floor

Securitizations of debt on U.S. commercial properties have exploded this year, putting lenders on track for their highest annual issuance volume since before the global financial crisis more than 10 years ago.

Commercial MBS shops, agency lenders and issuers of commercial real estate CLOs floated a whopping $202.9 billion of securitized offerings during the first three quarters of this year, despite widespread uncertainty about the ongoing impact of the pandemic.

The total marks a sharp jump from $133.02 billion of bond offerings during the same period last year, according to **Commercial Mortgage Alert's** CMBS Database. While agency lenders were busier than ever before in 2020, originators of CMBS and CRE CLO debt were constrained by fallout from the coronavirus crisis.

Agency issuance has continued to rise this year, while private-label lenders have bounced back with vigor. As a result, the combined year-to-date volume of securitizations from all three types of issuers has reached its highest level since before the

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Rubenstein Seeks Debt for Brooklyn Offices

Rubenstein Partners is in the market for $340 million of debt on a Brooklyn office property completed in late 2019.

The collateral is the 511,000-sf building at 25 Kent Avenue. Rubenstein is asking for quotes on a floating-rate financing package running a total five years, via its advisor, **Newmark.**

The property is an office building with space set aside for manufacturing tenants. It sits along the border of the Williamsburg and Greenpoint neighborhoods.

Philadelphia-based Rubenstein began planning the development more than five years ago, in a joint venture that included **Heritage Equity Partners** of Brooklyn. The Rubenstein group acquired the site for about $132 million in 2015, and began construction the following year, after locking in $197 million of project financing led by **Wells Fargo** and **Natixis.** It appears Heritage is no longer involved as an owner, but

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Office Lenders Pause Amid Murky Outlook

Traditional balance-sheet lenders have become more skittish about financing certain office properties in big urban markets as the recent surge in coronavirus cases stokes concerns about the long-term demand for space.

Many companies had called for employees to return to work in person at the end of the summer, but a spike in cases linked to the delta variant caused them to abruptly postpone those plans. That, in turn, has caused lenders to take a more cautious approach to the sector, quoting office loans less often or with more conservative terms.

Lenders and other market sources said some office buildings previously considered fairly straightforward from an underwriting standpoint have become some of the most difficult to finance — even more than hotel or retail properties that took the most immediate hits from pandemic-driven business slowdowns.

"I think people were a bit more positive over the summer — but with a bunch

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THE GRAPEVINE

Managing director **Raphael Gonzalez** has left **Exos Financial** to rejoin **JPMorgan Asset Management** with the same title. He started Sept. 30 in New York. Reporting to **Meg McClellan,** head of private credit, his responsibilities as a senior investment specialist include commercial mortgage lending. Gonzalez focused on bridge loans at both Exos, which he joined in April 2020, and before that at **Monticello Asset Management,** where he had worked since November 2018. He was previously a structured-product trader, including stints at JPMorgan Chase from 2007 to 2012 and JPMorgan Asset Management from 1997 to 2000.

Nuveen Real Estate has hired a veteran commercial-financing pro in its capital-markets team in New York. **Jean Claude Harabagabo** is expected

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