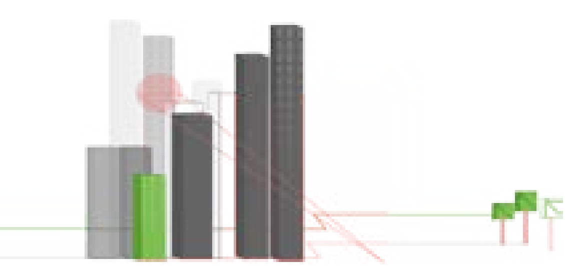
CREDIFI LENDING SPOTLIGHT

NYC | Q4 2016

March 27, 2017

Highlighting Debt
Discovering Opportunities

CONTENTS



INTRODUCTION

NYC'S TOP LENDERS

The Q4 2016 CrediFi Lending Spotlight analyzes $180 billion in financing for 2015 and 2016 to determine the top commercial real estate lenders of 2016 in the New York City market and assess how their lending changed year over year.

This Lending Spotlight also analyzes $18 billion in commercial real estate loans originated in Q4 2016 for the New York City market and examines the quarter’s leading lenders and top loans.

We’ve cast a spotlight on non-bank lenders and multifamily lending, and broken down the ways in which current economic trends tie in to commercial real estate financing.

METHODOLOGY

Rankings and other data in this report are based on CrediFi’s commercial real estate finance data gathered from securitized and balance-sheet loan sources, as well as data from other public and private sources. Rankings and loan amounts are based on dollars originated. Some loans attributed to a single originator may have been syndicated at or after origination or closing, or might have been issued by a fund managed by the originator. GSEs and governmental agencies are excluded from the rankings. Financing is classified as multifamily lending if loans are issued for at least one multifamily property, and as acquisition lending if properties are financed on the same date as a new deed. Data relating to capitalization rates is based solely on public conduit/fusion commercial mortgage-backed securities. Data for commercial condominiums and development properties is limited, as is data for Richmond County. Loan count calculations include no more than one loan per property per day per originator. Any loan that includes at least one New York City property as collateral is classified here as a New York City loan. Loan data analysis is limited to loans having an original balance of at least $1 million.

2016 AT A GLANCE

DEUTSCHE BANK: NO. 1 NYC LENDER

Deutsche Bank was the No. 1 commercial real estate lender in New York City in 2016.

Germany's largest lender increased its CRE financing in New York City by 37% compared with 2015, bringing its origination total from $4.3 billion to $6 billion in 2016.

Deutsche Bank issued about a third more loans in 2016 than in the previous year, pushing its median loan size down to $45 million.

This increase came despite major challenges, including negotiations with the U.S. Department of Justice over the size of its fine for dealings in mortgage-backed securities ahead of the 2008 financial crisis. Though the $7.2 billion settlement, reached in December and finalized in January, could have a long-term negative impact on Deutsche Bank's profitability, it is far below the initial fine of $14 billion, and the resolution of negotiations gives investors a greater sense of certainty. And in March, Deutsche Bank (along with Wells Fargo and the Royal Bank of Scotland) agreed to pay $165 million to settle a class-action lawsuit over their underwriting of mortgage-backed securities issued by subprime lender NovaStar Mortgage, which is now bankrupt.

Other difficult situations Deutsche Bank faced in 2016 include being singled out by the International Monetary Fund as the most important net contributor to systemic risk, and U.S. arm Deutsche Bank Trust Corp.'s fai ling the Federal Reserve stress test over capital planning weaknesses. Deutsche is also highly exposed to any Brexit fallout, and as a major CMBS lender is vulnerable to the recent drop in commercial mortgage-backed securities lending.

Yet for all these challenges, the rise in dollars Deutsche Bank originated for the year bumped up its share of the New York City commercial real estate finance market by three percentage points, to 7%, and its CrediFi Annual Ranking from No. 5 in 2015 to No. 1 last year.

Deutsche Bank issued one of New York City's top Q4 loans, a $396 million loan to Related Companies for 85 10th Ave. in Chelsea, a former Nabisco factory where Oreo cookies were produced. (Though Related is the developer and landlord, Vornado Realty Trust owns a 50% stake and is also a lender on the property.) The 11-story building now primarily provides office space for tenants including Google, which leases 180,000 square feet. Google seems to have an affinity for former Nabisco factories, given that it also occupies one in Pittsburgh's Bakery Square.

See the 2016 CrediFi Annual Ranking in Fig. 1 below for a fuller picture of the top 10 lenders of 2016 and the ways in which their loan origination, market share and CrediFi ranking have changed since 2015.

CrediFi Annual Ranking: **Top 10** Lenders of 2016 (Fig. 1)

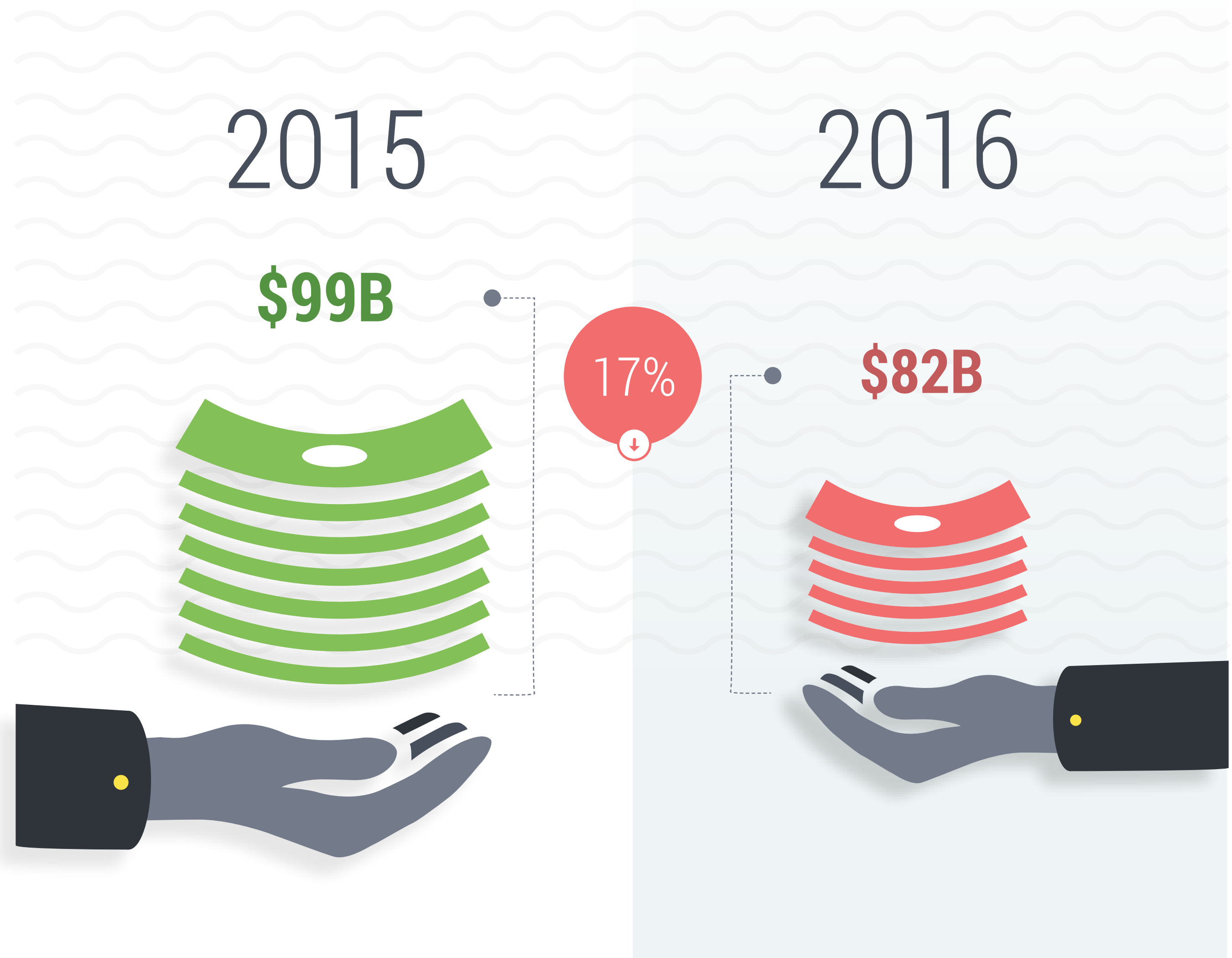
2016 Rank	Lender	Loan Amount	Percent Change	Market Share	2015 Rank
1	Deutsche Bank	$5.5B-$6B	37% ↑	7%	5
2	Signature Bank	$5B-$5.5B	13% ↓	7%	2
3	JP Morgan Chase	$5B-$5.5B	1% ↑	7%	3
4	Wells Fargo	$3.5B-$4B	46% ↑	5%	8
5	New York Community Bancorp	$3B-$3.5B	53% ↓	4%	1
6	Capital One Financial Corp	$2B-$2.5B	12% ↑	3%	10
7	Citigroup	$1.5B-$2B	111% ↑	2%	21
8	Blackstone	$1.5B-$2B	N/A ↑	2%	>100
9	Morgan Stanley	$1.5B-$2B	20% ↓	2%	9
10	M&T Bank	$1.5B-$2B	18% ↓	2%	11

NYC LENDING DECREASE

As can be seen in the annual ranking above, two of the top 10 banks saw their lending drop. Loan origination by Signature Bank, the No. 2 lender of 2016, dropped 13% in 2016 even as its market share increased to 7%, up from 6% in 2015. New York Community Bank's origination dropped even further, by 53%, and its market share droped by three percentage points year over year, to 4%.

This is an indication of an overall drop in commercial real estate lending in New York City from 2015 to 2016, which decreased by about 17% in that time, as seen in Fig. 2 below. (For more on Signature Bank and NYCB, see [Spotlight: Multifamily Lending in 2016.])

Year-Over-Year **Drop in Overall NYC Lending** (Fig. 2)



Two of the other top 10 lenders of the year also saw a reduction in dollar amount originated – No. 9 lender Morgan Stanley and No. 10 lender M&T Bank both dropped by roughly 20% – but their market share remained stable year over year.

NON-BANK LENDERS ON THE RISE

In the CrediFi Lending Spotlight for Q3 2016, we noted that private equity giant Blackstone had broken into the CrediFi ranking of top 5 New York City lenders and that, put together, top 10 non-bank lenders made up 13% of NYC lending in that quarter.

A similar trend is taking place year over year, with Blackstone's commercial real estate origination in New York City rising to over $1.5 billion in 2016, a significant increase over its NYC lending portfolio the previous year. That leap is reflected in Blackstone's placement in the CrediFi Annual Ranking. In 2015 Blackstone did not break the top 100; in 2016 it came in at No. 8.

Other non-bank lenders are also on the rise. The top 50 lenders of 2016 include non-bank lenders Aareal Capital Corp., Acore Capital Mortgage and Starwood Capital Group, all of which saw their lending rise in 2016. The increase was steepest for Starwood, whose lending grew more than tenfold, and Acore, one of the top 5 non-bank lenders in Q3, whose lending quadrupled in 2016. However, Ladder Capital, another top 5 non-bank lender in Q3, saw its lending drop 25% year over year.

Compared with 2015, non-bank lenders also allocated a higher proportion of their commercial real estate financing in 2016 to construction and renovation projects. Construction loans tend to be riskier than other commercial real estate loans but offer a higher yield.

Alternative lenders' increasing interest in the commercial real estate market appears to indicate they are taking over some lending from traditional banks and picking up some of the slack from the slowdown in CMBS lending. Players in the securities market may be taking a step back to assess the impact of the risk-retention requirement, which requires sponsors of commercial mortgage-backed securities to hold on to 5% of every new deal or assign the risk to a B-piece buyer.

WHO ORIGINATED MORE IN 2016

In addition to Blackstone, two other lenders broke into the top 10 in 2016: Citigroup and M&T. Citigroup broke into the top 10 in 2016, rising to the No. 7 spot in 2016 on an 111% rise in dollars originated. M&T, based in Buffalo, New York, moved up from No. 11 to No. 10, yet dropped 18%.

Another top lender that ranked higher in 2016 was Wells Fargo, which went from No. 8 to No. 4. Wells Fargo originated 46% more loans in New York City year over year. It remains to be seen whether the scandal surrounding the bank's opening of 2 million unauthorized bank and credit card accounts will have a significant impact on its customer base or its commercial real estate lending in 2017.

MIXED BAG FOR INSURANCE COMPANIES

American General Life Insurance Company, or AIG, is the No. 6 NYC lender for Q4 but dropped out of the top 10 for the year, going from No. 7 in 2015 to No. 11 in 2016. Both AIG and MetLife (which dropped in rank from No. 12 to No. 19 year-over-year) appear to be on a slight downward trend, with loan origination by dollar amount decreasing for both by around 40%-45%.

By contrast, Prudential is on the upswing, issuing over 100% more loan dollars in 2016 and rising in rank from No. 40 to No. 18. Prudential and MetLife issued just over $1 billion in NYC loans in 2016, with AIG issuing loans totaling closer to $1.5 billion.

And Paris-based insurance company AXA rose impressively up the ranks of overall lenders, moving from No. 85 in 2015 to No. 17 in 2016, on an origination increase of over 400%. (For more about AXA, which originated an $850 million loan in the fourth quarter, see Q4 at a Glance.)

Overall, an analysis of insurance providers engaged in commercial real estate lending in NYC indicates that while the fortunes of any given insurance company may have swung one way or the other between 2015 and 2016, CRE lending in the insurance sector as a whole has remained stable year over year.

WHO'S MISSING

In addition to AIG, Bank of America also dropped out of the top 10 for 2016.

Bank of America's loan origination fell 80% year over year, moving it down from No. 5 in 2015 to No. 21 in 2016. Its median loan size remained approximately the same, about $4 million, but in 2016 it issued roughly half the number of loans originated the previous year.

SPOTLIGHT: MULTIFAMILY LENDING IN 2016

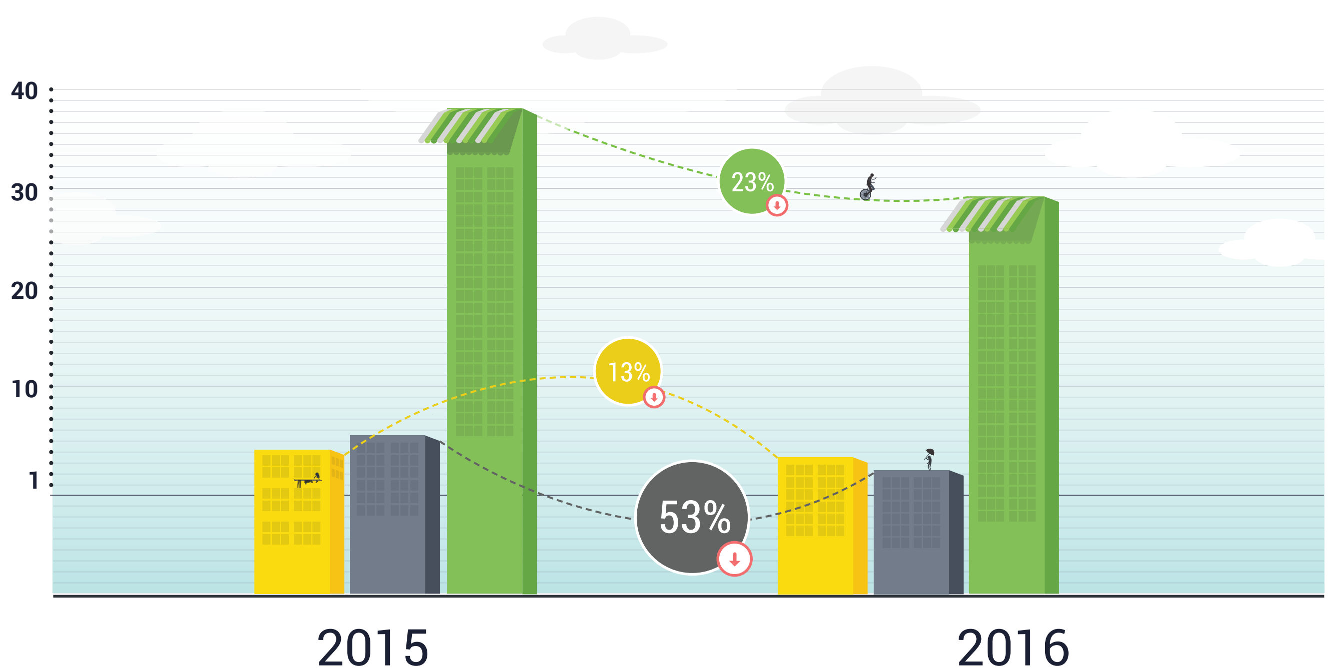
Multifamily lending dropped in NYC by 23% from 2015 to 2016 amid regulatory caution over the pace of multifamily lending and continued reports by senior loan officers of tightening multifamily lending since early 2016. That drop was five percentage points more than the overall decrease in NYC commercial real estate lending.

Given the multifamily drop, it's no surprise that the financing issued by Signature Bank and New York Community Bank – two of the top NYC multifamily lenders – decreased in the same period.

But there is a stark difference in the extent to which the multifamily lending for each of those banks dropped.

Multifamily Face-Off: **Signature Bank vs. NYCB** (Fig. 3)

LOANS CONTAINING **MULTIFAMILY**	**2015**	**2016**
Overall NYC Multifamily Market	$38B	$29B
Signature Bank	$4.2B	$3.7B
New York Community Bancorp Inc	$5.6B	$2.6B



Signature's multifamily drop was less than 60% of the baseline drop in overall multifamily lending across the entire NYC market, which went from $4.2 billion in 2015 to $3.7 billion in 2016.

In the same period, New York Community's lending went from $5.6 billion in 2015 to $2.6 billion in 2016, more than double the proportion by which citywide multifamily lending fell.

One possible explanation for New York Community Bank's larger drop in lending is that the bank appears to be making an effort to keep its total assets below $50 billion, in a bid to avoid being classified as a systemically important financial institution under the Dodd-Frank Act. A SIFI designation would subject the bank to stricter standards and regulations.

New York Community Bank's total assets rose to $46.5 billion in 2015, but dropped to $45.5 billion in 2016, according to FDIC call reports. In a conference call on the bank's Q4 2016 results, NYCB CEO Joseph Ficalora said managing the bank's assets under the current SIFI threshold of $50 billion was a "short-term strategic goal" for the bank. One way of reaching that objective, he said, was to sell $320 million of the bank's multifamily loans in Q4 alone.

Ficalora said the bank sold $1.3 billion in multifamily loans over 2016 as a whole, without which its multifamily loan portfolio would have grown by 8.8% year over year.

Signature Bank, by contrast, has more leeway to grow because it is smaller than NYCB and further away from the $50 billion SIFI threshold. In 2013 Signature's assets amounted to roughly half those of NYCB, according to call reports. They have been steadily growing every year since, rising to $39 billion in 2016.

If the SIFI threshold is raised, as some have suggested doing, NYCB lending may well head back up.

Q4 AT A GLANCE

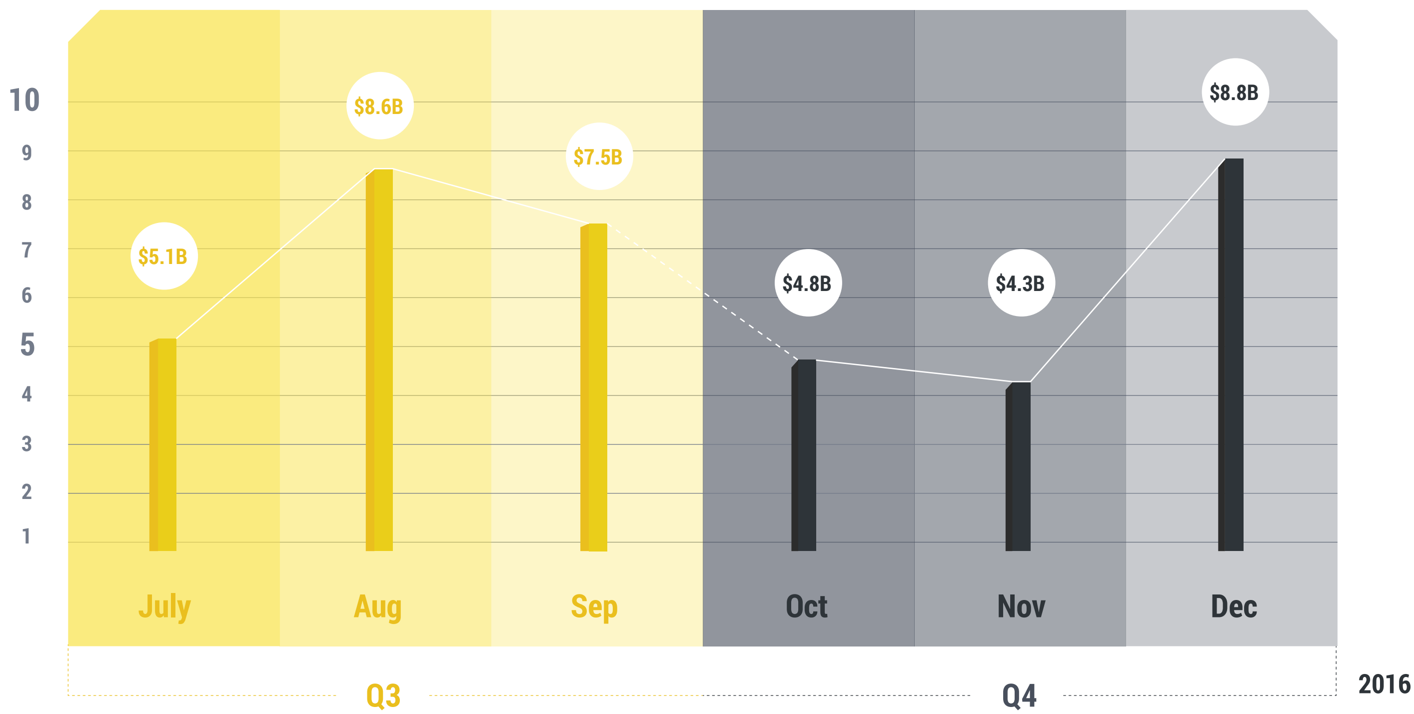
LENDING PATTERN CLOSE-UP

A month-by-month analysis of 2016 lending indicates that Q4 featured the two months of the year with the least financing (by dollar amount) in NYC as well as the month with the most financing.

As can be seen in Fig. 4 below, financing for the quarter started out at $7.5 billion in September, above New York City's 2016 monthly average of $6.8 billion in commercial real estate financing.

Then it dipped sharply in October and November – making them the two months of the year with the least financing, at $4.8 billion and $4.3 billion, respectively – before doubling in December, to $8.8 billion, a record high for the year.

Month-by-Month Breakdown (Fig. 4)



NYC financing followed a somewhat similar but less pronounced trend in 2015, dipping to its lowest point in November before skyrocketing to its highest point as commercial real estate players rushed to close deals in the last month of the year. The 2016 drop started earlier, however, and lasted for two months instead of one, possibly due to the uncertainty surrounding the Nov. 8 presidential election.

LOANS AND OWNERS

GID Development and Henley Holding Co., a subsidiary of the Abu Dhabi Investment Authority, borrowed $1.2 billion (approximately $620 per square foot) in November for the construction of a three-building residential development known as the Waterline Square project, which totals an estimated 2 million square feet. The financing was originated by the New York State Housing Finance Agency to facilitate the deal's municipal bond tax-exempt status, and the bonds were purchased by a syndicate led by Wells Fargo. (Note that though this was among the top loans of Q4, governmental agencies are excluded from the CrediFi Quarterly Ranking, so the Waterline Square financing was not considered for ranking purposes.)

Top Loans and Owners of Q4 (Fig. 5)

Property	Loan Amount	Lender	Owner
Waterline Square project	$1.2B	New York State Housing Finance Agency	GID Development Group, Henley Holding Co.
1301 Avenue of the Americas	$850M	AXA	Paramount Group
229 W 36th St.*	$500M	Credit Suisse	New York REIT
626 1st Ave.	$500M	American General Life Insurance Company	JDS Development Group, Largo Investments
1250 Broadway	$410M	HSBC Holdings PLC	Global Holdings
350 Park Ave.	$400M	Goldman Sachs Group Inc	Vornado Realty Trust
85 10th Ave.	$396M	Deutshe Bank AG	The Related Companies
200 Vesey St.	$290M	Wells Fargo & co	Brookfield Properties
787 11th Ave.	$275M	Blackstone	The Georgetown Company
155 E. 50th St. (Fifty NYC)**	$270M	Goldman Sachs Group Inc	Denihan Hospitality Group

*Cross-collateralized with 11 other properties

**Cross-collateralized with three other NYC hotels

Other top NYC loans in Q4 include a $850 million loan ($481 per square foot) on the 45-story office tower at 1301 Avenue of the Americas that was originated by French insurance provider AXA, along with fellow insurance companies MetLife and New York Life. The 1.8 million-square-foot building, located between West 52nd Street and West 53rd, was designed by renowned architecture firm Skidmore, Owings & Merrill. The tower, which has retail space on the bottom and provides in-building access to the Rockefeller Center, is owned by New York-based real estate investment trust Paramount Group.

Though office and mixed-use properties dominated the top Q4 loans, other property types were represented as well. Take the new American Copper Buildings at 626 1st Avenue, which in February began a soft launch to kick off luxury apartment rentals. JDS Development Group and Largo Investments received a $500 million loan from AIG in December for the showstopping angled pair of towers covered in copper panels and connected by a sky bridge. The towers, designed by SHoP Architects, are slated to have nearly 800 units.

Another non-office property among the top loans is an Affinia hotel called Fifty NYC, at 155 E. 50th St. at Third Avenue. Goldman Sachs issued a $270 million loan to Denihan Hospitality Group in October for the hotel, which was renovated in 2014. The loan came around the same time as the split of a joint venture between Denihan and Pebblebrook Hotel Trust that divided their Manhattan hotel portfolio between the two partners.

In addition to owners like Paramount and JDS, New York City’s top commercial real estate owners in Q4 included New York REIT, yet the real estate investment trust announced in January it had received stockholder approval to liquidate the company. The announcement came shortly after New York REIT received a $500 million senior loan in December from Credit Suisse subsidiary Column Financial for a 12-property portfolio consisting of office, retail and hospitality properties, including 229 West 36th St., a 12-story mixed-use building with tenants such as a health center and the American Language Communication Center, which provides English language instruction.

LEADING LENDERS

Signature Bank was the top NYC lender of Q4, issuing over $1 billion in financing, for a total market share of 7%. Signature reached its high levels of origination by aiming for a high quantity of loans, and was one of two top 10 lenders to issue more than 100 loans in the quarter. Signature issued over 160 loans and JP Morgan Chase issued over 130.

CrediFi Quarterly Ranking **Top 10 Lenders in NYC, Q4 2016** (Fig. 6)

Rank	Lender	Origination	Market Share	Loan Count	Median Loan Size
1	Signature Bank	$1B-$1.5B	7%	163	$5M
2	Deutsche Bank AG	$900B-$1B	5%	11	$42M
3	AXA	$900B-$1B	5%	<5	$452M
4	JP Morgan Chase & Co	$700B-$800B	4%	131	$2M
5	Goldman Sachs Group	$700B-$800B	4%	<5	$154M
6	American General Life Insurance Company	$600B-$700B	4%	<5	$329M
7	Capital One Financial Corp	$600B-$700B	3%	50	$4M
8	Bank of The Ozarks	$500B-$600B	3%	10	$34M
9	Credit Suisse	$500B-$600B	3%	<5	$8M
10	New York Community Bancorp Inc	$500B-$600B	3%	65	$4M

It's worth keeping an eye on the rising activity of two leading Q4 lenders that were not in the top 10 in the previous quarter: French insurance provider AXA, which originated one of the quarter's top loans and surged ahead in the year-over-year ranking as well, and Bank of the Ozarks.

Bank of the Ozarks, based in Little Rock, Arkansas, dipped its toes in the New York City commercial real estate market in 2013 and increased its lending in the following years. In Q1 2016 it ranked as No. 7 in the CrediFi Quarterly Ranking, with over $400 million in financing and 2.4% of the city's commercial real estate market. After dropping off the top 10 list in Q2 and Q3, Bank of the Ozarks returned in Q4, placing in the No. 8 spot with over $500 million in origination and a 3% market share.

In addition, Goldman Sachs, Q4's No. 5 NYC lender, saw an impressive rise in lending, both quarter over quarter and (more extensively) year over year, as can be seen in Fig. 7 below. Goldman Sachs is also poised to benefit from its former bankers' role in the Trump administration, where Steven Mnuchin, a former Goldman partner, is treasury secretary and former Goldman president Gary Cohn is director of the White House National Economic Council. Another Goldman executive, James Donovan, was named as deputy to Mnuchin in March.

Lender Comparison **Quarter-Over-Quarter and Year-Over-Year** (Fig. 7)

Rank	Lender	Q3 2016 Rank	% Change (By Dollar Amount of Loans Originated)	Q4 2015 Rank	% Change (By Dollar Amount of Loans Originated)
1	Signature Bank	4	12% ↑	3	27% ↓
2	Deutsche Bank AG	3	46% ↓	12	112% ↑
3	AXA	N/A	N/A	92	>500% ↑
4	JP Morgan Chase & Co	1	70% ↓	5	34% ↓
5	Goldman Sachs Group	12	123% ↑	>100	>500% ↑
6	American General Life Insurance Company	62	>500% ↑	8	4% ↑
7	Capital One Financial Corp	10	36% ↑	18	66% ↑
8	Bank of the Ozarks	40	424% ↑	24	106% ↑
9	Credit Suisse	N/A	N/A	>100	N/A
10	New York Community Bancorp Inc	6	23% ↓	2	69% ↓

ECONOMIC TRENDS

The Federal Reserve increased its benchmark short-term interest rate in March for the third time since December 2015. With two more rate hikes expected by the end of 2017, interest rates are becoming an increasingly relevant factor in analyzing the near-term future of U.S. commercial real estate.

Higher interest rates make borrowing more expensive for owners, which can have a constraining effect on the commercial real estate market. All else being equal, cap rates will go up and property prices will come down. Yet higher rates also typically signal a stronger economy, which tends to be associated with a stronger real estate market.

Recent surveys of business leaders found high expectations and rising optimism about the U.S. economy. Business Roundtable found the economic outlook of over 100 heads of the largest U.S. companies rose in early 2017, showing the biggest increase since the second half of 2009. And the National Federation of Independent Business found that small business owners' optimism was near a 43-year high in February.

Yet Federal Reserve Chairwoman Janet Yellen indicated that any expectations of rapid economic growth may have to be tempered. The rate hike "does not represent a reassessment of the economic outlook," Yellen said in a March press conference, adding that the Fed expects the economy to "expand at a moderate pace over the next few years."

In the short term, some borrowers may be anxious to refinance sooner rather than later, given that more rate hikes are expected. The latest hike raised the interest rate by a quarter of a percentage point, to a range between 0.75% and 1%.

Higher long-term interest rates are beneficial to lenders, but they might not fully benefit from the increase due to the regulations put in place after the 2007 financial crisis, which can also help curb excessively risky lending practices. Yet this is an unusual juncture: Interest rates are rising after a decade of low rates just as the White House is pledging to minimize regulations. It remains to be seen whether the Trump administration will follow through on minimizing the reach of financial watchdogs and, if so, whether financial institutions will succeed in managing risk sufficiently with reduced oversight.

CONCLUSIONS

- CrediFi Annual Ranking: The No. 1 commercial real estate lender in New York City in 2016 was Deutsche Bank.
- CrediFi Quarterly Ranking: The No. 1 commercial real estate lender in New York City in Q4 2016 was Signature Bank. Other top lenders include French insurance provider AXA and the Arkansas-based Bank of the Ozarks.
- Blackstone and other non-bank lenders are increasing their origination in NYC year-over-year.
- Commercial real estate lending in NYC dropped 17% from 2015 to 2016.
- Multifamily lending in NYC dropped 23% from 2015 to 2016.
- The SIFI threshold may explain the difference between the lending patterns of two of NYC's largest multifamily lenders.

ABOUT CREDIFI

CrediFi is a SaaS data and analytics platform serving the commercial real estate finance industry. Powered by custom data-collecting technologies and a team comprised of real estate, finance and risk experts, CrediFi delivers property, financial, tenant, market and risk-scoring data and analytics in an easy-to-use interface. Opportunity spotting, underwriting and portfolio management are all in one place. CrediFi data coverage spans most of the United States, representing $12 trillion in securitized and non-securitized loans across 2.3 million properties.

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