

SL Green pays \$218M for loan on 315 Park Ave. S.

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Deal is struck at a price almost identical to the loan's face value in an important sign of the strengthening market. CWCapital handled the sale on behalf of the property's bondholders.



CoStar Group Inc. SL Green buys debt on 315 Park Avenue South.

The distressed debt market for commercial real estate is alive and well, despite the economic recovery, although prices are not as low as they once were. Just ask the city's largest office landlord SL Green Realty Corp. On Monday, the real estate investment trust announced it has purchased the debt on 315 Park Avenue South, a mortgage that expired in June and is technically in default, even though the property's landlord continues to make loan payments.

According to a source with knowledge of the sale, SL Green will pay \$218 million for the 320,000-square-foot building's loan, a sum that is virtually on par with its face value of \$219 million.

CWCapital, a special servicing company representing the debt holders, controlled the mortgage, which was securitized in 2007 in a deal structured by JPMorgan

Chase. CWCapital handled the sale on behalf of bondholders.

The acquisition gives SL Green an opportunity to take control of the 20-story property. Investor Craig Nassi bought the building at the height of the market in 2007. According to Trepp, a company that tracks securitized mortgages, it would be difficult for Mr. Nassi to land a new mortgage for his building without ponying up a significant amount of equity.

Tom Fink, an executive at Trepp, said that a recent appraisal of the property showed its value had declined by \$75 million from five years ago.

"The property is appraised at around \$200 million today and with banks lending today at about 65% to 75% of value, the property could probably receive a \$150 million loan," Mr. Fink said. "That's over \$60 million of equity someone would have to pump in. Where do you get that money?"

SL Green was a voracious buyer during the recession, often using its debt positions to ultimately either gain control of an asset or get paid off at a profit. The company seized 100 Church St. from the Sapir Organization in 2010 through mezzanine debt it held against the building's equity. It also tried to wrest 510 Madison Ave. by foreclosing, efforts that proved unsuccessful but still allowed the company to sell the debt at a profit.

Real estate experts said the full price that SL Green paid for the loan at 315 Park Avenue South is indicative of the attractiveness of the office building and a sign of how prices have recovered from the recession. The property is a block east of Madison Square Park on the corner of East 23rd Street, a neighborhood that is part of the hot midtown south office neighborhood.

"Given the recovery in today's pricing relative to the peak of the market, it is not surprising that many notes are being sold at par or even over par as buyers may even pay some of the penalties and interest to gain control of the position," Robert Knakal, chairman of the brokerage Massey Knakal Realty Services, said. "Many properties that were at one time under water, have recovered due to the appreciation seen in the market."

The building is almost fully occupied by the Swiss bank Credit Suisse, a tenant that has created vacancy concerns at the property. Facing a lease expiration at its New York headquarters, located at 11 Madison Ave., the bank is rumored to be considering real estate decisions that could have it leave its current locations and consolidate operations elsewhere. SL Green owns another office building, One Madison Ave., where Credit Suisse has offices, and buying 315 Park Avenue South could give the company better leverage in negotiating with the bank to keep it in place.

Comments