HSBC to Fund Mixed-Use DC Project

HSBC has the inside track to take down a $147 million debt package that would finance construction of a mixed-use complex in Washington.

The proposed floating-rate loan would have a term of six years if all of the extension options were exercised by the borrower, a partnership including **Jamestown Properties, EastBanc** and an arm of **Clark Enterprises.**

The debt would fund development of a Southeast Washington complex called 700 Penn, which would encompass an apartment building with some 160 units, roughly 150,000 square feet of offices and more than 60,000 sf of retail space spread across several buildings. The loan-to-cost ratio on the debt is described as 60-65%, pegging the capital outlay for development at up to $245 million. HSBC may sell down a piece of the loan before it closes in the coming weeks.

The project was first proposed some six years ago. It is at the intersection of Pennsylvania Avenue SE and Seventh Street SE, about half a mile southeast of the U.S. Capitol and less than a block from the Eastern Market Metro station.

The site is the former home of Hine Junior High School. After the school was shut down in 2007, the **City of Washington** solicited plans for redeveloping the parcel. In 2009, some of the partners behind the current proposal won the right to undertake the project. But a lawsuit by local opposition groups slowed progress until last summer, when a court ruled that construction could begin.

While the site is in a part of Washington deemed to be ripe for new developments, there are some speculative aspects to the project. A large chunk of the office portion hasn't been preleased, and the partners have few, if any, commitments for the retail component. ❖

Recruiters Busy as Lenders Expand

The growth of the commercial mortgage industry is creating an increasingly tight job market for lending professionals.

Executive recruiters report an uptick in assignments over the last year from all corners of the industry, including banks, insurers, fund operators and specialty lenders. "Everyone is staffing up," said **Jane Lyons,** a managing partner at **Rhodes Associates** of New York. "There is demand for every functional role."

With new lending shops sprouting up and existing firms expanding, the abundance of job-seekers seen after the downturn has evaporated. "The available talent pool is thin and it has been diluted because you have more lenders," Lyons said.

Search firms are playing a bigger role as employers discover they can no longer rely on their own contacts and word-of-mouth to find talent. "As these businesses continue to expand and new platforms emerge, it's not as much of a referral-and-networking process," said **Anthony Lo Pinto,** global sector leader of real estate at **Korn Ferry.**

"After they make the five calls and find out that they can't get the band back together, that's usually when they call the recruiters," said **Robert Baron,** president of **BCGI American Real Estate Executive Search** of New York.

Companies also are asking recruiters to help them find qualified staff as they expand their operations geographically. "Everyone seems to be looking for rainmakers in key markets to oversee new beachhead locations," said **Bernie Ocampo,** a director at **RETS Associates** of Newport Beach, Calif. He noted that his firm has been approached by a number of intermediate-sized lending operations on the East Coast that are looking to grow.

The strong demand for debt professionals bodes well for those slated to be laid off from **GE Capital Real Estate** as it sells its $23 billion portfolio of commercial mortgages and equity investments to **Blackstone** and **Wells Fargo.** The company is expected to let most of its 1,000 employees go, but recruiters believe they will be quickly reabsorbed. Already, a five-person team led by **Jeffrey Johnson** from GE has been hired by **Annaly Capital** of New York, which is expanding its real estate lending unit. ❖

MetLife Lends on Luxury Hotel in Fla.

MetLife has originated a $53 million mortgage on a historic hotel on Florida's Gulf Coast.

The loan on the 347-room Loews Don CeSar Hotel in St. Pete Beach has a floating rate and a five-year term. The insurer wrote it a little over a week ago for a joint venture between **Loews Hotels** and a **Prudential** investment entity.

The loan-to-value ratio is quite low. The luxury property is valued at around $143 million, a source said, pegging the leverage at roughly 37%.

The iconic beachfront hotel is known as the Pink Palace for its brightly colored, ornate exterior. Opened in 1928, it catered to wealthy travelers during the Jazz Age but was hit hard by the Great Depression. It later rebounded and enjoyed several years of solid performance before it was purchased by the **U.S. Army** in 1942, as large numbers of troops were being brought to Florida for basic training. The property was used by the **U.S. Department of Veterans Affairs** in the postwar years, then was acquired by a local developer and reopened as a hotel in the early 1970s. However, the owner defaulted on loans and control passed to insurance-company lender Connecticut General, which later became **Cigna.**

Loews bought an ownership stake from Cigna around 2003. It's unclear when Pru replaced Cigna in the partnership.

St. Pete Beach is on a barrier island about 10 miles from downtown St. Petersburg. The hotel, at 3400 Gulf Boulevard, has been substantially renovated multiple times over the years. It has a full-service spa, half a dozen restaurants and lounges, two pools, a business center and 38,000 square feet of event space. ❖