

CASE STUDY

Pillsbury Guides Chinese Investment Group Through Its First U.S. CMBS Transaction



Client:	A Chinese commercial real estate investment group
Matter:	Acquiring a 5,000-unit multi-family project in Texas and Maryland in the midst of Chapter 11 bankruptcy proceedings
Transaction Value:	\$350 million
Area of Law:	Insolvency and restructuring, real estate, finance, securities
Result:	Pillsbury negotiated and structured one of the largest multi-family transactions to close since 2008



The Opportunity

A Chinese real estate investment group was considering its first investment in the U.S. commercial real estate market. It identified a 5,000-unit apartment project in Texas and Maryland that satisfied its investment parameters, but the project was in the midst of the prior owners' complex Chapter 11 proceeding—the borrowers' equity had been wiped out, the assets were encumbered by multiple layers of CMBS debt, and the appointed Special Servicer was actively scrutinizing any proposed restructuring transaction.

Wanting to pursue this opportunity, the investment group turned to Pillsbury's Distressed Real Estate team for advice.

The Challenge

The Pillsbury team applied its extensive experience with insolvency law, multi-state real estate projects, and lending and securitization finance to devise a solution. Their goal was to structure a viable transaction and package it in a way that would demonstrate credibility to the Special Servicer for the senior notes—critically important in a competitive bidding situation.

They proposed a series of transactions: the investment group would acquire existing subordinate debt from lenders, convert that debt to equity through the bankruptcy process, and assume the remaining \$296 million of outstanding senior CMBS debt through a favorable restructuring.

The Result

With Pillsbury leading the negotiations, the deal closed successfully in January 2010. The investment group acquired the assets on favorable terms through a structure that allowed them to rehabilitate the projects over time.

A difficult deal to close in even a strong real estate market, the transaction was one of the largest multi-family transactions since 2008, and one of the first deals since then where a buyer used the bankruptcy process to restructure and eliminate CMBS debt while concurrently acquiring commercial real estate assets.