

Monday, April 16, 2018

Chicago's 175 West Jackson Sees Appraised Value Slashed

The 1.5 million-square-foot 175 West Jackson Blvd. office building in downtown Chicago has been appraised at a value of \$347 million - 15 percent less than its \$410 million appraised value pegged in 2013, when a \$280 million CMBS loan was written against it.

The lower appraised value reflects the 23 percent drop in the property's net cash flow since 2013, when its loan was written. Pieces of loan are scattered among three transactions: COMM, 2013-CCRE12, which holds a \$147.4 million piece; COMM, 2013-CCRE13, with an \$88.3 million piece, and COMM, 2014-CCRE14, with a \$39.2 million piece. The loan has amortized since it was written.

The loan had transferred to special servicer LNR Partners last month as it was expected to default. It's now classified as being more than 60 days late with its payment. When a CMBS loan transfers to special servicing, an appraisal is ordered in order to ensure that its servicer doesn't continue to advance payments that it might never recoup.

Servicers continue to pay a loan's obligation even when they default to ensure bond investors continue to receive what they had expected. When the loan, or its collateral is liquidated, it then recoups the advances it had made. If a collateral property's value declines, it allows the servicer to reduce its advances.

The lower appraised value for 175 West Jackson was highlighted this morning in a TreppWire report.

It might indicate that the loan's in the process of being modified, to pave the way for Brookfield Asset Management's

purchase of the building. The Toronto asset manager is said to be in talks to buy the building for \$305 million and was hoping to assume the financing. The company hasn't returned calls for comment.

The loan started feeling pressure in October 2016, when it started amortizing.

Last year, the building had generated \$17.4 million of net cash flow, which was just less than what was needed to fully service the financing. Last year, it was 83 percent occupied, down from 92 percent in 2013.

When the loan was written, the building's largest tenants were Classified Ventures LLC, which had occupied 140,378 sf, and Grant Thornton, which occupied 133,724 sf.

The latter moved to 161 North Clark St., also in Chicago, when its lease matured in 2015, while the former, which operated the Cars.com and Apartments.com websites, moved out last year and since has dissolved.

Enova International, a financial technology company, four years ago leased 154,866 sf under a 12-year agreement.

Meanwhile, Morningstar Credit Ratings has placed a \$243 million estimate of value on the property, and expects the CMBS deal could ultimately suffer \$63 million of losses when the loan is resolved.

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