



Broadway Partners Talks With Lenders After Loan Deadline Passes

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By Hui-yong Yu

Jan. 12 (Bloomberg) -- **Broadway Partners**, the New York real estate investment firm that used short-term debt to buy more than \$8 billion of office towers from December 2006 to May 2007, is negotiating with its banks after missing a repayment deadline last week.

"Despite difficult market conditions, we continue to work hard with our lenders and partners to address debt obligations," Broadway said in a statement released Jan. 9 by **Rick Matthews**, a spokesman at the public relations firm Rubenstein Associates in New York. Broadway principal **Jonathon Yormak** declined to comment beyond the statement.

Broadway, led by Chief Executive Officer **Scott Lawlor**, borrowed \$1.5 billion through mezzanine loans to help finance the purchases of two groups of buildings from Beacon Capital Partners LLC, including Boston's John Hancock Tower. Broadway borrowed the money from **Lehman Brothers Holdings Inc.** and RBS Greenwich Capital Markets Inc.

The firm's plight illustrates the challenges facing investors that borrowed heavily to buy real estate during the bubble and weren't able to refinance once the credit crisis took hold in 2007. Of the \$1.5 billion Broadway owed, \$724 million was originally scheduled to come due on Jan. 6, 2008, but the firm paid a fee last year to extend the due date by one year to the current month. The remaining \$793 million was scheduled to come due last August and Broadway had intended to extend that as well.

'They Overpaid'

"They overpaid for those properties," said **Steve Coyle**, a fund manager at New York-based Cohen & Steers. "They very well may not make it."

Broadway already paid down some of the \$724 million with proceeds from asset sales. Recent sales include 2445 M St. in Washington D.C., One City Centre in Houston, 200 State St. in Boston, 444 South Flower St. in Los Angeles, and a stake in 1888 Century Park East in Los Angeles.

Broadway tried unsuccessfully to sell a stake in the Hancock Tower. A deal to sell One Sansome St. in San Francisco to a South Korean investor also fell apart.

Kimberly Macleod, a spokeswoman for Lehman, declined to comment. **Peter Ward**, a spokesman for RBS Greenwich, didn't immediately return a call for comment.

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