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THE WEEKLY UPDATE ON REAL ESTATE FINANCE AND SECURITIZATION

Waterstone to Expand Servicing Push

Waterstone Capital Advisors, which became an active defeasance advisor during the frothy days of the commercial MBS market, is stepping up its efforts to branch into servicing.

The Charlotte firm is seeking to hire up to a dozen servicers, asset managers and capital-raising specialists for its Waterstone Asset Management subsidiary, which since being set up last year has grown to about 25 staffers. Waterstone is also shooting to obtain ratings as a special servicer from **S&P** within six months.

The subsidiary, headed by company chief executive **John Church,** handles special servicing, management of foreclosed properties, due diligence and property valuations. Managing director **Dennis McCloskey,** who joined in April as head of special servicing, has helped Waterstone amass management contracts for $300 million of bank-owned properties.

McCloskey formerly had servicing positions at **Citigroup** and **Wachovia.** He also had a brief stint at Waterstone in 2006. Most recently, he advised the **FDIC** on the management and disposition of seized bank assets. During his 12-year tenure at Wachovia and predecessor **First Union,** McCloskey worked with Church, who at one point was head of commercial mortgage servicing.

Waterstone will likely focus initially on winning third-party servicing contracts. But the firm is also interested in buying mortgages and servicing them in-house. It is in discussions with hedge funds that might supply either equity or debt to facilitate such purchases. The capital-raising specialists being recruited would help explore such arrangements.

In order to service CMBS loans, Waterstone initially talked with both S&P and **Fitch** about the possibility of obtaining servicer ratings, but has now narrowed its focus to S&P.

Waterstone was an active defeasance advisor from 2005 to 2007, when the practice of defeasing loans — that is, effectively prepaying securitized mortgages by substituting high-grade securities as collateral — rose dramatically because soaring property prices made it economically feasible. But the market downturn has dried up much of that activity. ❖

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THE GRAPEVINE

The first TALF commercial securitization appeared to take a step forward this week. **Developers Diversified** announced yesterday that it had closed on a $400 million loan from **Goldman Sachs** and was working with Goldman and the **Federal Reserve** to make the loan eligible for securitization via the TALF program, which offers low-cost loans to bond buyers. The move was something of a surprise, because Goldman wasn't expected to fund the loan in advance of the securitization. But some Wall Street players were dismayed that after months of work, it's still uncertain that a TALF securitization will result.

Barry Polen landed a job Monday at **Guggenheim Capital,** less than two weeks after he and five other commercial MBS professionals were laid off by **Credit Suisse.** Polen joined the growing sales-and-trading business of Guggenheim Partners' broker-dealer unit in New

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Starwood's Price for Corus Raises Eyebrows

A **Starwood Capital** partnership's aggressive winning bid for the real estate assets of **Corus Bank** has left some market pros asking: Did **Barry Sternlicht** overpay?

The Starwood team's $554.5 million offer was 23% higher than the cover bid, according to market players. Word was that a partnership between **Related Cos.** and **Lubert-Adler Partners** offered $450 million. **Colony Capital,** leading a team that included **iStar Financial, J.P. Morgan** and **Dune Capital Management** — also bid close to $450 million. Next was believed to be a roughly $420 million offer from a group consisting of **Angelo Gordon & Co., Westbrook Partners, BlackRock** and **Canyon Capital Realty Advisors.**

Starwood and its partners — **TPG, Perry Capital, W.L. Ross & Co.** and **LeFrak Organization** — will buy a 40% equity stake in the Corus portfolio, which has a $4.5 billion unpaid principal balance. The **FDIC** will hold the remaining 60% interest, valued at $831 million, and supply close to $1.4 billion of low-cost loans. That values

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Ladder Seen Launching IPO Again in January

Ladder Capital is regrouping after being forced to postpone its intial public offering last week.

The New York finance company is expected to re-launch the effort in January, according to people familiar with the matter.

Ladder, headed by former **UBS** real estate chief **Brian Harris,** was among 14 sponsors that filed IPOs recently for REITs that would invest in commercial real estate debt. But the glut of offerings overwhelmed the market. After four sponsors priced offerings, the equity-raising window has slammed down, leaving Ladder and the others out in the cold.

Ladder, which was seeking to raise $400 million, evidently is hoping it will have more success in January after the decks clear and it won't be competing against so many rivals.

Demand for the IPOs was limited in part because most of the companies would

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With Few Options, Funds Ask LPs for Loans

The credit crunch is forcing some fund operators to turn to their limited partners for loans.

At least 20 sponsors, including **RREEF** and **Carlyle Group,** have asked their investors for cash to pay off maturing loans or warehouse lines that weren't renewed, according to market players. The infusions are being structured as mezzanine loans or preferred equity. Either way, the capital is extremely expensive, often carrying yields of 20% of more.

The maneuver underscores the fact that traditional sources of debt financing have largely dried up, even for the most-established fund operators. The funds feeling the biggest pinch are ones that invested as market prices were peaking, are overleveraged and have no remaining uninvested equity that could be diverted to pay down debt.

One pension-fund executive said he was recently asked for the first time by a

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