

Message

From: Jack Weisselberg [Jack.Weisselberg@laddercapital.com]
Sent: 4/23/2015 12:25:07 PM
To: Brian Harris [Brian.Harris@laddercapital.com]
CC: Craig Robertson [Craig.Robertson@laddercapital.com]; Michael Mazzei [Michael.Mazzei@laddercapital.com]; David Henschke [David.Henschke@laddercapital.com]; Ed Peterson [Ed.Peterson@laddercapital.com]; Greta Guggenheim [Greta.Guggenheim@laddercapital.com]; Pamela McCormack [Pamela.McCormack@laddercapital.com]; Matthew Jacobs [Matthew.Jacobs@laddercapital.com]
Subject: 40 Wall Street
Attachments: image003.jpg

Brian-

We sat down today to discuss the 40 Wall Street transaction for Trump. The proposed loan of \$160,000,000 (\$137/SF excluding the ground lease, \$369/SF including the ground lease), with a real LTV of approximately 35-40% and a DSCR of 2.32x at closing and a debt yield of 14.02% at closing, will take out the current \$160,000,000, 7 year IO loan that they currently have with Capital One. That loan has a required \$5.0 million amortization payment in November 2015. Alternatively for Trump, they can make that same \$5.0 million payment to break the swap (prepayment penalty) which would be a tax deductible payment. So, a new loan would reduce his rate from 5.71% to a low to mid 3's rate, extend his loan for 10 years and allow him to recover his prepayment penalty in a little more than 1 year. Of note, he will be coming out of pocket for the prepayment penalty.

The rub on the deal is the ground lease. The current payment is \$1.65 million per year. It bumps every few years (to a max of \$2.8 million) until January 2033. At that time, the rent is reset to a level that is equal to 6% of the land value at that time, assuming a 900,000 SF building. We spoke with Cushman and they believe the value is approximately \$300/SF. So we believe the payment will increase to roughly \$16.4 million in 2033. Due to this increase, we are structuring the loan on a 25 year schedule to limit the exposure at maturity for the refinance. We can get into the details with you on a call if you would like, but we have gotten comfortable with that risk and David and Craig believe we can get a BBB rating on the loan with the majority of the rating agencies.

With all of that being said, Ed has concluded to a break-even spread of 101 with 14 bps per point profitability. They are leaning towards not doing a 6 month forward (the loan will close in November), but if they decide to do so the cost is roughly 2.35 bps per month (14.2 bps for the full 6 months). Our biggest competition will be someone that Jared brings in, but I believe life cos will have an issue with the ground lease, so that limits his possibilities. I recommend going out at 130 over assuming no forward rate lock, and we can add on 2.5 per month if they decide to rate lock at any point (if rates start to tick up). I will set a floor that is 10 below the current rate at application.

Please let us know your thoughts or if you would like to have a conversation later today. I was planning on sending them a 1 page term sheet after we finalize our quote and we can go from there.

Thanks.

Jack

[LC Logo.jpg]
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