



# 1ST SERVICE SOLUTIONS

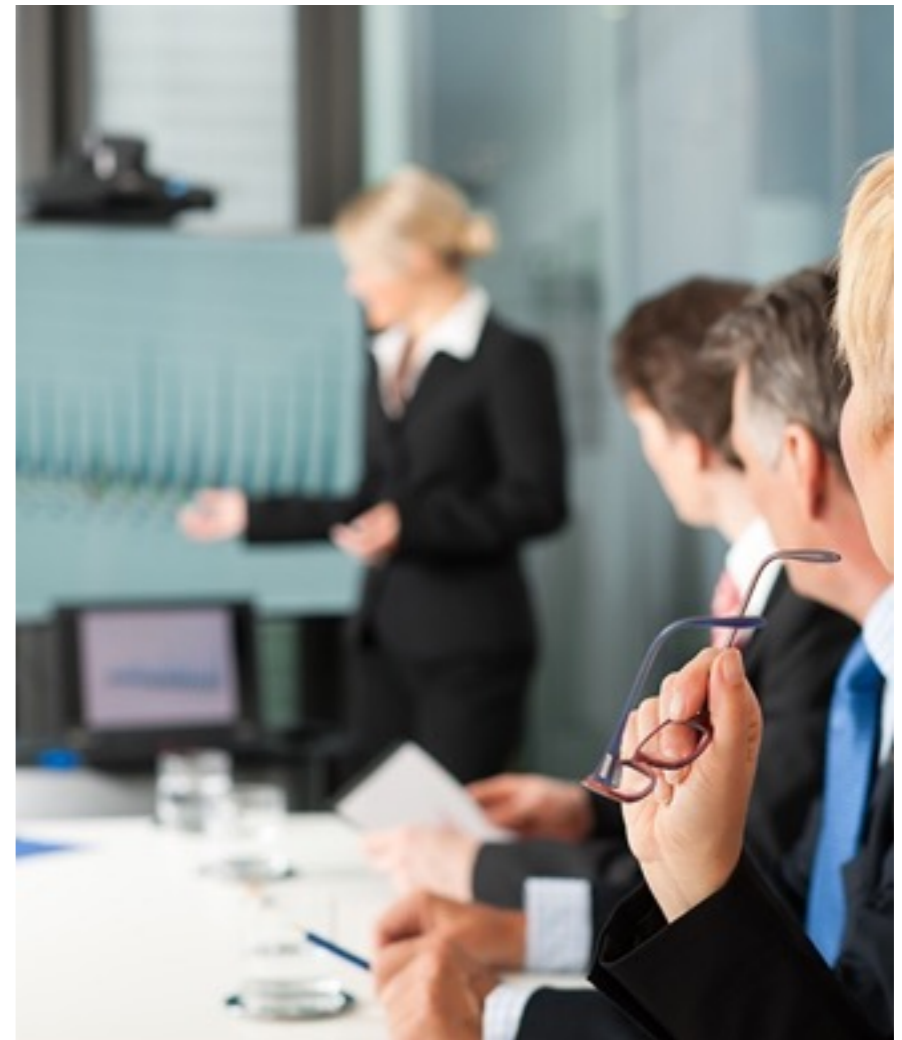


Welcome to this free informative webinar



# Topics Today

- Maturity Market Overview
- Maturing Loan Payoff Challenges
- Standard Maturity Options
- Unique Challenges Facing TIC's
- Creative New Solutions





# Maturing Loans & TIC Investors

Presented by:



**Ann Hambly**  
Founder & CEO  
**1st Service Solutions**

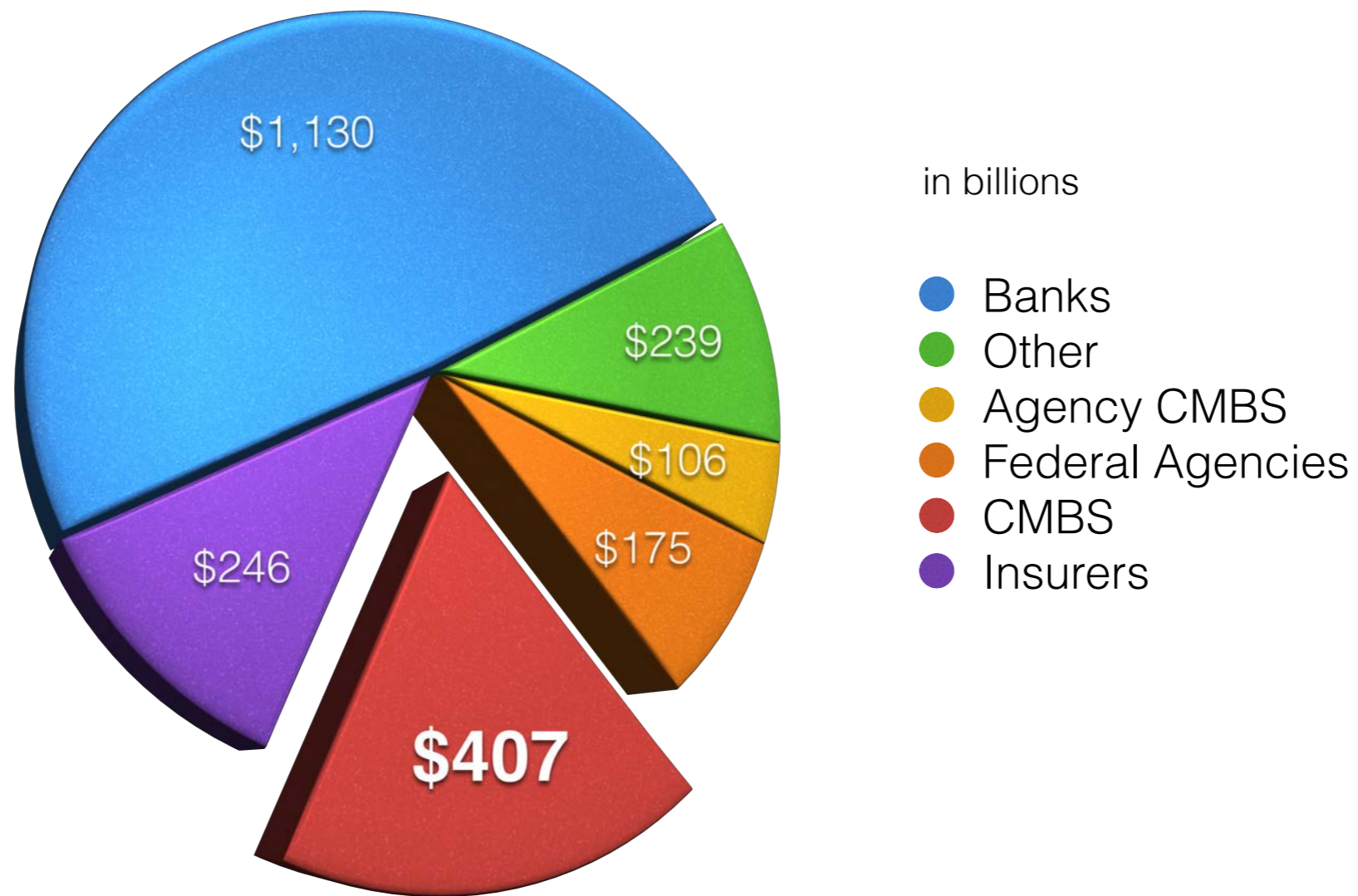


# CMBS Maturity Market

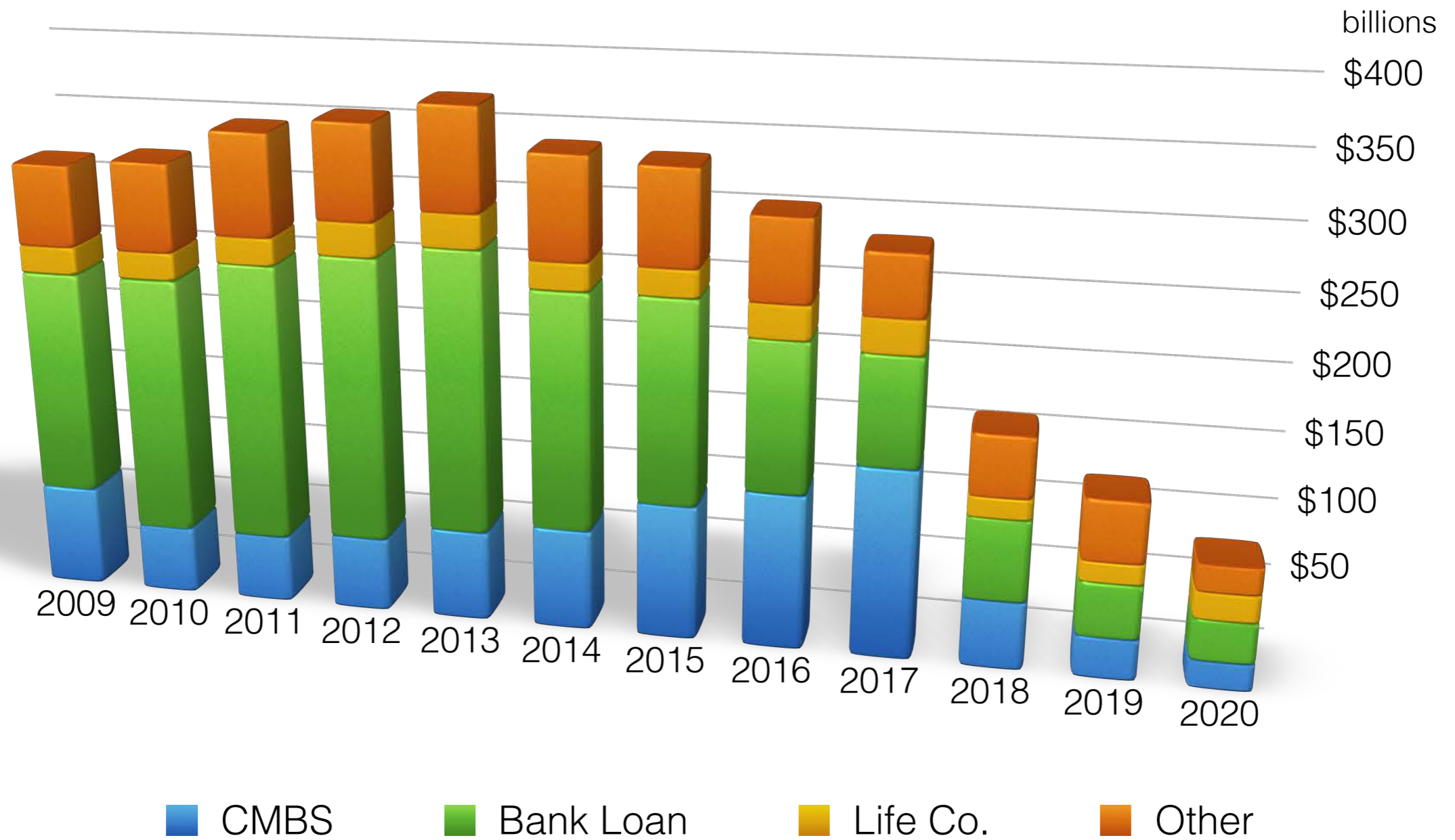
# Market Overview

**\$2.3 Trillion**

as of 12/2013



# Maturities



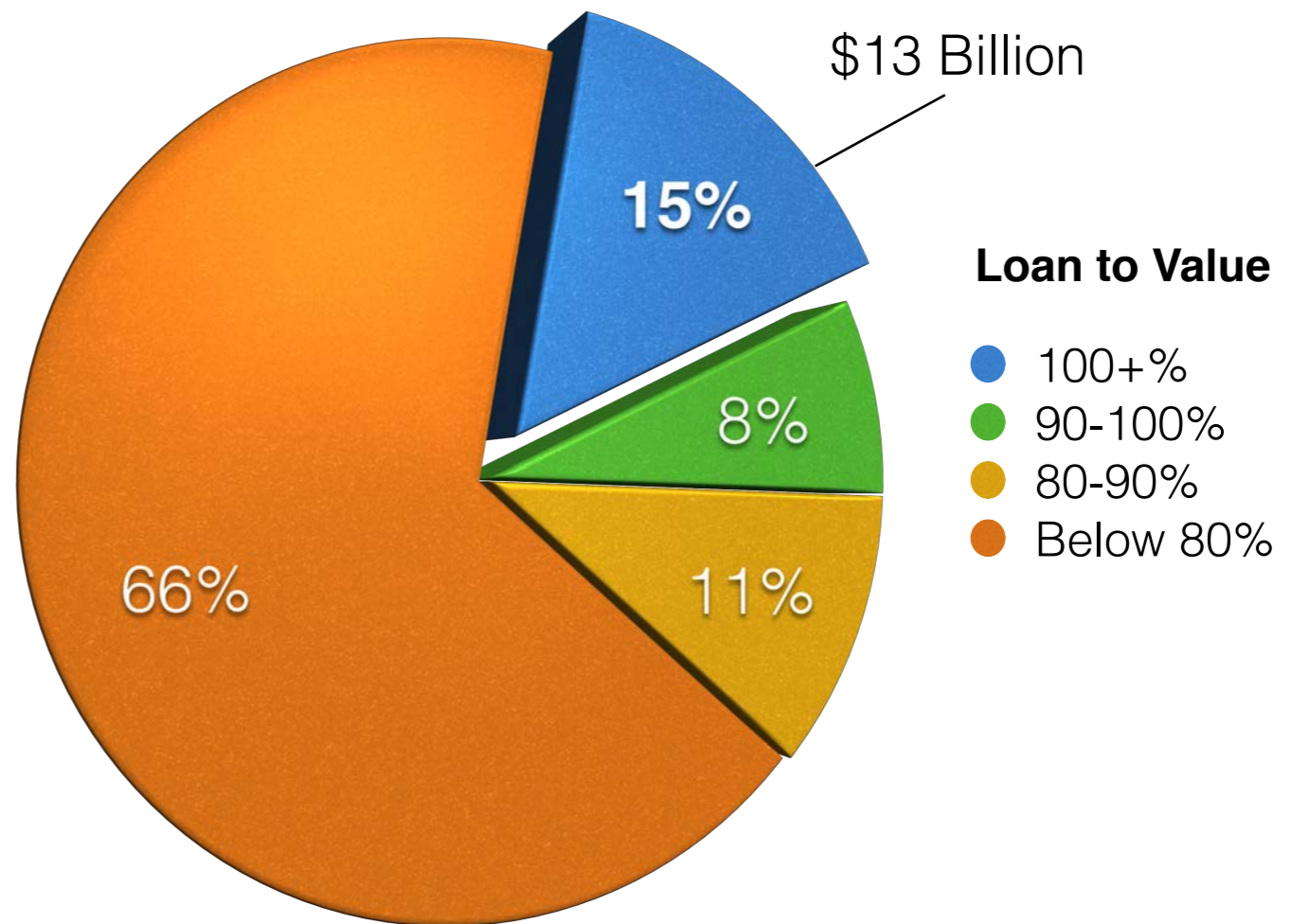
# 2015 CMBS Maturities

By LTV

TOTAL

- **\$86.9** Billion
- **8,231** Loans

*as reported by Morningstar*



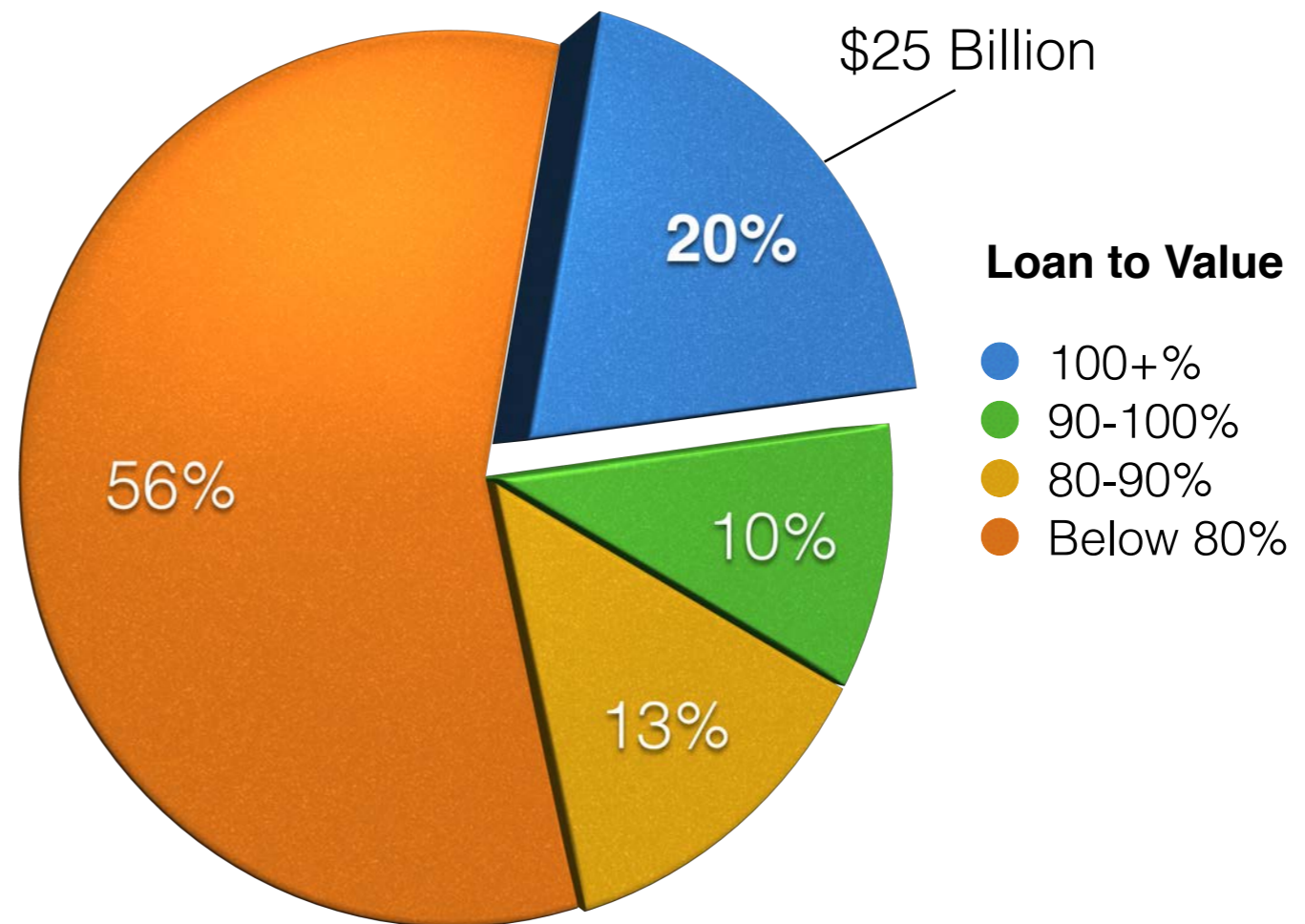
# 2016 CMBS Maturities

By LTV

TOTAL

- **\$128.07** Billion
- **8,804** Loans

*as reported by Morningstar*





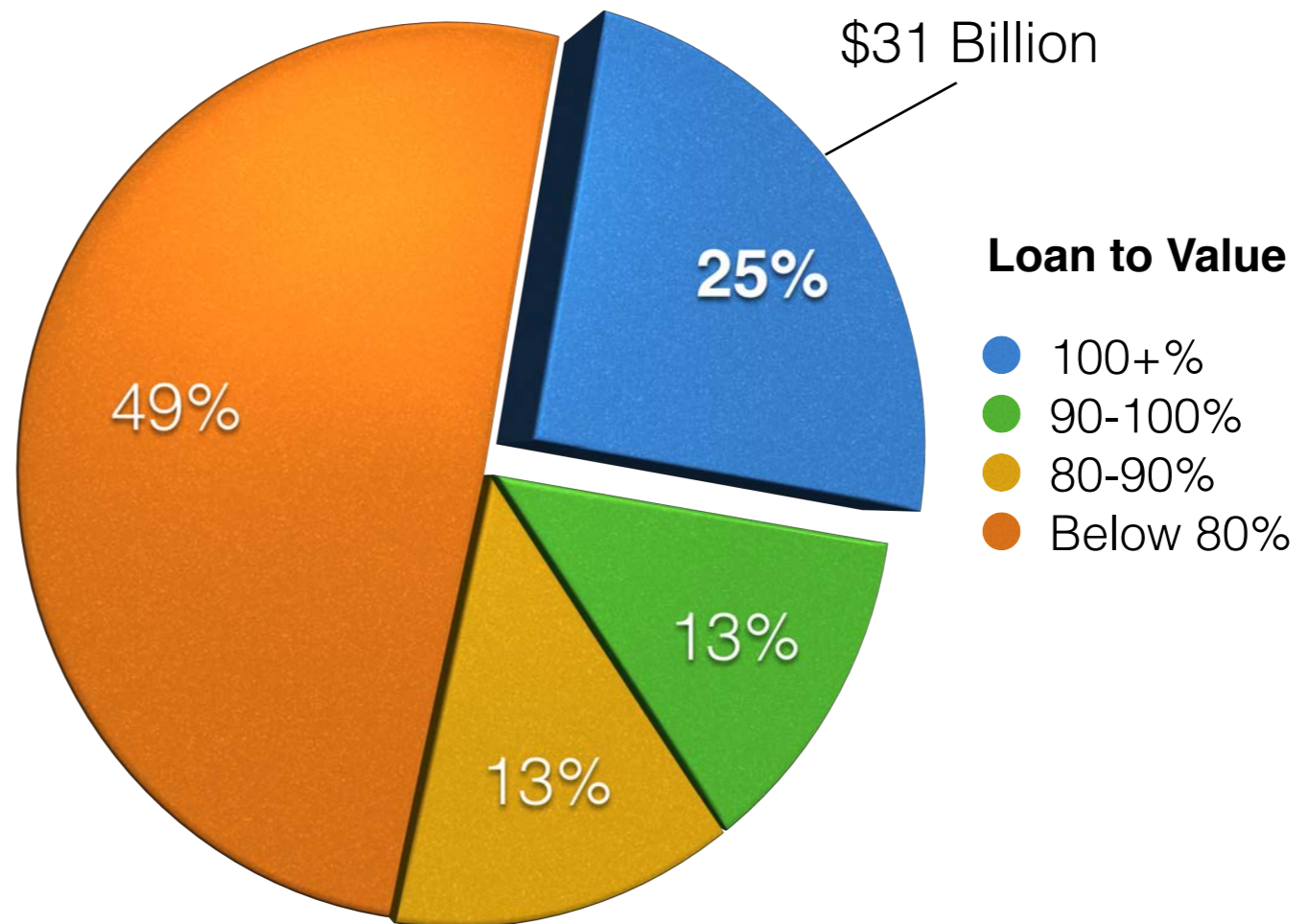
# 2017 CMBS Maturities

By LTV

TOTAL

- **\$123.99** Billion
- **8,574** Loans

*as reported by Morningstar*



# Recap

## 2015 - 2017

- \$69 billion > 100% LTV
- \$77 billion - 80% - 100% LTV
- Over 1/2 loans in 2017 are > 80% LTV



# Typical Characteristics of Loans Maturing between 2015-2017

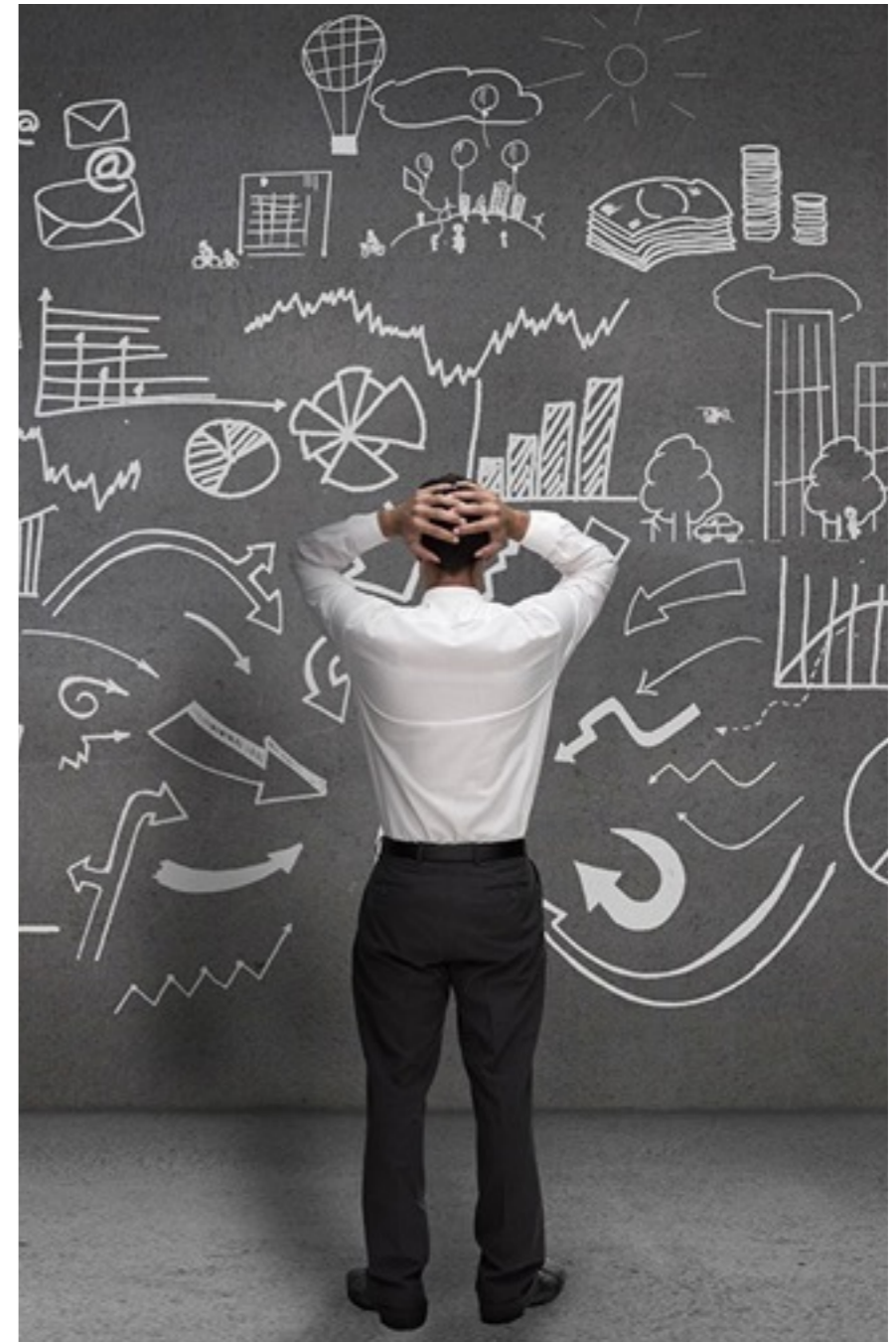
## **Loans**

- Interest only with little or no principal amortization
- Highly leveraged at origination
- No reserves - potentially capital starved properties
- Pro forma rents used in underwriting

## **Special Servicers**

- CMBS pool losses likely at Investment Grade Bonds
- Special Servicer turnover & instability
- Improving real estate market

# Maturing Loan Payoff Challenges



# Full Payoff vs. Discounted Payoff

Property Value

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**Current** Loan Amount

**- NOT -**

Property Value

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**New** Loan Amount



# Payoff Date is Very Important

- Example = 11-1-2014
- Open period is 90 days
- Payoff can occur between 8-3-2014 & 11-1-2014
  - 8-2 = Defeasance
  - 11-2 = Maturity default (late fee + default interest)
- 60-90 days = Forbearance
- > 90 days = Special Servicing

# Standard Maturity Options



# Options

1 of these 5 has to occur!

## 1. Full Payoff at Maturity

## 2. Extension

- 1-2 year increments
- Fees + pay down required
- Not a 'kick the can' structure

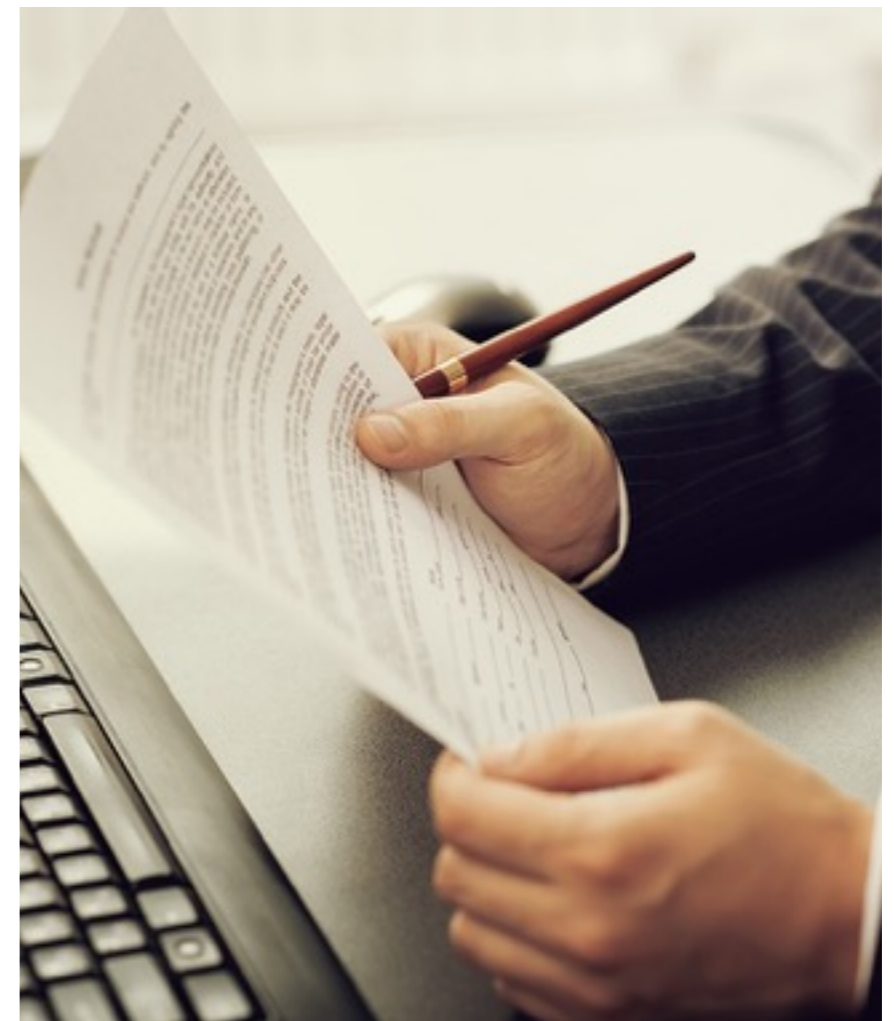
## 3. Discounted Payoff

- Property value must be less than the current debt
- Not determined by new loan amount

## 4. Short Sale (DPO plus sale)

- Property value must be less than the current debt
- 2 transactions carefully coordinated

## 5. Foreclosure / Deed in Lieu





# LTV Test

< 80%

80% - 90%

90% - 100%

> 100%

|                          |  |   |   |   |
|--------------------------|--|---|---|---|
| <b>Discounted payoff</b> |  |   |   | X |
| <b>Short Sale</b>        |  |   |   | X |
| <b>Extension</b>         |  | X | X |   |



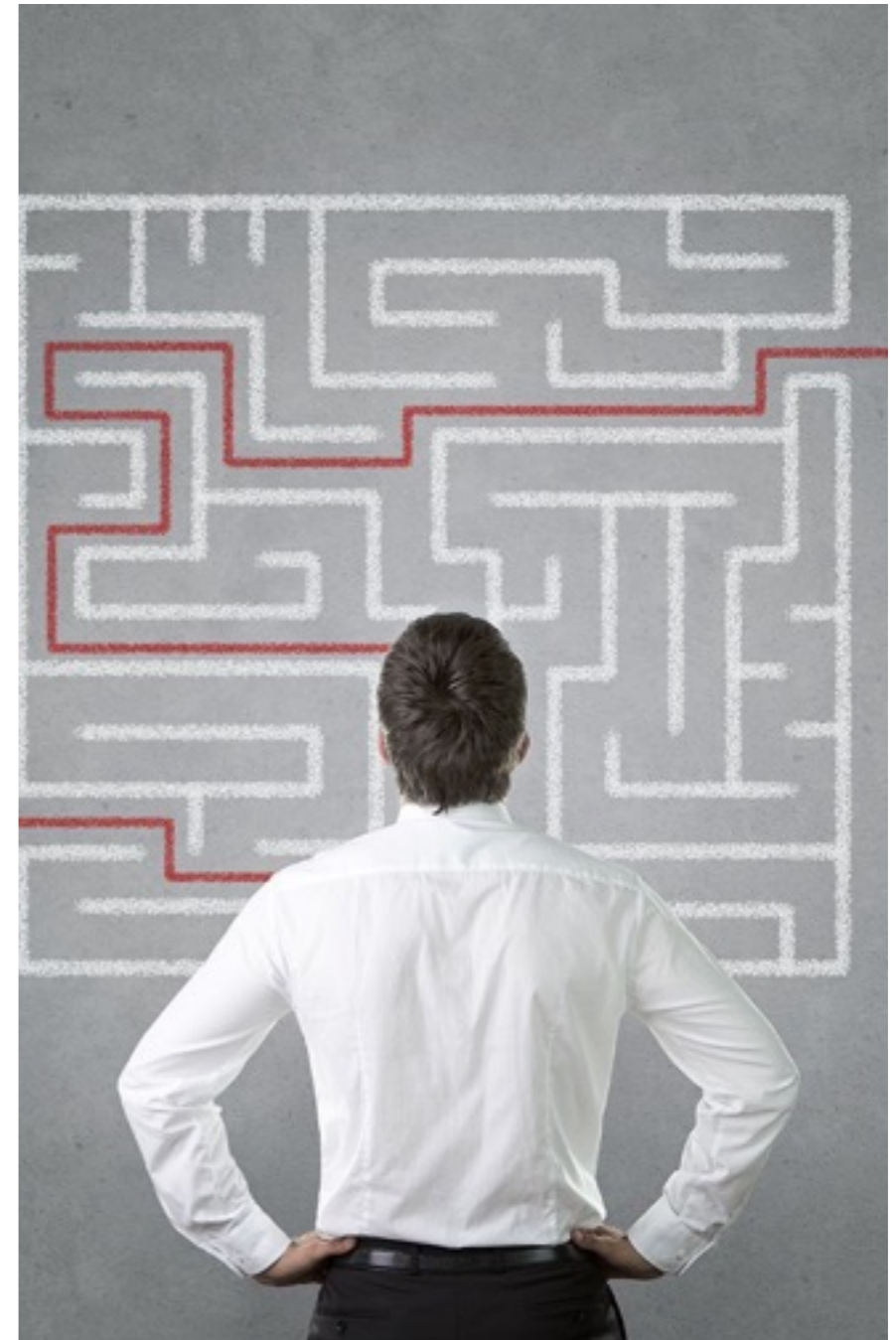
Unique Challenges Facing TIC's

# Challenges Facing Tenant in Common Investors

- Invested in property via 1031 exchange
  - Facing tax consequences
- All investors will likely not agree on a solution
  - Everyone's tax situation may be different
  - Non-alignment of interest
- Intended to be passive investment
  - Varying levels of commercial real estate experience
- Sponsor challenges

All Solutions Require an  
All In or All Out

# Creative New Solutions



# These Solutions

- Allow for deferral of tax obligations
- Allow each investor to decide to:
  - Participate in investment going forward
  - Or Not
- No capital call - no new funds required

# \$

- A lot of money chasing deals & yield that coincides with these CMBS loans
- 2010 = White Knight Capital
- 2014 = TIC friendly capital available (“T CAP”)

# Structure Overview



- 1st Service Solutions negotiates with special servicer for “DPO”
  - Avoids foreclosure
- T CAP purchases note for \$7 million
- TIC’s given the option to participate in new deal - OR NOT -
- Tax deferral technique
- Note purchaser = new lender



# Other Options

1. High-Leveraged Bridge Loan
  - Payoff existing loan
  - Investors buy out the investors that want out
2. Sell the property - Short Sale if over-leveraged

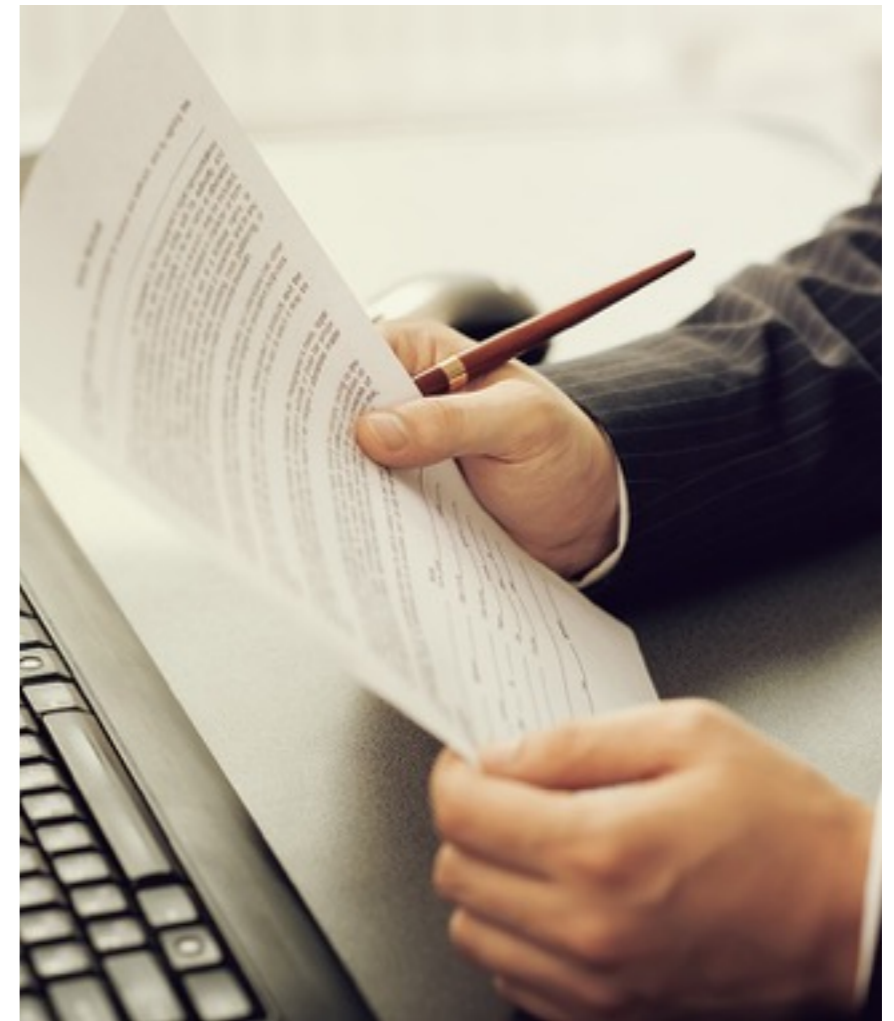
# Note

- Each deal is different & is structured with tax counsel based on specific circumstances
- Everyone's tax situation is different
- Free consultation

# Recap of 5 Options

1 of these 5 has to occur!

- 1. Full Payoff at Maturity**
- 2. Extension**
- 3. Discounted Payoff**
- 4. Short Sale (DPO plus sale)**
- 5. Foreclosure / Deed in Lieu**



# Contact Us:



**1<sup>st</sup> Service Solutions, Inc.**

(817) 756-7227

[www.1stsss.com](http://www.1stsss.com)

## **Upcoming Webinars**

[www.1stsss.com/webinar/](http://www.1stsss.com/webinar/)

January 20 – CMBS Bedbugs

April 21 – How to get away with murder in CMBS

July 21 – The top 8 deceptions in CMBS

October 20 – To be published 3rd quarter

