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## **Nonperforming notes sell for \$124M at online commercial loan auction**

By Oscar Pedro Musibay

More special servicers will bring loans to auction after Jones Lang LaSalle and Real Estate Disposition Corp. recently sold 35 small-balance commercial loans that way. LNR Property Corp and ING Clarion were managing the loans, which sold for \$124 million, or an average of 50 cents on the dollar.

The online, eBay-like auction was held last month, with Miami-based LNR being a special servicer on about \$30 million of the \$200 million in balances tied to commercial mortgage-backed securities. The loans that did not sell did not meet reserve prices.



It was unclear by press time how much of the \$124 million the LNR-connected assets generated. LNR and REDC did not return calls seeking comment. JLL provided a joint statement from the brokers.

The 47 nonperforming notes offered at auction were collateralized by retail, office, industrial and multifamily properties.

The assets being auctioned, which were offered individually, had from four to 20 active bidders, with a great deal of activity among non-institutional investors.

On the auction's first day, 12 nonperforming notes backed by multifamily properties in Arizona, Florida, Georgia, Illinois, Michigan, New York, Ohio, Pennsylvania and Texas closed at a price of \$83 million, according to the joint statement.

"It now serves as a bellwether for how commercial notes can be efficiently cleared off the balance sheets," said Ken Rivkin, executive VP and head of REDC's commercial division, in a press release. "These transactions should be a significant catalyst to encourage financial institutions to off-load assets from their balance sheets ...."

The February auction attracted 48,000 unique visitors and more than 300 registered bidders, with buyers being prequalified. Financial institutions can auction various financial products, including first liens, second mortgages, whole notes, and performing and nonperforming loans.

Paul Jones, president of Pyramid Realty Group in Coral Gables, which underwrote CMBS loans for LNR, said the auction is sure to be part of LNR's effort to shed nonperforming loans with high management

costs that have little to no chance of a workout. LNR is also seeking to market about \$1 billion in small-balance loans for sale through Eastdil.

Some real estate experts say the commercial market hasn't seen bottom yet, and that LNR is trying to get product out to market before things get worse. Marketing them individually is more likely to generate the best price.

Investment funds have been waiting for product to hit the market, with apartment buildings offering some of the most attractive investments. Some of the likely buyers on small-balance loans are also flippers, who will look to unload the same assets to buyers with a longer-hold strategy within six months, as the economy improves, said one commercial real estate broker, following the same pattern residential condominiums are falling into today.

Putting multifamily commercial assets on the market makes sense because financing is available through the federal government, said Gavin Campbell, a managing partner of commercial investment group Steelbridge Capital, which looked at a couple of assets in the online auction. Campbell is raising \$500 million to buy distressed assets and has an interest in LNR's upcoming sale, for which no date has been given yet.

"Apartments are the only ones that are holding up in the commercial world," Campbell said. "People are buying apartments because there is financing. They can buy because of Fannie and Freddie."