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Carlton Rolls Out \$300M First Mortgage Facility

By Erika Morphy

NEW YORK CITY-Within the next 30 days the Carlton Group will be rolling out a new \$300-million facility aimed at financing or recapping first mortgages. The company is partnering with the principal transaction group of a major investment bank. The name of the fund will be CSV Mortgage Capital.

The fund will complement CSV's line up funds, which includes a [\\$400 million JV with Prudential Insurance Co.](#) for mezzanine lending and an opportunistic fund through which CSV has acquired [\\$500 million in loans](#) from Wachovia and Merrill Lynch, among other banks. "This new addition to the CSV family of funds is to provide first mortgage capital--which is where we think the greatest opportunities lie right now," Howard Michaels, chairman and CEO of the Carlton Group, tells GlobeSt.com.

Indeed, there is a dearth of first mortgage capital financing in the market. Deals that are closing right now are being financed through one of a handful of less than attractive alternatives: all cash, or some combination of preferred equity, equity and mezzanine financing. The liquidity crisis is to thank for this of course, a point that Michaels himself makes. "Until the government motivates or forces banks to use TARP [Troubled Assets Relief Program] dollars to make loans we are not going to have a normal, liquid real estate market."

CSV Mortgage Capital will be targeting transactions of \$100 million, providing mortgages of \$65 million or less, Michaels says. The average interest rate will be 11% with loan terms for two-years, with an additional one year extension. Clearly, this capital is not for everyone: a typical borrower, Michaels says, will likely be someone who wishes to buy debt back from a lender at a discount or needs to recapitalize.

In 2008, the company closed \$4 billion in transactions, Michaels says. Its sweet spot is combining or syndicating capital sources for structured deals--an approach typified by the company's \$630-million recapitalization of the short-term mezzanine debt on [666 Fifth Ave.](#) this summer. In that transaction the Carlton Group arranged a \$325-million first mortgage, \$135-million mezzanine mortgage and \$170 million in equity from a \$3-billion opportunistic fund for the property.

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