COMMERCIAL MORTGAGE ALERT

The Weekly Update on Real Estate Finance and Securitization

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THE GRAPEVINE

The buzz is that a snag has developed in **Starwood Hotels and Resorts'** sale of a portfolio of hotels to a partnership between **Walton Street Capital** and **Carlyle Group.** The duo had agreed to buy 18 hotels from White Plains, N.Y.-based Starwood for $470 million and were in the process of lining up $350 million of debt. Some sources said Chicago-based Walton and Carlyle, a Washington investment firm, are now trying to get Starwood to lower the price.

Jim Glasgow, a CMBS veteran who originates large loans, has quit **UBS Warburg** to join **Five Mile Capital,** a new investment firm based in Stamford, Conn. Glasgow, a senior banker, will scout out high-yield real estate debt investments for a $500 million vehicle,

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Marriott Eyes Sale of $1 Billion Loan Portfolio

Marriott International is thinking about shedding its $1 billion mortgage portfolio.

The Washington hotel company has spoken with potential suitors in recent months, according to market sources, who said that Marriott wants to unload underperforming assets and concentrate on its core business. It is not known whether the firm has hired a broker to shop the portfolio.

According to an **SEC** filing, Marriott's loan portfolio totals just over $1 billion. Mezzanine loans account for $624 million of that total. There are also $320 million of senior mortgages and $169 million of loans to timeshare owners. Marriott originated many of the loans as part of an effort to win hotel-management contracts. It also provided financing on properties it sold.

For example, Marriott's 2002 annual report states that the firm gave a $39 million mezzanine loan to an investor that bought four of its hotels in 2001. It

See MARRIOTT on Page 6

Triple-A CMBS Spreads Hit 31-Month Low

Commercial MBS spreads this week fell to their lowest levels in 31 months, prompting a wave of profit-taking by investors.

The 9.7-year triple-A class of a $1.2 billion "TOP" conduit deal led by **Bear Stearns** and **Morgan Stanley** was priced Wednesday to yield 38 bp over swaps (see Initial Pricing on Page 9). That was the tightest new-issue spread since September 2000, when Bear, **Wells Fargo** and Morgan Stanley priced a comparable class at 37 bp over swaps.

The collateral pools of deals under the TOP brand consist of mortgages originated by Wells Fargo, Morgan Stanley, **Principal Financial**, Bear and **John Hancock Life.** While TOP deals typically price 1-2 bp tighter than benchmark spreads because of their collateral's high quality, the latest offering also benefited from

See SPREADS on Page 7

Hines Team Seeks Big Loan for Office Recap

A joint venture between **Hines** and **Sumitomo Realty** is shopping for about $500 million of mortgage debt on three office buildings in New York and Washington.

The financing package will be part of a recapitalization under which Hines will buy a stake in the properties from Sumitomo, a Japanese insurer that is reducing its exposure to U.S. real estate. The duo then plans to transfer the properties to a fund that they will partially capitalize. They have hired **Morgan Stanley** to raise additional equity from outside investors.

The properties are the 675,000-square-foot building at 425 Lexington Avenue and the 300,000-sf building at 499 Park Avenue in Midtown Manhattan, as well as the 236,000-sf building at 1200 19th Street NW in Washington.

Hines and Sumitomo have hired **Holliday Fenoglio Fowler** to line up a two-

See HINES on Page 7

Moody's Bolsters Canada Operation

Moody's is putting some more boots on the ground in Canada.

The agency is about to transfer vice president and senior commercial MBS analyst **Charles Gamm** to its Toronto office from London. He will work on Canadian CMBS deals with associate analyst **Sumant Inamdar,** who joined Moody's last year. Both report to managing director **Andrew Kriegler,** who heads the agency's operation in Canada.

Until now, Moody's has primarily covered the Canadian CMBS market out of its New York headquarters, with vice president **Stewart Rubin** doing the heavy lifting. Once Gamm begins work in June, Rubin will devote more of his attention to U.S. CMBS.

The assignment will be a homecoming for Gamm, a Canadian native who has worked for the past few years at the agency's CMBS unit in London. Moody's plans to hire more analysts as the Canadian market grows.

Canadian CMBS has proved to be a small but intensely competitive arena. A total of $1.4 billion in deals priced last year, up 34% from 2001 figure, and market watcher expect an increase of as much as 50% this year.

The chief beneficiary of the activity has been **Dominion Bond Rating Service,** Canada's only remaining domestic agency following **S&P's** 2001 purchase of **Canadian Bond Rating Service.** DBRS rated $1.3 billion of last year's deals, giving it 95.4% market share.

Meanwhile, Moody's and S&P were closely matched. Moody's rated $745.9 million of Canadian CMBS issues last year, for a 54.8% market share. S&P rated $677.2 million of deals, or a 49.8% market share. **Fitch** has not yet rated any Canadian CMBS offerings, though it hopes to break through this year. ❖

4 European CMBS Deals in Market

A wave of offerings is about to hit the European commercial MBS market.

Four deals totaling $2.2 billion are scheduled to price over the next two weeks.

Among them is the debut offering of Europe's newest conduit lender, London investment bank **Rothschild.** The 194.5 million pound ($305 million) deal, led by **Merrill Lynch,** will securitize 11 mortgages on 60 commercial properties in the U.K. Rothschild funded the loans through a 250 million pound warehouse credit line from Merrill. It will use the proceeds of the floating-rate transaction to pay down the credit line, freeing up capacity for more loans.

Meanwhile, **Lehman Brothers** is poised to price the first CMBS offering backed solely by mortgages on Swiss commercial properties. The transaction's size is expected to be 600 million euros ($647.8 million). The properties are owned by **WTF Holdings,** a joint venture between Lehman and **PSP Swiss Property** of Zurich. They are leased to telecommunications firm **SwissCom** of Berne, Switzerland.

Also in the market is **Morgan Stanley's** latest European Loan Conduit deal. The 236.9 million pound ($371.8 million) transaction will be backed by a loan that Morgan Stanley originated for a joint venture between Morgan Stanley Real Estate Fund and the former managers of **Saville Gordon,** an industrial developer based in Leamington Spa, England. The collateral is 101 industrial properties and two land sites, all in the U.K. The venture took Saville Gordon private in a 499 million pound transaction.

Finally, German lender **Bayerische Hypo-und Vereinsbank** is shopping a 578 million pound ($907 million) offering backed by seasoned loans. Unlike its previous CMBS deals, which used a synthetic structure, HVB is employing a traditional structure this time. It is underwriting the deal itself. ❖

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Terror-Insurance Roadblock Cleared

Terrorism insurance, the issue that dominated the commercial MBS market last year, has largely vanished as a concern since the new federal backstop program went into effect.

While terrorism insurance remains expensive, market players and analysts agree its price has come down significantly as its availability has widened, enabling most owners to line up the required coverage.

Terrorism coverage, which originally was included in "all-risk" policies at no extra charge, can still cost an extra 15% to 30% on top of property-and-casualty coverage for most borrowers, and up to 60% extra for trophy properties, according to insurance consultants working for major property companies. But that's far more manageable than last year, when coverage was several times as expensive — if available at all in the wake of the terrorist attacks on Sept. 11, 2001.

"Total insurance costs are still two- to three-times higher than what they were before 9/11," said one New York consultant. "It's not priced like it was two years ago, and it's not going to be. But the pricing is not as absolutely ridiculous as it used to be."

Last month, **Boston Properties** joined a growing list of companies that lined up a new blanket insurance policy that includes terrorism coverage. In another encouraging development for the market, the Boston Properties policy covers up to $640 million in damages for each terrorism event. Last year, coverage generally limited protection to a single terrorist act against a whole portfolio of properties.

The REIT also negotiated $25 million of coverage for damages resulting from domestic terrorism. That was noteworthy because the federal backstop program, which took effect last November, limits insurers' liability only to attacks by foreign terrorists, not domestic ones.

Boston Properties' new policy this week prompted **Moody's** to upgrade its ratings on two CMBS deals collateralized by mortgages on Manhattan buildings owned by the REIT. The deals — the $1.5 billion COMM, 2001-J2, and the $269.8 million 280 Park Avenue Trust, 2001-XL280 — were downgraded Sept. 27 after Moody's decided they lacked adequate terrorism coverage. The largest loan in the COMM deal is secured by the 1.6 million-sf Citigroup Center. The other transaction is backed by a mortgage on the 1.2 million-sf building at 280 Park Avenue.

Fitch, which downgraded the triple-A classes of the 280 Park Avenue deal on Oct. 1, is reviewing the transaction. Last fall, Fitch also downgraded two other deals because of terrorism concerns, while Moody's downgraded nine other deals. None of those deals have since been upgraded. ❖

Insurer Eyes Shorter-Term Loans

Northwestern Mutual Life has started actively originating fixed-rate loans with terms of less than 10 years.

About a week ago, the insurer decided to give its loan officers the option of writing fixed-rate commercial mortgages with maturities of three, five and seven years. Northwestern until now has focused almost exclusively on fixed-rate loans with maturities of 10 years or more.

The insurer has not set a formal target for the shorter-term loans, but it hopes to originate a few hundred million dollars worth this year. Overall, it expects to originate about $2.5 billion of loans in 2003. The company has a huge amount of money to invest in mortgages because of increased sales of insurance policies and payoffs of maturing mortgages.

The new strategy has two aims. First, Northwestern hopes to capture more business by broadening its product line. Short-term loans are attractive to borrowers that want to lock in a low rate, but retain the flexibility to sell or refinance within a few years.

But perhaps more importantly, it wants to avoid investing all of its annual mortgage allocation at historically low rates for 10 years. Many 10-year mortgages currently carry coupons of 6% or less. While the yields on fixed-rate loans with shorter maturities are even lower, Northwestern is betting that rates will be higher when the mortgages mature. That would enable the repaid borrowings to be recycled into higher-rate loans, giving Northwestern a higher blended rate over 10 years.

Life companies' mortgage portfolios have historically been dominated by long-term mortgages, but some players have diversified their portfolios to include floaters and short-term fixed-rate loans.

David Durning, managing director of loan originations for **Prudential Mortgage Capital,** said the firm's insurer parent has been underwriting shorter-term, fixed-rate loans since at least the late 1980s. Though the securitization program never originates fixed-rate loans with terms of less than five years, the parent will write fixed-rate loans for its portfolio with maturities as short as three years. "When you get into the really shorter-term loans, the concern is underwriting the risk," Durning said. "You have to be very focused on your risk."

Last year, Prudential originated $300 million of loans with terms of five years or less, a total that a Pru spokeswoman described as typical. ❖

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Travelers Funds Florida Complex

Travelers Insurance has originated a $65 million mortgage on a Florida office complex controlled by **T-Rex Capital.**

The floating-rate loan is backed by the 1.8 million-square-foot T-Rex Corporate Center at Boca Raton. Travelers will keep the loan on its books.

T-Rex, an opportunistic real estate investment firm headed by **Thomas Mulroy,** leads a partnership that bought the property three years ago with floating-rate financing from **Lehman Brothers** — a $100 million first mortgage and a mezzanine loan whose size is not known. T-Rex used the Travelers loan to pay off the $65 million balance on the first mortgage. Lehman continues to hold the mezzanine loan.

IBM built the complex in 1967 as one of its main campuses. The first IBM personal computer was designed and manufactured there, as was the company's OS/2 operating software. In 1988, IBM refitted the complex into a high-tech development center with laboratories and testing chambers. But IBM vacated the 550-acre site and sold it in 1997 for $46 million to a partnership led by Boca Raton developers **Ned Siegal** and **Morris "Skip" Stoltz 2d.**

The T-Rex group bought the complex and adjacent land in 2000 for $140 million. It has spent more than $20 million on physical upgrades and is in the process of reworking the tenant roster. The complex is now 70% occupied by, among others, **Siemens,** the **U.S. Postal Service, ChoicePoint** and **Alamo Rent-a-Car.** The partnership also sold most of the adjacent land and used $35 million of the proceeds to pay down the mortgage. Today, the complex is worth between $160 million and $180 million. ❖

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Westbrook Seeks Office Mortgage

A group led by **Westbrook Partners** is looking for about $80 million of floating-rate debt on a Bay Area office complex.

The loan will be backed by a portion of the 1.2 million-square-foot Bernal Corporate Park in Pleasanton, Calif.

New York-based Westbrook and **ZKS Real Estate Partners** of Lafayette, Calif., teamed up to buy the 18-building complex from **Principal Financial** in 2000. It financed the $225 million acquisition with a $155 million loan from **GE Capital,** which sold half of the mortgage to **New York Life.** The new loan, which will pay off the balance of the existing mortgage, will not be collateralized by all of the buildings in the complex.

The buildings range from small, single-tenant research and development buildings to mid-rise office structures. Tenants include **Nissan Motor, Documentum, NCS Communications** and **Veritas Software.**

Secured Capital is representing the Westbrook team. Westbrook, an operator of opportunistic investment funds, controls more than 5 million sf of office space in the Bay Area. ❖

Nursing-Home REIT Prices Notes

A nursing-home REIT floated $150 million of unsecured notes this week despite turmoil in the health-care sector.

Senior Housing Properties priced 12-year notes, rated Ba2/BB+/BB+ by **Moody's, S&P** and **Fitch,** to yield 7.9%, or 382 bp over Treasuries. **UBS Warburg** led the issue. The Newton, Mass., REIT, which owns 83 nursing homes in 27 states, is using the proceeds to pay down its bank credit line.

The health-care sector has been roiled in recent weeks by the scandal surrounding **HealthSouth Corp.**, a medical-services company based in Birmingham, Ala. The SEC charged that the company overstated profits by $1.4 billion over the past five years. A current and a former company executive have pleaded guilty to falsifying financial statements.

The uncertain climate forced another health-care REIT — **Nationwide Healthcare Properties** — to postpone a $200 million offering of seven-year notes that was rated Baa3/BBB-/BBB by Moody's, S&P and Fitch. Underwriter **Credit Suisse First Boston** set initial price talk of 325 bp over Treasuries, but found tepid investor interest two weeks ago — despite the fact that Nationwide, which is based in Newport Beach, Calif., does not lease any of its 387 nursing homes, clinics and medical offices to HealthSouth. ❖

Financing Sought for Calif. Project

J.H. Snyder Co., a Southern California developer, is seeking $100 million of construction and interim financing for a planned mixed-use project in Los Angeles.

The loan will be secured by NoHo Commons, a $150 million project that will consist of 714 apartment units and 125,000 square feet of retail space. The property will be built on a 14-acre site in north Hollywood, which is commonly referred to as NoHo.

Snyder has already won approval for the project from the **Los Angeles City Council**, and has lined up several federal grants and government incentives. NoHo Commons is part of a larger, ongoing effort to rebuild and gentrify the area, an established cultural and entertainment hub with a number of theaters and movie studios.

The Los Angeles developer is seeking five-year, "mini-permanent" financing, consisting of a two-year construction loan that will convert into a three-year interim loan. **Sonnenblick-Eichner**, Snyder's broker, will shop the assignment to commercial banks, insurance companies and pension funds, starting in a few weeks.

The site is now covered with unused parking lots, old single-family houses, light-commercial and industrial buildings and sound facilities for nearby movie studios. But it is close to a light-rail transportation line and bus routes, and is situated in a fully built-out area. ❖

Bass Taps MetLife for Office Loan

Metropolitan Life has agreed to originate a $130 million mortgage on a two-building office complex in Fort Worth, Texas.

The fixed-rate loan is secured by the 1.5 million-square-foot City Center Towers, which is owned by the **Bass** family. MetLife won the assignment despite intense competition from investment banks, German lenders and other insurance companies. The loan's term is expected to be less than 10 years.

The complex, designed by architect **Paul Rudolph**, was built in the early 1980s. Viewed from above, the buildings have "pinwheel" floor plans that create plenty of corner office space. The first tower, Fort Worth's fourth-tallest building, encompasses 717,000 sf spread out over 33 floors. The second tower, the city's second-tallest building, has 38 stories and 821,000 sf.

Tenants include **Pier One Imports**, **Chase Texas Bank** and **Harcourt Brace College Publishers**. The complex also includes some retail space. **Holliday Fenoglio Fowler** brokered the loan. ❖

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Lending by Insurers Jumps 4.2%

Boosted by a robust fourth quarter, lending by insurance companies rose 4.2% last year.

Firms surveyed by the **American Council of Life Insurers** reported $28.1 billion of loan commitments last year, up from $26.9 billion in 2001. In the fourth quarter, commitments soared to a record $9.2 billion, from $7.1 billion in the previous quarter and $6.1 billion in the year-earlier period.

The fourth-quarter spike took the trade group by surprise. After its third-quarter report, the association projected that fourth-quarter commitments would total $6.1 billion, leading to a full-year total of $25.2 billion, down 6% from 2001. But volume was stimulated by substantial decreases in coupons on fixed-rate loans.

The average rate on apartment loans fell by 67 bp from the third-quarter level and by 123 bp from the year-earlier level. In the fourth quarter, sharp rate drops were also recorded for office (47 bp), retail (46 bp) and industrial (49 bp) loans. Spreads, however, were relatively stable.

Insurers also shifted the percentage of funds invested in specific property types. Office mortgages accounted for 34.1% of commitments, up 8.5 percentage points from the third quarter. But that's still below the average 37.3% office allocation since 1996.

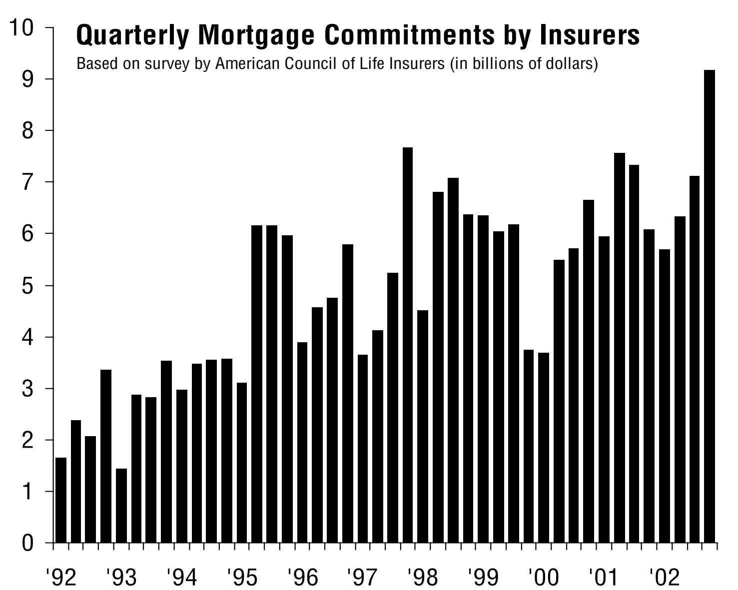
The share of retail loans climbed to 21.7%, up 3.7 points. Apartment loans slipped to a 21.4% share, down 4.4 points. And the share industrial loans plunged to 11.1%, from the record high of 21.8% set in the third quarter. The average allocation for industrial loans since 1996 is 14.9%.

The trade group surveyed 30 insurance companies that account for about three-quarters of the industry's mortgage holdings. The survey measures mortgages that insurance companies have agreed to fund, not actual originations. The overwhelming majority of commitments, however, end up being funded. ❖

Snapshot of Fourth-Quarter Lending by Insurers

Long-term, fixed-rate commercial-mortgage commitments (excludes floaters)

	Total Amount ($Mil.)	Average Amount ($Mil.)	Spread (bp)	Debt Serv. Coverage Ratio	Loan to Value (%)	Average Life (years)
Multi-family	1,737.3	14.5	196	1.86	70.9	8.4
Office	2,073.3	14.0	209	2.12	66.4	8.0
Retail	1,834.2	6.8	212	1.84	67.7	9.3
Industrial	937.7	5.5	209	1.83	68.2	9.6
Hotel	122.8	17.5	276	2.12	65.6	8.2
Mixed-use	295.9	24.7	245	1.66	69.2	9.2
Other	255.0	6.9	248	1.96	67.2	7.3
TOTAL	**7,256.0**	**9.5**	**211**	**1.92**	**68.2**	**8.7**



Marriott
... From Page 1

also agreed to provide the investor with up to $161 million of additional loans to buy more Marriott-branded hotels. According to the filing, Marriott held a $200 million mezzanine loan on a portfolio of Courtyard by Marriott hotels that it owns in a partnership with **Host Marriott.** The loan threw off $27 million of interest last year, the report said.

Market players said that most of the loans in Marriott's portfolio have lost value as a result of the slump in the hotel market. Many are currently underwater, which means that the firm would have to sell them at a discount to the face amount.

Opportunistic investors would be the most likely bidders. Many mezzanine-loan investors are currently flush with cash, and some are bullish on the hotel sector, believing that it has bottomed out.

Marriott owns or operates 2,600 hotels worldwide. It reported $18.6 billion of sales in its fiscal year 2002. A company spokesman did not return phone calls seeking comment. ❖

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Delinquency Rates Inch Up

Delinquency rates on commercial mortgages held by insurance companies climbed slightly again in the fourth quarter.

Some 0.40% of the $186 billion of mortgages held by surveyed insurers were delinquent at Dec. 31, marking the fourth quarterly increase in a row, according to the **American Council of Life Insurers.**

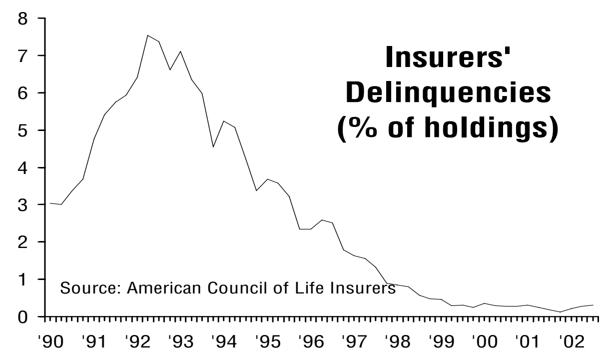
The yearend delinquency rate was up from 0.31% at Sept. 30 and was more than triple the record low of 0.12% on Dec. 31, 2001. But by historical measures, delinquencies remain tepid — and far below the 7.53% peak seen in June 1992.

The foreclosure rate also continued its upward creep, to 0.04%, from 0.02% at Sept. 30 and 0.01% at June 30. That brought the totaling nonperforming rate, which combines delinquency and foreclosure rates, to 0.44% — up from 0.33% at Sept. 30. ❖

Delinquent Mortgages, by Category

Insurers' mortgage delinquency rates

	12/01	3/02	6/02	9/02	12/02
Apartment	0.07	0.08	0.11	0.23	0.22
Retail	0.15	0.33	0.46	0.56	0.51
Office	0.06	0.18	0.25	0.24	0.44
Industrial	0.13	0.28	0.10	0.12	0.16
Hotel	0.71	0.31	0.39	0.64	0.12
Other	0.31	0.38	0.74	0.33	1.32
TOTAL	**0.12**	**0.22**	**0.27**	**0.31**	**0.40**



Spreads ... From Page 1

favorable market conditions.

Spreads of most fixed-income products, especially corporate and asset-backed bonds, have rallied considerably in recent weeks, and CMBS has tightened in sympathy. "Fixed-income bond spreads in general are on fire," said one CMBS trader.

What's more, many investors, particularly insurance companies, have a lot of cash to invest. At the same time, investors fear that fixed-rate issuance will be thin over the next month or two, giving them added incentive to scoop up the TOP deal.

On Wednesday, just after the TOP transaction was launched, two investors described as hedge funds or money managers decided to take some profits, selling $870 million of bonds. One bid list — with $100 million of triple-A bonds — was distributed at 11:30 a.m. After the bonds were snapped up at tight spreads, a second investor distributed a $237 million list at 1:30 p.m. That list — which involved triple-A classes of four deals from 2000 and 2001 — also drew strong interest.

The investor that sold the first bid list then came back at 2:30 p.m. with a $533 million package of triple-A notes from deals issued between 1997 and this year. Included was a $50 million chunk of a TOP deal that priced in January. The bonds traded at the equivalent of 36 bp over swaps, or 6 bp tighter than the spread at issuance. Dealers were especially aggressive buyers in the secondary market, sources said, mostly because they had lightened their inventories before the recent flurry of fixed-rate deals.

Secondary-market trading slowed yesterday, although there were a few small bid lists. Some players expect money managers to continue to sell while prices are high, although there are some drawbacks. The first is that if they do, they have to decide where to redeploy the money — which is an issue because all sectors of the fixed-income market are rallying. Plus, there is the belief that swap spreads could drop by up to 10 bp in coming weeks, which would further drive up the value of outstanding bonds. ❖

Hines ... From Page 1

part debt package: a fixed-rate first mortgage equal to roughly $335 million, or about half of the properties' combined $675 million value, plus a floating-rate bridge loan of roughly $165 million. The bridge loan would be repaid with capital raised by the Hines-Sumitomo fund.

The most likely scenario is for a lender to securitize the senior mortgage and book the bridge loan. Morgan Stanley would presumably get a long look at the assignment. Other lenders that are active in both securitization and syndicated lending include **J.P. Morgan Chase**, **Banc of America**, **UBS Warburg**, **Wachovia**, **Deutsche Bank** and **Credit Suisse First Boston.**

Some insurance-company executives said that portfolio lenders would be eager to bid on the long-term loan because the properties are quality assets, but the bridge loan would make the package too big to park on one player's books.

The 31-story building at 425 Lexington, located between East 43rd and 44th Streets, is fully leased. Tenants include **Simpson Thatcher** and **CIBC World Markets.**

Bloomberg is the main tenant of the 28-story building at 499 Park, located between East 58th and 59th Streets. Some 10,000 sf are vacant, with an asking rent of $65/sf, according to **Mr.OfficeSpace.com.**

Piper Rudnick is the Washington property's primary tenant. ❖

INITIAL PRICINGS

Salomon Brothers Mortgage Securities VII Inc., CDC Securitization, 2003-CDC1

Pricing date:	April 16
Closing date:	April 29
Dollar amount:	$441.1 million
Seller/borrowers:	CDC Mortgage Capital, Citigroup
Lead manager:	Citigroup
Co-managers:	CDC Securities, J.P. Morgan Chase
Master servicer:	Midland Loan Services
Special servicer:	Midland Loan Services
Trustee:	LaSalle Bank
Offering type:	Rule 144A

Property types: Retail (42.9%), office (41.4%), hotel (9%) and multi-family (6.7%).
Concentrations: Texas (17.5%), Illinois (17.4%), Utah (12.2%), Virginia (11.3%), Florida (11.1%) and Louisiana (10.2%).
Loan contributors: CDC (55%) and Citigroup (45%).
Largest loans: A $76.7 million portion of a $97 million loan to Carlyle Group and Lincoln Property on the 997,000-sf office building at One Illinois Center in Chicago and a $50 million loan to Gregory Greenfield & Associates on 552,000 sf at the 730,000-sf Greenbrier Mall in Chesapeake, Va.
Notes: CDC and Citigroup teamed up to securitize large, floating-rate mortgages that they had originated. The offering includes 33 subordinate classes, shown below as G-L, each of which is tied to the cash flows from a specific collateral loan. **CMA code:** 20030067.

Class	Amount ($Mil)	Rating (S&P)	Rating (Fitch)	Maturity (Date)	Avg. Life (Years)	Spread (bp)	Note Type
A-1	76.875	AAA	AAA	2/15/15	1.04	L+28	Floating
A-2	200.000	AAA	AAA	2/15/15	1.77	L+32	Floating
B	37.700	AAA	AAA	2/15/15	2.60	L+40	Floating
C	15.300	AA+	AA+	2/15/15	3.76	L+55	Floating
D	14.950	AA	AA	2/15/15	4.79	L+70	Floating
E	9.500	AA-	AA-	2/15/15	4.80		Floating
F	7.525	A+	A+	2/15/15	4.80		Floating
G-L	97.300			2/15/15			Floating
X-1(IO)	344.825*	AAA	AAA	2/15/15			Floating
X-2A(IO)	210.600*	AAA	AAA	2/15/15			Floating
X-2B(IO)	31.900*	BBB-	BBB-	2/15/15			Floating
X-3CD(IO)	210.600*	AAA	AAA	2/15/15			Floating
X-3BI(IO)	64.200*	AAA	AAA	2/15/15			Floating
X-3BP(IO)	39.400*	AAA	AAA	2/15/15			Floating
X-3BD(IO)	22.750*	AAA	AAA	2/15/15			Floating
X-3BS(IO)	19.100*	AAA	AAA	2/15/15			Floating
X-3BF(IO)	15.600*	AAA	AAA	2/15/15			Floating

*Notional amount

INITIAL PRICINGS

Bear Stearns Commercial Mortgage Securities Inc., 2003-TOP10

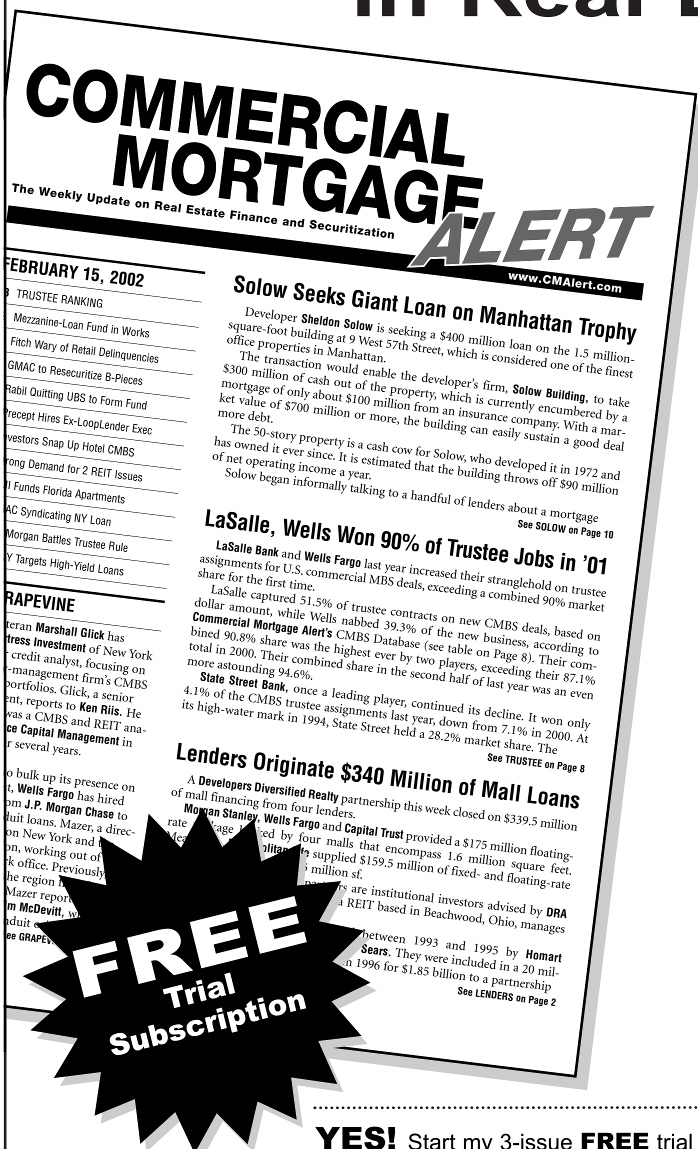
Pricing date:	April 15
Closing date:	April 29
Dollar amount:	$1,212.0 million
Seller/borrowers:	Wells Fargo, Morgan Stanley, Principal Financial, Bear Stearns and John Hancock
Lead managers:	Bear Stearns, Morgan Stanley
Co-managers:	Goldman Sachs, Wells Fargo
Master servicer:	Wells Fargo
Special servicer:	ARCap
Trustee:	LaSalle Bank
Offering type:	SEC-registered

Property types: Retail (36.2%), office (25.5%), industrial (10.5%), multi-family (10.3%), cooperative (6.2%), mixed-use (5.5%), hotel (3.1%), self-storage (2.1%), parking garage (0.4%) and manufactured housing (0.2%).
Concentrations: California (19.3%) and New York (16.6%).
Loan contributors: Wells Fargo (26.1%), Morgan Stanley (22.8%), Principal Financial (19.7%), Bear Stearns (17.8%) and John Hancock (13.6%).
Largest loans: A $75 million mortgage on North Shore Towers, a 1,844-unit residential cooperative in Floral Park, N.Y.; a $70 million interest in the $385 million senior portion of a $440 million loan to Jamestown and Apollo Real Estate on the 2 million-sf office building at 1290 Avenue of the Americas in Manhattan; and a $67.5 million portion of a $135 million mortgage to Donohoe Cos. on Federal Center Plaza, a 722,000-sf office building in Washington.
B-Piece buyer: ARCap.
Notes: Wells, Morgan Stanley, Principal, Bear and John Hancock teamed up to securitize conduit and large mortgages that they had originated. **CMA code:** 20030055.

Class	Amount ($Mil)	Rating (S&P)	Rating (Fitch)	Subord. (%)	Coupon (%)	Dollar Price	Yield (%)	Maturity (Date)	Avg. Life (Years)	Spread (bp)	Note Type
A-1	302.174	AAA	AAA	13.25	4.00	100.539	3.897	3/13/40	5.70	S+37	Fixed
A-2	749.217	AAA	AAA	13.25	4.74	100.512	4.699	3/13/40	9.70	S+38	Fixed
B	34.845	AA	AA	10.38	4.84	100.494	4.804	3/13/40	9.87	S+46	Fixed
C	37.874	A	A	7.25	4.92	100.501	4.884	3/13/40	9.87	S+54	Fixed
D	12.120	A-	A-	6.25	5.00	100.518	4.963	3/13/40	9.93	S+61	Fixed
E	15.150	BBB+	BBB+	5.00	5.54	100.552	5.506	3/13/40	9.95	S+115	Fixed
F	9.089	BBB	BBB	4.25	5.603	100.500	5.656	3/13/40	9.95	S+130	Fixed
G	7.575	BBB-	BBB-	3.63	5.943	98.887	6.222	3/13/40	10.05	S+185	Fixed
H	10.605	BB+	BB+	2.75				3/13/40	10.49		Fixed
J	4.545	BB	BB	2.38				3/13/40	11.29		Fixed
K	6.060	BB-	BB-	1.88				3/13/40	12.01		Fixed
L	4.545	B+	B+	1.50				3/13/40	12.91		Fixed
M	3.030	B	B	1.25				3/13/40	13.76		Fixed
N	3.030	B-	B-	1.00				3/13/40	14.40		Fixed
O	12.120	NR	NR	0.00				3/13/40	17.16		Fixed
X-1(IO)	1,211.978*	AAA	AAA					3/13/40	8.66		Fixed
X-2(IO)	1,116.000*	AAA	AAA		1.267	7.159	4.305	3/13/40	6.41	T+110	Fixed

*Notional amount

Spot the Latest Opportunities in Real Estate Finance



COMMERCIAL MORTGAGE ALERT

The Weekly Update on Real Estate Finance and Securitization

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FEBRUARY 15, 2002

TRUSTEE RANKING
Mezzanine-Loan Fund in Works
Fitch Wary of Retail Delinquencies
GMAC to Resecuritize B-Pieces
Rabil Quitting UBS to Form Fund
Precept Hires Ex-LoopLender Exec
Investors Snap Up Hotel CMBS
Strong Demand for 2 REIT Issues
Funds Florida Apartments
AC Syndicating NY Loan
Morgan Battles Trustee Rule
Y Targets High-Yield Loans

GRAPEVINE

Solow Seeks Giant Loan on Manhattan Trophy

Developer **Sheldon Solow** is seeking a $400 million loan on the 1.5 million-square-foot building at 9 West 57th Street, which is considered one of the finest office properties in Manhattan.

The transaction would enable the developer's firm, **Solow Building**, to take $300 million of cash out of the property, which is currently encumbered by a mortgage of only about $100 million from an insurance company. With a market value of $700 million or more, the building can easily sustain a good deal more debt.

The 50-story property is a cash cow for Solow, who developed it in 1972 and has owned it ever since. It is estimated that the building throws off $90 million of net operating income a year.

Solow began informally talking to a handful of lenders about a mortgage

See SOLOW on Page 10

LaSalle, Wells Won 90% of Trustee Jobs in '01

LaSalle Bank and **Wells Fargo** last year increased their stranglehold on trustee assignments for U.S. commercial MBS deals, exceeding a combined 90% market share for the first time.

LaSalle captured 51.5% of trustee contracts on new CMBS deals, based on dollar amount, while Wells nabbed 39.3% of the new business, according to **Commercial Mortgage Alert's** CMBS Database (see table on Page 8). Their combined 90.8% share was the highest ever by two players, exceeding their 87.1% total in 2000. Their combined share in the second half of last year was an even more astounding 94.6%.

State Street Bank, once a leading player, continued its decline. It won only 4.1% of the CMBS trustee assignments last year, down from 7.1% in 2000. At its high-water mark in 1994, State Street held a 28.2% market share. The

See TRUSTEE on Page 8

Lenders Originate $340 Million of Mall Loans

A **Developers Diversified Realty** partnership this week closed on $339.5 million of mall financing from four lenders.

See LENDERS on Page 2

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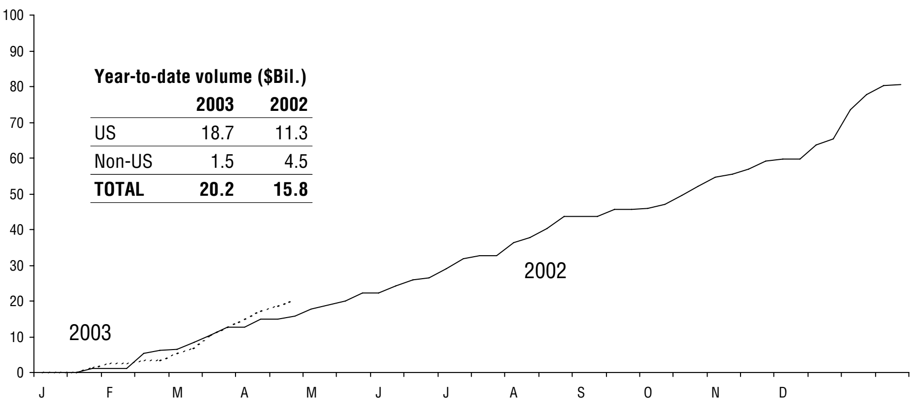
MARKET MONITOR

WORLDWIDE CMBS

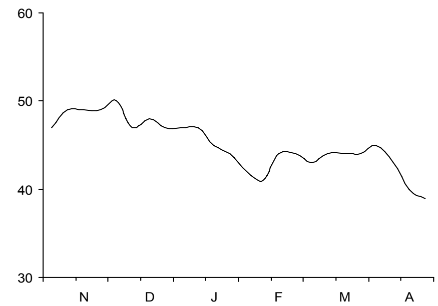


Year-to-date volume ($Bil.)

	2003	2002
US	18.7	11.3
Non-US	1.5	4.5
TOTAL	**20.2**	**15.8**

CMBS SPREADS

10YR, AAA SPREAD OVER SWAPS

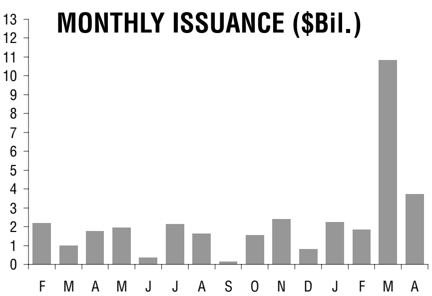


Fixed Rate (Conduit)	Avg. Life	Spread (bps) 4/16	Week Earlier	52-wk Avg.
AAA	5.0	S+38	S+38	S+42
	10.0	S+39	S+40	S+45
AA	10.0	S+48	S+50	S+56
A	10.0	S+57	S+60	S+69
BBB	10.0	T+170	T+171	T+175
BB	10.0	T+450	T+450	T+463
B	10.0	T+950	T+950	T+962
Floating Rate (Large-loan)				
AAA	5.0	L+35	L+35	L+32
AA	5.0	L+50	L+50	L+53
A	5.0	L+100	L+100	L+114
BBB	5.0	L+250	L+250	L+224

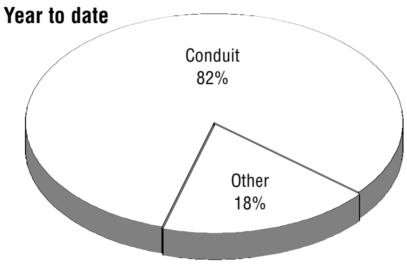
Source: Morgan Stanley

US CMBS

MONTHLY ISSUANCE ($Bil.)

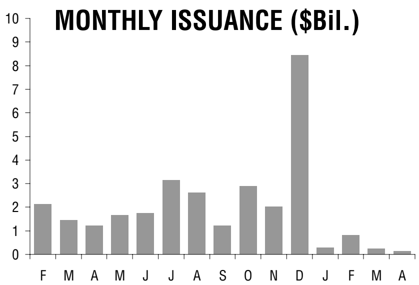


DEAL TYPE
Year to date

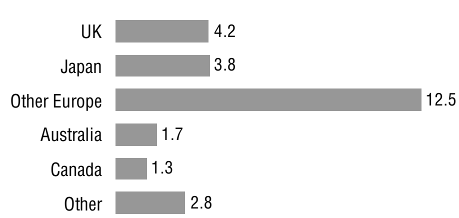


NON-US CMBS

MONTHLY ISSUANCE ($Bil.)



COLLATERAL LOCATION
Past 12 months ($Bil.)



CMBS TOTAL RETURNS

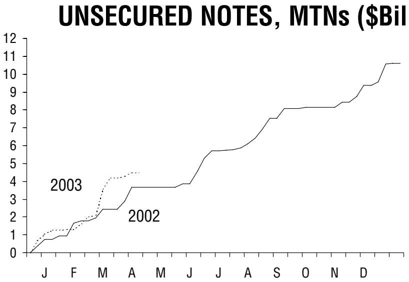
CMBS INDEX

As of 4/15	Avg. Life	Total Return (%) Month to Date	Year to Date	Since 1/1/00
Inv.-grade	5.8	-0.3	1.2	46.3
AAA	5.4	-0.3	1.2	44.7
AA	7.0	-0.5	1.0	51.4
A	7.4	-0.5	1.2	53.5
BBB	7.8	-0.4	1.4	56.0

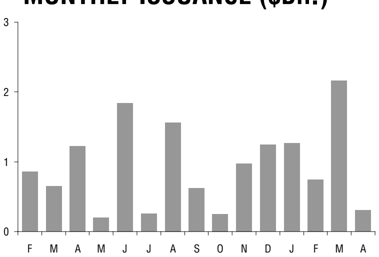
Source: Morgan Stanley

REIT BOND ISSUANCE

UNSECURED NOTES, MTNs ($Bil.)



MONTHLY ISSUANCE ($Bil.)



SPREADS

	Maturity	Rating (M/S)	Spread (bps) 4/11	Week Earlier	26-wk Chg.
ProLogis	4/08	Baa1/BBB+	+130	+135	-60
Equity Office	7/11	Baa1/BBB+	+127	+136	-65
Liberty Property	4/09	Baa2/BBB	+145	+150	-40
Mack-Cali	3/09	Baa3/BBB	+150	+160	-35
BRE	1/11	Baa2/BBB	+135	+135	-60
Equity Residential	3/11	Baa1/BBB+	+112	+112	-58
Regency Centers	1/11	Baa2/BBB	+125	+125	-75
Simon Property	1/11	Baa2/BBB	+140	+148	-50
Shurgard Storage	4/07	Baa2/BBB	+180	+180	-55

Source: Credit Suisse First Boston

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

THE GRAPEVINE

... From Page 1

FMC Secured Cash Flow Fund I, including distressed debt, mezzanine loans and B-notes. The fund will also target fixed-income products not tied to real estate. Glasgow reports to **Jack Taylor,** who heads the fund. Glasgow worked under Taylor at **PaineWebber,** which he joined in 1997. He moved over to UBS when that firm bought PaineWebber. Glasgow previously worked at **MIG Financial, Prime Capital, ING Capital** and **Travelers Insurance.**

Bill Cotter has jumped ship from **J.P. Morgan Chase** to **Wells Fargo**, which named him a senior underwriter. Cotter, who reports to director **Adam Davis,** is working in the large-loan securitization program, focusing on East Coast deals. At J.P. Morgan, he was a vice president and senior underwriter in the conduit program.

Mark Ferraris has stepped down as executive vice president in **Bank of New York's** corporate trust division, where he managed trustee assignments on CMBS deals, as well as corporate and municipal issuance. Ferraris, who reported to senior executive vice president **Brian Rogan**, said he has no immediate plans. The bank, which has not yet replaced him, is a minor player in the U.S. CMBS market, where **LaSalle Bank** and **Wells Fargo** command the lion's share of trustee assignments. It is more active as a trustee on asset-backed and residential MBS deals.

Bank of New York and **Wells Fargo** are vying to land some of the trustee duties on the upcoming C$450 million ($311 million) seasoned-loan securitization by **Caisse de Depot et Placement du Quebec.** An affiliate has served as trustee on the Canadian pension-fund advisor's five previous CMBS deals. But for the next deal, Caisse plans to step up its marketing efforts with U.S. investors, and it plans to tap an American trustee to provide them with the necessary reporting data. BONY and Wells are pursuing the business. Wells has already landed roles in Canadian deals by **Merrill Lynch, Credit Suisse First Boston** and **Toronto-Dominion Bank.**

U.K. developer **British Land** has issued an additional 50 million pounds ($78.6 million) of triple-A notes via a trust that owns a mortgage on the 1.3 million-sf Meadowhall Centre in Sheffield, England. The original 825 million pound offering in November 2001 authorized additional issuance once rental income at the shopping center rose to a prescribed level. Four investors from the original deal bought the newly issued floating-rate notes, which were priced to yield 35 bp over three-month Libor. **Morgan Stanley, Citigroup** and **Royal Bank of Scotland** were co-lead managers of the original deal and the "tap" offering.

CALENDAR

June 19-20: Mortgage Bankers Association presents a New Orleans conference on commercial real estate finance and multi-family asset administration. A one-day workshop on commercial mortgage administration will take place on June 18.

800-793-6222
mbaa.org/conferences

July 30-31: San Francisco is the site for World Research Group's conference titled, "Distressed Corporate & Commercial Real Estate Forum 2003."

800-647-7600
worldrg.com

To view the full conference calendar, visit The Marketplace section of CMAlert.com

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