



New Financial Solutions for Corporate Real Estate Portfolios

March 6th, 2013

London / New York / Hong Kong

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Richard Podos	Lance Capital LLC	Events

Welcome to our newest committee member, Fran Ferrone, Mancini.Duffy/TSC

New Financial Solutions for Corporate Real Estate Portfolios



Moderator

**Michael Rotchford, EVP & head of
Corporate Finance and Investment Banking
Cushman & Wakefield**



Disposing of Surplus Lease Portfolios

**Alexander Anton, Chairman
Helen Casey, Director
Legacy Portfolio UK/USA**



Performance Financing for TI and Sustainability

**Richard Podos, CEO & President
John O'Rourke, Managing Director & Principal
Lance Capital LLC**



Replacing Security Deposits with Insurance

**Andrew Ross, Regional Underwriting Manager - North Asia
Peter Coppin, Business Development
QBE Insurance**



**Strategy &
Portfolio Planning**

Disposing of Surplus Lease Portfolios



What's the problem?

- Surplus property is a 'ticking time bomb'
- Time consuming and a daily financial drain on resources
- Management intensive and non-core to main business
- Blight on Balance Sheet
- Reluctance to invest in solution
- Reputational risks to the corporate of an event

What are the solutions?

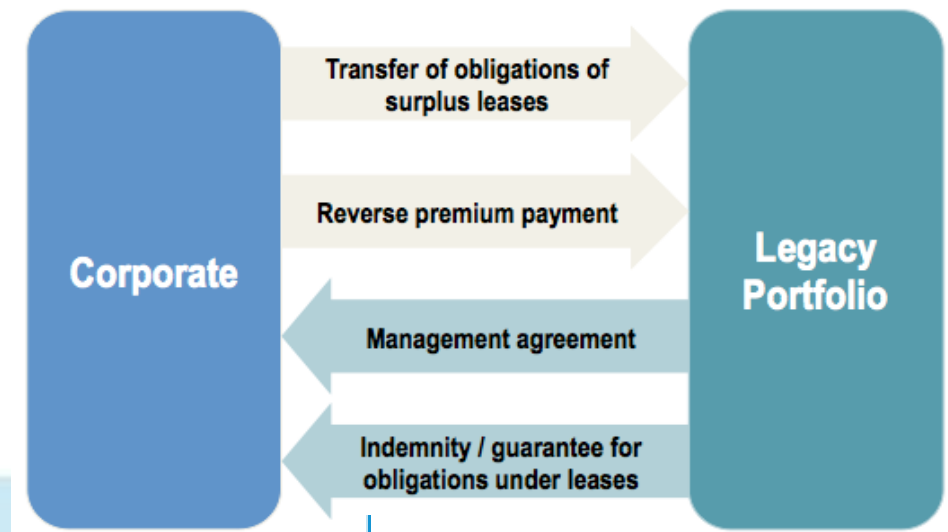
- In-house property team
- Outsourcing to an agent to mitigate cost
- Lease liability deal with specialist provider

Why Legacy Portfolio?

- Focus
- Environment
- Relationships
- Results

What is a Leasehold Liability Transfer?

- It is a single transaction aimed at transferring liability to a specialist
- The specialist focuses totally on the removal of risk
- A management agreement governs all financial and real estate activity
- A reverse premium is paid - typically reflecting provisioning
- The management agreement controls how the specialist is rewarded



Performance Financing for TI and Sustainability



- **Lance Capital** provides funding for new, renewal, or expansion leases that need significant capital for tenant improvements / “build-out”, whether for Landlord’s contribution or Tenant’s hard & soft capital expenditure budget or both, as well as commissions, moving costs, etc.
- Lance acts as a non-recourse unsecured lender to the property to provide a larger / turnkey TI contribution, and Tenant pays additional rent to amortize the TI funding over the lease term.
- Cost of capital is directly related to tenant credit quality, deal size and lease term; typically between 4.0% - 6.0%, and is more cost-effective than either the Landlord’s cost of capital or the cost of Tenant’s capital at WACC, while providing 100% TI financing.
- Execution is seamless to standard leasing practices, flexible, and able to satisfy the needs of all transaction participants as well as various lease terms, property types, and locations. Tenant Improvements Funding Solutions (“TIFS”) applies to investment grade and select sub-investment grade tenants across all property types.
- Very effective tool for improving ROIC and ultimately P&L earnings.
- Latest application is for sustainability as TI, with a focus on portfolio-wide LED lighting. General approach is a “lighting services contract”: No up-front cap ex, with immediate savings of 40% or more on lighting energy and maintenance costs, generally \$1 per RSF or more per year.

BEST FINANCIAL STRUCTURE

FIRST PLACE

Property: 470 Vanderbilt Ave.,
Brooklyn, N.Y.

Financiers: Lance Capital L.L.C. (arranger) and CGA Capital Corp. (provider)

Borrowers: GFI Development, Starwood Capital and The Carlyle Group

Size of Transaction: \$44 million

Type of Transaction: Tenant improvement financing

Size and Age of Property: 400,000 square feet in a 650,000-square-foot, 80-year-old office building

Loan-to-Cost/Rate: 100 percent/Less than 4.25 percent

Length of Loan/Time to Close: 20-year lease/30 days

The Story: The New York City Human Resources Administration signed a 400,000-square-foot, 20-year lease, but the building required renovation as well as tenant improvements, including more than \$100 million in construction



work and recapitalization including a \$130 million senior loan syndication. A \$44 million loan was made to the building's owners, non-recourse but backed by a portion of the agency's rent. CGA issued bonds tied to the loan and privately placed with institutional investors.

Judges Praised: Precedent setting, very complicated, extremely difficult politically and completed very quickly.

Submitted by: Lance Capital and CGA Capital

Replacing Security Deposits with Insurance



Tenant Default Insurance:

- **QBE Insurance** offers Landlord a security as replacement of tenant's bank guarantee, LOC, or cash deposit
- Costs significantly less than deposit - approximately 1.5% of annual rent during insured term; better credit risks get lower pricing
- Can be assigned by a landlord to a financial institution as security against further funding
- Protect landlord's cash flow against default or insolvency of tenant
- Multiple lessees on one combined policy in a building reduces cost per lessee and offers greater protection for the landlord

Q & A



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**Strategy &
Portfolio Planning**

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Michael Rotchford

EVP & Head of Corporate Finance & Investment Banking
Cushman & Wakefield

Michael is an Executive Vice President in Capital Markets and President of Cushman & Wakefield Securities, Inc. He is responsible for the firm's investment banking activities. In his position, Michael uses structured financial products, involving tax, capital and accounting strategies, to assist corporations, institutions and other real estate owners in maximizing real estate value. He has completed financing and sale assignments for numerous corporate and institutional clients including Reader's Digest, Pfizer, VNU, Ondeo-Nalco, Foster Wheeler, Silicon Graphics, Telcordia Technologies, Verizon Capital Corporation, and CIT. He was awarded the Real Estate Board of New York's 2011 Most Ingenious Deal of the Year for acting as financial advisor to the Port Authority of New York & New Jersey on the World Trade Center redevelopment, and was also awarded the 2009 Edward S. Gordon Memorial Award for the most ingenious real estate financing transaction in New York. Michael has completed over \$15 billion in assignments while at C&W.

Alexander Anton

Chairman
Legacy Portfolio

Alexander has been instrumental in focusing corporates on implications for their lease liability portfolios for the last 15 years. First identifying the issue while working for BET plc in 1992, he went on to found FraserCRE in 1993 to provide a focused service to corporate occupiers with surplus leasehold portfolios - The Reluctant Landlord. He has continued to lead the industry and was Chairman of the Federation of Corporate Real Estate Advisors, an industry body he helped found in 2005.

Helen Casey

Director
Legacy Portfolio

Helen plays a leading and strategic role to drive the company forward, developing new business channels and securing opportunities; principally focusing on business development and creative marketing. She has employed her interest in social media to promote the business trans-Atlantically, presenting at numerous networking events in the UK and USA, for CoreNet, The Federation of Corporate Real Estate and Young Entrepreneurs in Property. Helen is currently studying towards her MBA at Imperial College, London.

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Richard Podos

CEO & President

Lance Capital LLC

Richard is the founder of Lance Capital LLC and its related companies, and the author of many of its core concepts, including patent-pending TIFS/ETIFS and SLB+. Prior to current initiatives, he delivered strategic advisory services for major corporate real estate portfolios worldwide, using POAST™, a proprietary analytical tool, to support private equity investment in approximately 35 worldwide corporate investment and M&A transactions totaling over \$500 billion, representing in aggregate greater than 400 million square feet. Additionally, Richard has been at the forefront of the application of financial innovation and technology in the commercial / corporate real estate industry throughout his career. Richard has been in the commercial real estate industry for over 28 years, with corporate clients including: AT&T, Bank of America, BNY Mellon, Chrysler Corporation, General Motors, HSBC, IBM, JP Morgan Chase, Oracle, Prudential Financial, Tiffany & Co., UnitedHealth Group, Verizon, and Xerox.

John O'Rourke

Managing Director & Principal

Lance Capital LLC

John brings over 26 years of real estate investment banking, structured finance/CMBS and strategic advisory/consulting experience gained at Goldman Sachs, UBS Securities, Mercer Consulting, and DTZ Rockwood. Most recently, as Managing Director and Partner at DTZ Rockwood, John headed the Financial Services Group, an integrated real estate finance team that advised, structured and executed more than \$5 billion of debt and equity finance transactions, including both newly originated and secondary sales of senior/mezzanine debt and preferred equity as well as programmatic joint venture equity and property- and entity-level recapitalizations on behalf of both developers/owners, real estate investment managers and financial institutions.

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Andrew Ross

Regional Underwriting Manager - North Asia

QBE Insurance

Andy has 18 years as a Credit Risk Underwriter covering international and export transactions across the globe, initially London based Andy held a portfolio covering Southern Europe and Japan, following a move to Australia concentration was on the design and distribution of trade related policies covering exports from Australia to predominantly Asian risks. Now Andy runs a team of underwriters based in Hong Kong covering Northern Asia focused on development and distribution of existing and new trade related products and markets.

Peter Coppin

Business Development & Distribution Manager

QBE Insurance

Following various roles in the automotive, logistics and hospitality industries in Australia, Peter joined the general insurance industry 8 years ago as an underwriter of general lines business. Over the past 8 years Peter has underwritten various lines of insurance including Property, Liability, Employee Compensation, Construction and Motor. For the past 2 years Peter has been based in Hong Kong managing a small team focused on business development and distribution management for QBE's major trading partners.