



## Building Relationships: New York Real Estate Highlights



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Hunton & Williams LLP is an AmLaw 100 firm with more than 800 lawyers practicing from 19 offices across the United States, Europe and Asia. Founded in 1901 by four lawyers in Richmond, Virginia, our current size and global reach has been achieved through organic growth as well as strategic mergers and lateral partner acquisitions. We blend significant experience in all the major legal disciplines with a broad, forward-looking perspective on current and emerging business issues to provide our clients with valuable, effective legal and regulatory advice.

## Table of Contents

<b>Building New York</b>	<b>2</b>
<b>Building Our Business Beyond New York</b>	<b>5</b>
<b>Building Our Practice in Washington, DC, and Los Angeles</b>	<b>6</b>
<b>New to the Firm</b>	<b>7</b>
<b>Focus on Funds and Spotlight on REITs</b>	<b>8</b>
<b>Straight Talk Q&amp;A With New York Real Estate Lending Partner Peter Mignone</b>	<b>9</b>
<b>Building Relationships</b>	<b>10</b>



Exciting! That's what comes to mind when we look back at the immense growth of our real estate practice and ahead at its enormous potential. With the addition of two highly regarded lateral groups in New York – a team of traditional development lawyers from Herrick, Feinstein LLP and real estate finance partners originally from Thacher Proffitt & Wood – we've bolstered the practice by 15 associates, two senior attorneys and two counsel, expanding our team to 29 lawyers in New York alone.

Joining our Big Apple ranks are lawyers and professionals across the country who have been working to create an impressive global footprint. Combined with the firm's real estate capital markets, tax, and structured finance and securitization practices, this enables us to offer clients the benefits of an international, multidisciplinary powerhouse.

Last year, we celebrated the induction of Howard E. Schreiber and Carl F. Schwartz as co-heads of our group. Schreiber leads the practice in Dallas, and Schwartz serves at the helm in New York.



Photo Credit: Steve Friedman 2014

**Carl F. Schwartz**  
*Co-chair, Real Estate Practice*

**Howard E. Schreiber**  
*Co-chair, Real Estate Practice*



# Building New York

Our **real estate development team** has represented these and other clients on major transactions such as the following:

- **DTH Capital Inc.** in connection with a **\$240 million** construction loan with respect to New York City's **20 Exchange Place**, a landmark Art Deco building constructed in 1931 as headquarters for firms that ultimately became Citigroup. Many of the tower floors had been previously converted to apartments following construction financing obtained in 2006. The loan proceeds will be used, in part, to convert the remaining floors to residential apartments, significantly upgrade the residential amenities and build out commercial space on the mezzanine and subcellar floors. The transaction also included the redemption of New York City Housing Development Liberty Bonds in order to repay the existing financing, and the transition to a new management and development team.
- **The Worldwide Group**, which recently closed on a **\$450 million** construction loan from Starwood Property Trust Inc. earmarked for the building of a 65-story residential tower at **252 East 57th Street** in New York City. The tower will contain 93 luxury condos, 173 rental apartments and 33,000 square feet of residential space.
- **EBNB 70 Pine Owner LLC**, a joint venture among affiliates of Eastbridge Sarl, Rose Associates and AG Insurance NV/SA, whom we advised regarding a **\$300 million** construction loan with respect to **70 Pine Street**, the former headquarters of AIG.
- **Savanna Partners** in the acquisition from The Witkoff Group and Morgan Stanley Real Estate of a 20,676-square-foot retail condo at **10 Madison Square West** (also known as 1107 Broadway). Located on the northwest corner of West 24th Street and Broadway, 1107 Broadway is situated in one of Manhattan's most desirable and rapidly expanding retail corridors. The retail space, part of a 16-story building that The Witkoff Group and Morgan Stanley Real Estate are currently redeveloping into 125 luxury residential condos, includes approximately 12,000 square feet of prime corner ground floor space and 4,800 square feet of basement selling space.
- **Chatham Lodging Trust**, in two separate transactions in connection with the acquisition of a 51-hotel, 6,848-room portfolio from a joint venture, for a combined total purchase price of **\$1.3 billion**.



## Building New York (continued)

- **Savanna Fund II REIT**, whom we advised in the **\$104 million** sale of **5 Hanover Square** to the CIM Group. The 25-story building, located on the north side of Hanover Square between Pearl and Beaver Streets in Manhattan's Financial District, contains approximately 330,000 square feet, including approximately 7,500 square feet of retail space on the ground floor.
  - A joint venture of **Pebblebrook Hotel Trust** and Denihan Hospitality Group, which owns six upscale hotels in New York, whom we advised in connection with its **\$410 million** interest-only, non-recourse secured loan. The loan has a term of five years and is secured by a first mortgage on the **Affinia Manhattan, Affinia Shelburne, Affinia 50, Affinia Gardens** and **The Benjamin**, comprising a total of 1,491 guest rooms.
  - New York-based luxury residential development firm **Sumaida + Khurana** in the recently closed acquisition of a site at **152 Elizabeth Street** in New York City. Sumaida + Khurana have announced plans to develop the site into an approximately 32,000-square-foot, iconic, ultra-luxury condo, to be designed by internationally renowned Japanese architect **Tadao Ando**, past winner of The Pritzker Architecture Prize.
  - **The Worldwide Group**, whom we advised in connection with its approximately **\$110 million** construction financing of a real estate project located at 41-42 24th Street, between 41st Avenue and 42nd Road in **Long Island City, Queens**, New York. The project will be developed and constructed into a high-rise building with 421 residential rental units, approximately 8,700 rentable square feet of retail space and a parking garage.
- Our **commercial real estate lending team** has closed billions of dollars in loans for these and other clients in transactions such as the following:
- **Two national insurance companies** in connection with a **\$507 million** refinancing involving a funded loan and future funding loan secured by a Class A office building located in **New York City's Times Square**.
  - A **major commercial bank** in connection with a **\$142 million** fixed-rate CMBS mortgage loan secured by a newly renovated Class A office building located **near the Barclays Center in Brooklyn, New York**. The transaction included various complexities ranging from preferred equity to the negotiation of an intercreditor agreement with a commercial bank that held a tenant improvement loan secured by a dedicated rent stream from the building's largest tenant.

**We have over 75 lawyers working on real estate matters from offices around the country.**

## Building New York (continued)



- A **major insurance company** in connection with the origination of a **\$210 million** fixed-rate mortgage loan secured by fee and leasehold interests in four multi-family properties located in **New York City** and a **\$140 million** fixed-rate mezzanine loan secured by a pledge of the ownership interests in the mortgage borrower.
- **Multiple financial institutions** in connection with **more than 15 CMBS financings** structured to accommodate Shariah-compliant investors. The transactions included office buildings as well as shopping centers.
- A **major insurance company** in connection with the upsizing of a **\$177 million** preferred equity interest in a large luxury hotel located in **New York City's Times Square**.
- A **commercial bank** in connection with a **\$58.15 million** construction loan secured by real estate located in **New York City**. The proceeds of the loan will be used to develop a luxury condominium building with residential and commercial units, along with a community facility.
- A **leading financial institution** in the origination and subsequent syndication of a **\$175 million** floating-rate loan secured by the leasehold interest in a prominent Class A office building located in **downtown New York City**. The transaction included a significant future funding component for major capital improvement work at the property.

**Our real estate practice is nationally ranked in *The Legal 500 USA* and consistently ranked in *Chambers USA*.**

# Building Our Business Beyond New York

## Washington:

Represented a major financial institution in the origination of a \$141 million mortgage loan secured by a Class A office campus located in Seattle.

## California:

Advised a national bank in connection with the origination of a syndicated construction mortgage loan for the \$140 million acquisition and construction of two Class A office buildings and a parking complex.

## Northern Virginia:

Advised NA Dulles Real Estate Investor LLC on the closing of a \$36 million Virginia Transportation Infrastructure Bank loan, which will fund a critical regional transportation link in Northern Virginia.

## North Carolina, New Mexico and Massachusetts:

Represented tax credit investors and independent power producers in the acquisition, development, financing of and investment in solar projects around the country valued at over \$51 million.

## California:

Represented a major commercial bank in connection with the origination of a \$113.5 million mortgage loan secured by an apartment complex located in Los Angeles.

## Washington, DC:

Within the past year, represented clients in four of the capital's largest office building transactions.

## Florida:

Represented Aria Development Group in a number of retail and residential projects in Miami.

## Arizona:

Represented a major commercial bank in connection with the origination of a \$20.9 million CMBS mortgage loan and a \$10 million mezzanine loan secured by direct and indirect interests in a luxury resort property located in Scottsdale.

## Nebraska, Texas, Illinois, Pennsylvania, Iowa and Colorado:

Our renewable energy practice recently advised various equity investors in wind energy transactions across the United States, valued at over \$1 billion.

## Texas:

Advised a Brookfield Property Group fund in the acquisition of Research in Motion's BlackBerry campus facilities.

## Texas:

Represented Skyventure, owner and developer of iFly facilities, in the construction and operation of their Frisco location, among others.

## Georgia:

Represented owners, equity investors and national banks in connection with the sale of a downtown office building, development of PV solar farms and construction of build-to-suit national distribution centers in Atlanta.

# Building Our Practice in Washington, DC, and Los Angeles



## Rori H. Malech

Rori joined the firm's capital finance and global real estate team as a partner in our Washington, DC, office. Rori represents local and national developers, REITs, institutional equity investors, institutional and non-institutional lenders, and hotel owners and operators. Covering all areas of commercial real estate development and finance, her addition will enhance the firm's strong presence in the real estate industry.

**“Throughout her career, Rori has worked on transactions from coast to coast and internationally, so her experience fits perfectly with our real estate group's expansion plans in the Washington, DC, market.”**

– Carl F. Schwartz, Co-chair, Real Estate Practice



## Robert M. Johnson

Robert joined the real estate practice as a partner in our Los Angeles office. Robert, who comes to the firm from Seyfarth Shaw LLP, focuses his practice on commercial real estate development and finance. He has represented owners and investors in all aspects of acquiring, leasing and developing office, retail and industrial property throughout the Western United States. **Chris W. Hasbrouck**, also from Seyfarth Shaw LLP, joined the firm as an associate working alongside Johnson.

**“California has a dynamic real estate market and bringing Robert on board is the logical next step in expanding our national platform.”**

– Howard E. Schreiber, Co-chair, Real Estate Practice



# New to the Firm

**Jerome Dano and Valerie Kitay recently joined the firm's capital finance and global real estate team as counsel in the New York office.**



## **Jerome J. Dano**

Jerome's practice focuses on the origination, restructuring, purchase, sale, securitization and syndication of mortgage and mezzanine loans for lenders and borrowers. His transactional experience includes loans secured by shopping centers, office buildings, multi-family developments, hotels and self-storage facilities across the United States; workouts and restructurings of non-performing loans; single asset financings and cross-collateralized multi-state portfolios; single and multi-tier mezzanine loans; intercreditor, co-lender and loan participation arrangements; senior/subordinate note structures; the sale of REO properties; and deed-in-lieu of foreclosure transactions.



## **Valerie H. Kitay**

Valerie's practice focuses on complex commercial real estate transactions, including acquisitions and sales, debt & equity financing, as well as real estate joint venture and fund formation. She represents a broad range of clients investing through a variety of complex structures in various real estate assets, including office, apartment, condominium and retail throughout the United States. In the fund formation area, she represents domestic real estate funds in all aspects of the fund formation process, including organizing and advising fund sponsors with respect to organizational matters and preparing, structuring and negotiating relevant fund formation documents.

# Focus on Funds and Spotlight on REITs

## Focus on Funds

- We currently represent the New York State Common Retirement Fund, one of the largest state government pension plans, as a limited partner with respect to several investments in private equity, distressed debt, infrastructure and real estate funds. This includes more than 50 such fund investments over the last 10 years, ranging in size from \$40 million to \$200 million in each fund.
- We currently represent a New York-based real estate firm in structuring and raising a \$100 million (target) fund to invest in distressed single-family homes. This includes structuring to accommodate a large investor base from Europe.
- We recently represented senior executives in the founding of a New York-based asset management platform and negotiated terms with hedge fund and private equity fund investors.

## Spotlight on REITs

- During 2013, our team handled more than 60 REIT transactions aggregating over \$12 billion. Our work was split almost evenly between issuer and underwriter representation.
- We have represented New York Mortgage Trust, Inc. (Nasdaq: NYMT), a REIT that acquires and manages primarily real-estate-related assets including Agency and non-Agency mortgage-backed securities, high credit quality residential adjustable rate mortgage loans, commercial mortgage loans and other financial assets, in more than 15 capital markets transactions worth over \$950 million.
- We have served as designated underwriters counsel for NorthStar Realty Finance Corp. (NYSE: NSAM), a New York-based diversified commercial real estate investment company that is organized as a REIT, in more than 15 capital markets transactions worth over \$3 billion. We also represent NorthStar on tax and Act 1940 matters.
- We regularly serve as underwriters counsel to some of the world's largest New York-based financial institutions on REIT transactions.
- Our real estate capital markets practice has handled over 700 REIT transactions for more than 180 public and private real estate companies, including more than 135 initial public offerings and Rule 144A equity transactions.





# Straight Talk Q&A With New York Real Estate Lending Partner Peter Mignone

**Many predict that CMBS will be the leading source of available capital for the next few years. Do you agree, and what do you think that means for your clients?**

Even if traditional balance sheet lenders were to max out all of their loan allocations, I don't think those sources of capital would be sufficient to cover all of the demand by real estate owners. The CMBS market will therefore remain an important source of capital. Accurately predicting the volume of CMBS lending in the upcoming years, however, is obviously a very difficult thing to do. Having said that, if market sentiment remains generally optimistic and the interest rate environment remains relatively stable, I think that bodes very well for CMBS lenders. An optimistic outlook and predictable interest rates would mean fertile ground for CMBS lenders to continue to competitively price, size and ultimately close loans.

**How do you think rising interest rates will affect CMBS lending?**

Generally speaking, higher interest rates could have a negative impact on valuations, which, of course, could also negatively affect all real estate lending, not just CMBS lending. I think the bigger threat to CMBS lending is if market participants perceive more risk in the system and therefore demand more yield to compensate them for this perceived incremental risk. CMBS lenders are, by definition, in the business of selling CMBS, so the interest rates that those lenders offer to borrowers are a function of what CMBS investors demand. If CMBS investors are demanding very high returns, that could mean CMBS lenders might not be as competitive as traditional balance sheet lenders with respect to deal terms being quoted to borrowers.

**There has been quite a bit of interest in REO (Real Estate Owned) rental properties recently. How do you see this asset class evolving over the next year and beyond, and do you think more investors will get on board?**

A number of market players have spent quite a bit of time over the last couple of years trying to get their hands around this new asset. One problem has been that REO rentals is a new asset class without any historical data. This makes underwriting the risks associated with it very difficult. Further complicating matters is the fact that this asset class represents the intersection of residential mortgage finance and commercial mortgage finance. Traditionally, those two disciplines were distinct from each other; different structuring techniques evolved for each of those asset classes, and real estate professionals either specialized in one area or the other, but rarely both. For REO rentals, we see professionals from both the residential and commercial worlds jumping in, so there is a battle between which structuring techniques and underwriting principles should be adopted. I think many of these difficulties are starting to diminish and we are beginning to see more and more deals get done in this area, as well as more and more market participants expressing strong interest. I therefore think there is tremendous growth for the REO rental market in the coming years.

**What is currently on your DVR?**

Curious George, Doc McStuffins, Dora the Explorer and SpongeBob SquarePants. (Yes, my kids control my remote.)

**What has been your favorite vacation and why?**

Every year, my wife and I take the kids to Wildwood. It's not too far away. The kids have a blast playing on the beach all day. And we walk the boardwalk at night. It's not the most exotic vacation, but I really can't ask for anything more. It's easily my favorite week of the year.

# Building Relationships

Throughout the year our real estate practice has hosted and sponsored multiple events, among them our annual industry networking reception; a historic tax credit roundtable breakfast; a Rockers in Relief charity event that raised funds for disaster recovery; the Information Management Network's Borrower & Investor Forum on Real Estate Mezzanine Financing & Subordinated Debt; and the Information Management Network's 14th Annual NY Real Estate Opportunity & Private Fund Investing Forum. Below are a few of our favorite photos showing another side of us.



Partner Laurie Grasso demonstrating her commitment to hands-on client service at Aria's Miami project at 321 Ocean.



Photo Credit: Steve Friedman 2013

Carl Schwartz at the 3rd Annual Real Estate Rockers in Relief benefit concert.



Photo Credit: Steve Friedman 2014

The Hunton & Williams team from this year's annual client appreciation gala at Top of the Rock.

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