Financing

Los Angeles Lender Seeks Short-Term Deals Nationally

Thorofare Capital, a Los Angeles-based investment management company, is seeking opportunities to originate short-term senior mortgages across the U.S. The company invests via a series of funds with more than $100 million of committed equity, and is responding to the significant demand for refinancing, said **Kevin Miller**, managing member. "We feel the product we are offering is needed," he added.

The company seeks loans of $5-10 million, with a minimum of $2 million and a total capacity of $25 million per deal. It can work with joint venture partners on a deal by deal basis and is also in talks with a large, public company to put together a programmatic joint venture. Its loans are typically six months to three years in length and it doesn't use leverage. The company's funds are capitalized by private investors.

Thorofare is looking at deals in New York, Atlanta, Pennsylvania, Chicago and the Carolinas as well as in its home base of California. The investment criteria will consider all states with a preference for major markets and surrounding suburbs. "We see about fifty deals each week and we cherry pick the best opportunities," Miller said. "We're not a huge volume shop but we offer the highest degree of certainty of closure. One thing clients can be assured of when they start a deal with us is that we won't leave them at the altar."

The company sources many of its deals via commercial mortgage-backed securities special servicers. More than half of the loans securitized in 2007 are not paying off and many end up in special servicing. Thorofare has done 12 deals with special servicers. The company likes anchored retail properties with strong tenants but will consider all sectors. "We like multiple tenants with multiple income streams," Miller added.

Trepp: CRE Continues To Sink Banks

Commercial real estate exposure continues to be the primary problem for ailing banks, with **Trepp LLC** reporting seven bank failures in June, all tied to non-performing commercial real estate loans. Indeed, of the total $185.3 million of non-performing loans held by banks that failed last month, 76.4% was made up of commercial mortgages or construction and land loans, said **Matt Anderson**, managing director. By comparison, two banks failed in May.

The southeast remains the most problematic region in the U.S. Tennessee, Georgia, Florida, North Carolina and South Carolina each saw one bank shut its doors in June. The other two closures occurred in Illinois and Oklahoma, Anderson said.

On the bright side, the pace of bank failures has been slower in the first half of 2012, with a monthly closure rate of 5.5, compared to 7.7 per month in 2011. "However, the slower pace of closures will likely mean that failures will continue into 2013 and possibly beyond," Anderson said.

Big New York Office Loan Heads To Special Servicing

A $310 million loan on 450 Lexington Avenue, a midtown Manhattan office building, was transferred into special servicing on Tuesday due to a maturity default, according to **Fitch Ratings**. The 40-story, roughly 910,000-square-foot tower at 45th Street is owned by **Istithmar World** and is set to be acquired by **RXR Realty** for a reported $700 per square foot, according to data from **Real Capital Analytics**.

The loan was securitized in two commercial mortgage-backed securities deals. A $200 million slice was securitized in CSMC 2007-C5 while another $110 million note was securitized in CSMC 2008-C1. The larger note comprises 8.08% of the first deal, while the other makes up 13.02% of the second deal.

KeyBank Real Estate Capital is the master servicer on both deals, while **C-III Asset Management** is the special servicer. Officials at KeyBank and C-III could not be reached for comment, but market players believe that the loan will likely be restructured and the maturity extended. Calls to RXR were not returned by press time.

CRE Delinquencies See Big Drop In June

Fitch Ratings' monthly report on commercial real estate collateralized debt obligation delinquencies shows that delinquencies fell from May to June, declining from 13% to 12.3%. The decline is part of a broader drop that has seen delinquencies come in more than 150 basis points over the past two months, said **Stacey McGovern**, managing director.

Five new assets were reported delinquent in June while another 15 were removed from the index. Eight of the assets removed from the index experienced full to partial losses. The largest loss stemmed from a write off of REIT debt while the next largest loss was a discounted payoff of a Memphis office portfolio, McGovern said.

June CREL CDO Delinquency Rates (by property type)

Land	31%
Construction	22%
Retail	16%
Office	13%
Rated Debt	10%
Multifamily	10%
Industrial	10%
Condo	4%
Other	6%

Source: Fitch Ratings