

## Issuers' Share of Loan Market Slips

Banks and securitization shops together accounted for more than half of commercial real estate lending in the first quarter, a turnaround from a year ago when insurers dominated the market, according to **CBRE**.

The brokerage's quarterly Lender Forum report also noted that leverage is edging closer to pre-crash levels, with loan-to-value ratios of 85% cropping up in debt packages for some major-market office properties.

The analysis of commercial mortgages CBRE brokered during the first three months of the year found that insurers wrote 35% of the total, down from about 50% in the first three months of 2012. The share originated by securitization programs more than doubled, to 22% from 10%, while banks increased their portion to 30% from 20%. The figures exclude multi-family mortgages, which CBRE tracks separately.

**Brian Stoffers**, president of CBRE Capital Markets, said the data reflects a continuation of trends that emerged last year. A strong market for commercial MBS has reduced the cost of capital for securitization lenders, making them more competitive, while banks, flush with capital from customer deposits, are aggressively chasing loans for their balance sheets.

Stoffers pointed out, however, that insurers are positioned to stay competitive as Treasury rates rise. "Life company rates are typically more stable than CMBS rates, which can change hourly. In a rising rate environment, this feature is very attractive to potential borrowers," he said. Yields on 10-year Treasuries have risen by more than 50 bp since the beginning of May.

Leverage has continued to inch up. The CBRE report charted the course of a typical debt stack on an office property in a major urban area. In 2007, many such deals had leverage of well above 90%. By 2009, in the wake of the financial crisis, lenders were demanding more equity in deals and generally insisting on maximum leverage of 75%, including mezzanine debt. Today, the brokerage said, leverage levels of 85%, including mezzanine debt, are becoming common.

Pricing, meanwhile, has followed a corresponding downward line. Average spreads on senior mortgages are in the range of 175 bp over 10-year Treasuries, compared with 330 bp in 2009. ♦

## Advisory Shop Expanding US Footprint

An outsourcing firm serving the commercial real estate sector wants to triple its U.S. staff to about 15 by yearend.

**MCube Financial** recently hired two commercial-mortgage veterans — **Brendan Stone** and **Jeffrey Hoyle** — at its Charlotte headquarters. The firm now has five staffers there, along with 35 in Gurgaon, India, and three in Singapore. Plans call for adding up to 10 more employees this year, starting with 4-5 loan-underwriting and due-diligence specialists over the next month or so. They would work in Charlotte or possibly New York.

Stone, who starts in August, will work on business development and client management with MCube co-founder **Sudhanshu Khandelwal**. Stone has been a managing director at **BlackRock** since early 2010, first in Charlotte and then in Singapore.

Hoyle joined MCube as head of U.S. operations about two months ago, also reporting to Khandelwal. His responsibilities include overseeing the underwriting of commercial MBS loans for clients, including mortgage originators and investors.

Both Stone and Hoyle previously worked in the CMBS group at **Bank of America** along with **Manish Parwani**, who co-founded MCube with Khandelwal in 2011. As managing partners, Khandelwal works in Charlotte and Parwani is based in Singapore.

MCube offers advisory and analytical services, such as helping clients assess and manage investments in commercial real estate debt and equity. Its outsourcing platform also provides staffers to help with due diligence, loan workouts, risk-advisory work and various administrative duties.

Parwani was one of three CMBS executives who left BofA in 2004 to set up **Helix Financial**, another Charlotte advisory firm. Stone joined them, and stayed after BlackRock bought Helix in January 2010. Most recently, Stone was a managing director in Singapore, in charge of the New York fund shop's internal-auditing teams for Australia, Japan, Taiwan and Singapore.

Hoyle spent 28 years working on real estate finance transactions at BofA and predecessor **NationsBank**. He was a managing director in the conduit-lending group from 2002 until his departure from the bank in 2008. He later chaired the unsecured creditors committee that was set up to deal with the bankruptcy of **Extended Stay Hotels**. The Charlotte-based hotel chain was bought out of bankruptcy in 2010 by **Centerbridge Partners**, **Blackstone** and **Paulson & Co.**, all of New York. ♦

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