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Commercial Mortgage ALERT

THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION

Inland Eyes Growth in Bridge Loans

Inland Mortgage Capital is expanding the small-balance bridge-loan program it rolled out last September.

The shop plans to hire a handful of underwriters and asset managers over the next few months and may open satellite loan production offices to complement its base in Oak Brook, Ill.

Inland Mortgage is a unit of Inland Real Estate, which manages several REITs that have invested in some $36 billion of real estate over the past 15 years. The parent formed Inland Mortgage seven months ago to focus on what it saw as an underserved niche: floating-rate bridge loans of $3 million to $12 million on transitional properties that need to be repositioned or leased up before qualifying for long-term, fixed-rate loans.

"At Inland, we know from our own experience as a borrower that it can be a struggle to find nonrecourse financing of less than $15 million," said **Art Rendak,** president of Inland Mortgage. "Banks want to do bigger deals. We saw that and realized it would be an opportunity for us on the financing side."

So far, the unit has closed $20 million of loans and has another $23 million under application. Its is shooting to have $100 million of mortgages closed by yearend.

Inland Real Estate once operated a program that offered recourse bridge loans and mezzanine debt with loan-to-value ratios of up to 95%. But it halted the operation after the real estate market crashed in 2008.

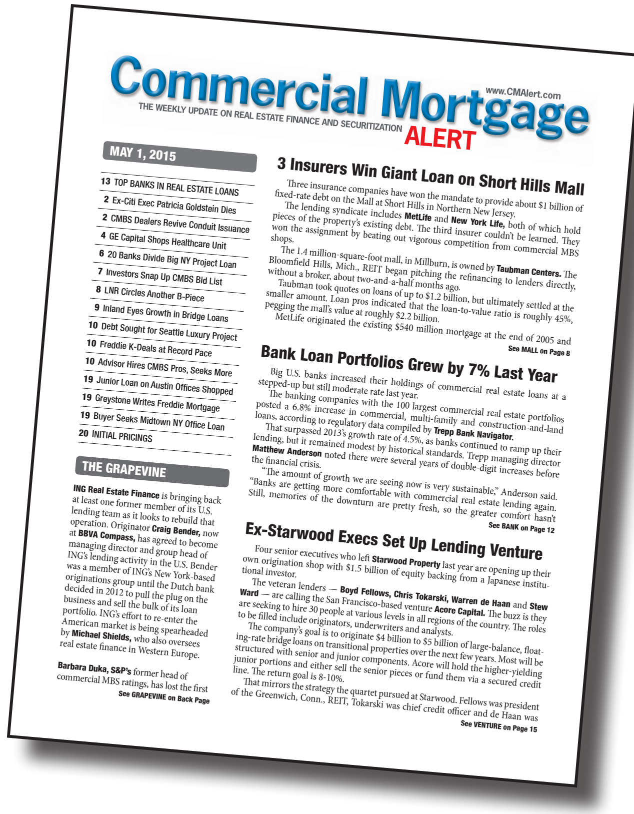
Now, with commercial banks pinched by new regulations, Inland sees room to revive bridge loans, only with lower leverage and a targeted range of loan sizes that will enable it to avoid the turf of big nonbanks. Also, the loans will be written on a nonrecourse basis. The program doesn't offer mezzanine debt, but may do so down the road.

Inland's bridge loans typically have three-year terms, with two one-year extension options. The firm will lend up to 75% of the value of properties in the major categories as well as some other types. "We've tapped into the self-storage niche, and we think it's a great product type," said Rendak.

One recent example was an $8.8 million loan on a 235,000-square-foot industrial property in Raleigh. The property was 58% occupied at closing and had significant deferred maintenance. Some $2.8 million of the proceeds was structured as a reserve to be used for capital improvements and leasing expenses.

Dan Schmitz, a vice president of originations, said small borrowers with maturing securitized loans are often unable to negotiate extensions from special servicers. "The special servicers can be more aggressive with the small-balance guys," he said. The borrowers "go in thinking they can get a six-month extension, but often they can't."

Inland Mortgage now has about a half-dozen staffers. **Ken Schutter** joined in September, as senior vice president and credit director. He previously spent a year at **Dearborn Capital** of Chicago and four years at **C-III Asset Management** of Irving, Texas. Schmitz came on board the same month, following stints at **PNC** and **Northmarq Capital.** ❖



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MAY 1, 2015

THE GRAPEVINE

ING Real Estate Finance is bringing back at least one former member of its U.S. lending team as it looks to rebuild that operation. Originator **Craig Bender,** now at **BBVA Compass,** has agreed to become managing director and group head of ING's lending activity in the U.S. Bender was a member of ING's New York-based originations group until the Dutch bank decided in 2012 to pull the plug on the business and sell the bulk of its loan portfolio. ING's effort to re-enter the American market is being spearheaded by **Michael Shields,** who also oversees real estate finance in Western Europe.

Barbara Duka, S&P's former head of commercial MBS ratings, has lost the first

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3 Insurers Win Giant Loan on Short Hills Mall

Three insurance companies have won the mandate to provide about $1 billion of fixed-rate debt on the Mall at Short Hills in Northern New Jersey.

The lending syndicate includes **MetLife** and **New York Life,** both of which hold pieces of the property's existing debt. The third insurer couldn't be learned. They won the assignment by beating out vigorous competition from commercial MBS shops.

The 1.4 million-square-foot mall, in Millburn, is owned by **Taubman Centers.** The Bloomfield Hills, Mich., REIT began pitching the refinancing to lenders directly, without a broker, about two-and-a-half months ago.

Taubman took quotes on loans of up to $1.2 billion, but ultimately settled at the smaller amount. Loan pros indicated that the loan-to-value ratio is roughly 45%, pegging the mall's value at roughly $2.2 billion.

MetLife originated the existing $540 million mortgage at the end of 2005 and

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Bank Loan Portfolios Grew by 7% Last Year

Big U.S. banks increased their holdings of commercial real estate loans at a stepped-up but still moderate rate last year.

The banking companies with the 100 largest commercial real estate portfolios posted a 6.8% increase in commercial, multi-family and construction-and-land loans, according to regulatory data compiled by **Trepp Bank Navigator.**

That surpassed 2013's growth rate of 4.5%, as banks continued to ramp up their lending, but it remained modest by historical standards. Trepp managing director **Matthew Anderson** noted there were several years of double-digit increases before the financial crisis.

"The amount of growth we are seeing now is very sustainable," Anderson said. "Banks are getting more comfortable with commercial real estate lending again. Still, memories of the downturn are pretty fresh, so the greater comfort hasn't

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Ex-Starwood Execs Set Up Lending Venture

Four senior executives who left **Starwood Property** last year are opening up their own origination shop with $1.5 billion of equity backing from a Japanese institutional investor.

The veteran lenders — **Boyd Fellows, Chris Tokarski, Warren de Haan** and **Stew Ward** — are calling the San Francisco-based venture **Acore Capital.** The buzz is they are seeking to hire 30 people at various levels in all regions of the country. The roles to be filled include originators, underwriters and analysts.

The company's goal is to originate $4 billion to $5 billion of large-balance, floating-rate bridge loans on transitional properties over the next few years. Most will be structured with senior and junior components. Acore will hold the higher-yielding junior portions and either sell the senior pieces or fund them via a secured credit line. The return goal is 8-10%.

That mirrors the strategy the quartet pursued at Starwood. Fellows was president of the Greenwich, Conn., REIT, Tokarski was chief credit officer and de Haan was

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