

# THE REAL DEAL

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## IStar offering Drake loan at steep discount

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In a clear sign that the value of development properties has fallen from the highs of 2006, the publicly-traded lender iStar Financial is considering offers of about \$160 million for its first position note on the Drake Hotel site, which spans Park Avenue from 56th to 57th streets, sources said.

That represents a reduction of about a quarter for the \$224 million note on the site owned by Harry Macklowe, who planned to build a mixed-use development on the large parcel. The note is being marketed by Cushman & Wakefield, but a spokeswoman said she could not comment on the site.

Macklowe Properties took out a mortgage from Deutsche Bank, and iStar bought a senior position, the most secure position in the hierarchy of debt on a property, within that loan.

Any buyer of the debt would still have to wrestle with Macklowe Properties for control of the assembled parcel, real estate insiders said. Deutsche Bank, which structured the mortgage for the development of the site, sued Macklowe in August to [foreclosure on the \\$482 million in principal that was outstanding on its loan](#).

The approximately half-dozen bidders for the iStar note have been offering prices about 20 percent below the firm's approximately \$160 million asking price, one of the sources said. The lowest offer was about \$100 million.

"The seller is holding firm. Someone may step up. It remains to be seen," the insider said yesterday. The source would not say whether the note, which is part of the Deutsche Bank loan, controls the entire Deutsche Bank mortgage. A representative from Deutsche Bank did not immediately respond to a request for comment.

Andrew Backman, senior vice president for investor relations and marketing at iStar, said the company does not comment on ongoing negotiations.

"We've received many unsolicited inquiries from interested parties on this world-class property ... Any discussion of specific offers would be premature as we continue to negotiate with a number of interested parties," he said in an e-mail.

A spokesman for Macklowe Properties would only say, in an email, "Macklowe has no opinion on who owns the senior note."

In November, [the Observer reported the note was being marketed](#), and later that month the [Post quoted sources saying a deal was likely by Thanksgiving](#) with a closing before the end of the year.

By Adam Pincus

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