

Bank of China eyes expansion into U.S. securitization

Lingling Wei and Al Yoon

Bank of China Ltd. has emerged as one of the largest foreign lenders to commercial real estate in the U.S. Now the state-owned Chinese bank is looking for ways to make even more loans in a quintessential American way: packaging its loans into securities that are in turn sold in a market red-hot with demand.

Bank of China's interest in securitization coincides with an unprecedented start to the year for the commercial-mortgage-bond market. The Federal Reserve's low interest-rate policies have pushed more investors from relatively safer investments to those with higher yields and greater risks.

The issuance of commercial-mortgage-backed securities, known as CMBS, is on track to reach \$26 billion for the first quarter, more than four times the level from the same period of 2012 and the highest three-month total since the fourth quarter of 2007, according to Commercial Mortgage Alert, a trade publication. The \$8.8 billion sold in January marked the biggest ever start to a year.

Beijing-based Bank of China has become increasingly active as a lender to U.S. property developers since late 2009, joining scores of well-capitalized Chinese investors who have helped fuel a commercial real-estate recovery in U.S. cities. The bank's bet is that property values have fallen enough that its lending risks will be limited.

Bank of China had \$3.7 billion in commercial-property loans outstanding in its U.S. branches as of the fourth quarter, according to data provider Trepp LLC, almost four times the level in the same period of 2009. That makes it the No. 3 foreign property lender in the U.S., not far behind TD Bank Group's Toronto-Dominion Bank and BMO Financial Group's Bank of Montreal, according to Trepp.

The Chinese bank has surpassed some German banks—traditionally among the most active foreign property lenders in the U.S.—that retreated from the U.S. market after suffering losses tied to loans made during the bubble years. For instance, Bank of China has moved past Germany's HSH Nordbank AG, the Trepp data show.

In lending circles, "they are like the 1,000-pound gorilla in the room, where they have the capital to [lend at] very competitive terms," said Christopher Haynes, the founder of loan adviser Broadacre Financial Corp. and a 20-year veteran of Merrill Lynch's real-estate team. "Securitization may be encouraging them to do even more."

Starting late last year, Bank of China began to experiment with converting its property loans into securities. In November, it joined a group of banks in a \$950 million commercial-mortgage loan to finance a 43-story Midtown Manhattan building at 1290 Ave. of the Americas that is a partnership between Vornado Realty Trust and Donald Trump. The loan was packaged into bonds, marking the first participation by a Chinese lender in a U.S. CMBS.

Bank of China's portion of the loan was about \$211 million. Deutsche Bank AG, Goldman Sachs Group Inc. and UBS AG, ran the CMBS deal.

The Chinese bank plans to do more securitization deals in the U.S., as selling off the loans as securities will enable the bank to free up capital to lend more in the U.S. Its goal this year is to originate loans intended for an additional two to three such deals, a person with knowledge of the bank said.

In the long run, the person said, Bank of China plans to "invest more in personnel and broaden its distribution channel in the U.S."

More immediately, Bank of China doesn't intend to become a licensed U.S. broker-dealer, which would allow the bank to play a larger role in securitization and sales.

Industrial & Commercial Bank of China Ltd., China's largest lender by assets, ventured into the broker-dealer business in the U.S. in 2010. ICBC at the time paid a symbolic \$1 to take over the Prime Dealer Services unit of Fortis Securities, controlled by France's BNP Paribas SA.

Since then, the ICBC broker-dealer in the U.S. has focused on clearing trades of Treasury bonds and other types of fixed-income securities for clients. The collapse of MF Global contributed to a surge in ICBC's clearing volume last year, which reached more than \$50 trillion.

In the longer term, the ICBC unit hopes to use that business as a base to get into other areas such as underwriting securities in the U.S. market.

The latest securitization foray by Bank of China involved teaming up again with Goldman Sachs and Deutsche Bank, this time on a \$900 million loan on 1515 Broadway, a 1.7 million-square-foot office and retail property in Manhattan's Times Square. The 12-year loan refinances about \$775 million of existing debt and also provides enough proceeds to hand \$116 million in cash to borrower SL Green RealtyCorp.

Goldman Sachs and Deutsche Bank priced the two-tranche issue this week with yields of 2.81% for the eight-year loan and 3.22% for the 12-year loan. Both were slightly higher than expected as CMBS prices have softened in recent weeks and investors demanded more compensation for the longer-than-usual maturity on the issue.

Edward Shugrue, chief executive of CMBS investor and servicer Talmage, said Bank of China is one of the large sovereign entities looking for significant U.S. real-estate holdings. Lending on trophy assets in cities such as New York is a "prescient first step," he said.

Other known sovereigns in U.S. commercial real-estate lending include Abu Dhabi Investment Authority, the Norwegian Government Pension Fund Global, and the Government of Singapore Investment Corp.

Fonte: The Wall Street Journal, Nova York, 28 Feb. 2013, International.

A utilização deste arquivo é exclusiva para fins educacionais.