Commercial RealEstate Direct

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Wanxiang Funded $40Mln of Fresh Equity to Get Term Extension on Pru Plaza Loan

Wanxiang America Real Estate Group, which owns Prudential Plaza in Chicago, had ponied up $40 million of fresh equity to win a two-year term extension of the $385.55 million CMBS loan against the 2.3 million-square-foot office complex.

As has been reported, Wanxiang, the Elgin, Ill., affiliate of Wanxiang Group of Hangzhou, China, which is a dominant manufacturer of auto parts in that country, had been working with CWCapital Asset Management, the loan's special servicer, on an extension.

The loan, scattered across six CMBS transactions, wasn't slated to mature until August 2025. But Wanxiang took a pre-emptive approach, calculating that if and when lending markets return, lenders might be unwilling or unable to provide it with the amount of leverage it might need for a full pay-off. So, last May, it had sought a transfer to CWCapital in the hopes of working out some sort of term extension.

Meanwhile, the company was in the midst of a $50 million renovation plan. It figured it needed time after that was completed for the property to stabilize.

Working in its favor, evidently, is the fact that Wanxiang is considered a long-term investor.

The loan is comprised of a $106.84 million piece in COMM, 2015-CR26; a $69.68 million piece in CD, 2016-CD2; a $65.03 million piece in CD, 2017-CD3; a $60.39 million piece in JPMDB Commercial Mortgage Securities Trust, 2017-C5; a $46.45 million piece in CD, 2016-CD1; and a $37.16 million piece in COMM, 2016-COR1. It pays a 4.61 percent coupon and has been amortizing on a 30-year schedule since July 2019.

Pru Plaza, at 130 East Randolph St. and 180 North Stetson Ave., was 77 percent occupied and on track to generate $29.33 million of net cash flow last year, according to servicer data compiled by Trepp Inc. That's based on the $22 million it had generated through last September. In 2022, it had generated $42.48 million of cash flow and was 83 percent occupied.

The loan against Pru Plaza is the latest against an office property to be modified by CWCapital. In each case, the property's owner has had to pony up additional capital. And the loan often remained in cash management, meaning the servicer would continue sweeping all cash flow.

Last July, for instance, what had been a $240.56 million loan against the Republic Plaza office property, with 1.3 million sf in Denver, was extended by just more than three years to March 2026. But like Wanxiang, Republic Plaza's owner, a venture between MetLife Real Estate Investors and Brookfield Office Properties, had to pay down the loan.

That loan originally had a $280 million balance, but started amortizing on a 30-year schedule in 2015. Its amortization requirement was lifted as part of the extension.

Another example is the $102.97 million loan against 515 Madison Ave., a 324,265-sf office building in midtown Manhattan. The loan originally had matured last January, but was extended through January 2025. That property's owner, GFP Real Estate, led by Jeff Gural, paid down the loan's principal balance by $5 million and made a large commitment to fund a tenant improvement and leasing commission reserve fund.

The common denominator of the office loans that have gotten extended is that their collateral is owned by long-term holders, which have made substantial equity commitments to their properties and aren't likely to simply give up on them. In addition, in each case, the collateral owners have shown their commitment by investing additional capital in order to get the extensions.

The deals prove there's no free lunch, particularly for office owners seeking loan extensions.