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Monday, 17 July 2017

Arden Credit Fund Writes First Investment: \$25Mln Mezzanine Loan

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Arden Credit Fund has completed its first investment, providing \$25 million of mezzanine financing against a portfolio of 22 limited-service hotels owned by the Shidler Group.

Shidler, a Honolulu investment manager, had compiled the portfolio over the past two years for a total of \$441.5 million. Most recently, it bought five properties from Hersha Hospitality Trust for \$185 million. It bought the remainder from Wheelock Capital and Chartwell Hospitality. It financed the portfolio through the CMBS market last month, effectively raising \$204 million of senior financing through an issue, HMH Trust, 2017-NSS, that was lead managed by Bank of America. BofA didn't write the loan, rather, it sold bonds secured by the loan, effectively providing Shidler with financing. Shidler, meanwhile, retained a 5 percent risk-retention strip in the deal through a reserve account.

The senior loan represented 51 percent of the collateral portfolio's \$400.4 million appraised value and pays a 4.5 percent coupon.

Shidler also has options to buy the land beneath 21 of the properties. Those options also serve as collateral.

"Arden was the first mezz lender to figure out that control of below-market land purchase options is the ultimate risk hedge when lending on ground-lease properties," explained Jay Shidler, managing partner of Shidler Group, "The current value of just the options is almost twice Arden's exposure."

The Arden loan is co-terminus with the senior loan, which matures in five years, and pays a rate pegged to Libor plus 1,000 basis points, subject to a 0.75 percent Libor floor and a 3 percent cap.

The properties in the portfolio are flagged with among the best-known limited-service brands in the country, including Hyatt House, Hilton Garden Inn, Courtyard by Marriott and Hampton Inn. The portfolio has a total of 2,883 rooms and are concentrated in California, Florida and North Carolina, which collectively account for nearly 52 percent of the portfolio.

The biggest property in the collateral pool is the 203-room Courtyard Alexandria, in the Washington, D.C., suburb of Alexandria, Va.

The properties have undergone \$45.4 million of improvements over the past five years, operated at a 71.7 percent occupancy rate during the 12 months through the end of last February and generated a \$128.83 average daily room rate, for revenue per available room of \$92.40.

Arden Credit Fund is an alternative-lending vehicle sponsored by Arden Group of Philadelphia. The investment manager is aiming to raise \$150 million toward the vehicle, which it will use to fund mezzanine loans and other relatively short-term lending instruments.

Comments? E-mail [Orest Mandzy](mailto:Orest.Mandzy), or call him at (267) 247-0112, Ext. 211.

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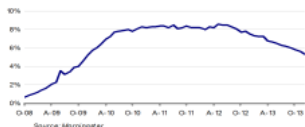
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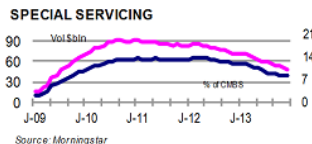
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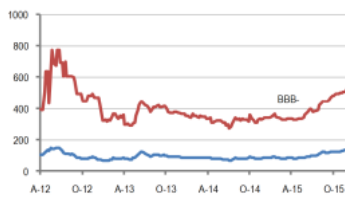
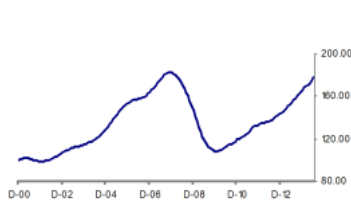
Top Bookrunners Domestic, Private-Label CMBS - 2016

Investment Bank	#Deals	Vol\$mIn	MktShr%
JPMorgan Securities	14.94	10,350.16	15.14
Deutsche Bank	14.21	9,926.60	14.52
Wells Fargo Securities	13.36	9,513.96	13.92
Citigroup	10.87	8,061.79	11.80
Goldman Sachs	10.05	7,563.72	11.07

Top CMBS Loan Contributors - 2016

Lender	#Loans	Vol\$mIn	MktShr%
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JPMorgan Chase Bank	133.67	8,670.33	13.34
Goldman Sachs	156.20	7,418.37	11.41
Deutsche Bank	178.17	6,510.75	10.02
Citigroup	184.41	5,512.20	8.48
Morgan Stanley	113.18	4,130.53	6.35

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