



## 2016 CMBS Award Winners

By Orest Mandzy

### JPMorgan Unseats Deutsche at Top of Bookrunner Ranking

For the first time in five years, Deutsche Bank wasn't the most active bookrunner of domestic, private-label CMBS. It was JPMorgan Securities.

The bank consistently has been among the most active underwriters of deals, and this year it was able to top Deutsche in part due to its large-loan business. JPMorgan was involved in 12 single-

#### Top Managers of Domestic, Private-Label CMBS

Investment Bank	2016			2015		
	#Deals	Bal \$mln	Mkt Shr%	#Deals	Bal \$mln	Mkt Shr%
Academy Securities	39	30,982.65	45.33	3	1,991.00	2.09
Drexel Hamilton	31	25,009.09	36.59	46	41,446.67	43.58
Citigroup	26	20,525.90	30.03	34	24,503.06	25.77
Deutsche Bank	27	19,714.00	28.85	35	33,646.87	35.38
JPMorgan Securities	22	15,120.17	22.12	23	18,655.51	19.62
Goldman Sachs	19	14,388.13	21.05	21	20,612.26	21.68
Wells Fargo Securities	20	13,654.42	19.98	24	19,723.84	20.74
Morgan Stanley	17	13,057.72	19.11	31	25,470.73	26.78
Barclays Capital	14	9,798.95	14.34	14	12,437.20	13.08
BoA Merrill Lynch	14	9,634.92	14.10	22	17,881.42	18.80
UBS	9	7,080.01	10.36	9	8,577.84	9.02
Cantor Fitzgerald	9	6,820.00	9.98	17	16,923.07	17.80
Natixis	9	6,186.71	9.05	8	8,337.01	8.77
KeyBank	7	5,307.56	7.77	0	0.00	0.00
CastleOak	5	4,010.77	5.87	7	7,592.79	7.98
Jefferies	4	3,660.10	5.36	7	8,056.36	8.47
Credit Suisse	6	3,539.15	5.18	16	12,389.06	13.03
CIBC	3	2,747.83	4.02	9	8,214.46	8.64

#### Top Bookrunners Domestic, Private-Label CMBS

Investment Bank	2016			2015		
	#Deals	Vol \$mln	Mkt Shr%	#Deals	Vol \$mln	Mkt Shr%
JPMorgan Securities	14.94	10,350.16	15.14	15.07	12,105.67	12.73
Deutsche Bank	14.21	9,926.60	14.52	18.23	17,210.79	18.25
Wells Fargo Securities	13.36	9,513.96	13.92	17.77	14,715.47	15.61
Citigroup	10.87	8,061.79	11.80	10.79	7,608.49	8.07
Goldman Sachs	10.05	7,563.72	11.07	10.17	8,463.19	8.98
Morgan Stanley	7.36	5,091.85	7.45	14.47	9,715.97	10.30
BofA Merrill Lynch	7.24	4,257.04	6.23	9.70	6,966.40	7.39
Credit Suisse	5.29	3,224.51	4.72	10.75	8,593.95	9.11
Barclays Capital	4.69	3,096.56	4.53	10.18	6,719.75	7.07
Cantor Fitzgerald	4.41	3,019.53	4.42	1.00	140.00	0.15
UBS	3.19	2,432.68	3.56	2.35	2,141.92	2.27
Societe Generale	2.79	1,622.18	2.37	0.13	127.28	0.13
Natixis	0.50	125.80	0.18	0.00	0.00	0.00
KeyCorp	0.10	55.70	0.08	0.00	0.00	0.00
Jefferies	0.00	0.00	0.00	0.32	462.29	0.49
Scotia Capital	0.00	0.00	0.00	0.10	125.00	13.26
<b>Total</b>	<b>99.00</b>	<b>68,342.07</b>		<b>121.00</b>	<b>95,096.16</b>	

borrower transactions totaling \$6.7 billion and was sole bookrunner on five of those, which totaled \$2.5 billion. It also was involved in eight conduit deals, and was sole bookrunner on two, totaling \$2.2 billion. Overall, it got credit for 14.9 deals totaling \$10.3 billion, giving it a 15.1% share of the year's \$68.3 billion of issuance.

Its single-borrower deals included JPMorgan Chase Commercial Mortgage Securities Corp., 2016-NINE, a \$900 million deal that was part of a \$1.2 billion financing package against midtown Manhattan's 9 West 57th St., a 1.7 million-square-foot trophy office building owned by Sheldon H. Solow. It also was involved in single-borrower deals that financed the Shops at Crystal retail

center in Las Vegas, the Palisades Center shopping center in West Nyack, N.Y., and the Hyatt Regency Waikiki Beach Resort & Spa in Hawaii.

Deutsche, meanwhile, also was involved in a dozen single-borrower deals. Those totaled nearly \$7 billion. But it was sole bookrunner on only three, totaling \$1.6 billion. It shared duties on the others. And it was involved in 10 conduit deals, serving as sole bookrunner on two deals totaling \$1.7 billion. Its total tally amounted to 14.2 deals totaling \$9.9 billion, for a 14.5 % share of the market.

Just behind the two was Wells Fargo Securities, which received credit for 13.4 deals totaling \$9.5 billion, for a 13.9 % share of the market.

Please note, *Commercial Real Estate Direct* divvies up credit proportionally among each deals' bookrunners.

JPMorgan's move to the top rung of the ladder was driven by its sector-leading \$8.7 billion of loan contributions, which while down just more than 20 % from a year ago, amounted to one-third more than the amount contributed by Deutsche. Goldman Sachs was second-most active in a ranking of loan contributors, with \$7.4 billion of volume.

Issuance last year fell far below expectations and 28.1 % below the \$95.1 billion registered in 2015. That was driven by volatility in the bond market that resulted in a sharp decline in issuance during the first half, when only \$26.9 billion of CMBS was issued.

As bond spreads stabilized, issuance perked up, with the third quarter seeing \$18 billion of issuance and the final quarter tallying \$23.5 billion. The fourth quarter's numbers were no doubt goosed by issuers pushing to get deals done before risk-retention rules kicked in.

The year's issuance was comprised of 55 conduit deals totaling \$47.1 billion, 39 single-borrower deals totaling \$19.6 billion, two floating-rate deals totaling \$618 million and three others totaling \$1 billion.

## Top Loan Contributors

Loan Contributor	#Loans	2016		2015		Difference %
		Vol \$mln	Mkt Shr%	Vol \$mln	Mkt Shr%	
JPMorgan Chase Bank	133.67	8,670.33	13.34	10,858.98	11.55	-20.16
Goldman Sachs	156.20	7,418.37	11.41	6,258.96	6.66	18.52
Deutsche Bank	178.17	6,510.75	10.02	8,867.97	9.43	-26.58
Citigroup	184.41	5,512.20	8.48	6,274.94	6.67	-12.16
Morgan Stanley	113.18	4,130.53	6.36	8,264.67	8.79	-50.02
Wells Fargo Bank	223.85	3,572.32	5.50	6,117.35	6.51	-41.60
Bank of America	141.06	3,240.29	4.99	6,533.69	6.95	-50.41
Cantor Commercial	175.10	3,212.55	4.94	4,325.86	4.60	-25.74
Barclays Bank	118.12	2,959.78	4.55	5,178.16	5.51	-42.84
UBS Real Estate Securities	134.50	2,431.97	3.74	2,699.80	2.87	-9.92
Rialto Mortgage Finance	192.50	1,932.17	2.97	2,412.71	2.57	-19.92
Natixis	109.00	1,895.34	2.92	2,548.32	2.71	-25.62
Starwood Mortgage Capital	133.50	1,739.00	2.68	2,067.73	2.20	-15.90
Credit Suisse	68.65	1,530.18	2.35	5,982.51	6.36	-74.42
Ladder Capital Finance	98.60	1,349.53	2.08	2,584.94	2.75	-47.79
Benefit Street Partners	83.00	1,241.16	1.91	637.28	0.68	94.76
Jefferies LoanCore	57.00	1,110.22	1.71	1,215.69	1.29	-8.68
Societe Generale	51.80	1,083.80	1.67	534.19	0.57	102.89
Silverpeak Real Estate	61.00	771.38	1.19	980.30	1.04	-21.31
KeyBank	73.10	758.05	1.17	855.62	0.91	-11.40
Lonestar/Relius	22.00	506.26	0.78	0.00	0.00	0.00
BNY Mellon	25.00	488.38	0.75	658.98	0.70	-25.89
Principal Commercial	24.00	478.71	0.74	819.12	0.87	-41.56
NCB FSB	100.00	444.78	0.68	274.47	0.29	62.05
C-III Commercial Mortgage	68.00	367.67	0.57	629.35	0.67	-41.58
Bancorp Bank	35.00	367.04	0.57	524.21	0.56	-29.98
CIBC World Markets	28.00	273.73	0.42	1,237.01	1.32	-77.87
MC-Five Mile	26.00	182.71	0.28	1,484.06	1.58	-87.69
Basis Real Estate Capital	18.00	156.01	0.24	397.10	0.42	-60.71
Bank of China	0.20	110.00	0.17	0.00	0.00	0.00
KGS-Alpha Real Estate	18.00	74.73	0.12	102.30	0.11	-26.95
Redwood Commercial	7.00	72.23	0.11	740.49	0.79	-90.25
Liberty Island Group	5.00	67.91	0.10	562.83	0.60	-87.93
Prudential Mortgage	1.00	65.00	0.10	0.00	0.00	0.00
Walker & Dunlop	5.00	55.85	0.09	279.24	0.30	-80.00
RAIT RBS	3.00	21.38	0.03	367.12	0.39	-94.18
Freedom Commercial	3.00	9.53	0.02	93.52	0.10	-89.81
GE	0.00	0.00	0.00	92.43	0.10	
Scotia	0.00	0.00	0.00	125.00	0.13	
<b>Total</b>	<b>2,874.60</b>	<b>64,811.84</b>		<b>93,586.90</b>	<b>0</b>	

A ranking that gives full credit to every manager on a deal had Academy Securities at the top, co-managing 39 deals totaling \$31 billion, or just more than 45 % of the year's issuance. The investment bank topped Drexel Hamilton, which held top honors in 2015. Last year, it co-managed 31 deals totaling \$25 billion, for a 36.6 % share of the market.

### Special Servicer Rankings - 2016

Servicer	2016									2015		
	Total			Conduit			Single-borrower			Total		
	#Deals	Vol \$mln	Mkt Shr%	#Deals	Vol \$mln	Mkt Shr%	#Deals	Vol \$mln	Mkt Shr%	#Deals	Vol \$mln	Mkt Shr%
Rialto Capital Advisors	16	13,477.66	19.70	16	13,477.66	19.70				15	14,672.62	15.40
Midland Loan Services	15	12,139.83	17.80	12	10,994.83	16.10	3	1,145.00	5.80	26	21,055.00	22.10
CWCapital Asset Management	9	7,265.67	10.60	9	7,265.67	10.60				8	7,690.12	8.10
Wells Fargo Bank	12	6,926.30	10.10	1	1,155.93	1.70	10	5,504.80	28.10	21	14,610.55	15.40
Aegon USA Realty Advisors	13	6,349.83	9.30			0.00	13	6,349.83	32.40	6	3,968.35	4.20
LNR Property Co.	7	5,948.51	8.70	7	5,948.51	8.70			0.00	13	12,278.43	12.90
KeyBank	9	5,158.19	7.50	1	973.39	1.40	7	3,847.80	19.60	12	6,974.13	7.30
C-III Asset Management	5	3,919.54	5.70	5	3,919.54	5.70				3	3,320.89	3.50
Torchlight Loan Services	5	3,504.43	5.10	4	3,342.43	4.90	1	162.00	0.80	4	3,959.35	4.20
Trimont Real Estate Advisors	3	1,474.50	2.20			0.00	2	1,193.50	6.10	1	796.59	0.80
Talmage LLC	2	1,155.00	1.70			0.00	2	1,155.00	5.90			
Hudson Advisors	1	506.26	0.70							1	281.50	0.30
Strategic Asset Services	1	264.00	0.40			0.00	1	264.00	1.30	6	3,617.33	3.80
A10	1	251.60	0.40							1	209.80	0.20

### Master Servicer Rankings

	2016									2015		
	Total			Conduit			Single-borrower			Total		
	#Deals	Vol \$mln	Mkt Shr%	#Deals	Vol \$mln	Mkt Shr%	#Deals	Vol \$mln	Mkt Shr%	#Deals	Vol \$mln	Mkt Shr%
KeyBank	21	12,182.23	17.80	4	3,526.43	7.50	16	8,318.80	42.40	21	13,836.90	14.60
Midland Loan Services	16	11,711.05	17.10	13	10,917.72	23.20	3	793.33	4.00	25	20,177.33	21.20
Wells Fargo Bank	61	44,196.44	64.70	38	32,633.81	69.30	20	10,509.80	53.60	68	58,639.53	61.70
A10	1	251.60	0.40							1	209.80	0.20
Berkadia Commercial Mortgage										4	1,965.10	2.10
FirstCity Financial										1	112.70	0.10
Rialto Mortgage Finance										1	154.80	0.20

Both Academy and Drexel Hamilton are disabled veteran-owned institutions. Academy was founded in 2009 by Chance Mims, a former U.S. Naval officer. Its president is Phil McConkey, a graduate of the U.S. Naval Academy who perhaps is better known for his years as a wide receiver for the Super Bowl-winning New York Giants football team.

Drexel Hamilton, meanwhile, was founded in 2007 by Lawrence K. Doll, a former Marine who served in Vietnam, and Marine Corps General Peter Pace. The firm got into the CMBS business four years ago and has been tapped as a co-manager on more than a quarter of the deals issued since. Goldman Sachs is its mentor under the Treasury Department's Mentor-Protégé Program, which is designed to help improve the competitive capabilities of minority-, women- and veteran-owned businesses. Academy's mentor is JPMorgan Securities.

CMBS volumes are expected to remain relatively subdued this year, with most predictions falling within the range of \$60 billion to \$75 billion, with some outliers. The big headwind faced by the sector is risk retention, which at the least will prompt securitized lenders to write loans with less leverage. That alone would take away one of the big advantages CMBS loans have had over others. ■

## Moody's Keeps Dominating CMBS Ratings; Fitch's Market Share Jumps

Moody's Investors Service remained firmly perched atop a ranking of rating agencies in the private-label CMBS market last year.

It was hired to rate every one of the 55 conduit deals and nearly half of the year's remaining issuance, giving it an 83.5% share of the overall market. Its share of the market actually increased from 2015, when it rated just about three of every four deals, including every single conduit deal.

But the big story in the ratings agency ranking is the ballooning share of the conduit market that Fitch Ratings was able to garner. It rated all but one conduit transaction and a quarter of the year's remaining issuance, for a total market share of 74.3%.

Fitch solidified its position in the CMBS rating agency business in part because of the relative inactivity of Standard & Poor's in the conduit business. The rating agency in early 2015 was barred by the SEC from rating conduit deals for a year. That restriction was lifted early last year. Since then, S&P has rated three conduit deals.

Many investors, predominantly money managers and mutual funds, require that the fixed-income securities they buy have ratings from at least one of what many call the "major" rating agencies—Moody's, Fitch and S&P. With S&P still getting its legs, and issuers hiring Moody's to rate only deals' most senior bond classes, they've turned to Fitch to ensure that their offerings were as palatable to as many investors as possible. That became a bigger deal in 2016 than the previous year as the pool of potential investors often appeared to be thinning, given the volatility that rocked the market during the first half of last year.

Fitch's rise up the ranking has come at the expense of the four other agencies—DBRS, Kroll Bond Rating Agency and Morningstar Credit Ratings—each of which had a drop in market share. ■

**Domestic Private-Label CMBS Rankings - Rating Agencies**

	Conduits			Single-Borrower			Total - 2016			Total - 2015		
	#Deals	Vol \$mln	Mkt Shr%	#Deals	Vol \$mln	Mkt Shr%	#Deals	Vol \$mln	Mkt Shr%	#Deals	Vol \$mln	Mkt Shr%
Moody's	55	47,077.96	100.00	14	8,948.50	45.60	72	57,065.32	83.50	67	68,068.73	73.38
Fitch	54	46,117.98	98.00	7	4,403.00	22.44	62	50,786.55	74.31	55	52,289.02	56.37
Kroll	34	29,957.43	63.60	9	4,334.80	22.09	45	34,894.80	51.06	56	52,021.23	56.08
DBRS	16	13,249.33	28.10	6	3,065.50	15.62	25	17,353.69	25.39	30	26,912.29	29.01
S&P	3	2,315.89	4.90	28	12,236.93	62.36	32	14,889.82	21.79	37	22,364.33	24.11
Morningstar	7	5,936.84	12.60	14	7,244.33	36.92	22	13,687.43	20.03	52	41,253.59	44.47

## Trustees Rankings - 2016

	2016									2015		
	Total			Conduit			Single-Borrower			Total		
	#Deals	Bal \$mln	Mkt Shr%	#Deals	Bal \$mln	Mkt Shr%	#Deals	Bal \$mln	Mkt Shr%	#Deals	Bal \$mln	Mkt Shr%
Wilmington Trust	56	41,713.15	61.0	34	29,822.52	63.35	19	10,837.80	55.20	58	51,898.93	54.60
Wells Fargo Bank	27	15,834.45	23.20	12	10,091.72	21.44	13	5,154.13	26.30	34	24,453.81	25.70
Deutsche Bank	9	7141.10	10.40	7	5368.10	11.40	2	1,773.00	9.00	12	10,184.31	10.70
USBank	6	3,112.62	4.60	2	1,795.62	3.81	4	1,317.00	6.70	16	8,164.11	8.60
Citibank	1	540.00	0.80			0	1	540	2.80	1	395.00	0.40

## Rialto Stays Atop B-Piece Buyers; Grows Market Share

Rialto Capital Management continued to absolutely dominate the market for CMBS B-pieces last year, buying the subordinate classes of 16 conduit deals totaling \$13.5 billion, for a 28.6% share of the market.

While its overall volume had declined by roughly \$1 billion from a year ago, its market share jumped by nearly 5 percentage points from 23.5%. And that was in a market that appeared to be crowded, when compared to previous years. A total of 18 investors bought into conduit deals last year, up from 11 in 2015 and double the number of players in 2014.

The list of new entrants includes Och-Ziff Capital Investments, which bought into two deals, getting credit for 1.74 transactions totaling \$1.6 billion. Also new to the list were Basis Investment Group, World Class Capital and Jefferies LoanCore, each of which bought into one deal of roughly \$1 billion apiece.

Prime Finance, meanwhile, suddenly has become a force to be reckoned with. It invested in five transactions, receiving credit for 3.1 deals, as it teamed up with partners on each deal, totaling \$2.6 billion. That gave it an impressive 5.6% share of a market that it hadn't participated in before.

Please note, *Commercial Real Estate Direct* divvies up credit among a deal's investors based on how much of a deal each bought.

Prime, a New York company that also owns a sizable portfolio of apartment units, is better known as a provider of mortgage, mezzanine debt and preferred equity capital. It stepped into the B-piece market early last year after hiring Luke Dann from LNR Property

### Top Buyers of CMBS Conduit B-Pieces

Investor	2016			2015		
	#Deals	Vol \$mln	Mkt Shr%	#Deals	Vol \$mln	Mkt Shr%
Rialto Capital	16.00	13,477.66	28.63	14.00	14,517.82	23.46
Eightfold Real Estate	9.00	7,911.57	16.81	8.00	8,559.23	13.83
Torchlight Investors	4.00	3,342.43	7.10	4.00	3,959.35	6.40
LNR Property Corp.	3.50	3,172.29	6.74	7.20	7,607.21	12.29
C-III Capital Partners	4.00	3,148.57	6.69	1.00	1,105.17	1.79
BlackRock Realty	3.00	2,910.92	6.18	2.00	1,783.71	2.88
Ellington Management	3.60	2,682.26	5.70	3.50	3,243.61	5.24
Prime Finance	3.10	2,614.26	5.55	0.00	0.00	0.00
Och-Ziff Capital Investments	1.70	1,641.95	3.49	0.00	0.00	0.00
Seer Capital Partners	2.00	1,509.75	3.21	9.30	8,088.57	13.07
KKR Real Estate	1.00	1,026.80	2.18	4.00	4,362.28	7.05
Basis Investment Group	1.00	1,022.88	2.17	0.00	0.00	0.00
World Class Capital	1.00	954.97	2.03	0.00	0.00	0.00
Jefferies LoanCore	1.00	890.68	1.89	0.00	0.00	0.00
Raith Capital Partners	1.00	770.97	1.64	3.00	3,311.50	5.35
Doubleline Capital	0.00	0.00	0.00	5.00	5,343.95	8.64
	55.00	47,077.96		61.00	61,882.40	

Corp. as head of CMBS investments. It's capitalizing its investments through a fund, Prime Finance B-Piece Fund I LP, and has partnered on transactions with LNR Property Corp. and Ellington Management.

The thinking is that most, if not all, of the investors that participated in the market last year plan to continue doing so, even under the new risk-retention regime. Although every compliant deal that priced last year used a vertical retention structure, deals that were put together with horizontal structures, where a B-piece buyer would buy and keep subordinate bonds equal to 5 % of a deal's market value, eventually are expected to be floated.

Most of the long-time industry players, such as Rialto, Eightfold Real Estate Capital and Torchlight Investors, have raised funds, some specifically for B-piece investments. As a result, they're geared up to buy and hold, as the rules require.

Rialto, for instance, recently raised \$1.3 billion for a fund that could grow to \$1.75 billion. And Eightfold in November filed with regulators a notice that it had raised \$342 million for Eightfold Real Estate Capital Fund V LP. ■

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