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THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION

JANUARY 5, 2018

CMBS Pros Bullish Despite Refinancing Dip

While a cyclical downturn in refinancing opportunities is likely to depress commercial MBS issuance this year, securitization lenders are still generally bullish about the outlook for 2018.

The reason for the optimism? They are selling a product that's priced quite competitively.

Strong investor demand for CMBS has driven down lenders' cost of capital, enabling them to offer plain-vanilla, middle-market conduit loans with coupons of about 4.25%. That's a rate that will win over many borrowers in the current lending environment. And CMBS lenders are hopeful that the favorable

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CMBS League-Table Winners in 2017

U.S.:	Goldman Sachs
Loan contributors:	Goldman Sachs
Global:	Goldman Sachs
Global syndicates:	Academy Securities
Agency issues:	Credit Suisse
CDOs/Resecuritizations:	Wells Fargo
Retained risk:	KKR

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Citi, Goldman to Ink $530 Million Hotel Loan

Citigroup and **Goldman Sachs** have agreed to originate a $530 million loan to finance **Brookfield Asset Management's** acquisition of about 100 extended-stay WoodSpring Suites hotels.

Brookfield has agreed to buy the portfolio, encompassing some 12,500 rooms, for an undisclosed price. The Toronto firm is acting via its $9 billion Brookfield Strategic Real Estate Partners 2 fund. The seller, **WoodSpring Hotels,** is controlled by New York private-equity shop **Lindsay Goldberg.**

Citi and Goldman will fund the $530 million floater 50/50 and securitize the senior portion in a stand-alone offering, most likely in February.

The property trade will occur in tandem with the $231 million sale of WoodSpring's branding and franchise business to **Choice Hotels** of Rockville, Md. The deals are slated to close in the next several weeks. WoodSpring's roughly 140 franchise hotels are separately owned. ❖

Agency Lenders Foresee Yet Another Big Year

After three years of explosive growth in purchases of multi-family loans, **Fannie Mae** and **Freddie Mac** may temper their activity in 2018 — but not by much.

Many pros suspect that 2017 was the cyclical high-water mark for the mortgage agencies. "I think the expectation is things can't get a whole lot better," noted **Brian Stoffers,** global president of debt and structured finance for **CBRE,** one of the largest agency lenders.

That said, the favorable fundamentals driving the multi-family sector largely remain in place, and a slight pullback by the mortgage agencies would still represent a historically high level of activity. So agency lenders are expecting another big year.

"The skeptic in me says that higher interest rates could impede growth and that lending will be dialed back," Stoffers said. "But the optimist in me says we'll be at good levels this year."

While final tallies aren't yet available, Fannie and Freddie were on track to acquire

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THE GRAPEVINE

Senior managing director **Jignesh Patel** resigned Dec. 31 as commercial MBS portfolio manager at **C-III Capital.** He'd been there since 2012, trading new-issue B-pieces and other securities. Patel previously spent nearly three years at **National Australia Bank** and, before the downturn, was at **Bear Stearns** for seven years. His plans are unknown. Patel's duties have

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Banks, Insurers See Stiff Competition

Balance-sheet lenders are expecting another year of steady production amid increasingly fierce competition.

Originators at banks and insurance companies describe 2017 as a year of mixed results, with lending totals up a bit for some and slightly down for others. But executives across the board paint a picture of a crowded market where aggressive bidding is leading to narrower profit margins and a loosening of credit standards.

The field of active lenders has significantly expanded in recent years. That's prompting banks and insurers to pick their spots, bending on loan terms and structures to win deals or ceding them to debt funds and others that face fewer regulatory and internal controls.

"There's still some discipline on both sides, from the borrowers and lenders," said **Gary Otten,** managing director and head of real estate debt strategies for **MetLife.** "I would not call it frothy, but a year ago I would've said there's a lot of discipline and it's good to see. A year later, there's less."

Final 2017 volume figures are still unavailable, but preliminary estimates from **Trepp** indicate overall commercial real estate lending was flat to slightly down. Bank originations fell to about $288 billion, from $333 billion in 2016, while insurer production increased roughly 10% and commercial MBS lending jumped by about a third.

CMBS lenders have been particularly aggressive in offering loans that are fully or partially interest-only. As **Commercial Mortgage Alert** reported in November, the weighted average interest-only periods for loans in conduit deals in the second quarter last year was 59.1 months, up significantly from 45.1 months a year earlier. That has pushed other lenders to reduce amortization in some cases.

"We do see more [interest-only] structure, albeit on relatively low to moderate loan-to-value levels," said **Paige Hood,** chief investment officer and senior portfolio manager for **PGIM Real Estate Finance.** "It makes sense as long as rates stay relatively low. If rates rise, that could be an issue."

Heightened competition is holding down pricing and profits, and the search for yield is prompting some firms to expand the scope of their business — blurring the traditional lines separating different lender types.

"Without a doubt the thing that sticks out is the competitiveness of the market," said **Louis Moore,** community bank group executive at **BB&T.** "Everybody is chasing assets, and the market's become more competitive on the structure side — even if pricing maybe not as much so."

An example of that more omnivorous approach is an increasing expansion by some insurers into traditional bank territory: floating-rate lending. "Life companies are becoming more competitive in shorter-term loans," said **Brad Dubeck,** who heads up commercial-mortgage financing activity in the New York and New Jersey region for **Bank of America.**

Some insurers have allocated more capital from their balance sheets for shorter-term mortgages, but their push into that business is also driven by third-party clients who want to invest in floaters. A number of insurers have ramped up fund raising for such pockets in recent years.

TH Real Estate, an affiliate of **Nuveen,** the investment arm of **TIAA,** is one example. "We're growing our third-party business," said **Ted Norman,** who oversees U.S. originations for the operation. "There's significant domestic and international interest in U.S. [commercial real estate] debt, and we have capital lined up to push even further into the value-added and transitional space next year."

Norman said lenders like insurers are able to compete with mortgage REITs and debt funds for higher-yielding loans for a number of reasons. They already have a wide network of offices and relationships that allows them to see a large number of deals. And because they also have property-investment units, they can analyze structured deals involving subordinate-debt components through the lens of a prospective owner, in case they end up with control of the asset. Also, they don't have the same return requirements as fund shops.

"We feel like we can pick our spots," Norman said. "We don't need to attain that same yield range as a lot of debt funds out there. So we are able to be effective and competitive in that pricing area, inside the debt funds."

Amid the hunt for yield, loans that are fully funded at closing have become sharply more desirable. Those are generally collateralized by higher-quality assets, and they provide full returns from day one — as opposed to construction and other loans with future-funding pieces, which generate full interest only when drawn down.

Dubeck at BofA said jockeying for those assignments has grown palpably more aggressive. "The market has gotten, in the past year, probably twice as challenging to find those opportunities," he said.

Another noticeable trend is a migration toward preferred

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Brookfield Eyes Loan on NY Project

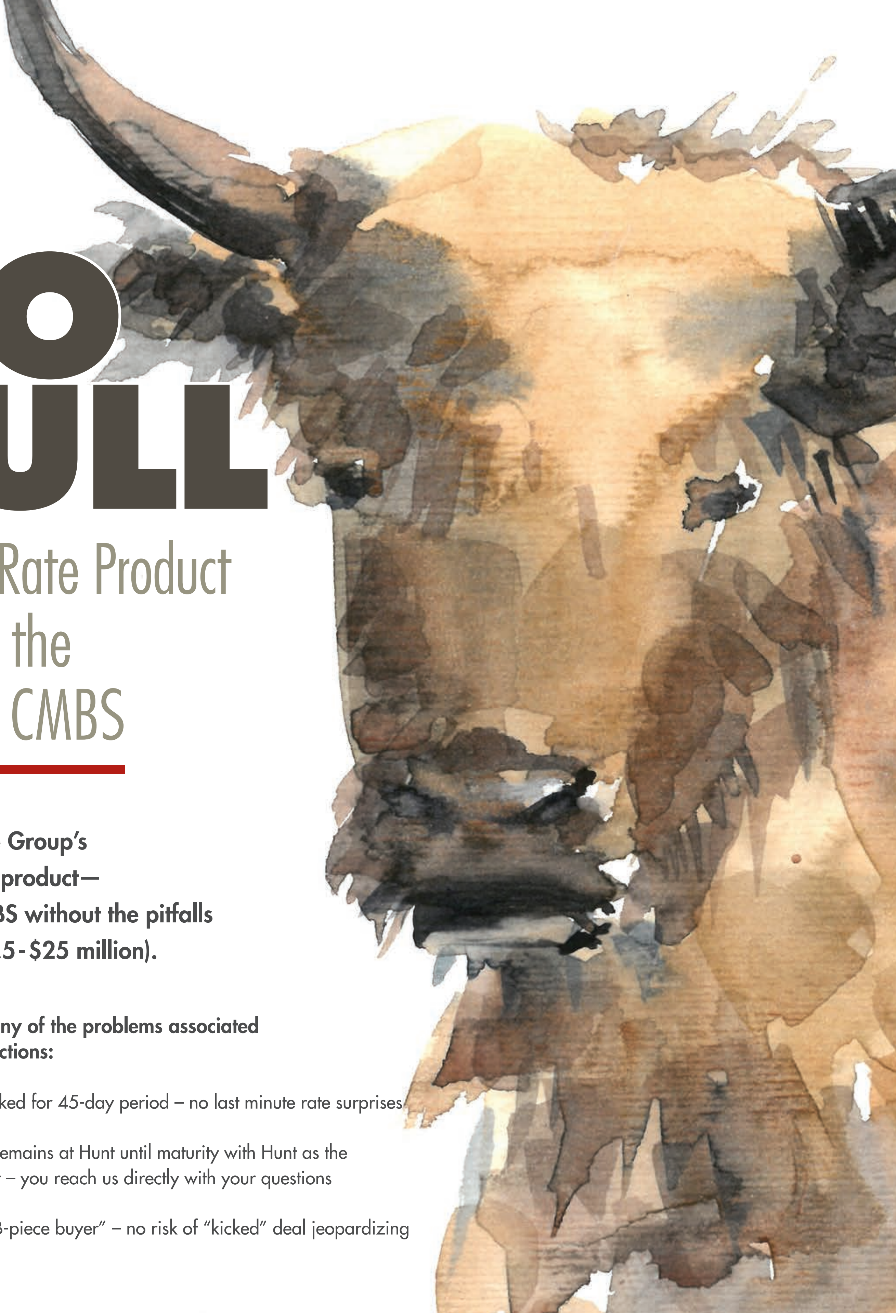
Brookfield Property is seeking construction financing for another component of its massive Manhattan West project.

The firm has started preliminary talks about lining up some $200 million of construction debt. The 30-story building, dubbed Four Manhattan West, will encompass a 164-room boutique hotel, 45 high-end residential condominiums and one or more restaurants. Completion is scheduled for 2020.

Brookfield is developing the 7 million-square-foot Manhattan West project with equity partner **Qatar Investment Authority.** The site stretches from West 31st to West 33rd Streets, between Ninth and 10th Avenues.

The Brookfield team has already redeveloped a 1.7 million-sf building that is the project's cornerstone. That property, Five Manhattan West, is at 450 West 33rd Street. Slightly more than $1 billion of long-term debt is being sought for it.

The development will also include two office skyscrapers — the 2.1 million-sf One Manhattan West and the 1.9 million-sf Two Manhattan West — which are scheduled to be completed by 2022. The 884-unit Eugene, an upscale apartment tower, opened last year. ❖



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Shop Adds Loan-Sale Service

Lotus Capital has hired a veteran real estate pro to help build its loan-sale and placement business.

Tim Taylor joined the New York shop a couple of weeks ago. He most recently was head of special situations at **Ten-X** and from 2011 to 2016 worked at **CCRE** as a managing director specializing in distribution of high-yield debt.

Lotus was founded in late 2016 by **Faisal Ashraf,** former head of capital markets at CCRE. To date, the firm has primarily concentrated on lining up debt for property owners, in the mold of a traditional debt brokerage.

Taylor will help develop a program that identifies owners of commercial mortgages who are looking to shed risk, enhance returns or rebalance portfolios, and match them with investors interested in those holdings. Ashraf describes it as "a mechanism to help lenders and investors address issues or unlock value."

Potential clients generally would be balance-sheet lenders, small and mid-size commercial MBS shops, debt funds and other institutional investors holding various types of debt, including whole loans, senior notes and mezzanine debt. Ashraf said his firm would go beyond brokerage to provide other, tailored services. For example, it could help a lender structure a loan and line up buyers for senior or subordinate portions — acting almost like an outsourced syndications desk. Many larger debt funds have capital-markets teams in house with the ability to place pieces of their loans, but Ashraf said that isn't the case across the board.

Ashraf and Taylor are touting their knowledge of the lending market and their networks of contacts. Before his stint at CCRE, Taylor worked in syndications at **Merrill Lynch,** selling off portions of loans of varying seniority before and during the market downturn, when the firm was acquired by **Bank of America.**

"Our success in the distribution of debt will be driven by our proven ability to sell paper anywhere in the capital structure between zero and 90 percent loan-to-value," Ashraf said.

In one recent deal, Lotus arranged the placement of three pieces of 10-year mezzanine debt, totaling $70 million, on **Allergen's** U.S. headquarters in Madison, N.J. The buyers were **Hyundai Asset Management, Morrison Street Capital** and **BlackRock.**

Lotus has brokered some $1 billion of loans so far, and already has a pipeline nearly that large for the coming year, Ashraf said. ❖

Acore Inks $212 Million of Loans

High-yield lender **Acore Capital** has originated two floating-rate debt packages totaling $212 million on properties slated for extensive redevelopments.

A $165 million debt package is backed by the 346-room Mauna Lani Bay Hotel and Resort on Hawaii's Big Island. Acore also wrote a $47 million loan on a Fort Lee, N.J., office building that will be partially converted to apartments.

A partnership led by **ProspectHill Group** of San Francisco bought the resort for $225 million, or $650,000/room, in August. The seller was **Tokyu Corp.** of Tokyo.

The debt package, which closed late last month, has senior and mezzanine components. It includes options that could extend the term to five years. **Eastdil Secured,** which brokered the sale, also arranged the financing.

The resort, which opened in 1983, is at 68-1400 Mauna Lani Drive along the Kohala Coast. The property encompasses 341 rooms in the main building and five bungalows. A $30 million renovation completed in 2014 updated the units, amenities and common areas. There are two 18-hole golf courses, a sports and fitness club with tennis courts, a lap pool and a gym. There is also a high-end spa, several restaurants and 22,000 square feet of event and meeting space, including an 11,000-sf pavilion and a 5,000-sf ballroom.

The Fort Lee property, at Two Executive Drive, is owned by New York-based **Chetrit Group. Meridian Capital** arranged the debt package, which includes senior and mezzanine components. The term is up to five years, including extension options. The financing closed in November.

Chetrit plans to redevelop the 346,000-sf building into a mix of offices and apartments. The property is part of the two-building Fort Lee Executive Park, which opened in the late 1970s and early 1980s. Chetrit bought the complex in 2008. It converted the other building into apartments several years ago. ❖

Mesa West Lends on San Diego Rentals

Mesa West Capital has provided $165 million of debt on two high-end apartment properties in San Diego.

The floating-rate loan to local developer **Sunroad Enterprises** closed two weeks ago. It's backed by the two complexes, Vive on the Park and Ariva, with a combined 555 apartments.

The five-year mortgage was divided into two pieces. Los Angeles-based Mesa West retained the $145 million A-note and placed the $20 million B-note with New York investment manager **Clarion Partners.**

The luxury complexes are within a 40-acre community, Sunroad Centrum, that the developer is building in stages in the Kearny Mesa submarket. The 302-unit Vive on the Park, which opened in October, is in its initial lease-up phase and is about 52% occupied. Ariva, with 253 apartments, was completed in 2014.

Sunroad Centrum is part of an ongoing development on the 232-acre former site of a **General Dynamics** missile-production facility. The manufacturer sold the entire property to developer **Lennar Partners,** an affiliate of **LNR Property,** in 1998 for $79.5 million. Sunroad bought into the project in 2001. The plans for the larger development, known as San Diego Spectrum Center, include 1,622 apartments and some 856,000 square feet of office space.

Ariva has two connected four-story buildings. Its amenities include a pool with cabanas, several lounges and a game room. Vive on the Park, about a block away, rises seven stories and features a pool, a fitness center, lounges, a business center and a game room. ❖

Debt Sought for Hudson Yards Rentals

A **Related Cos.** partnership is talking to lenders about placing a $235 million mortgage on a new high-end apartment building in New York's Hudson Yards district.

The debt would be backed by the 178-unit One Hudson Yards, which was completed last summer. The complex is part of a 28-acre mixed-use project on Manhattan's West Side that Related is developing with **Oxford Properties,** the real estate arm of **Ontario Municipal Employees.**

The partners are pitching the assignment directly to a variety of lenders, seeking a term of 7-10 years.

The 33-story building began renting several months ago and is still in its initial lease-up phase. The current occupancy rate is unknown, but the request for fresh debt likely means rental demand has been strong. Rents start at about $5,000/month for a one-bedroom unit and range up to $24,500 for a four-bedroom apartment.

Amenities include a penthouse lounge, fifth-floor terraces that overlook the High Line elevated park, a fitness center, a pool and spa, a basketball court, a bowling alley, a children's playroom and pet-grooming facilities. The building is at 530 West 30th Street, between 10th and 11th Avenues. ❖

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Moody's: Loan Safeguards Weakening

Moody's has noticed a general slide in the quality of bondholder protections in commercial MBS loans, especially those collateralizing single-borrower deals.

In a report to be released today, the rating agency says it has seen a gradual deterioration over the past year or so in a number of standard provisions in loan documents that are designed to protect the interests of lenders, and therefore of CMBS buyers.

The changes reflect a successful push by borrowers to exploit stiff competition among originators in order to get more lenient treatment. The seven-page report, penned by senior vice president **Dan Rubock,** focuses on five significant legal provisions in loan documents that factor into Moody's rating decisions.

Although Moody's didn't conduct a quantitative analysis of the trend, "it has become glaringly obvious," Rubock said in an interview. "Issuers are making compromises on legal underwriting," he said, noting that "it's most obvious in the single-borrower sector because [the property owners] in those deals have more bargaining power than most borrowers to demand these kinds of changes."

One of the key protections is the so-called "bad-boy carveout," long common in nonrecourse loans. It imposes liability for the debt on a borrower that takes certain actions, such as throwing a collateral property into bankruptcy. In the past, a borrower whose actions triggered the clause often would be on the hook for 100% of the loan balance. But increasingly, that provision is being diluted or, in some cases, left out entirely.

"A growing number of recent transactions have incorporated a 'hard cap' of 10% to 20% of the loan amount on the sponsor's recourse liability," Rubock wrote in his report. "This trend started in 2012, but it recently has picked up steam." Moody's considers such caps credit-negative, he wrote, as "borrower activities that transaction documents once strictly forbade become simply part of a cost-benefit analysis that a borrower can consider when times get tough."

Rubock's report also raises concerns about weakening of the provisions that:

- Require audited financial statements from borrowers.
- Establish standards for property releases and for ownership transfers.
- Set "cash sweep triggers" to divert excess cashflows into a lender-controlled reserve account if certain performance metrics aren't met. ❖

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REGULATORY ROUNDUP

Commercial-Mortgage Pros See Signs of Regulatory Relief Ahead

As **President Trump** embarks on his second year in office, commercial-mortgage professionals are increasingly hopeful that his administration and Republican lawmakers will scale back many post-crash regulations.

While the White House has made slow progress in filling many senior vacancies at regulatory agencies, industry pros speculate that the cumulative effect of those critical appointments will start to bear fruit this year. “We’re actually seeing things getting done now, and I suspect we’ll see more progress as Trump gets his people in there,” said senior director **Martin Schuh,** head of government relations for the **CRE Finance Council.**

Trump’s picks so far “are conducive to injecting rationalization into the post-crisis wave of regulations,” added the CREFC’s executive director, **Lisa Pendergast.** “If you’re not optimistic now, you’ll never be.”

With their sweeping package of tax reforms now completed, the administration and **Congress** may turn more of their attention toward easing some of the constraints that were imposed on financial-market players in the wake of the crash a decade ago, especially the tidal wave of regulations stemming from the Dodd-Frank Act.

“Notwithstanding the unique political environment that we are all in as a country and in the industry, the momentum towards rationalizing or recalibrating rules that had gone too far is a net positive,” said senior vice president **Tom Kim,** head of the commercial/multi-family group at the **Mortgage Bankers Association.** “Our role is to make sure the priorities of our members are addressed, and we’re getting some traction,” he added.

For example, **Sifma** recently succeeded in getting the **SEC** to clear up a key question about the accounting treatment for securitized mortgages under the risk-retention rules that took effect for commercial MBS deals in late 2016. Meanwhile, regulators and lawmakers are working on separate proposals to address complaints from banks about the risk-based capital requirements for construction loans. And there are moves in Congress and in the administration to roll back or modify many of the Dodd-Frank provisions, including the Volcker

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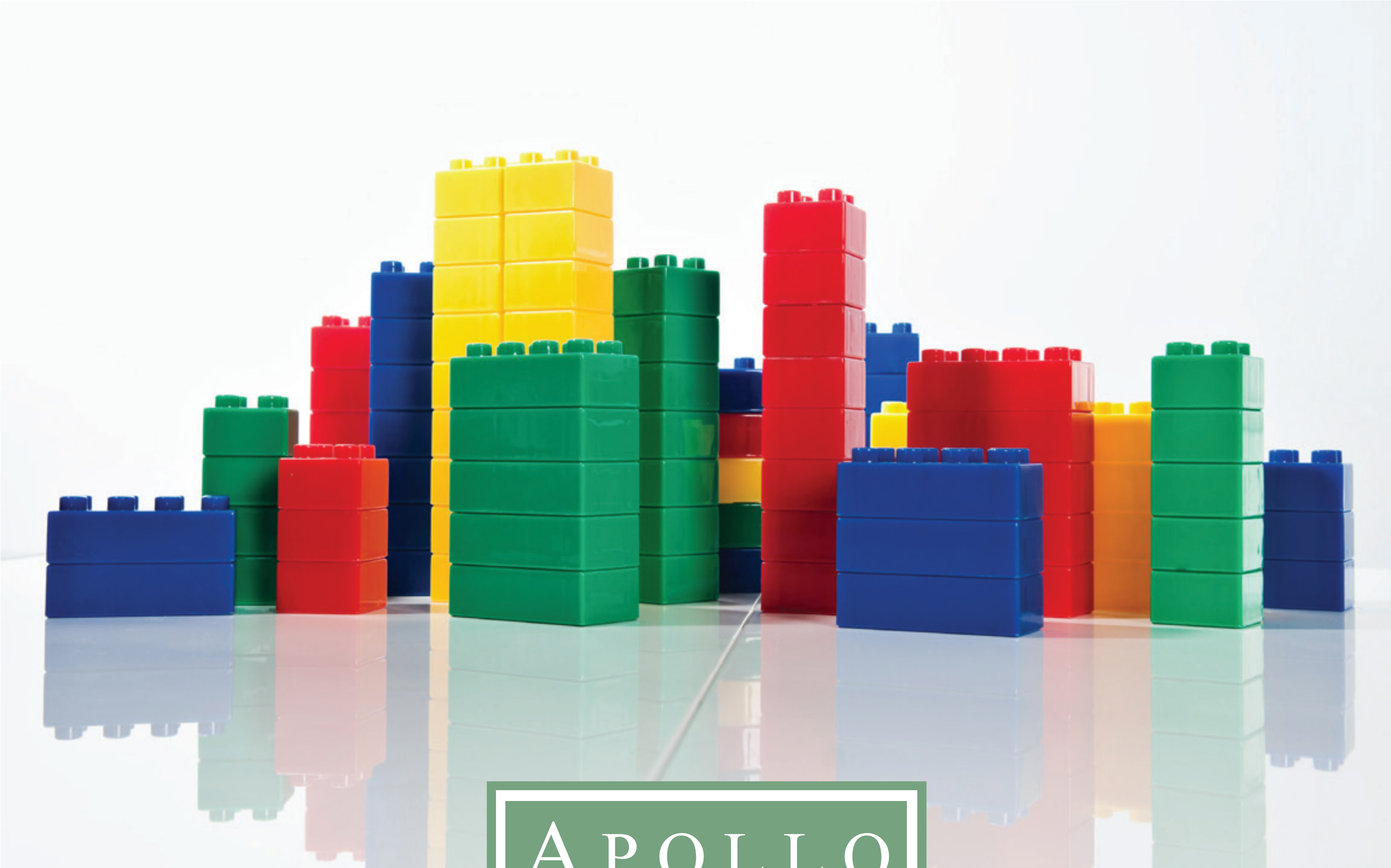

REGULATORY ROUNDUP

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Rule that bars banks from proprietary trading of securities.

Here's a closer look at the various regulatory and legislative matters now facing the commercial-mortgage business. Some will be hot topics as more than 1,700 market pros gather next week for CREFC's annual winter conference in Miami Beach.

Tax Reform — Congress

The Republican-backed tax bill that President Trump signed into law Dec. 22 will allow some real estate investors to take advantage of a new break for partnerships, limited liability companies and other "pass-through" businesses. Commercial-mortgage pros figure the industry will benefit if the measure promotes investment in the sector and if the broader package stimulates the overall economy.

Specifics about which pass-through entities and income streams are eligible for the 20% deduction are open to interpretation, and it will likely be up to the **Treasury Department** and **IRS** to provide clarification. Still, "it clearly pertains to entities that hold commercial real estate, so net-net it's likely to be positive," said Pendergast at CREFC. As for the overall tax package, she said, "if it works as it should and stimulates economic growth, it could create additional sustained demand for commercial real estate assets, as well as heightened tenant demand."

As the bill was being drafted, industry trade groups lobbied hard to preserve other tax deductions, exemptions and programs that lawmakers considered reducing or eliminating. "Like-kind exchanges" that allow investors to defer tax payments by plowing sale proceeds into other properties, business-interest deductions for real estate holdings and tax credits for developers of affordable housing were among the provisions that survived.

"These are very important to our members in the commercial/multi-family sector, and so we were very engaged with both the House and Senate to ensure that they did not go away in order to pay for tax reform," said Kim at the MBA.

Risk Retention — SEC, Congress

The CMBS market has fared well under the federal risk-retention rules that took effect in the sector just over a year ago, despite widespread fears that the regulations would drive up borrowing costs and constrain issuance. Issuers have generally been able to adapt to the changes, although they remain frustrated by a lack of feedback from regulators on a raft of compliance-related questions.

One break in that pattern of silence came last month, when

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12-YR FIXED RATE, $11.4MM
Industrial | Refinance | Bolingbrook, IL


10-YR FIXED RATE, $58.2MM
Office | Acquisition | Santa Clara, CA


7-YR FIXED RATE, $29.5MM
Office | Acquisition | Boca Raton, FL

10-YR FIXED RATE, $16.6MM
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REGULATORY ROUNDUP

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the SEC resolved an issue that could have been hugely problematic for conduit lenders. In a relatively quick response to a request from Sifma, the commission confirmed the trade group's view that placing risk-retention bonds with a third party doesn't hamper a CMBS issuer's ability to classify a securitization as a "true sale" under generally accepted accounting principles. That question arose over the summer when issuers were given conflicting guidance from accounting firms. It set off alarms for bank issuers, because true-sale treatment is necessary to book profits immediately and avoid the need to hold capital against the total balance of a securitization.

Resolving the true-sale question was relatively simple because it only required a ruling by the SEC, one of six federal regulators that jointly crafted the risk-retention rules. In cases where multiple agencies or all of them must weigh in, few answers have been forthcoming on a number of long-standing issues. For example, it still is unclear whether a third party that assumes the retention responsibility for a transaction by purchasing the B-piece would be in violation if it divided the investment internally between two of its own funds that have different appetites for senior and subordinate risk.

The risk-retention rules were designed in the wake of the crash, under a mandate in the Dodd-Frank Act, to discourage risky lending by requiring issuers to retain long-term exposure to 5% of each securitization. A bill passed by the House on June 8, called the Financial Choice Act (H.R. 10), would dismantle a wide array of Dodd-Frank regulations — among other things, exempting CMBS from risk retention. But CREFC's Schuh said that provision is one of many that will likely get axed as Republicans try to push the legislation through the Senate, where the party's majority is slim and 60 votes would likely be required. "There are a lot of provisions in 'Choice' that the [House Financial Services] Committee is going to package and send over to the Senate in little pieces, and the repeal of risk retention for CMBS probably won't survive," Schuh said. He noted that CREFC hasn't pushed for outright repeal of risk retention "given the lack of consensus from our membership, although there are areas where further clarification and rationalization should be addressed."

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REGULATORY ROUNDUP

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Capital Reserves — Congress, Bank Regs.

Regulators and lawmakers are working separately to address banks' complaints about risk-capital requirements for construction loans on commercial properties.

The **Comptroller of the Currency, Federal Reserve** and **FDIC** increased the capital charges for most construction debt at the start of 2015. Last year, they proposed simplifying the rules in a way that would partially roll back those charges. But their plan would also eliminate a significant exemption tied to collateral contributions from borrowers, and that's drawn criticism from banks. Written comments were due Dec. 26, and the regulators are expected to finalize their revisions during the first half.

While lauding the regulators for their effort, banks generally favor the revisions proposed in legislation sponsored by **Reps. Robert Pittenger,** R-N.C., and **David Scott,** D-Ga., that passed the House on Nov. 7 (H.R. 2148). It is now in the hands of the Senate Banking Committee, which has yet to produce a corresponding measure.

The Pittenger-Scott bill, which was crafted with substantial input from the MBA and **Real Estate Roundtable,** would retain the key borrower-contribution exemption that regulators have proposed to eliminate, and make it easier for banks to apply it. "Our No. 1 concern is to clarify the capital-contribution exemption," said **Bruce Oliver**, an associate vice president at the MBA. "The banking agencies' proposal to get rid of it doesn't really solve the problems that were raised by the industry."

The existing rules generally set a 150% risk weighting on non-agency loans used for acquisition, development and construction. Those are generally classified as "high volatility commercial real estate" loans (HVCRE). The exemption allows for 100% risk weighting if the leverage is 80% or less, the borrower's contribution amounts to at least 15% of the property's estimated value upon completion — and that equity remains tied up in the project for the life of the loan.

Among other things, the regulators' proposal would reduce the 150% risk weighting to 130%. But it would eliminate the exemption, closing off the possibility of qualifying for a 100% weighting.

The Pittenger-Scott bill would preserve that exemption, and make it easier for loans to qualify. Property owners would be allowed to count the appreciated value of their land — rather than its purchase price — toward their equity contribution. And they could withdraw capital from an ongoing project as long as the 15% equity level was maintained.

The existing rules have sparked complaints that they hamper construction lending. Banks are generally required to hold capital against 8% of the balance of their loans, so a 150% risk weighting bumps that charge to 12%. And confusion about the guidelines for the equity-based exemption has led some banks to treat all construction loans, regardless of the borrower's contribution, as HVCRE to avoid compliance issues.

Step-In Risk — Bank Regulators

U.S. regulators will have to decide how to implement a recommendation from the **Bank for International Settlements** that could boost risk-based capital charges for banks that write and securitize commercial mortgages.

The BIS' Basel Committee on Banking Supervision in October finalized its guidelines for banks to account for "step-in risk" when they set up certain financial entities, including CMBS transactions. The intent is to address the potential that banks would feel compelled to support off-balance-sheet entities that came under financial stress — even when there wasn't any contractual obligation to do so, as in the case of CMBS.

After drawing harsh criticism when it was proposed in 2015, the measure was widely assumed to be dead — until the Basel Committee revived it, with revisions, in March. "It's surprising that this came back around," said senior director **Christina Zausner,** head of industry and policy analysis at CREFC.

Individual countries are supposed to adopt the recommendations by 2020. In the U.S., the Comptroller, FDIC and Fed would be responsible for implementing them for the banks

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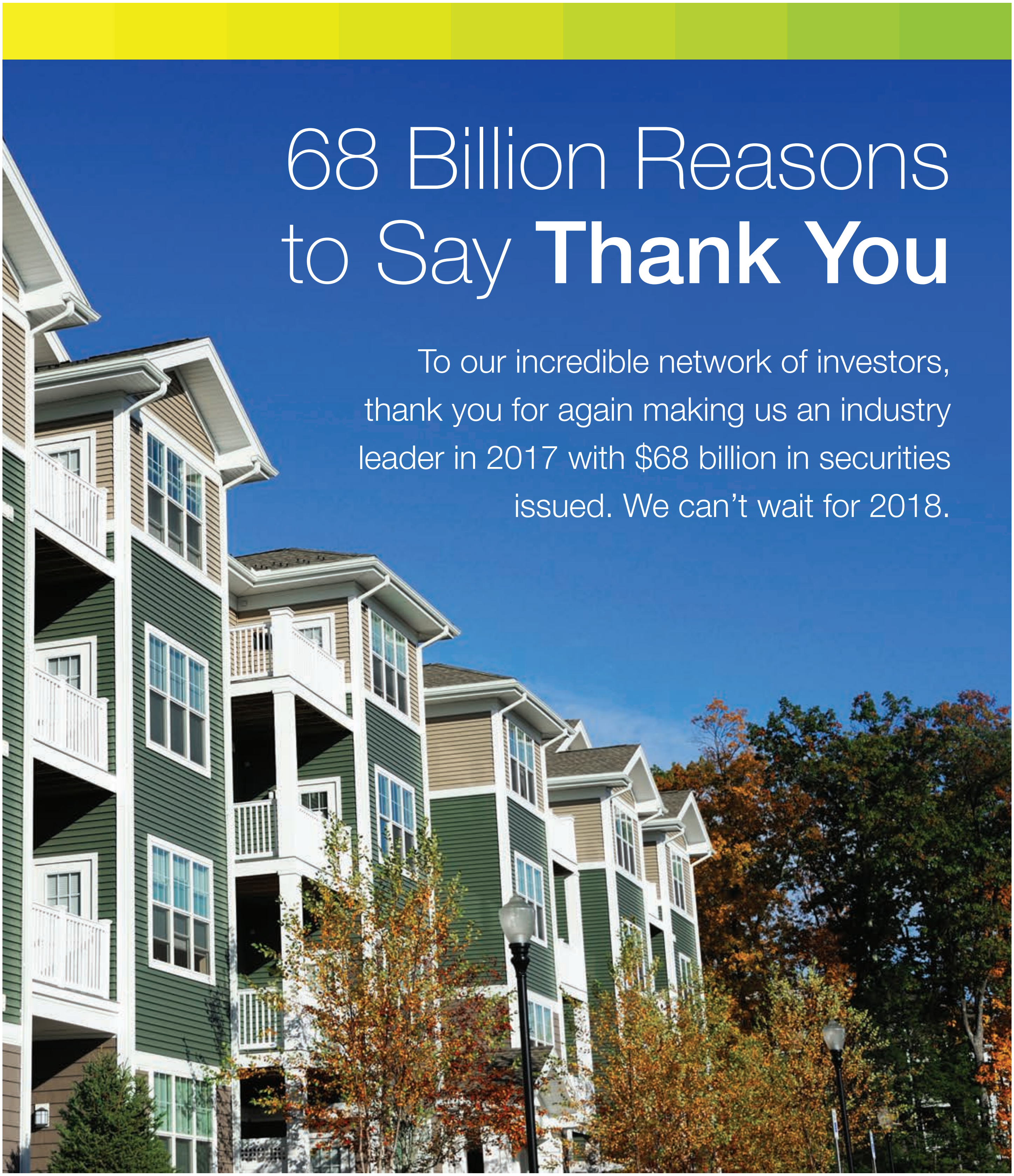

Freddie Mac
MULTIFAMILY

REGULATORY ROUNDUP

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under their jurisdictions. But it's unclear whether they will see a compelling need to do so, Zausner said, since such risks are already covered by a wide array of accounting requirements, banking rules and supervisory guidance that have been implemented in the U.S. since the crash.

In the final guidelines, the Basel committee did add some flexibility. Instead of prescribing what types of entities must be included in a bank's assessment of step-in risk, it listed those that "would generally be included" — potentially giving U.S. regulators leeway to carve out exceptions.

Many of the post-crisis rules already governing U.S. banks stemmed from the sweeping set of "Basel 3" recommendations that the Basel Committee adopted almost seven years ago and has been tinkering with ever since. Just last month, the committee approved what it's calling the final version of those recommendations for adoption by member countries within four years.

Multi-Family Disclosures — CFPB, Congress

Multi-family lenders are looking to the **Consumer Financial Protection Bureau** or Congress to grant some relief from stringent data-reporting requirements that took effect Jan. 1.

Although the CFPB and bank regulators announced late last month that they won't penalize lenders for errors during the first year of compliance, they disappointed industry pros who were hoping for a delay in implementation or an exemption for commercial multi-family lenders.

The new guidelines, finalized by the protection bureau in 2015, expanded the reporting requirements under the 42-year-old Home Mortgage Disclosure Act. In addition to increasing the amount of loan data that must be gathered, the rules now apply to those who originate debt on multi-family properties with five or more units.

Commercial-mortgage lenders contend that goes beyond the intent of the law, which was aimed at residential mortgage lenders. "It was meant to protect individual home borrowers who were wrongly discriminated against, and that just shouldn't apply to commercial multi-family mortgages, which are business-to-business loans," said Schuh at CREFC.

For lenders that previously reported on deals involving small rental properties, the updated regulations double the data points that must be gathered. And many other lenders must now start reporting for the first time. "This is a heavy lift for a lot of lenders, especially the smaller ones and the non-depository institutions that previously weren't reporting under HMDA," said **Ashley Gunn,** an MBA director.

Industry advocates were encouraged by the late-December announcement that the CFPB — temporarily headed by President Trump's budget director **Mick Mulvaney** — will begin a new rulemaking process with an eye toward easing some of the data requirements and reconsidering which institutions and what types of transactions are covered.

Meanwhile, a House bill sponsored by **Rep. Tom Emmer,** R-Minn., and a Senate measure introduced by **Sen. Mike Crapo,** R-Idaho, would protect smaller lenders from having to comply fully. The rules now apply to any lenders that write 25 or more home loans annually for two years running. The proposed legislation would reduce the amount of additional data that lenders originating between 25 and 500 mortgages per year have to collect and submit to regulators. Emmer's bill (H.R. 2954) passed the House Financial Services Committee on Oct. 11. Crapo's bill (S. 2155), which applies only to federally insured banks and credit unions, was forwarded to the Senate floor by the Banking Committee on Dec. 18.

"Being subject to HMDA reporting for such a small number of loans creates an enormous burden," that could constrain lending activity in the multi-family sector, said **David McCarthy,** a CREFC director, referring to the 25-loan threshold.

Volcker Rule — Congress, Comptroller

The Volcker Rule could be repealed or at least revised this year, in response to widespread complaints that it has sharply reduced liquidity in the fixed-income markets by prohibiting banks from engaging in proprietary trading.

Although the rule allows trading for market-making purposes, banks have reduced such activity because the boundaries are unclear. That has contributed to a sharp decline in secondary-market liquidity for CMBS and other structured products since Volcker took effect in 2015.

The Financial Choice Act (H.R. 10), which passed the House last June, would eliminate the Volcker rule, but it's unclear whether an outright repeal could gain traction in the Senate.

Meanwhile, regulators will be under increasing pressure to do something as key staffers appointed by President Trump gradually exert their influence at various federal agencies. A June report by one of his appointees, **Treasury Secretary Steve Mnuchin,** recommended that regulators at least give banks more flexibility in determining the volume of securities they can hold in their market-making inventory without running afoul of Volcker. The Comptroller responded soon after by putting out a call for public input. The window for submitting written comments closed on Sept. 21.

"In general, the prevailing sentiment across the industry is that the Volcker Rule is vague, overly broad and complicated," according to a joint letter sent by the CREFC, MBA, Real Estate Roundtable and four other industry trade groups. They added: "We believe that the Volcker Rule can constrain overall liquidity, particularly in times of stress and heightened market volatility, which has a long-term impact on the availability and cost of credit to commercial and multi-family real estate borrowers."

The rule was named for its chief proponent, former Fed chairman **Paul Volcker.** Created by Dodd-Frank in the wake of the crash, its intent was to prevent institutions whose deposits are insured by the government from taking on risky investments. ❖

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conditions will continue, at least for the first part of the year.

If so, that will help offset a significant headwind faced by the industry. When financial markets crashed in 2008-2009, so did loan originations. As a result, the volume of 10-year loans coming due this year is down significantly from the past two years, which, by contrast, saw a tidal wave of maturing loans that had been originated during the boom years of 2006-2007.

The so-called "wall of maturities" peaked in 2016, when $130.8 billion of CMBS loans came due. Maturities dipped last year to $121.7 billion and will plummet to just $20.6 billion this year, according to **Trepp.**

That decline will limit potential bond issuance this year. The average prediction of 14 market pros surveyed by **Commercial Mortgage Alert** is that core CMBS issuance — conduit and single-borrower transactions — will fall by 14%, to $75 billion from $88.1 billion in 2017. The individual predictions range from $60 billion to $85 billion — meaning that not one of the specialists foresees an increase in activity.

Of course, CMBS shops aren't limited to refinancing existing CMBS loans. One longtime lender said he was optimistic about the lending outlook because as CMBS maturities started to decline last year, an estimated 70% of his shop's activity refinanced loans that had been originated by other types of lenders. "There were loans migrating over from construction debt, from insurance companies and from banks," he said. "I think the fear that we wouldn't have enough demand for conduit loans if we didn't have a 'wall of maturities' was completely misplaced."

Indeed, the relatively small market share currently held by CMBS lenders leaves plenty of potential for growth. Only about 15% of the roughly $4 trillion of outstanding commercial mortgages and multi-family agency mortgages are securitized, according to **Darrell Wheeler, S&P's** structured-finance research chief. Using rough calculations, he said that some $800 billion of that debt might roll over annually — a far bigger amount than "was ever going to come from the 'wall of maturities.' "

For example, CMBS shops might benefit from the big wave of bridge loans written over the past two years. "We're getting some interest from borrowers who had nonstabilized properties two years ago and put on bridge debt," said one lender. "Now they're fully leased and want a conduit take-out."

The risk-retention rules that took effect a year ago have led securitization programs to reduce loan leverage ratios to roughly 65% from 70-75%, decreasing the amount a property owner can borrow. While that has curbed one former competitive advantage, conduit shops still can offer favorable rates.

"We used to win loans on pricing and proceeds," said one longtime conduit lender. "That was our mantra. But risk retention took away the proceeds part. Now we have to depend on the pricing part. Fortunately for us, that's working in our favor right now."

So barring any abrupt increase in interest rates that would tamp down borrower demand, conduit shops are relatively optimistic about 2018.

Meanwhile, large-loan lenders also have a rosy view of the year ahead, partly because an anticipated increase in merger activity could fuel giant financing opportunities. Last month, Paris-based **Unibail-Rodamco** agreed to buy rival shopping-center operator **Westfield** of Australia for $15.8 billion. And, in another potential blockbuster marriage, New York-based **Brookfield Property** is seeking to take over Chicago mall operator **General Growth Properties.** "The environment for these types of deals is heating up, and some of that may generate financing activities that end up in CMBS," said one Wall Street CMBS chief. ❖

CMBS Volume Predictions for 2018

	U.S. ($Bil.)	Non-U.S. ($Bil.)	Total ($Bil.)
Brooks Scholl, Deutsche Bank	$60	$1	$61
Larry Brown, Starwood Mortgage	65	2	67
Eric Thompson, Kroll	65	5	70
Jeffrey Berenbaum, Citigroup	70		
Lisa Pendergast, CRE Finance Council	70	1	71
Michael Comparato, Benefit Street	74	1	75
Dan Bennett, LoanCore Capital	75	2	77
Lea Overby, Morningstar	75	2	77
Doug Tiesi, Silverpeak Argentic	80	1	81
Manus Clancy, Trepp	80	2	82
Larry Kravetz, Barclays	80	2	82
A.J. Sfarra, Wells Fargo	80	4	84
Ted Borter, Goldman Sachs	85	2	87
Darrell Wheeler, S&P	85	2	87
Average Prediction for 2018	**75**	**2**	**77**
2017 Volume*	**88**	**1**	**89**

*Excludes nonguaranteed Freddie volume

Goldman's Borter Nailed Forecast

Commercial MBS issuance last year significantly outperformed the expectations of a panel of market pros.

The average prediction of 12 specialists surveyed by **Commercial Mortgage Alert** was that U.S. volume would be $75 billion, roughly flat with 2016. Instead, issuance soared by 26%, to $95.3 billion. **Ted Borter** of **Goldman Sachs** was right on target, with a projection of $95 billion. The next-closest prognosticators were **Lisa Pendergast** of the **CRE Finance Council** ($100 billion) and **Larry Kravetz** of **Barclays** ($90 billion).

The panelists predicted that volume in the severely depressed non-U.S. market would double from $1.7 billion in 2016. But volume ended up dipping to $1.1 billion. Three forecasters were nearest the mark, with each predicting $2 billion of deals outside the U.S.

RANKINGS

Goldman Snatches Bookrunner Ranking, Loan-Contributor Crown

Goldman Sachs won the two most-prestigious league tables in the commercial MBS industry last year, dethroning **J.P. Morgan** as the sector's top U.S. bookrunner and loan contributor.

In the bookrunner ranking, J.P. Morgan held the lead at the three-quarter mark. But Goldman pulled ahead in the fourth quarter, narrowly defeating its rival in one of the most hotly contested battles in years. **Wells Fargo** was close behind, finishing third. **Morgan Stanley** edged out **Citigroup** for fourth place (see tables on Pages 24-38).

Goldman had a more-decisive win in the loan-contributor race, which it led wire-to-wire. J.P. Morgan, which had won that ranking for seven of the previous eight years, finished second, followed by **Deutsche Bank.**

In the other league-table battles:

- Goldman was the top global CMBS bookrunner.
- **Academy Securities** led the ranking of lead and co-managers of global CMBS deals.
- **Credit Suisse** captured the crown of top agency CMBS bookrunner for the seventh straight year.
- Wells led the way among bookrunners of CDOs/resecuritizations.

U.S. CMBS issuance soared by 26% last year, to $95.3 billion, from $76 billion in 2016. The volume far surpassed the $75 billion forecast by a panel of pros at the start of 2017. Activity was fueled by favorable capital-markets conditions, which drove down the cost of capital for conduit stops, enabling them to offer competitive pricing to borrowers.

Conduit issuance accounted for 50.9% of activity, down from 63.2% in 2016. By contrast, the share of single-borrower deals climbed to 38.3%, from 25.5%. The nonguaranteed portions of **Freddie Mac** securitizations accounted for most of the remaining balance.

CMBS activity outside the U.S. continued to be negligible. Only four deals totaling $1.1 billion priced last year, down from an already-minuscule $1.7 billion in 2016. Non-U.S. issuance peaked at $96.1 billion in 2006, but CMBS markets in Europe and Asia have failed to revive since the 2008-2010 downturn. Global issuance finished at $96.5 billion, up 24%.

Agency issuance set an annual record for the third year in a row. **Fannie Mae,** Freddie and **Ginnie Mae** transactions totaled $87.6 billion, up 17% from $75.2 billion in 2016. Annual agency issuance has now exceeded $50 billion for six years in a row, reflecting both the dominant roles that the mortgage agencies play in the multi-family lending market and a shift in strategy toward the use of structured securitizations.

Unlike with Fannie and Ginnie deals, a small portion of Freddie transactions — usually 10-15% — is unguaranteed. **Commercial Mortgage Alert** has been counting those unguaranteed bonds, which are issued via a separate shelf, as private-sector volume. Because of surging Freddie activity, nonguaranteed bonds have accounted for a growing percentage of private-sector volume. Last year, the $7.2 billion of nonguaranteed Freddie bonds equaled 7.6% of the private-sector total, up from 3.3% in 2014.

(Starting this year, Commercial Mortgage Alert will no longer include nonguaranteed Freddie issuance in the private-label tally. Those bonds instead will be counted as agency issuance. Figures for previous years will be restated. Had the new methodology been applied last year, agency volume would have exceeded private-sector activity. Agency volume would have been $94.8 billion, up 17% from a revised $81.3 billion in 2016. Private-sector issuance would have been $88.1 billion, up 26% from a revised $69.8 billion in 2016. The winners of the private-label and agency bookrunner rankings wouldn't have changed.)

Meanwhile, issuance in the CDO/resecuritizations category nearly doubled, to $5.9 billion, but remained well below the pre-crash

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Summary of CMBS Issuance

Full Year	U.S. ($Mil.)	Non-U.S. ($Mil.)	Global ($Mil.)	Agency ($Mil.)	CDO ($Mil.)
1998	$74,331.7	$628.8	**$74,960.5**	$2,721.0	$1,470.9
1999	56,556.0	9,085.0	**65,641.0**	1,678.9	548.3
2000	46,934.7	12,097.1	**59,031.8**	1,328.0	1,148.1
2001	67,314.1	22,713.8	**90,027.9**	4,930.8	3,153.7
2002	52,073.6	28,705.9	**80,779.5**	6,850.2	12,032.0
2003	77,848.1	20,802.0	**98,650.1**	7,982.9	5,241.3
2004	92,594.6	35,188.4	**127,783.0**	6,219.6	8,829.1
2005	166,502.2	69,822.4	**236,324.6**	4,624.7	19,129.3
2006	198,382.9	96,058.8	**294,441.7**	7,414.4	34,584.8
2007	228,555.9	85,492.1	**314,048.0**	3,165.8	38,251.6
2008	12,145.9	6,728.2	**18,874.1**	3,673.0	8,718.8
2009	2,743.7	4,576.2	**7,319.9**	8,704.7	4,119.0
2010	11,632.7	2,983.4	**14,616.1**	26,924.3	7,504.4
2011	32,706.3	3,340.3	**36,046.6**	33,900.1	2,632.1
2012	48,369.2	5,861.7	**54,230.9**	50,887.9	3,595.7
2013	86,135.8	12,532.6	**98,668.4**	59,392.1	3,812.9
2014	94,084.4	5,753.6	**99,838.0**	50,598.7	4,392.6
2015	101,008.5	5,202.5	**106,210.9**	61,817.5	5,185.9
2016	75,967.3	1,689.1	**77,656.4**	75,170.4	2,985.8
2017	95,343.3	1,143.5	**96,486.8**	87,605.5	5,926.2

RANKINGS

US CMBS Bookrunners in 2017

		2017 Issuance ($Mil.)	No. of Deals	Market Share (%)	2016 Issuance ($Mil.)	No. of Deals	Market Share (%)	'16-'17 % Chg.
1	Goldman Sachs	$12,399.6	32	13.0	$7,767.6	21	10.2	59.6
2	J.P. Morgan	11,980.4	48	12.6	12,120.8	43	16.0	-1.2
3	Wells Fargo	11,593.0	55	12.2	10,629.1	40	14.0	9.1
4	Morgan Stanley	10,497.2	41	11.0	5,665.6	27	7.5	85.3
5	Citigroup	10,417.9	37	10.9	8,671.8	23	11.4	20.1
6	Deutsche Bank	9,952.8	29	10.4	9,744.2	25	12.8	2.1
7	Barclays	6,544.5	26	6.9	4,005.3	27	5.3	63.4
8	Bank of America	6,449.6	28	6.8	5,246.0	27	6.9	22.9
9	Credit Suisse	5,673.4	27	6.0	4,798.8	19	6.3	18.2
10	UBS	4,111.3	13	4.3	2,561.2	10	3.4	60.5
11	Natixis	2,086.3	13	2.2	115.1	2	0.2	1,712.8
12	Cantor Fitzgerald	1,324.3	6	1.4	3,202.6	9	4.2	-58.6
13	Societe Generale	1,319.6	11	1.4	1,439.2	9	1.9	-8.3
14	Jefferies	486.7	1	0.5	0.0	1	0.0	
15	PNC	291.0	4	0.3	0.0	0	0.0	
16	Guggenheim	124.1	1	0.1	0.0	0	0.0	
17	Amherst Pierpont	91.5	1	0.1	0.0	0	0.0	
	TOTAL	**95,343.3**	**196**	**100.0**	**75,967.3**	**166**	**100.0**	**25.5**

Global CMBS Bookrunners in 2017

		2017 Issuance ($Mil.)	No. of Deals	Market Share (%)	2016 Issuance ($Mil.)	No. of Deals	Market Share (%)	'16-'17 % Chg.
1	Goldman Sachs	$12,399.6	32	12.9	$7,767.6	21	10.0	59.6
2	J.P. Morgan	11,980.4	48	12.4	12,120.8	43	15.6	-1.2
3	Wells Fargo	11,593.0	55	12.0	10,629.1	40	13.7	9.1
4	Morgan Stanley	10,497.2	41	10.9	5,665.6	27	7.3	85.3
5	Citigroup	10,417.9	37	10.8	8,671.8	23	11.2	20.1
6	Deutsche Bank	9,952.8	29	10.3	9,744.2	25	12.5	2.1
7	Bank of America	6,913.1	29	7.2	5,859.6	29	7.5	18.0
8	Barclays	6,633.8	27	6.9	4,005.3	27	5.2	65.6
9	Credit Suisse	5,673.4	27	5.9	4,798.8	19	6.2	18.2
10	UBS	4,111.3	13	4.3	2,561.2	10	3.3	60.5
11	Natixis	2,086.3	13	2.2	115.1	2	0.1	1,712.8
12	Cantor Fitzgerald	1,324.3	6	1.4	3,202.6	9	4.1	-58.6
13	Societe Generale	1,319.6	11	1.4	1,439.2	9	1.9	-8.3
14	Jefferies	486.7	1	0.5	0.0	1	0.0	
15	RBC	410.2	2	0.4	718.9	3	0.9	-42.9
16	PNC	291.0	4	0.3	0.0	0	0.0	
17	Guggenheim	124.1	1	0.1	0.0	0	0.0	
18	Amherst Pierpont	91.5	1	0.1	0.0	0	0.0	
19	Nedbank	91.2	1	0.1	0.0	0	0.0	
20	HSBC	89.3	1	0.1	180.7	1	0.2	-50.6
	OTHERS	0.0	0	0.0	175.9	2	0.2	-100.0
	TOTAL	**96,486.8**	**200**	**100.0**	**77,656.4**	**172**	**100.0**	**24.2**

RANKINGS

Global CMBS Lead- and Co-Managers in 2017

		2017 Issuance ($Mil.)	No. of Deals	Market Share (%)	2016 Issuance ($Mil.)	No. of Deals	Market Share (%)	'16-'17 % Chg.
1	Academy Securities	$32,158.2	42	33.3	$33,418.0	48	43.0	-3.8
2	Citigroup	30,571.0	47	31.7	25,379.6	46	32.7	20.5
3	Deutsche Bank	28,773.8	34	29.8	22,082.6	32	28.4	30.3
4	Morgan Stanley	28,595.1	56	29.6	17,889.8	40	23.0	59.8
5	J.P. Morgan	26,860.9	72	27.8	21,467.3	68	27.6	25.1
6	Wells Fargo	26,655.2	79	27.6	26,942.9	73	34.7	-1.1
7	Drexel Hamilton	23,228.7	38	24.1	26,755.9	38	34.5	-13.2
8	Barclays	20,597.5	41	21.3	15,511.7	42	20.0	32.8
9	Goldman Sachs	20,530.8	40	21.3	16,193.2	33	20.9	26.8
10	Bank of America	19,033.9	42	19.7	14,388.1	43	18.5	32.3
11	Natixis	11,772.5	16	12.2	6,165.3	9	7.9	90.9
12	Credit Suisse	10,655.2	38	11.0	7,192.8	30	9.3	48.1
13	UBS	10,223.1	13	10.6	7,338.0	10	9.4	39.3
14	Societe Generale	7,504.1	11	7.8	6,750.1	10	8.7	11.2
15	Cantor Fitzgerald	5,876.0	17	6.1	7,726.5	11	9.9	-24.0
16	KeyBank	4,035.5	5	4.2	5,307.6	7	6.8	-24.0
17	CIBC	2,996.9	4	3.1	3,642.6	6	4.7	-17.7
18	PNC	2,677.6	21	2.8	1,792.2	16	2.3	49.4
19	Jefferies	2,254.4	12	2.3	4,758.0	15	6.1	-52.6
20	Amherst Pierpont	1,748.2	21	1.8	1,895.0	20	2.4	-7.7
21	Williams Capital	1,695.5	7	1.8	823.3	6	1.1	105.9
22	CastleOak Securities	1,632.7	8	1.7	4,761.6	11	6.1	-65.7
23	HSBC	1,423.0	3	1.5	180.7	1	0.2	687.5
24	Ramirez	1,287.9	15	1.3	972.6	9	1.3	32.4
25	Nomura	1,190.6	9	1.2	0.0	0	0.0	
26	Multi-Bank Securities	1,068.7	11	1.1	791.1	6	1.0	35.1
27	KGS-Alpha Capital	831.5	8	0.9	0.0	0	0.0	
28	Hunt Financial	767.4	4	0.8	0.0	0	0.0	
29	Loop Capital Markets	646.3	5	0.7	943.8	9	1.2	-31.5
30	Ladder Capital	625.7	1	0.6	0.0	0	0.0	
31	RBC	588.8	2	0.6	894.8	3	1.2	-34.2
32	Stifel Nicolaus	349.6	12	0.4	297.8	12	0.4	17.4
33	BMO Capital	320.9	1	0.3	894.8	3	1.2	-64.1
33	Casgrain & Co.	320.9	1	0.3	894.8	3	1.2	-64.1
33	Laurentian Bank	320.9	1	0.3	894.8	3	1.2	-64.1
33	National Bank Financial	320.9	1	0.3	894.8	3	1.2	-64.1
33	TD Securities	320.9	1	0.3	894.8	3	1.2	-64.1
33	Scotiabank	320.9	1	0.3	630.9	2	0.8	-49.1
39	FTN Financial	254.3	9	0.3	25.9	1	0.0	882.6
40	Guggenheim	248.1	1	0.3	0.0	0	0.0	
41	Stern Brothers	183.5	3	0.2	519.9	6	0.7	-64.7
42	Mischler Financial	158.5	1	0.2	1,085.1	2	1.4	-85.4
43	Raymond James	107.1	4	0.1	117.2	5	0.2	-8.6
44	Nedbank	91.2	1	0.1	0.0	0	0.0	
45	SunTrust	60.5	2	0.1	0.0	0	0.0	
46	Duncan-Williams	57.1	2	0.1	99.1	3	0.1	-42.4
	OTHERS	0.0	0	0.0	1,083.9	5	1.4	-100.0
	TOTAL	**96,486.8**	**200**	**100.0**	**77,656.4**	**172**	**100.0**	**24.2**

RANKINGS

Loan Contributors to US CMBS Deals in 2017

Collateral supplied to U.S. securitizations backed by recently originated mortgages

		Conduit ($Mil.)	Single Borrower ($Mil.)	Pooled Floating ($Mil.)	2017 Total ($Mil.)	% of Total	2016 Total ($Mil.)	% of Total	'16-'17 % Chg.
1	Goldman Sachs	$4,123.1	$7,579.5	$0.0	**$11,702.6**	13.6	$6,766.6	10.2	72.9
2	J.P. Morgan	3,351.8	5,689.3	921.3	**9,962.3**	11.6	9,077.7	13.7	9.7
3	Deutsche Bank	4,728.2	5,007.6	0.0	**9,735.8**	11.3	7,898.9	11.9	23.3
4	Morgan Stanley	3,460.4	5,129.0	0.0	**8,589.4**	10.0	4,022.9	6.1	113.5
5	Citigroup	4,106.5	3,992.6	0.0	**8,099.1**	9.4	5,599.3	8.4	44.6
6	Wells Fargo	4,435.5	1,755.4	0.0	**6,190.8**	7.2	3,625.6	5.5	70.8
7	Bank of America	3,431.3	1,595.7	0.0	**5,027.0**	5.8	3,240.3	4.9	55.1
8	Barclays	2,652.5	2,318.4	0.0	**4,970.9**	5.8	3,020.8	4.6	64.6
9	Credit Suisse	918.0	2,236.2	0.0	**3,154.2**	3.7	1,530.2	2.3	106.1
10	Natixis	2,393.1	444.6	0.0	**2,837.7**	3.3	1,895.7	2.9	49.7
11	UBS	2,313.1	184.0	0.0	**2,497.1**	2.9	2,432.0	3.7	2.7
12	Rialto Capital	1,658.0	0.0	0.0	**1,658.0**	1.9	1,932.2	2.9	-14.2
13	Starwood Mortgage	1,517.4	0.0	0.0	**1,517.4**	1.8	1,823.0	2.7	-16.8
14	Ladder Capital	1,476.7	0.0	0.0	**1,476.7**	1.7	1,349.5	2.0	9.4
15	CCRE	1,326.3	0.0	0.0	**1,326.3**	1.5	3,150.5	4.7	-57.9
16	Societe Generale	1,056.2	263.5	0.0	**1,319.6**	1.5	1,101.6	1.7	19.8
17	Silverpeak Argentic	1,268.8	0.0	0.0	**1,268.8**	1.5	771.4	1.2	64.5
18	KeyBank	922.2	0.0	0.0	**922.2**	1.1	758.0	1.1	21.7
19	Benefit Street Partners	777.7	0.0	0.0	**777.7**	0.9	1,241.2	1.9	-37.3
20	Lone Star	758.8	0.0	0.0	**758.8**	0.9	506.3	0.8	49.9
21	LoanCore Capital	486.7	0.0	0.0	**486.7**	0.6	1,110.2	1.7	-56.2
22	Principal Commercial	462.6	0.0	0.0	**462.6**	0.5	478.6	0.7	-3.4
23	CIBC	317.9	0.0	0.0	**317.9**	0.4	273.7	0.4	16.1
24	Bancorp Bank	0.0	0.0	314.4	**314.4**	0.4	365.9	0.6	-14.1
25	NCB	288.6	0.0	0.0	**288.6**	0.3	444.8	0.7	-35.1
26	C-III Commercial Mortgage	217.1	0.0	0.0	**217.1**	0.3	367.7	0.6	-41.0
27	Blackstone	0.0	100.0	0.0	**100.0**	0.1	0.0	0.0	
28	Basis Investment	74.2	0.0	0.0	**74.2**	0.1	156.0	0.2	-52.4
	OTHERS	0.0	0.0	0.0	**0.0**	0.0	1,428.7	2.2	-100.0
	TOTAL	**48,522.9**	**36,295.6**	**1,235.7**	**86,054.1**	**100.0**	**66,369.3**	**100.0**	**29.7**

Banks ... From Page 2

asset classes. For example, as investors and lenders alike shift away from retail properties due to the rise of online sales, interest in distribution centers has surged. Many lenders are trying to boost industrial mortgages as a percentage of their portfolios.

Also over the past year, CMBS shops have become the dominant players in the large-loan field. They've always had a leg up, as only a limited number of balance-sheet lenders have the capacity to hold giant mortgages. But as spreads on new-issue CMBS tightened considerably during 2017, securitization lenders were able to pass along the resulting pricing advantage to borrowers and capture a larger share of that market.

"To me, that was a big theme that was significant," said Otten at MetLife. "It was either us or a few other life companies that can play in that space — and CMBS was formidable."

As always, lenders of all stripes have an eye on the **Federal Reserve** and its interest-rate policies. The Fed raised its benchmark federal funds rate by a quarter-point last month and projected another three increases in 2018. The impact on loan pricing will be one of the biggest issues for originators this year.

"Probably our biggest concern is based on what we know at this point: Rising interest rates quell demand for fixed-rate loans, which is mostly what we do," said Hood at PGIM. "But we see 2018 remaining attractive."

Floating-rate lenders also have to adjust their calculations. Moore at BB&T noted that on construction loans, a major part of his bank's business, it has to project borrowers' ability to obtain take-out debt when developments are completed — and higher rates can make refinancing more difficult. "I think there are still some questions that are looming out there," he said. "It might muddy the market somewhat." ❖

RANKINGS

CMBS Conduit Contributions in 2017

BANK: Wells/BofA/Morgan Stanley	Amount ($Mil.)	% of Total
Bank of America	$2,332.5	35.5
Wells Fargo	2,253.6	34.3
Morgan Stanley	1,745.7	26.6
NCB	239.4	3.6
TOTAL	**6,571.1**	**100.0**

WFCM: Wells Fargo		
Barclays	$1,713.1	29.6
Wells Fargo	1,700.4	29.4
Silverpeak Argentic	620.6	10.7
Rialto Capital	511.9	8.8
UBS	262.0	4.5
C-III Commercial Mortgage	217.1	3.8
Starwood Mortgage	212.4	3.7
Ladder Capital	179.5	3.1
Natixis	154.5	2.7
Societe Generale	91.2	1.6
Basis Investment	74.2	1.3
NCB	49.2	0.9
TOTAL	**5,786.1**	**100.0**

UBSCM: UBS		
UBS	$1,612.0	28.3
Societe Generale	965.0	16.9
Rialto Capital	600.1	10.5
Natixis	567.5	9.9
Ladder Capital	497.9	8.7
KeyBank	455.8	8.0
CCRE	357.0	6.3
CIBC	317.9	5.6
Deutsche Bank	193.1	3.4
Wells Fargo	137.4	2.4
TOTAL	**5,703.7**	**100.0**

CD: Deutsche Bank/Citigroup		
Deutsche Bank	$2,309.0	54.7
Citigroup	1,695.5	40.2
Silverpeak Argentic	217.0	5.1
TOTAL	**4,221.5**	**100.0**

GSMS: Goldman Sachs		
Goldman Sachs	$4,123.1	100.0
TOTAL	**4,123.1**	**100.0**

CGCMT: Citigroup	Amount ($Mil.)	% of Total
Citigroup	$1,590.0	39.4
Principal Commercial	462.6	11.5
Morgan Stanley	335.0	8.3
Barclays	263.5	6.5
Natixis	253.4	6.3
CCRE	246.3	6.1
Bank of America	244.2	6.1
Starwood Mortgage	238.5	5.9
Ladder Capital	173.7	4.3
Deutsche Bank	152.2	3.8
Rialto Capital	71.7	1.8
TOTAL	**4,031.1**	**100.0**

DBJPM/JPMDB: Deutsche/J.P. Morgan		
Deutsche Bank	$1,808.6	55.1
J.P. Morgan	1,472.6	44.9
TOTAL	**3,281.2**	**100.0**

CSAIL: Credit Suisse		
Natixis	$1,417.7	49.6
Credit Suisse	918.0	32.1
Benefit Street Partners	519.9	18.2
TOTAL	**2,855.6**	**100.0**

JPMCC: J.P. Morgan		
J.P. Morgan	$1,879.2	69.8
Starwood Mortgage	553.6	20.6
Benefit Street Partners	257.9	9.6
TOTAL	**2,690.6**	**100.0**

MSC: Morgan Stanley		
Morgan Stanley	$509.3	25.1
Citigroup	467.2	23.0
Silverpeak Argentic	431.3	21.2
Starwood Mortgage	320.1	15.8
Barclays	304.7	15.0
TOTAL	**2,032.6**	**100.0**

MSBAM: Morgan Stanley/BofA		
Bank of America	$548.9	31.3
Morgan Stanley	543.2	31.0
KeyBank	466.5	26.6
Starwood Mortgage	192.7	11.0
TOTAL	**1,751.2**	**100.0**

BACM: Bank of America		
Wells Fargo	$344.1	35.2
Morgan Stanley	327.2	33.5
Bank of America	305.8	31.3
TOTAL	**977.1**	**100.0**

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RANKINGS

CMBS Conduit Contributions

Continued From Page 28

COMM: Deutsche Bank	Amount ($Mil.)	% of Total
LoanCore Capital	$486.7	53.1
Deutsche Bank	265.4	29.0
Citigroup	164.4	17.9
TOTAL	**916.5**	**100.0**

BBCMS: Barclays		
Barclays	$371.2	43.4
UBS	254.5	29.7
Rialto Capital	230.0	26.9
TOTAL	**855.7**	**100.0**

LSTAR: Lone Star		
Lone Star	$758.8	100.0
TOTAL	**758.8**	**100.0**

CCUBS: CCRE/Citigroup/UBS	Amount ($Mil.)	% of Total
CCRE	$417.9	60.0
Citigroup	189.5	27.2
UBS	89.4	12.8
TOTAL	**696.7**	**100.0**

CFCRE: CCRE		
CCRE	$305.1	47.3
Rialto Capital	244.3	37.9
UBS	95.2	14.8
TOTAL	**644.7**	**100.0**

LCCM: Ladder Capital		
Ladder Capital	$625.7	100.0
TOTAL	**625.7**	**100.0**

League-Table Winners Through the Years

	Global CMBS Bookrunners	Global Lead- & Co-Managers	U.S. CMBS Bookrunners	U.S. Loan Contributors	Non-U.S. CMBS Bookrunners	Agency CMBS Bookrunners	CDO, Re-Remic Bookrunners
1993	Goldman Sachs						
1994	Lehman Brothers						
1995	Lehman Brothers						
1996	Lehman Brothers						
1997	Lehman Brothers	Lehman Brothers					
1998	Lehman Brothers	Morgan Stanley					
1999	Morgan Stanley	Goldman Sachs	Lehman Brothers		Morgan Stanley		
2000	Morgan Stanley	Deutsche Bank	Morgan Stanley	Lehman Brothers	Morgan Stanley		
2001	Morgan Stanley	Deutsche Bank	Credit Suisse	Credit Suisse	Morgan Stanley		
2002	Deutsche Bank	Deutsche Bank	Credit Suisse	Credit Suisse	Morgan Stanley	Credit Suisse	Deutsche Bank
2003	Morgan Stanley	Morgan Stanley	Credit Suisse	Credit Suisse	Morgan Stanley	Credit Suisse	Deutsche Bank
2004	Morgan Stanley	Morgan Stanley	Banc of America	Bank of America	Citigroup	RBS Greenwich	Wachovia
2005	Morgan Stanley	Deutsche Bank	J.P. Morgan	Wachovia	Morgan Stanley	RBS Greenwich	Morgan Stanley
2006	Morgan Stanley	Morgan Stanley	Wachovia	Wachovia	Morgan Stanley	Bank of America	Goldman Sachs
2007	Morgan Stanley	Morgan Stanley	Morgan Stanley	Wachovia	Morgan Stanley	RBS Greenwich	Wachovia
2008	Bank of America	Bank of America	Bank of America	Bank of America	Hypo Real Estate	RBS Greenwich	Deutsche Bank
2009	Goldman Sachs	Goldman Sachs	Barclays	J.P. Morgan	Goldman Sachs	Bank of America	Morgan Stanley
2010	J.P. Morgan	J.P. Morgan	J.P. Morgan	J.P. Morgan	Goldman, HSBC	Barclays	Morgan Stanley
2011	Deutsche Bank	Goldman Sachs	Deutsche Bank	J.P. Morgan	HSBC	Credit Suisse	Bank of America
2012	Deutsche Bank	Deutsche Bank	Deutsche Bank	J.P. Morgan	Deutsche Bank	Credit Suisse	Deutsche Bank
2013	Deutsche Bank	Deutsche Bank	Deutsche Bank	J.P. Morgan	Bank of America	Credit Suisse	Deutsche Bank
2014	Deutsche Bank	Deutsche Bank	Deutsche Bank	Deutsche Bank	Deutsche Bank	Credit Suisse	Wells Fargo
2015	Deutsche Bank	Drexel Hamilton	Deutsche Bank	J.P. Morgan	Deutsche Bank	Credit Suisse	Wells Fargo
2016	J.P. Morgan	Academy Securities	J.P. Morgan	J.P. Morgan	RBC	Credit Suisse	J.P. Morgan
2017	Goldman Sachs	Academy Securities	Goldman Sachs	Goldman Sachs	Bank of America	Credit Suisse	Wells Fargo

RANKINGS

KKR Took Down Most Risk-Retention Bonds in First Year

During the first year of risk-retention regulations, **KKR** retained more risk to commercial MBS transactions than any other party, according to an analysis by **Commercial Mortgage Alert.**

KKR took down $948.8 million of risk-retention bonds, or 16.2% of the $5.9 billion total (see rankings on Pages 31-32). **Rialto Capital** was second, with $562.3 million of retained paper, followed by **Silverpeak Argentic** ($516 million).

The risk-retention regulations are aimed at boosting loan quality by requiring lenders to keep "skin in the game" by retaining long-term exposure to 5% of securitizations. CMBS issuers can comply by using any of three deal-structuring options: retaining a vertical strip of bonds (5% of each class), a horizontal strip (the bottom 5% of the deal structure) or an L-shape strip (a combination of the two other options, such as a 2% vertical strip and a 3% horizontal strip).

Risk-Retention Structures

Based on full deal size

Conduit	2017 Amount ($Mil.)	No. of Deals	% of Total
Horizontal	$18,399.1	20	38.2
Vertical	17,242.1	19	35.8
L-shape	12,577.8	13	26.1
TOTAL	**48,218.9**	**52**	**100.0**

Single Borrower	2017 Amount ($Mil.)	No. of Deals	% of Total
Vertical	$18,748.9	32	51.4
Horizontal	17,750.7	32	48.6
TOTAL	**36,499.6**	**64**	**100.0**

Pooled Floating	2017 Amount ($Mil.)	No. of Deals	% of Total
Vertical	$921.3	2	74.6
Horizontal	314.4	1	25.4
TOTAL	**1,235.7**	**3**	**100.0**

An issuer can also pass off all or part of the retention requirement to an unaffiliated B-piece investor, which can take down a horizontal strip or the horizontal portion of an L-shape strip. Last year, issuers retained the risk themselves on 62% of issuance and passed off that responsibility to B-piece buyers on the remaining 38%. That's a higher rate of issuer retention than many observers expected before the rules took effect.

The analysis found that among the 52 conduit transactions last year, issuers used all three structuring options actively: 20 horizontal-strip deals accounted for 38.2% of the $48.2 billion total; 19 vertical-strip deals supplied 35.8% of the volume; and 13 offerings used the L-shape strip (26.1%). But there was a noticeable shift toward the horizontal-strip option and away from the L-strip choice as the year went on. In the fourth quarter, 49% of issuance used the horizontal strip, versus only 14% for the L-shape strip.

Among the 64 single-borrower transactions last year, the structures were split almost evenly between two of the options: the vertical strip (51.4%) and the horizontal strip (48.6%).

All told, 119 conduit, single-borrower and pooled floating-rate transactions totaling $86 billion were subject to the risk-retention rules last year. The issuers themselves assumed the risk on $53.1 billion, or 61.8%, of the total (including a proportional amount of the deals in which issuers retained vertical components of L-shape strips). Third parties assumed the risk-retention responsibility on the remaining $32.9 billion, or 38.2%.

All told, 32 firms served as risk-retention parties on the 119 securitizations (some deals had multiple risk-retention parties). Those firms retained bonds with an aggregate face amount of $5.9 billion, equal to 6.8% of the $86 billion of total issuance.

In the ranking of risk-retention parties, KKR, Rialto and Silverpeak were followed by **Wells Fargo** ($331.1 million), **Deutsche Bank** ($324.9 million) and **Morgan Stanley** ($292.6 million). The figures represent the principal balance of retained bonds, not the purchase price.

All of the bonds taken down by KKR, Rialto and Silverpeak were from conduit deals, making them the most-active players in that sector.

Oxford Properties took down the most retention bonds from single-borrower deals ($209 million), followed by Deutsche ($201.5 million) and **Blackstone** ($181.5 million). ❖

RANKINGS

Parties Retaining Risk to CMBS Deals in 2017

Based on face amount of retained bonds. Some deals have multiple risk-retention parties.

		Conduit		Single Borrower		Pooled Floating		2017 Total		
		Amount ($Mil.)	No. of Deals	Amount ($Mil.)	No. of Deals	Amount ($Mil.)	No. of Deals	Amount ($Mil.)	No. of Deals	% of Total
1	KKR	$948.8	12	$0.0	0	$0.0	0	**$948.8**	12	16.2
2	Rialto Capital	562.3	10	0.0	0	0.0	0	**562.3**	10	9.6
3	Silverpeak Argentic	516.0	5	0.0	0	0.0	0	**516.0**	5	8.8
4	Wells Fargo	252.3	12	78.8	6	0.0	0	**331.1**	18	5.6
5	Deutsche Bank	123.3	5	201.5	13	0.0	0	**324.9**	18	5.5
6	Morgan Stanley	146.5	10	146.1	9	0.0	0	**292.6**	19	5.0
7	Bank of America	178.2	10	62.2	5	0.0	0	**240.4**	15	4.1
8	Citigroup	91.2	6	130.1	10	0.0	0	**221.2**	16	3.8
9	Oxford Properties	0.0	0	209.0	5	0.0	0	**209.0**	5	3.6
10	J.P. Morgan	0.0	0	152.9	10	46.1	2	**198.9**	12	3.4
11	MassMutual	188.8	2	0.0	0	0.0	0	**188.8**	2	3.2
12	Goldman Sachs	52.8	2	134.9	7	0.0	0	**187.7**	9	3.2
13	Blackstone	0.0	0	181.5	3	0.0	0	**181.5**	3	3.1
14	Prime Group	169.9	2	0.0	0	0.0	0	**169.9**	2	2.9
15	Prima Capital	0.0	0	155.7	7	0.0	0	**155.7**	7	2.7
16	Starwood Mortgage/LNR Partners	134.1	3	0.0	0	0.0	0	**134.1**	3	2.3
17	Natixis	111.4	4	14.2	2	0.0	0	**125.6**	6	2.1
18	KSL Capital	0.0	0	118.6	4	0.0	0	**118.6**	4	2.0
19	Colony NorthStar	102.6	1	0.0	0	0.0	0	**102.6**	1	1.8
20	Jefferies	96.2	1	0.0	0	0.0	0	**96.2**	1	1.6
20	Oaktree Capital	0.0	0	96.2	5	0.0	0	**96.2**	5	1.6
20	Barclays	50.2	4	42.0	3	0.0	0	**92.2**	7	1.6
23	Square Mile Capital	0.0	0	88.8	3	0.0	0	**88.8**	3	1.5
24	Lone Star	68.3	1	0.0	0	0.0	0	**68.3**	1	1.2
25	Eightfold Real Estate	59.9	2	0.0	0	0.0	0	**59.9**	2	1.0
26	BlackRock	0.0	0	39.3	1	0.0	0	**39.3**	1	0.7
27	DoubleLine Capital	0.0	0	21.4	1	0.0	0	**21.4**	1	0.4
28	Varde Partners	0.0	0	0.0	0	20.4	1	**20.4**	1	0.3
29	KeyBank	18.1	2	0.0	0	0.0	0	**18.1**	2	0.3
30	Principal Commercial	17.0	2	0.0	0	0.0	0	**17.0**	2	0.3
31	Ladder Capital	12.3	1	0.0	0	0.0	0	**12.3**	1	0.2
32	Shidler Group	0.0	0	10.3	1	0.0	0	**10.3**	1	0.2
	(Unidentified)	0.0	0	12.1	1	0.0	0	**12.1**	1	0.2
	TOTAL	**3,900.4**	**52**	**1,895.5**	**64**	**66.5**	**3**	**5,862.4**	**119**	**100.0**

RANKINGS

Breakdown by Risk-Retention Structure

Conduit		Vertical Amount ($Mil.)	Vertical No. of Deals	Horizontal Amount ($Mil.)	Horizontal No. of Deals	L-Shape Amount ($Mil.)	L-Shape No. of Deals	2017 Total Amount ($Mil.)	2017 Total No. of Deals	% of Total
1	KKR	$0.0	0	$533.4	6	$415.5	6	**$948.8**	12	24.3
2	Rialto Capital	150.2	4	194.9	2	217.2	4	**562.3**	10	14.4
3	Silverpeak Argentic	0.0	0	516.0	5	0.0	0	**516.0**	5	13.2
4	Wells Fargo	232.8	11	0.0	0	19.5	1	**252.3**	12	6.5
5	MassMutual	0.0	0	188.8	2	0.0	0	**188.8**	2	4.8
6	Bank of America	172.8	9	0.0	0	5.5	1	**178.2**	10	4.6
7	Prime Group	0.0	0	96.9	1	73.0	1	**169.9**	2	4.4
8	Morgan Stanley	139.7	9	0.0	0	6.7	1	**146.5**	10	3.8
9	Starwood Mortgage/LNR	22.0	2	112.0	1	0.0	0	**134.1**	3	3.4
10	Deutsche Bank	30.4	1	0.0	0	92.9	4	**123.3**	5	3.2
11	Natixis	0.0	0	0.0	0	111.4	4	**111.4**	4	2.9
12	Colony NorthStar	0.0	0	102.6	1	0.0	0	**102.6**	1	2.6
13	Jefferies	0.0	0	96.2	1	0.0	0	**96.2**	1	2.5
14	Citigroup	50.3	3	0.0	0	40.8	3	**91.2**	6	2.3
15	Lone Star	0.0	0	68.3	1	0.0	0	**68.3**	1	1.8
16	Eightfold Real Estate	0.0	0	0.0	0	59.9	2	**59.9**	2	1.5
17	Goldman Sachs	0.0	0	0.0	0	52.8	2	**52.8**	2	1.4
18	Barclays	38.6	3	0.0	0	11.6	1	**50.2**	4	1.3
19	KeyBank	13.1	1	0.0	0	5.0	1	**18.1**	2	0.5
20	Principal Commercial	12.2	1	0.0	0	4.8	1	**17.0**	2	0.4
21	Ladder Capital	0.0	0	0.0	0	12.3	1	**12.3**	1	0.3
	TOTAL	**862.1**	**19**	**1,909.2**	**20**	**1,129.2**	**13**	**3,900.4**	**52**	**100.0**

Single Borrower		Vertical Amount ($Mil.)	Vertical No. of Deals	Horizontal Amount ($Mil.)	Horizontal No. of Deals	2017 Total Amount ($Mil.)	2017 Total No. of Deals	% of Total
1	Oxford Properties	$0.0	0	$209.0	5	**$209.0**	5	11.0
2	Deutsche Bank	176.4	12	25.1	1	**201.5**	13	10.6
3	Blackstone	0.0	0	181.5	3	**181.5**	3	9.6
4	Prima Capital	0.0	0	155.7	7	**155.7**	7	8.2
5	J.P. Morgan	152.9	10	0.0	0	**152.9**	10	8.1
6	Morgan Stanley	146.1	9	0.0	0	**146.1**	9	7.7
7	Goldman Sachs	134.9	7	0.0	0	**134.9**	7	7.1
8	Citigroup	130.1	10	0.0	0	**130.1**	10	6.9
9	KSL Capital	0.0	0	118.6	4	**118.6**	4	6.3
10	Oaktree Capital	0.0	0	96.2	5	**96.2**	5	5.1
11	Square Mile Capital	0.0	0	88.8	3	**88.8**	3	4.7
12	Wells Fargo	78.8	6	0.0	0	**78.8**	6	4.2
13	Bank of America	62.2	5	0.0	0	**62.2**	5	3.3
14	Barclays	42.0	3	0.0	0	**42.0**	3	2.2
15	BlackRock	0.0	0	39.3	1	**39.3**	1	2.1
16	DoubleLine Capital	0.0	0	21.4	1	**21.4**	1	1.1
17	Natixis	14.2	2	0.0	0	**14.2**	2	0.7
18	Shidler Group	0.0	0	10.3	1	**10.3**	1	0.5
	(Unknown)	0.0	0	12.1	1	**12.1**	1	0.6
	TOTAL	**937.4**	**32**	**958.0**	**32**	**1,895.5**	**64**	**100.0**

Pooled Floating		Vertical Amount ($Mil.)	Vertical No. of Deals	Horizontal Amount ($Mil.)	Horizontal No. of Deals	2017 Total Amount ($Mil.)	2017 Total No. of Deals	% of Total
1	J.P. Morgan	$46.1	2	$0.0	0	**$46.1**	2	69.3
2	Varde Partners	0.0	0	20.4	1	**20.4**	1	30.7
	TOTAL	**46.1**	**2**	**20.4**	**1**	**66.5**	**3**	**100.0**

RANKINGS

Profit Margins Slid in 4th Quarter

The weighted average gross profit margin of conduit deals fell again in the fourth quarter, according to calculations by **Commercial Mortgage Alert.**

The average margin was 2.53% on the 10 transactions for which data were available. That was down from 3.31% on third-quarter offerings and 4.77% in the second quarter. The declining margins indicate that conduit shops tightened spreads to make their loans more attractive in the wake of greater competition.

In the fourth quarter, the margins on individual transactions ranged from 1.4% to 3.7%. For the year, margins ranged from 1.4% to 6.35%, with a weighted average of 3.43% (see table on Page 34).

The margin calculations were made possible by disclosures mandated by risk-retention regulations that started affecting deals last year. The disclosures are required for two of the three options for structuring risk-retention bonds — the "horizontal strip" and the "L-shape strip." In both cases, the percentage of bonds that must be retained is tied to the total deal proceeds. Issuers must disclose the proceeds to prove that the required amount of bonds is retained.

While gross margins shed light on the profitability of commercial MBS transactions, it's important to note that they are only an indicator. Additional factors that can't be gauged by outsiders — most notably the cost and impact of hedging — determine net profit margins. What's more, the sample consists of the two structuring options that tend to be more profitable, according to lenders, so that could skew the averages higher.

Last year, profit margins were available for 32 deals. Those transactions, totaling $30.2 billion, accounted for 63% of the $48.2 billion of conduit volume. The average transaction produced $32.4 million of proceeds above the $943.5 million balance. That translated to a 3.43% weighted average gross profit margin ($32.4 million divided by $943.5 million). ❖

Ranking ... From Page 22

levels. All 17 transactions last year were CDOs — there were no resecuritizations.

Goldman leapfrogged to the top of the U.S. bookrunner ranking from fifth place in 2016. The bank led the way on $12.4 billion of issuance, up 60% from a year earlier. Its market share climbed to 13% from 10.2%.

J.P. Morgan, which held a $595 million lead after three quarters, ended up $419 million behind Goldman. Its $12 billion total was down 1% from 2016. Wells finished third, at $11.6 billion, up 9%. Morgan Stanley's activity nearly doubled, to $10.5 billion, catapulting it to fourth place, just ahead of Citi's $10.4 billion tally.

Goldman easily won in the ranking of loan contributors to CMBS transactions — long the domain of J.P. Morgan. The bank securitized $11.7 billion of loans, up a sizzling 73% from 2016, when it ranked third. Its market share climbed to 13.6% from 10.2%. Goldman's volume was fueled by $7.6 billion of contributions to single-borrower transactions — the largest by any lender. It also supplied $4.1 billion of loans to conduit offerings, ranking third in that category.

Defending champ J.P. Morgan fell to second place, with $10 billion of contributions, up 10%. The bank had won the ranking each year from 2009 through last year, except for 2014, when Deutsche took the title. Deutsche finished third last year, slipping one place. It supplied $9.7 billion of loans to securitizations, up 23%. The bank had the most contributions in the conduit category — $4.7 billion. Rounding out the top five were Morgan Stanley ($8.6 billion, up 114%) and Citi ($8.1 billion, up 45%).

Among shops with big declines in loan contributions were **CCRE** ($1.3 billion, down 58%), **Benefit Street Partners** ($777.7 million, down 37%) and **LoanCore Capital** ($486.7 million, down 56%).

The loan-contributor ranking tracks the "principal" business of lenders in the CMBS market — that is, the degree to which firms put their own capital at risk by amassing loans for securitization. It counts collateral loans originated with the intent of securitization and warehoused in advance of an actual CMBS deal. Ninety percent of last year's U.S. issuance fell into that category.

Goldman also captured the global CMBS crown. Because of the minuscule non-U.S. issuance, the ranking of the top five in the global table was the same as for the U.S. tally.

For the second year in a row, Academy Securities won the ranking of global lead and co-managers of CMBS transactions, which gives full credit to all members of underwriting syndicates. Academy served as a co-manager on $32.2 billion of transactions — meaning that it participated in one-third of global issuance. Citi finished second, with $30.6 billion of volume, followed by Deutsche ($28.8 billion), Morgan Stanley ($28.6 billion), J.P. Morgan ($26.9 billion), Wells ($26.7 billion) and **Drexel Hamilton** ($23.2 billion).

Academy and Drexel have unusual positions in the market. Both broker-dealers put a heavy focus on employing U.S. military veterans, including those with severe disabilities, and grooming them for careers on Wall Street. Bookrunners add Academy and Drexel to syndicates as a show of support for veterans. So the firms don't compete with other dealers in the conventional sense, and their presence at the top of the ranking isn't a reflection of broad underwriting prowess.

Credit Suisse continued its domination in the league table for agency bookrunners, notching its seventh consecutive victory. The bank led $14.5 billion of transactions, up 3%. But its market share dipped to 16.6% from 18.8%. Wells and J.P. Morgan flipped positions from the previous year. Wells finished second with $12.9 billion of activity, $245.8 million ahead of J.P. Morgan. Rounding out the top five were Morgan Stanley ($9.7 billion) and Citi ($7.9 billion).

Finally, Wells topped the CDO/resecuritization bookrunner ranking, with $2.3 billion of activity, up nearly sixfold. It was followed by J.P. Morgan ($1.8 billion) and Citi ($633.6 million). ❖

RANKINGS

Gross Profit Margins of Conduit Deals in 2017

Transactions structured with horizontal or L-shape risk-retention strips

Issuer	Pricing	Loan Contributors	Deal Size ($Mil.)	Total Proceeds ($Mil.)	Gross Profit ($Mil.)	Gross Profit Margin (%)
CD 2017-CD3	1/27	Deutsche Bank, Citigroup	$1,327.5	$1,361.2	$33.7	2.54
GSMS 2017-GS5	3/7	Goldman Sachs	1,061.9	1,096.4	34.4	3.24
JPMCC 2017-JP5	3/7	J.P. Morgan, Starwood Mortgage	1,093.0	1,124.6	31.6	2.89
JPMDB 2017-C5	3/17	Deutsche Bank, J.P. Morgan	1,043.5	1,078.4	35.0	3.35
CGCMT 2017-P7	3/31	Citigroup, Natixis, Principal Commercial	1,025.3	1,062.1	36.8	3.59
1Q-17 AVERAGE			**1,110.2**	**1,144.5**	**34.3**	**3.09**
MSBAM 2017-C33	5/4	Morgan Stanley, Bank of America, KeyBank	702.6	739.9	37.3	5.31
GSMS 2017-GS6	5/19	Goldman Sachs	959.1	1,003.6	44.5	4.64
MSC 2017-H1	5/24	Barclays, Silverpeak, Morgan Stanley, Citi, Starwood	1,089.9	1,142.0	52.1	4.78
JPMCC 2017-JP6	5/25	J.P. Morgan, Benefit Street Partners, Starwood Mortgage	786.6	818.2	31.6	4.02
UBSCM 2017-C1	5/31	UBS, Rialto, Natixis, Wells Fargo, Societe Generale, CIBC	959.0	1,019.9	60.9	6.35
DBJPM 2017-C6	6/14	Deutsche Bank, J.P. Morgan	1,132.4	1,175.7	43.3	3.82
CSAIL 2017-C8	6/21	Credit Suisse, Natixis, Benefit Street Partners	811.1	853.9	42.8	5.28
LCCM 2017-LC26	6/22	Ladder Capital	625.7	656.9	31.3	5.00
WFCM 2017-C38	6/27	Barclays, Wells Fargo, Rialto Capital, C-III, UBS	1,154.6	1,202.5	47.9	4.15
2Q-17 AVERAGE			**913.4**	**957.0**	**43.5**	**4.77**
JPMCC 2017-JP7	7/21	J.P. Morgan, Starwood Mortgage, Benefit Street	811.0	839.4	28.4	3.50
CD 2017-CD5	7/24	Deutsche Bank, Citigroup	931.6	961.3	29.7	3.19
UBSCM 2017-C2	7/31	UBS, Societe Generale, Deutsche, Natixis, Rialto, CIBC	898.7	932.3	33.6	3.74
WFCM 2017-C39	8/10	Wells Fargo, Barclays, Silverpeak, Natixis, Basis	1,132.8	1,173.1	40.3	3.55
GSMS 2017-GS7	8/11	Goldman Sachs	1,081.6	1,117.3	35.6	3.30
UBSCM 2017-C3	8/17	KeyBank, Societe Generale, UBS, Natixis, Rialto	708.6	730.0	21.4	3.02
CSAIL 2017-CX9	9/19	Credit Suisse, Natixis, Benefit Street Partners	858.9	879.2	20.4	2.37
COMM 2017-COR2	9/21	LoanCore Capital, Deutsche Bank, Citigroup	916.5	949.9	33.4	3.64
3Q-17 AVERAGE			**917.5**	**947.8**	**30.3**	**3.31**
JPMDB 2017-C7	10/13	Deutsche Bank, J.P. Morgan	1,105.3	1,137.1	31.7	2.87
CGCMT 2017-C4	10/19	Citigroup, CCRE, Ladder, Deutsche Bank, Rialto	977.1	1,002.1	25.0	2.56
UBSCM 2017-C5	11/1	UBS, CCRE, Ladder, Natixis, Societe Generale, Rialto	743.4	761.6	18.2	2.45
CD 2017-CD6	11/13	Deutsche Bank, Citigroup, Silverpeak Argentic	1,061.9	1,086.9	25.0	2.36
GSMS 2017-GS8	11/14	Goldman Sachs	1,020.4	1,045.1	24.7	2.42
WFCM 2017-C41	11/17	Barclays, Silverpeak Argentic, Ladder, Wells Fargo	785.9	815.2	29.3	3.73
CSAIL 2017-CX10	11/17	Natixis, Credit Suisse, Benefit Street Partners	855.3	881.7	26.4	3.09
CCUBS 2017-C1	11/21	CCRE, Citigroup, UBS	696.7	711.3	14.6	2.09
MSC 2017-HR2	12/12	Morgan Stanley, Citigroup, Starwood, Silverpeak	942.7	955.9	13.2	1.40
UBSCM 2017-C7	12/20	UBS, Societe Generale, Ladder, KeyBank, CCRE, Natixis	891.0	912.7	21.8	2.45
4Q-17 AVERAGE			**908.0**	**931.0**	**23.0**	**2.53**
2017 TOTAL			**30,191.7**	**31,227.5**	**1,035.8**	
2017 AVERAGE			**943.5**	**975.9**	**32.4**	**3.43**

RANKINGS

Bookrunners of Agency CMBS in 2017

		2017 Issuance ($Mil.)	No. of Deals	Market Share (%)	2016 Issuance ($Mil.)	No. of Deals	Market Share (%)	'16-'17 % Chg.
1	Credit Suisse	$14,531.4	26	16.6	$14,097.2	27	18.8	3.1
2	Wells Fargo	12,882.3	31	14.7	9,620.4	22	12.8	33.9
3	J.P. Morgan	12,636.5	35	14.4	11,252.1	31	15.0	12.3
4	Morgan Stanley	9,737.6	21	11.1	6,791.4	14	9.0	43.4
5	Citigroup	7,895.3	22	9.0	6,158.9	15	8.2	28.2
6	Goldman Sachs	7,807.7	18	8.9	5,887.1	11	7.8	32.6
7	Bank of America	6,801.6	15	7.8	8,474.2	17	11.3	-19.7
8	Barclays	4,311.7	7	4.9	4,684.2	10	6.2	-8.0
9	Jefferies	3,054.3	13	3.5	3,348.1	12	4.5	-8.8
10	Amherst Pierpont	3,028.7	6	3.5	1,503.1	7	2.0	101.5
11	PNC	2,487.3	5	2.8	0.0	0	0.0	
12	Nomura	2,431.1	13	2.8	3,353.9	11	4.5	-27.5
	TOTAL	**87,605.5**	**170**	**100.0**	**75,170.4**	**147**	**100.0**	**16.5**

Bookrunners of Real Estate CDOs and Resecuritizations in 2017

		2017 Issuance ($Mil.)	No. of Deals	Market Share (%)	2016 Issuance ($Mil.)	No. of Deals	Market Share (%)	'16-'17 % Chg.
1	Wells Fargo	$2,279.6	8	38.5	$391.5	1	13.1	482.3
2	J.P. Morgan	1,847.2	9	31.2	954.4	3	32.0	93.5
3	Citigroup	633.6	4	10.7	97.0	1	3.2	553.3
4	Goldman Sachs	350.4	2	5.9	0.0	0	0.0	
5	Deutsche Bank	244.4	2	4.1	0.0	0	0.0	
6	Barclays	177.0	2	3.0	0.0	0	0.0	
7	Natixis	145.0	1	2.4	235.8	1	7.9	-38.5
8	Morgan Stanley	125.7	1	2.1	97.0	1	3.2	29.6
9	UBS	123.1	2	2.1	537.2	3	18.0	-77.1
	OTHER	0.0	0	0.0	673.0	6	22.6	-100.0
	TOTAL	**5,926.2**	**17**	**100.0**	**2,985.8**	**12**	**100.0**	**98.5**

Non-US CMBS Bookrunners in 2017

		2017 Issuance ($Mil.)	No. of Deals	Market Share (%)	2016 Issuance ($Mil.)	No. of Deals	Market Share (%)	'16-'17 % Chg.
1	Bank of America	$463.5	1	40.5	$613.6	2	36.3	-24.5
2	RBC	410.2	2	35.9	718.9	3	42.6	-42.9
3	Nedbank	91.2	1	8.0	0.0	0	0.0	
4	HSBC	89.3	1	7.8	180.7	1	10.7	-50.6
4	Barclays	89.3	1	7.8	0.0	0	0.0	
	OTHERS	0.0	0	0.0	175.9	2	10.4	-100.0
	TOTAL	**1,143.5**	**4**	**100.0**	**1,689.1**	**6**	**100.0**	**-32.3**

RANKINGS

Deals That Priced in the Fourth Quarter

Private-Label CMBS

Pricing	Issuer	Country	Seller/Borrower	Bookrunner(s)	Amount ($Mil.)
10/3	FREMF 2017-KF35	U.S.	Freddie Mac	Barclays, Credit Suisse	$146.8
10/5	FREMF 2017-KIR3	U.S.	Irvine Co.	Bank of America, J.P. Morgan	148.3
10/5	FRESB 2017-SB39	U.S.	Freddie Mac	Wells Fargo	26.4
10/5	WFCM 2017-C40	U.S.	Barclays, Wells Fargo, Rialto Capital, C-III	Wells Fargo, Barclays	705.4
10/6	MSBAM 2017-C34	U.S.	Bank of America, Morgan Stanley, Key, Starwood	Bank of America, Morgan Stanley	1,048.6
10/11	FREMF 2017-KF36	U.S.	Freddie Mac	Morgan Stanley, Wells Fargo	131.5
10/11	HYATT 2017-HYT2	U.S.	Lone Star Funds, Aimbridge Hospitality	Goldman Sachs, J.P. Morgan	410.0
10/12	DBUBS 2017-BRBK	U.S.	Blackstone, Worthe Real Estate	Deutsche Bank, UBS	530.0
10/12	FRESB 2017-SB40	U.S.	Freddie Mac	Wells Fargo	29.3
10/13	BX 2017-IMC	U.S.	Blackstone, Fireside Investments	Citi, J.P. Morgan, Credit Suisse	955.0
10/13	JPMDB 2017-C7	U.S.	Deutsche Bank, J.P. Morgan	Deutsche Bank, J.P. Morgan	1,105.3
10/18	FREMF 2017-K68	U.S.	Freddie Mac	Wells Fargo, Citigroup	183.5
10/18	GSMS 2017-SLP	U.S.	Starwood Capital	Goldman Sachs	725.0
10/19	CGCMT 2017-C4	U.S.	Citigroup, CCRE, Ladder, Deutsche Bank, Rialto	Citigroup, Deutsche, Cantor	977.1
10/20	COMM 2017-PANW	U.S.	California State Teachers, Korea Post	Deutsche Bank	310.0
10/20	FREMF 2017-KF37	U.S.	Freddie Mac	J.P. Morgan, Goldman Sachs	112.2
10/24	REALT 2017	Canada	RBC	RBC	320.9
10/27	BANK 2017-BNK8	U.S.	Bank of America, Wells Fargo, Morgan Stanley, NCB	BofA, Wells, Morgan Stanley	1,130.8
10/30	JPMCC 2017-FL11	U.S.	J.P. Morgan	J.P. Morgan	519.1
10/31	FREMF 2017-K728	U.S.	Freddie Mac	Credit Suisse, Barclays	163.7
10/31	WPT 2017-WWP	U.S.	New York REIT, SL Green, RXR, George Comfort	Goldman Sachs, Deutsche Bank	705.0
11/1	UBSCM 2017-C5	U.S.	UBS, CCRE, Ladder, Natixis, Societe Generale, Rialto	UBS, Cantor, Natixis, SocGen	743.4
11/3	CCRC 2017-Q005	U.S.	California Community Reinvestment	Wells Fargo	22.6
11/3	FREMF 2017-KJ17	U.S.	Freddie Mac	Morgan Stanley	64.0
11/6	CSMC 2017-CALI	U.S.	Colony NorthStar, Rising Realty	Credit Suisse	250.0
11/8	FREMF 2017-K69	U.S.	Freddie Mac	Barclays, Wells Fargo	206.0
11/8	FRESB 2017-SB41	U.S.	Freddie Mac	J.P. Morgan	31.1
11/9	CZR 2017-VICI	U.S.	VICI Properties	JPM, Barclays, Goldman, M. St.	1,550.0
11/9	FREMF 2017-KF38	U.S.	Freddie Mac	Goldman Sachs, Bank of America	127.4
11/13	CD 2017-CD6	U.S.	Deutsche Bank, Citigroup, Silverpeak Argentic	Deutsche Bank, Citigroup	1,061.9
11/14	GSMS 2017-GS8	U.S.	Goldman Sachs	Goldman Sachs	1,020.4
11/15	FRESB 2017-SB42	U.S.	Freddie Mac	J.P. Morgan	28.7
11/17	BBCMS 2017-GLKS	U.S.	Blackstone	Barclays, Wells Fargo	540.0
11/17	BX 2017-CQHP	U.S.	Blackstone	Bank of America	273.7
11/17	CSAIL 2017-CX10	U.S.	Natixis, Credit Suisse, Benefit Street Partners	Credit Suisse, Natixis	1,113.7
11/17	MSC 2017-ASHF	U.S.	Ashford Hospitality	Morgan Stanley	427.0
11/17	WFCM 2017-C41	U.S.	Barclays, Silverpeak Argentic, Ladder Capital, Wells	Wells Fargo, Barclays	785.9
11/20	WFCM 2017-HSDB	U.S.	Sunstone Hotel Investors, Park Hotels & Resorts	Wells Fargo	220.0
11/21	CCUBS 2017-C1	U.S.	CCRE, Citigroup, UBS	Cantor Fitzgerald, Citigroup, UBS	696.7
11/21	MSC 2017-CLS	U.S.	Blackstone	Morgan Stanley	700.0
11/22	TAURS 2017-2 UK	U.K.	Blackstone	Bank of America	463.5
11/30	FREMF 2017-K70	U.S.	Freddie Mac	Bank of America, Citigroup	185.2
12/1	CHT 2017-COSMO	U.S.	Blackstone	Deutsche, JPM, BofA, Citi, Goldman	1,380.0
12/1	FREMF 2017-KS09	U.S.	Freddie Mac	Wells Fargo	70.9
12/1	MSC 2017-JWDR	U.S.	Blackstone	Morgan Stanley	365.0
12/1	UBSCM 2017-C6	U.S.	UBS, Rialto, Ladder, CCRE, KeyBank, Natixis	UBS, Cantor, Natixis, SocGen	684.7
12/4	CSMC 2017-TIME	U.S.	Tishman Equities, MetLife	Credit Suisse, Natixis	140.0
12/5	BAMLL 2017-SCH	U.S.	Tishman Equities, MetLife	Bank of America	255.0

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RANKINGS

Deals That Priced in the Fourth Quarter

Private-Label CMBS

Continued From Page 36

Pricing	Issuer	Country	Seller/Borrower	Bookrunner(s)	Amount ($Mil.)
12/5	BANK 2017-BNK9	U.S.	Bank of America, Morgan Stanley, Wells Fargo	BofA, Morgan Stanley, Wells	$1,053.7
12/5	FREMF 2017-KGS1	U.S.	Greystar	J.P. Morgan, Wells Fargo	176.8
12/6	FREMF 2017-KF39	U.S.	Freddie Mac	Credit Suisse, Wells Fargo	131.3
12/6	FRESB 2017-SB43	U.S.	Freddie Mac	J.P. Morgan	32.5
12/12	CSMC 2017-PFHP	U.S.	Pimco, Fulcrum Hospitality	Credit Suisse	240.0
12/12	MSC 2017-HR2	U.S.	Morgan Stanley, Citigroup, Starwood, Silverpeak	Morgan Stanley, Citigroup	942.7
12/12	WFCM 2017-C42	U.S.	Barclays, Starwood, Wells Fargo, Rialto Capital	Wells Fargo, Barclays	744.8
12/13	FREMF 2017-K71	U.S.	Freddie Mac	J.P. Morgan, Morgan Stanley	212.3
12/13	FRESB 2017-SB44	U.S.	Freddie Mac	Wells Fargo	32.0
12/14	WFCM 2017-SMP	U.S.	Macerich	Wells Fargo	300.0
12/15	FREMF 2017-K729	U.S.	Freddie Mac	Wells Fargo, PNC	195.3
12/18	AHPT 2017-ATRM	U.S.	Atrium Holding	Goldman, J.P. Morgan, Citigroup	600.0
12/18	GSMS 2017-FARM	U.S.	JDM Partners, Transwestern Investment	Goldman Sachs	264.0
12/19	FREMF 2017-KF40	U.S.	Freddie Mac	Goldman Sachs, Morgan Stanley	106.5
12/19	FREMF 2017-KJ18	U.S.	Freddie Mac	Morgan Stanley	45.6
12/20	FREMF 2017-KF41	U.S.	Freddie Mac	Credit Suisse	65.1
12/20	UBSCM 2017-C7	U.S.	UBS, Societe Generale, Ladder, Key, CCRE, Natixis	UBS, SocGen, Cantor, Natixis	891.0

Commercial Real Estate CDOs and Resecuritizations

Pricing	Issuer	Country	Seller/Borrower	Bookrunner(s)	Amount ($Mil.)
10/3	LCCM 2017-FL1	U.S.	Ladder Capital	Wells Fargo, J.P. Morgan	$372.3
11/15	BSPRT 2017-FL2	U.S.	Benefit Street Partners	Goldman Sachs, J.P. Morgan	361.4
11/17	RAIT 2017-FL8	U.S.	RAIT Financial	Barclays, UBS, Citigroup	215.6
12/6	ARCLO 2017-FL3	U.S.	Arbor Realty	J.P. Morgan	356.4
12/8	BXMT 2017-FL1	U.S.	Blackstone	Wells Fargo, Citigroup, Bank of America	817.5

US Government Agency

Pricing	Issuer	Seller/Borrower	Bookrunner(s)	Amount ($Mil.)
10/3	FHMS K-F35	Freddie Mac	Barclays, Credit Suisse	$1,321.1
10/4	FNA 2017-M12	Fannie Mae	Goldman Sachs	991.8
10/5	FHMS K-IR3	Irvine Co.	Bank of America, J.P. Morgan	1,334.8
10/5	FRESB SB-039	Freddie Mac	Wells Fargo	237.4
10/11	FHMS K-F36	Freddie Mac	Morgan Stanley, Wells Fargo	1,183.7
10/12	FRESB SB-040	Freddie Mac	Wells Fargo	263.8
10/18	FHMS K-068	Freddie Mac	Wells Fargo, Citigroup	1,127.0
10/20	FHMS K-F37	Freddie Mac	J.P. Morgan, Goldman Sachs	1,009.9
10/23	GNR 2017-148	J.P. Morgan	J.P. Morgan	240.4
10/23	GNR 2017-151	Wells Fargo	Wells Fargo	230.6
10/23	GNR 2017-152	Jefferies	Jefferies	234.1
10/23	GNR 2017-154	Nomura	Nomura	147.7
10/23	GNR 2017-157	Citigroup	Citigroup	217.2
10/23	GNR 2017-158	Goldman Sachs	Goldman Sachs	123.1

Continued on Page 38

RANKINGS

Deals That Priced in the Fourth Quarter

US Government Agency

Continued From Page 37

Pricing	Issuer	Country	Seller/Borrower	Bookrunner(s)	Amount ($Mil.)
10/23	GNR 2017-159		Credit Suisse	Credit Suisse	$387.0
10/31	FHMS K-728		Freddie Mac	Credit Suisse, Barclays	1,005.8
11/1	FNA 2017-M13		Fannie Mae	Amherst Pierpont	1,189.9
11/3	FHMS K-J17		Freddie Mac	Morgan Stanley	255.8
11/3	FHMS Q-005		California Community Reinvestment	Wells Fargo	128.1
11/8	FHMS K-069		Freddie Mac	Barclays, Wells Fargo	1,265.5
11/8	FRESB SB-041		Freddie Mac	J.P. Morgan	280.3
11/9	FHMS K-F38		Freddie Mac	Goldman Sachs, Bank of America	1,146.2
11/15	FRESB SB-042		Freddie Mac	J.P. Morgan	258.4
11/16	FHMS K-P04		Freddie Mac	Morgan Stanley	1,000.0
11/22	FNA 2017-M14		Credit Suisse	Credit Suisse	530.3
11/22	GNR 2017-166		Jefferies	Jefferies	250.5
11/22	GNR 2017-168		J.P. Morgan	J.P. Morgan	245.3
11/22	GNR 2017-169		Credit Suisse	Credit Suisse	1,029.6
11/22	GNR 2017-171		Citigroup	Citigroup	199.2
11/22	GNR 2017-173		Goldman Sachs	Goldman Sachs	100.2
11/29	FNA 2017-M15		Fannie Mae	Credit Suisse	1,595.2
11/30	FHMS K-070		Freddie Mac	Bank of America, Citigroup	1,137.4
12/1	FHMS K-S09		Freddie Mac	Wells Fargo	637.9
12/5	FHMS K-GS1		Greystar	J.P. Morgan, Wells Fargo	1,591.4
12/6	FHMS K-F39		Freddie Mac	Credit Suisse, Wells Fargo	1,181.6
12/6	FRESB SB-043		Freddie Mac	J.P. Morgan	292.8
12/13	FHMS K-071		Freddie Mac	J.P. Morgan, Morgan Stanley	1,304.0
12/13	FRESB SB-044		Freddie Mac	Wells Fargo	288.3
12/15	FHMS K-729		Freddie Mac	Wells Fargo, PNC	1,199.5
12/19	FHMS K-F40		Freddie Mac	Goldman Sachs, Morgan Stanley	958.3
12/19	FHMS K-J18		Freddie Mac	Morgan Stanley	182.3
12/20	FHMS K-F41		Freddie Mac	Credit Suisse	586.2
12/22	GNR 2017-178		Jefferies	Jefferies	220.5
12/22	GNR 2017-181		J.P. Morgan	J.P. Morgan	200.0
12/22	GNR 2017-183		Goldman Sachs	Goldman Sachs	102.4
12/22	GNR 2017-185		Credit Suisse	Credit Suisse	408.5
12/22	GNR 2017-190		Citigroup	Citigroup	230.0
12/22	GNR 2017-191		Nomura	Nomura	105.1

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Nominees Sought for Diversity Award

The **Mortgage Bankers Association** is seeking nominees for it second annual award recognizing a member company that fosters diversity in the commercial-mortgage industry.

The trade group is aiming to acknowledge initiatives designed to increase diversity and inclusion in management ranks and throughout member companies. Consideration will be given to recruitment and retention initiatives, mentorship programs, internal training and efforts to pursue supplier diversity.

Companies can apply directly or be nominated by someone from another MBA member. Nominations, due by Jan. 10, can be made at mba.org (click on the "Who We Are" tab). The award will be given at the MBA's CREF/Multifamily Housing Convention & Expo in San Diego, to be held Feb. 11-14.

CBRE was the first winner in the commercial/multi-family category. The firm will be ineligible to compete again until next year. ❖

Voya Finances NJ Apartments

Voya Investment originated a low-leverage $40 million loan on a New Jersey apartment complex last month.

The 752-unit Brookchester Apartment complex, in New Milford, is owned by the **Brunetti Organization** of Old Bridge, N.J.

Berkadia arranged the fixed-rate mortgage, which has a 15-year term and a 3.72% coupon. The loan-to-value ratio is only 35%.

The complex, at 915A River Road, was built in 1948. It comprises 47 low-rise buildings that are 98.3% occupied. There are 855 parking spaces, including 274 in enclosed garages. Among the amenities are laundry facilities, barbecue grills, picnic tables, a business center and a dog park. ❖

Agency ... From Page 1

more than $125 billion of multi-family loans last year, shattering the previous high of $112.1 billion set the year before and capping three years of growth that saw annual activity soar from $57.2 billion in 2014. That, in turn, led to unprecedented issuance of agency bonds. Freddie by itself set a company record by floating $68.1 billion of bonds, with 392 investors participating in its deals.

Last year's surge of activity pushed agency lenders' combined share of the multi-family origination market above the unofficial 40% maximum preferred by the **Federal Housing Finance Agency,** which oversees Fannie and Freddie. That was seen as the reason the regulator announced some steps in November aimed at tamping down their activity. The FHFA reduced the annual lending caps for Fannie and Freddie for the first time since the limits were established in 2013. The cap, which applies to most types of loans, was reduced to $35 billion for each agency in 2018, down from $36.5 billion last year.

More significantly, the regulator also tightened the definition of "green" loans, which fall outside of the caps and have become a major driver of agency activity. The loans offer property owners a pricing discount of roughly 10-25 bp in exchange for agreeing to improve water and electricity standards. Through the first nine months of last year, green loans accounted for a whopping 42% of Fannie's overall purchases and 27% of Freddie's.

"The amount of green business that's getting done — I don't think anybody foresaw how big that would become," said **Walker & Dunlop** executive vice president **Donald King,** who oversees agency-lending activity for the firm.

Previously, borrowers had to agree to make changes that would cut annual water or electricity costs by 20% for Fannie loans or 15% for Freddie loans. The threshold now has been increased to 25% for both agencies.

Fannie and Freddie actively encouraged their lenders to offer green loans in 2017, which could have resulted in a one-time surge. "We did a lot of this business last year," said **Frank Lutz,** a senior vice president at **Berkadia Commercial Mortgage.** "I would guess that even without the changes, the volume of green business might decline a little bit. Maybe we got all the low-hanging fruit this past year."

Overall, the outlook for the multi-family sector remains favorable. Rental demand is strong, because the rising prices of single-family homes keep ownership out of reach for many renters. Plenty of domestic and foreign capital is available for purchases of apartment complexes, driving up values and the sizes of loans. A substantial amount of mortgages need to be refinanced. And interest rates, while trending up, still aren't high enough to suppress borrowing demand.

David Brickman, Freddie's executive vice president for multi-family business, said those factors appear to set the table for another strong year. "The health of the rental market and the mortgage market continue to be strong," he said.

Contributing to agency originations is an increase in floating-rate loans, whose relatively short terms accelerate the pace of refinancings. Several agency pros said that floaters accounted for as much of half of Freddie's total production in 2017 and for a significant portion of Fannie's activity as well.

The increase is attributed to the larger presence of institutional owners. In past years, the sector was dominated by long-term holders that gravitated toward fixed-rate mortgages. But in recent years, property funds and other institutional buyers have accounted for a larger share of multi-family acquisitions. Those players often have shorter investment timeframes, aiming to make improvements and then cash out. Floating-rate debt gives them greater flexibility to prepay without penalties.

Agency reform isn't at the forefront of lenders' concerns now, but there's a chance it could finally get some traction in 2018 after years of discussion. Committees in the Republican-controlled House and Senate are drafting measures that would remove Fannie and Freddie from the government conservatorship they were placed under in 2008 after suffering huge losses during the financial crisis. The early word is that the bills under consideration could retain the U.S. government's guarantee on loans acquired by Fannie and Freddie — a provision agency lenders see as vital. ❖

INITIAL PRICINGS

UBS Commercial Mortgage Trust, 2017-C7

Pricing date:	Dec. 20
Closing date:	Dec. 27
Amount:	$891.0 million
Seller/borrower:	UBS, Societe Generale, Ladder Capital, KeyBank, CCRE, Natixis
Lead managers:	UBS, Societe Generale, Cantor Fitzgerald
Co-managers:	KeyBank, Natixis, Academy Securities
Master servicer:	Wells Fargo
Special servicers:	KeyBank, Midland Loan Services, Aegon USA Realty, Rialto Capital
Operating advisor:	Pentalpha Surveillance
Trustee:	Wilmington Trust
Certificate administrator:	Wells Fargo
Offering type:	SEC-registered

Property types: Office (24%), retail (20.7%), mixed-use (16%), multi-family (15.6%), hotel (12.3%), industrial (10%) and self-storage (1.4%).
Concentrations: New York (21%) and North Carolina (10.1%).
Loan contributors: UBS (20.5%), SocGen (19.4%), Ladder (18.5%), Key (17.8%), CCRE (16.8%) and Natixis (7%).
Largest loans: A $62.2 million senior portion of a $360 million loan to Wolfson family trusts on the 892,000-sf office building at One State Street in Manhattan; a $60 million portion of a $210 million loan to American Finance Trust on 12 retail centers, encompassing 2.4 million sf, in eight states; a $59.5 million loan to Tzadik Management on six Florida apartment complexes, totaling 1,242 units, in the Orlando and Daytona Beach areas; a $54.9 million portion of a $185 million loan to Boxer Properties on 18 office properties, encompassing 2.6 million sf, in four states; a $54 million portion of a $110.5 million loan to Tryad Group on the 3.4 million-sf Rochester Technology Park in Rochester, N.Y.; a $41.9 million portion of a $69.9 million loan to HRC Hotels on eight hotels, totaling 694 rooms, in Indiana and Michigan; a $37.5 million portion of a $375 million loan to Griffin Capital on nine office buildings and one warehouse, encompassing 3.7 million sf, in eight states; a $37.4 million senior portion of a $2.3 billion loan to a Boston Properties partnership on the 2 million-sf GM Building in Manhattan; a $37.4 million loan to Lexington Realty on the 201,000-sf AvidXchange headquarters in Charlotte; and a $34.5 million loan to Sexton Cos. on the 493-unit Lockefield Gardens student-housing complex in Indianapolis.
B-piece buyer: Prime Group.
Risk-retention sponsor: UBS.
Notes: UBS, SocGen, Ladder, KeyBank, CCRE and Natixis teamed up to securitize commercial mortgages they had originated or purchased. Prime Group is fulfilling the risk-retention requirement by acquiring Classes D-RR through NR-RR at a price that yields a projected 14.84% and equals at least 5% of the total deal proceeds.
Deal: UBSCM 2017-C7. **CMA code:** 20170357.

Class	Amount ($Mil.)	Rating (Moody's)	Rating (Fitch)	Rating (Kroll)	Subord. (%)	Coupon (%)	Dollar Price	Yield (%)	Maturity (Date)	Avg. Life (Years)	Spread (bp)	Note Type
A-1	33.907	Aaa	AAA	AAA	30.00	2.379	99.998	2.356	12/15/50	2.72	S+22	Fixed
A-2	49.837	Aaa	AAA	AAA	30.00	3.441	102.999	2.776	12/15/50	4.92	S+50	Fixed
A-SB	47.439	Aaa	AAA	AAA	30.00	3.586	102.999	3.124	12/15/50	7.30	S+75	Fixed
A-3	177.000	Aaa	AAA	AAA	30.00	3.418	100.994	3.305	12/15/50	9.70	S+85	Fixed
A-4	315.490	Aaa	AAA	AAA	30.00	3.679	102.999	3.330	12/15/50	9.94	S+87	Fixed
A-S	98.005	Aa3	AAA	AAA	19.00	4.061	102.994	3.711	12/15/50	9.97	S+125	Fixed
B	36.753	NR	AA-	AA	14.88	4.292	102.992	3.943	12/15/50	10.05	S+148	Fixed
C	35.638	NR	A-	A-	10.88	4.588	99.161	4.763	12/15/50	10.05	S+230	Fixed
D-RR	21.160	NR	BBB	BBB+	8.50				12/15/50	10.05		Fixed
E-RR	17.820	NR	BBB-	BBB-	6.50				12/15/50	10.05		Fixed
F-RR	17.819	NR	BB-	BB-	4.50				12/15/50	10.05		Fixed
G-RR	8.909	NR	B-	B	3.50				12/15/50	12.81		Fixed
NR-RR	31.185	NR	NR	NR	0.00				12/15/50	15.05		Fixed
X-A(IO)	623.673*	Aaa	AAA	AAA		1.080	7.788	3.847	12/15/50		T+140	Fixed
X-B(IO)	170.396*	NR	A-	AAA		0.367	3.288	3.709	12/15/50		T+122.7	Fixed

*Notional amount

INITIAL PRICINGS

Atrium Hotel Portfolio Trust, 2017-ATRM

Pricing date:	Dec. 18
Closing date:	Dec. 29
Amount:	$600 million
Seller/borrower:	Atrium Holding
Lead managers:	Goldman Sachs, J.P. Morgan, Citigroup
Master servicer:	Wells Fargo
Special servicer:	Wells Fargo
Trustee:	Wilmington Trust
Certificate administrator:	Wells Fargo
Offering type:	Rule 144A

Property types: Hotel (100%).
Concentrations: South Carolina (13.8%), Texas (13.5%) and North Carolina (10%).
Loan contributors: Goldman (60%), J.P. Morgan (20%) and Citi (20%).
Risk-retention sponsor: Goldman.
Notes: Goldman, J.P. Morgan and Citi teamed up to securitize the $600 million senior portion of a $750 million floating-rate debt package they had originated for Atrium Holding on 29 hotels in 16 states. The 7,015-room portfolio, appraised at $1 billion, consists of Marriott, Hilton and IHG brands. The interest-only debt package, originated on Dec. 1, has a two-year term, with five one-year extension options. The securitized debt is pegged to one-month Libor plus 205 bp. The debt package also includes a $100 million senior mezzanine loan, pegged to Libor plus 555 bp, and a $50 million junior mezzanine loan, with a coupon of Libor plus 900 bp. Atrium used most of the proceeds to retire $718 million of debt, including $585 million that had been securitized in 2016 (JPMCC 2016-ATRM). To comply with risk-retention rules, Goldman, J.P. Morgan and Citi are retaining Class RR Interest, which effectively is a 5% vertical strip.
Deal: AHPT 2017-ATRM. **CMA code:** 20170353.

Class	Amount ($Mil.)	Rating (Moody's)	Rating (Kroll)	Subord. (%)	Coupon (%)	Dollar Price	Maturity (Date)	Avg. Life (Years)	Spread (bp)	Note Type
A	215.365	Aaa	AAA	62.22	L+93	100.000	12/15/36	1.96	L+93	Floating
B	56.335	Aa3	AA-	52.33	L+150	100.000	12/15/36	1.96	L+150	Floating
C	48.640	A3	A	43.80	L+165	100.000	12/15/36	1.96	L+165	Floating
D	52.535	Baa3	BBB	34.58	L+195	98.853	12/15/36	1.96	L+220	Floating
E	82.745	Ba3	BB	20.07	L+305	98.884	12/15/36	1.96	L+330	Floating
F	114.380	B3	B	0.00	L+387.5	98.472	12/15/36	1.96	L+420	Floating
RR Interest	30.000	NR	NR				12/15/36	1.96		Floating

GS Mortgage Securities Corporation Trust, 2017-FARM

Pricing date:	Dec. 18
Closing date:	Dec. 29
Amount:	$264 million
Seller/borrower:	JDM Partners, Transwestern Investment
Lead manager:	Goldman Sachs
Co-manager:	Deutsche Bank
Master servicer:	KeyBank
Special servicer:	Aegon USA Realty
Trustee:	Wells Fargo
Certificate administrator:	Wells Fargo
Offering type:	Rule 144A

Property types: Office (100%).
Concentrations: Arizona (100%).
Loan contributors: Goldman (100%).
Risk-retention sponsor: Goldman.
Notes: Goldman securitized a $264 million portion of a $560 million fixed-rate mortgage that it and Deutsche Bank had originated. The loan financed the $930 million acquisition of the 2 million-sf Marina Heights State Farm office campus in Tempe, Ariz. JDM Partners, the majority partner, teamed up with Transwestern Investment to buy the new seven-building campus from State Farm, which leased it back under five triple-net leases averaging more than 20 years. The loan, which closed in December, has a 3.56% coupon. It has a 15-year term, but an anticipated repayment date of January 2028. The loan is interest-only until that date, after which "hyper-amortization" would start if principal wasn't fully repaid. A Singapore investment firm advised by Prima Capital is fulfilling the risk-retention requirement by taking down Class HRR at a price that equals at least 5% of the total deal proceeds.
Deal: GSMS 2017-FARM. **CMA code:** 20170356.

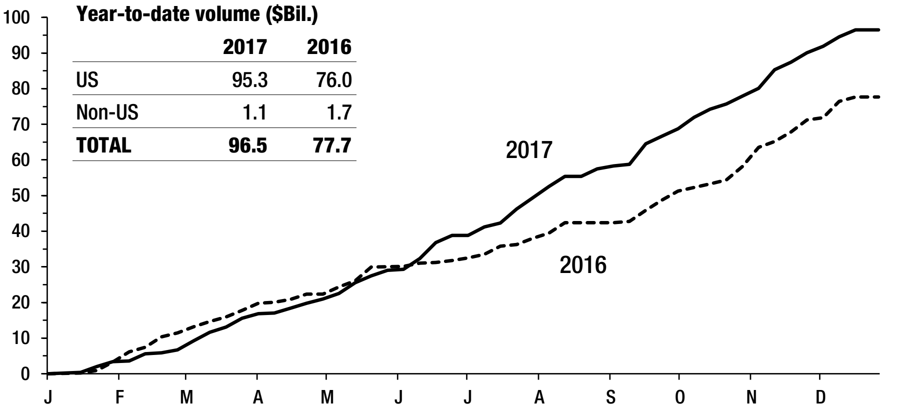
Class	Amount ($Mil.)	Rating (S&P)	Rating (DBRS)	Subord. (%)	Coupon (%)	Dollar Price	Yield (%)	Maturity (Date)	Avg. Life (Years)	Spread (bp)	Note Type
A	146.793	AAA	AAA	44.40	3.541	103.178	3.233	1/10/43	10.03	S+87	Fixed
B	99.207	NR	AA	6.82	3.541	99.142	3.713	1/10/43	10.03	S+135	Fixed
HRR	18.000	NR	AA	0.00				1/10/43	10.03		Fixed
X-A(IO)	146.793*	AAA	AAA					1/10/43			Fixed

MARKET MONITOR

WORLDWIDE CMBS

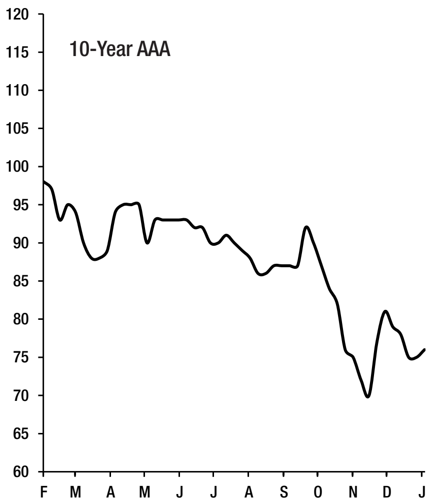
Year-to-date volume ($Bil.)

	2017	2016
US	95.3	76.0
Non-US	1.1	1.7
TOTAL	**96.5**	**77.7**



CMBS SPREADS

NEW-ISSUE SPREAD OVER SWAPS



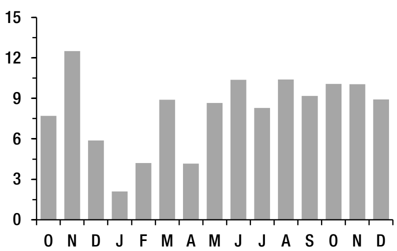
New Issue Fixed Rate (Conduit)	Avg. Life	Spread (bp) 1/3	Week Earlier	52-wk Avg.
AAA	5.0	S+46	S+45	47
	10.0	S+76	S+75	88
AA	10.0	S+137	S+132	134
A	10.0	S+180	S+173	183
BBB-	10.0	S+360	S+345	390

Markit CMBX 6	Dollar Price 1/3	Week Earlier	52-wk Avg.
AAA	100.7	100.6	100.3
AS	101.0	101.0	100.9
AA	99.6	99.4	99.5
A	95.8	95.6	95.8
BBB-	85.9	85.4	87.2
BB	76.7	76.3	79.2

Sources: Trepp, Markit

US CMBS

MONTHLY ISSUANCE ($Bil.)



CMBS TOTAL RETURNS

CMBS INDEX

As of 1/3	Avg. Life	Total Return (%) Month to Date	Year to Date	Since 1/1/97
Inv.-grade	6.0	-0.1	-0.1	230.9
AAA	5.9	-0.2	-0.2	213.4
AA	7.2	-0.2	-0.2	103.2
A	6.6	-0.1	-0.1	93.0
BBB	6.7	0.2	0.2	109.0

Source: Barclays

LOAN SPREADS

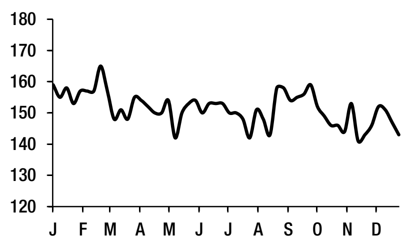
ASKING SPREADS OVER TREASURYS

10-year loans with 50-59% LTV

	12/29	Month Earlier
Office	143	143
Retail	139	141
Multi-family	130	130
Industrial	133	135

Source: Trepp

ASKING OFFICE SPREADS



AGENCY CMBS SPREADS

FREDDIE K SERIES

	Avg. Life	Spread (bp) 1/4	Week Earlier	52-wk Avg.
A1	5.5	S+38	S+42	45
A2	10.0	S+50	S+53	60
B	10.0	S+155	S+160	184
C	10.0	S+230	S+230	292
X1	9.0	T+100	T+100	136
X3	10.0	T+270	T+280	318
Freddie K Floater		L+34	L+32	

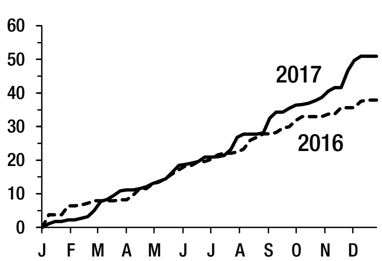
FANNIE DUS

	1/4	Week Earlier	52-wk Avg.
10/9.5 TBA (60-day settle)	S+55	S+58	65
Fannie SARM	L+35	L+35	

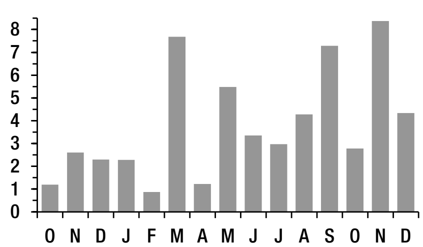
Source: J.P. Morgan

REIT BOND ISSUANCE

UNSECURED NOTES, MTNs ($Bil.)



MONTHLY ISSUANCE ($Bil.)



Data points for all charts can be found in The Marketplace section of CMAlert.com

THE GRAPEVINE

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been assumed by senior managing director **Ed Tai.**

A partnership between **Turnberry Associates** and **Simon Property** talked with CMBS lenders last month about a loan of between $1.4 billion and $2 billion on the Aventura Mall in suburban Miami — but then sidelined the discussions, sources said, for reasons that are unclear. The existing debt on the 2.1 million-square-foot mall doesn't mature until 2020, but the Turnberry team was factoring defeasance costs into its calculations. Mall debt currently is facing headwinds, although the Aventura Mall is considered a high-performing property.

Pinnacle Financial has hired **Jim Going** to open an office in Dallas and build a staff there to analyze, underwrite and originate debt via **Freddie Mac's** small-balance loan program. He joined the Nashville bank last month as a senior vice president and financial advisor, reporting to commercial real estate manager **Frank Stallworth.** Going spent the last eight months at **Birdsey Group,** also in Dallas, as president and chief operating officer of the financial-services and capital-markets divisions. He previously held senior positions at firms including **ReadyCap Commercial, Principal Financial** and **Washington Mutual.**

After more than eight years at **Cassin & Cassin,** attorney **Bill Seligman** joined **McGuireWoods** last month as senior counsel, based in Los Angeles for the Richmond, Va., firm. Seligman was a partner at Cassin, also in Los Angeles. He's the latest of eight commercial real estate finance attorneys that have jumped to McGuireWoods from Cassin since November. Before signing on at Cassin in 2009, Seligman spent nine years at **Winston & Strawn** and four years at **Orrick Herrington.**

HFF this week added **Zack Goodwin** to its team in Seattle. He's a director, reporting to senior managing director **Thomas Wilson,** who co-heads the brokerage's Seattle and Portland offices. Goodwin will help line up debt on a variety of property types in the region. He spent the past three years at **JLL,** most recently as a senior associate.

Former **Moody's** analyst **Eric Wisman** joined **Fitch's** CMBS group last month to help rate new issues. He's a director in New York, reporting to senior director **Jonathan Teichmann.** Wisman came from advisory firm **Greenberg Group** of Hewlett, N.Y., where he'd been an associate since October 2016. He previously spent about a year as a CMBS loan underwriter at **Hunt Mortgage,** following a four-year stint in the new-issue ratings group at Moody's.

Advisory shop **Townhouse Partners** is seeking to hire three analysts for its New York office. For more information, contact **Janine Santoro** at jsantoro@townhousepartners.com. Meanwhile, the firm is developing proprietary software that will let lenders and borrowers improve and customize the analysis of their assets. The rollout is planned by the end of the first quarter.

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