# Sunday Summary: Don’t Feel Embarrassed.

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We’ve all had awkward moments. Disagreements at work. Faux pas in formal settings. The odd harmless fib that spins out of control.

In the commercial real estate trade right now, the most awkward moments might be coming via a new trend that we covered this past week: owners such as RXR, SL Green, Ares Management and others launching special servicing platforms. These platforms theoretically give owners windows into the proprietary goings-on of their competitors’ distressed assets. Some, such as Fitch Ratings, see “the potential for conflicts of interest” — the proverbial foxes guarding the henhouse.

Others see no awkwardness at all.

“The opportunity is there and the perception is there for conflict, but I have not seen any evidence of a transaction that resulted in lower proceeds for the bondholder because an affiliate picked it up,” Neil Shapiro, partner in the real estate practice at New York City law firm Herrick Feinstein, told us. “There’s a lot of positive impacts with companies that have real estate development expertise being able to use that to help on a real estate workout.”

Besides, the law’s the law, starting with the ratings agencies that decide a property’s distress level.

“Their entire rating agency business is based on the upholding of securities law,” said a source familiar with the special servicing process. “That is why they have ratings, and special servicers  have to abide by the special servicing standard to maintain those ratings. So I think there is a pretty tight control on material non-public information.”

**REIT to the point**

Here’s another potentially awkward situation. You’re a real estate investment trust doing dynamite business — strong (even historic) leasing, consistent debt service, brisk trades of underperforming assets — but your stock just doesn’t reflect the pace.

That’s the case for a lot of REITs in different sectors, especially office. What’s causing the disconnect? We went deep with some of the biggest REIT experts to find the answer.

And, speaking of publicly traded companies, earnings season is back. First on the dance floor for the second quarter is Prologis. Predictably perhaps, the world’s largest warehouse landlord turned in a solid three months.

We also this past week wanted to go deeper into the potential cause(s) of the near-collapse earlier this month of the Pfizer headquarters conversion in Midtown East. One of the biggest probable causes might be the city’s longtime practice of allowing third-party safety inspectors to assess construction sites. Union leaders certainly think the setups are absurd, given that developers usually pay these third-party inspectors (and that the Pfizer project remains mostly non-union).

“If there are structural integrity compromises and the third-party inspection process is like, ‘No, it’s OK,’ can you imagine if this happened a year from now and there were people living in the building?” Gary LaBarbera, president of the Building and Construction Trades Council of Greater New York, told us.

Others were more measured, pointing out that New York has allowed these inspections since handsome John Lindsay was mayor, with only isolated building collapses since — and most of them partial ones at that. "By every appearance, this appears to be an isolated incident and not a systemic indictment of office-to-residential conversions," said James Whelan, president of the Real Estate Board of New York.

**Thoro reporting**

You know what wasn't isolated recently? Job turnover! Several names left, joined or otherwise moved around name-brand commercial real estate companies last week.

Perhaps the most prominent move involved Kevin Miller, who is exiting as CEO of commercial real estate lender Thorofare Capital after 17 years. His brother, Brendan Miller, is stepping in for now. (We are told on good authority that most Thorofare employees first learned about Kevin's departure from our reporting. Ahem.)

Also switching it up last week: David Blum, who joined asset management godzilla PGIM as a managing director to lead its high-yield credit investments in U.S. commercial real estate. And CBRE hired Robert Koontz as head of its multifamily debt capital markets team, a role similar to one he held at Freddie Mac. And Tishman Speyer tapped Prologis alum Joseph Ghazal to lead its global growth strategy.

Finally, John Roesch left Meridian Retail Leasing after nearly a decade to start his own retail brokerage shop, Roesch Real Estate Group. He took with him a couple of Meridian colleagues, Griffin Hanes and Jessica Blocker.

Incidentally, if you wanted to read about someone who knows a thing or two about launching his own firm, you could do worse than Danny Fishman. The Gaia Real Estate co-founder and CEO shared his investment strategy in a profile published this week.

**Wine a little …**

Now to the deals! Perhaps a floral, bone-dry, yet lush Barolo to pair with them?

As in the Barolo Restaurant Group, which signed a lease for its third New York City location at Chess Builders' 250 West 49th Street in Times Square. Sticking with the vinous theme, developer Miki Naftali secured a new wine bar for his Williamsburg Wharf development in Brooklyn (restaurateur James O'Brien is behind the concept). And, to round out the sweets and treats, ice cream delivery service Scoop N Scootery will open its first New York City location at Acram Group's 162 Bleecker Street.

Keeping with retail, there were some interesting investment numbers out last week for Southern California from NAI Capital. Billions of dollars are still being invested in the region's retail despite headwinds. And you'll want to check out this longread about the retail-heavy Fourth & Central project in Downtown L.A. that might just — maybe — turn around the narrative for that struggling area. And, down in South Florida, the retail leasing market is especially busy and tight, per new Colliers data.

There were office leases, too, last week. Like data intelligence firm Curinos taking 14,000 square feet at Marx Realty's 10 Grand Central. (Just an aside re: data and real estate: Multifamily analytics sasquatch RealPage acquired data cruncher Cherre — the pair shared the details exclusively with us last week.) And fashion platform Orly taking just over 20,000 square feet at JLA Home's 20 West 33rd Street. And real estate firm Landmark Management taking 12,168 square feet at Empire State Realty Trust's One Grand Central Place. And the nonprofit Center for Justice Innovation securing 34,300 square feet at GFP Real Estate's 520 Eighth Avenue.

Meanwhile, there were some big sales last week. Mixed-use developer New Empire Corporation paid $33.5 million for a Midtown parking garage. Bridges Development Group bought the Kingswood Center shopping hub in Brooklyn's Midwood for $31 million. Speaking of "Midwood," Midwood Investment & Development paid $9.5 million for a four-story building across from the former Macy's department store in Downtown Brooklyn. Why's this a big deal? `Cause there are wildly ambitious plans for that former Macy's.

Also, developer Wolfe Landau bought a prime development spot in Manhattan's Financial District for $35 million. (Might it make a decent hotel? The city is leading the nation in hotel construction, after all, per a new report from state Comptroller Thomas DiNapoli, which also found that New York's hotels were still recovering from COVID-19 in terms of certain metrics.)

That wasn't the only prime development spot in the news this week: The state selected a trio of developers, including Fisher Brothers and the Gotham Organization, for a Hell's Kitchen parcel near the Intrepid Museum; and the city picked an underutilized Police Department lot in the East Village for a new affordable housing project. Finally, venue operator Caprice Holdings bought 675 Hudson Street in the Meatpacking District as part of a likely plan to turn it into an outpost of its London nightclub Annabel's. The sales price? $100 million.

Such developments and deals take financing, of course. There were plenty of big loans last week: Scrappy little bank J.P. Morgan Chase originated a $162.9 million loan for Slate Property Group and RiseBoro Community Partnership to build affordable housing in Williamsburg, Brooklyn; Affinius Capital provided $176.6 million for a student housing project near the University of Central Florida; staying in Florida, J.P. Morgan loaned Blackstone $205 million to refinance the East Miami hotel in Miami's Brickell neighborhood; and Nuveen Green Capital supplied $101 million for Great Point Studios to build a film and TV production campus in Newark, N.J. (yes, Newark — New Jersey is fast becoming one of the globe's filming hubs).

Plus, Greystone Real Estate Capital closed its second affordable housing fund with $137 million in Low-Income Housing Tax Credit financing from myriad investors. The money will go into creating nearly 2,000 affordable units.

And Citigroup made waves last week with a debt benchmark. The bank priced the largest multifamily-only conduit commercial mortgage-backed securities transaction originated by a single bank since the Global Financial Crisis 15-plus years ago.

**Now and Ben**

This past week also brought news that Brookfield was buying an operating stake in Hudson Square Properties, which controls pretty much all of the office space in its namesake neighborhood. Little wonder they want it: The enclave is perhaps Manhattan's hottest office submarket.

At the helm of Brookfield's commercial real estate business in the Americas is Ben Brown. We sat down with him in Lower Manhattan's Brookfield Place to talk shop. It's a great read.

See you next week!

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