



CMBS MASTERMINDS

WEBINAR

August 2023

Presented by:
1st Service Solutions



Today's Guest Speaker



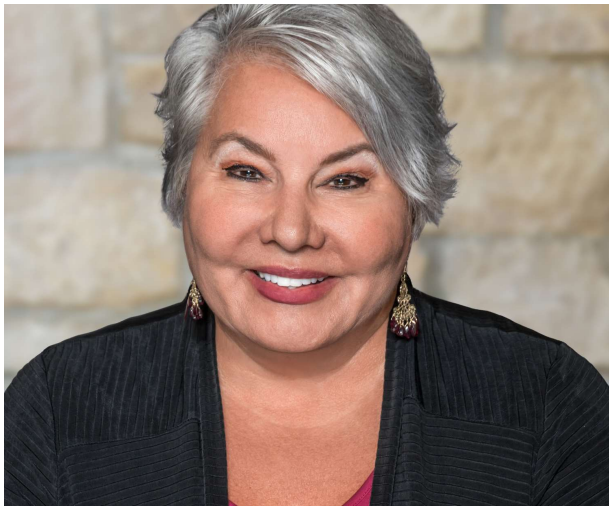
Phil Mobley

National Director of Office Analytics





1st Service Solution Team



Ann Hambly

Founder and CEO

ahambly@1stsss.com



Douglas Scott

Senior Director of
Workouts

dscott@1stsss.com

7 Possible Options

1. Keep Loan Current
2. Sell the Property
3. Extension
4. A/B Structure
5. Future Discounted Pay Off (DPO)
6. Discounted Pay Off (DPO)
7. Hand Back the Property



1. Keep Current

- Loan to remain "as-is"
- Wait and attempt to ride out the current market conditions
- Keep loan current, even if property income is not sufficient to cover debt service and operating expenses



2. Sell The Property

LTV < 100%

1. Assume
2. Extend Maturity

LTV > 100%

1. Short Sale
2. DPO

3. Extension

- Typically, 13 years max term
- Can be combined with payment modification
- New skin in the game required
- 1% per year fee



4. Sample A/B Structure

Example: \$20MM Loan

A = (as is) Appraisal Amount = \$15MM

Payments made on A note can be I/O or amortizing

Also can be reduced interest rate

Capital = Borrower (or capital partner) provides TI-LC and all capital needs = **\$3MM**

New capital can earn pref

B Note = Hope Note = \$5MM

Difference between A note and total loan

Maturity date can be extended

Liquidation Event

(Sale Value) \$19MM

- \$15MM (A Note)
- \$3MM (Capital)

\$1MM

50%
(\$500k)

50%
(\$500k)

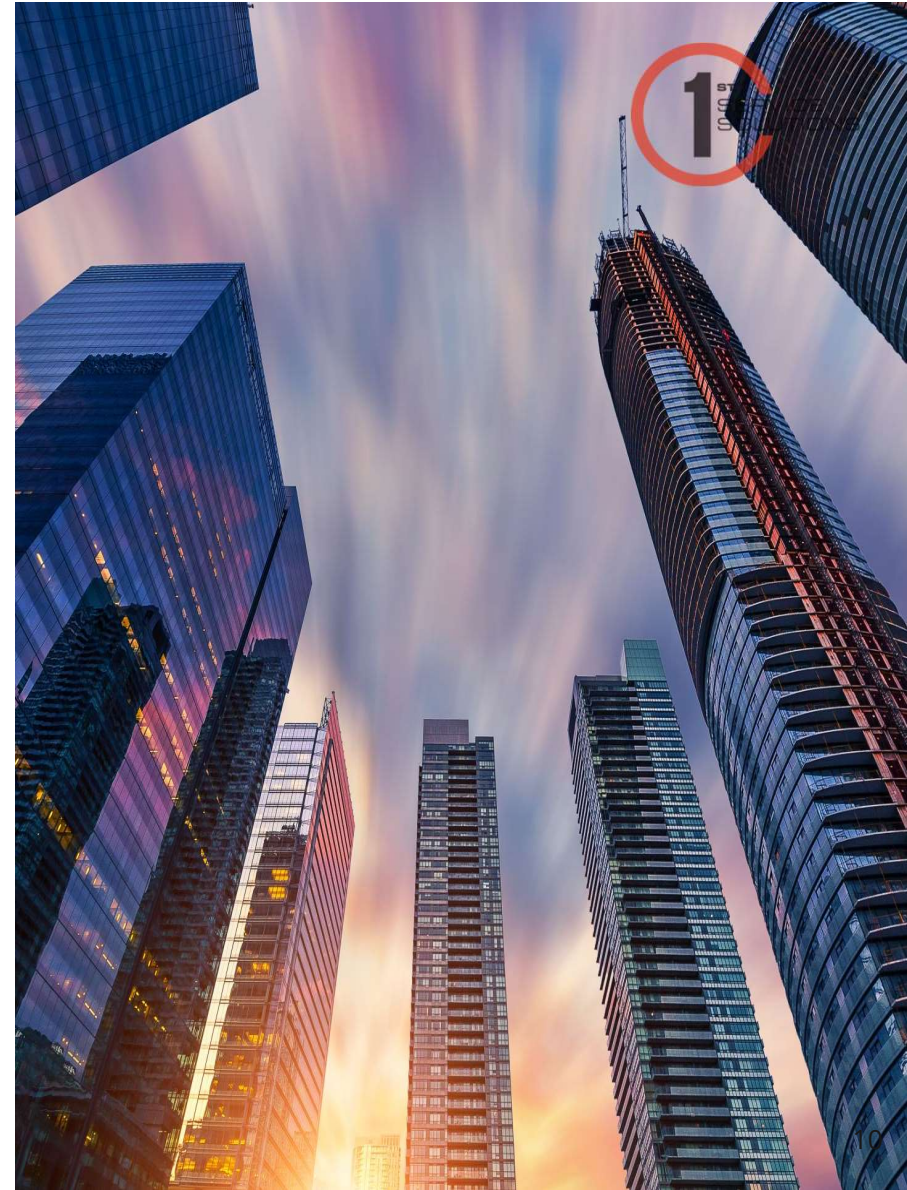


5. Future Discounted Payoff (DPO)

- Property is under water today
- Little to no value will be recovered by maturity date
- Property is currently cash flowing
- Agree to formula for DPO at maturity
 - Borrower Appraisal
 - Lender Appraisal
 - 10%

6. Discounted Payoff (DPO)

- Property is under water today
- Little to no value will be recovered by maturity date
- Can be executed through:
 - Short Sale
 - Note Sale
 - Discounted Payoff



7. Hand Back The Property

- CMBS is Non-Recourse
 - Beware of carve out guarantee
- The Borrower has the option to hand the property back to the Lender
- Another option:
 - Connect you with capital providers
 - Work with the owner and servicer to work out a deal off market
 - Benefits:
 - No foreclosure on record
 - No further liability



WHAT ARE LENDERS & SERVICERS APPROVING?

A man in a grey suit is walking away from the viewer down a long, straight road that stretches into the distance. The sky is filled with dark, heavy clouds, with a bright light source breaking through in the center, creating a dramatic silhouette effect. The road is flanked by a grassy field and a wooden fence on the left. The overall mood is contemplative and forward-looking.

Extensions

Time until maturity



Right Sizing The Debt

For properties that are currently cash flowing:

- We are at the beginning of a big tidal wave of office defaults
- To right size debt, you must know the following:
 - Today's true value of the property
 - Length of time and cost to stabilize
 - Projected value at end of stabilization
- Lenders/servicers are currently preferring to WAIT to see what the market and tenants do – where possible
- DELAY AND PRAY

For properties that are not currently cash flowing and underwater:

- Driver of need for modification is typically new capital requirements (leasing, etc)
- AB Structure (regardless of name) is the best structure where there is perceived increase in value within a few years
 - A note = current value of property
 - New capital earns market preferred rate of return
 - B note = hope note

Hand Backs

- Deed in lieu - Friendly Foreclosure - Jingle Mail
- Be very familiar with carve-out recourse language
- Lender/servicers not typically motivated to do this quickly
- Quickest way to “stop” recourse liability is to ask for the appointment of a receiver
- Typical time frame to hand back property – 6 months

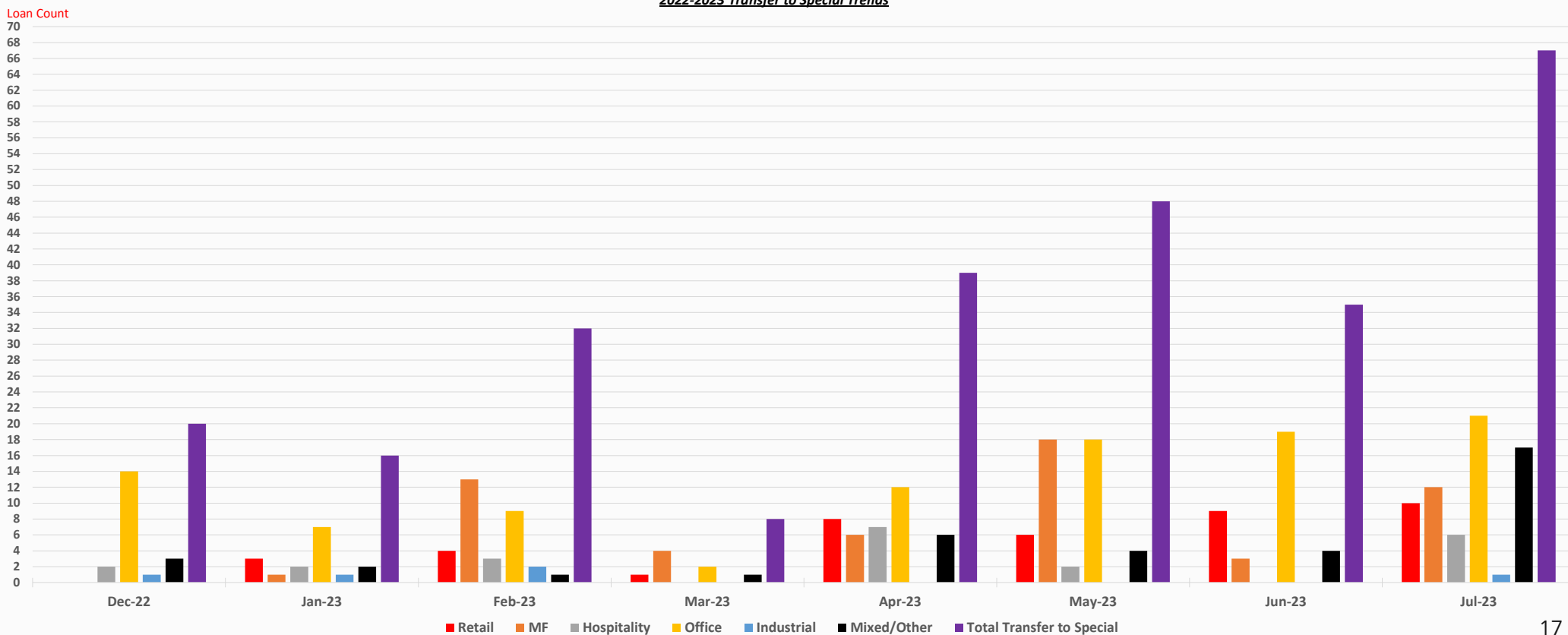
NOW WHAT?



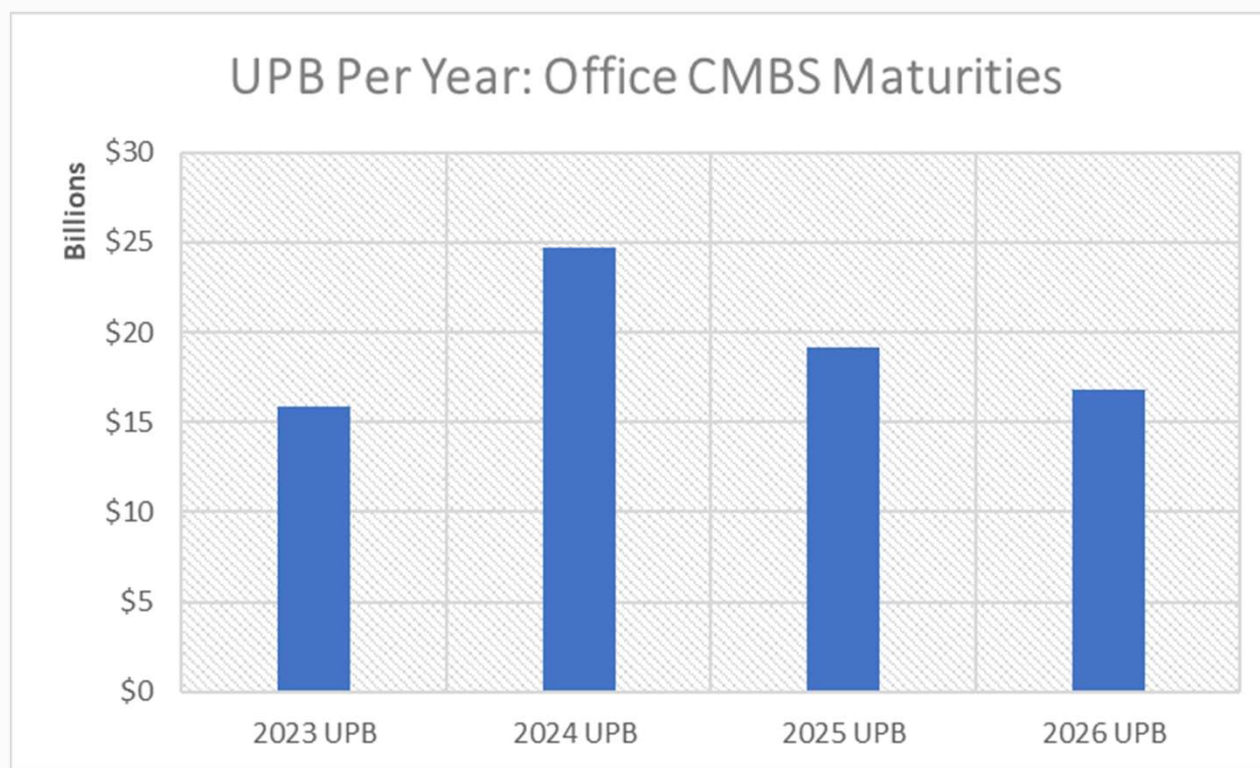
2022-2023 Transfer to Special Trends



2022-2023 Transfer to Special Trends



Maturing Office Loans 2023, 2024, 2025, 2026



Why 1st Service Solutions?



1st Service Solutions is a team of people who were former servicers, or even CEO's & Managers of Special Servicing Shops.

We have relationships with decision makers within servicing, know the rulebook of CMBS, have sat on credit committees and apply all of that inside knowledge to help you achieve your goals. Our CEO was a CEO of various large servicing companies.

“Ann Hambly knows the CMBS rules, structure and players as well as anyone I know. She has been a part of setting industry guidelines from the very beginning of CMBS. That knowledge is the key to being a successful borrower advocate.”

Pat Sargent
Partner, Alston & Bird LLP



“Our \$1.2Billion transaction would not have closed without 1st Service Solutions.”

Joe Dykstra
Westwood Financial Corp



“Ann Hambly is one of a kind. She is the preeminent expert on CMBS servicing and is so much more than that.”

Ethan Penner “Godfather of CMBS”
Managing Partner, Mosaic Real Estate Credit



CONTACT INFORMATION

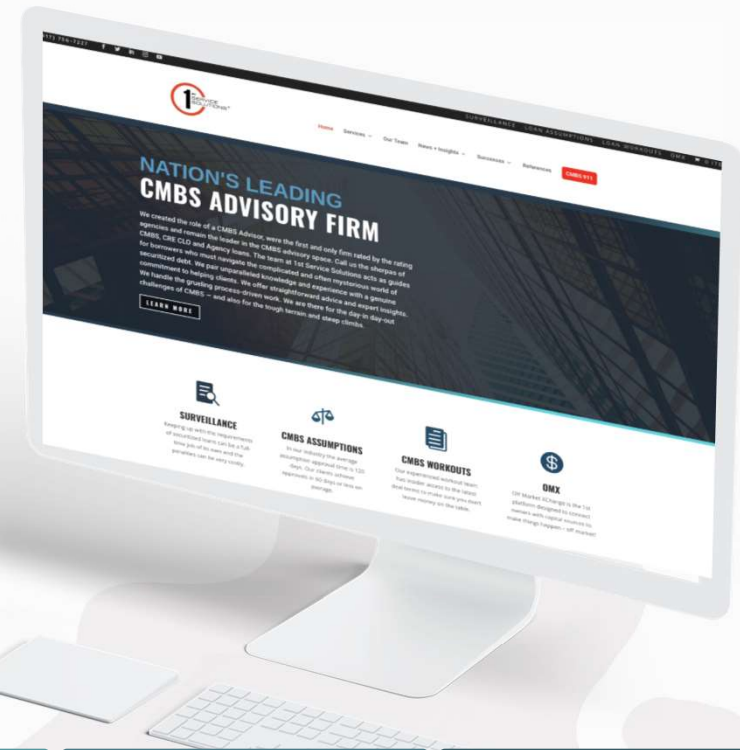
1st Service Solutions



1stsss.com
(817) 756-7227

#1 Borrower Advocate

We created the role of a CMBS Advisor, we're the first and only firm rated by the rating agencies and remain the leader in the CMBS advisory space.



\$30 Billion

**RESTRUCTURES
WORKED OUT**

3,200

**ASSUMPTIONS
CLOSED**

42 Days

**FASTEST
ASSUMPTION CLOSED**

50 States

**PROPERTIES
WORKED ON**

80%

**REPEAT BUSINESS
FROM SATISFIED CUSTOMERS**