

Bond holders struggle to monitor health of CMBS deals

CMBS investors are having a tough time managing their portfolios. Ope Agbaje, a director with Neuberger Berman Europe's structured products group, said there wasn't enough information to monitor deals and their valuation assumptions, or information only emerged when borrowers and/or servicers came up with a plan after defaults.

"Some servicers have improved their information; others are more reticent," she said diplomatically. "We are dependent on the sponsor approaching us with a plan. Note holders have to call each other and build up a committee or a quorum to get the sponsor to sit down in front of us."

She agreed that there was a role for a financial adviser, depending on the deal's complexity. "Sometimes we can't get information, or getting it would restrict us

from trading, so a financial adviser can act as a screen for us," she added.

Speaker Chris Lees, vice president at real estate investment banking/advisory firm Brookland Partners, said his firm could bring "a level of co-ordination and experience." He added that international investors "sometimes bought late vintage [CMBS] on the back of ratings and without in-depth knowledge of the deals or the collateral. It may not always be practical for them to be involved without a financial adviser."

Jim O'Leary, Capita Asset Services' head of servicing, said servicers acted in accordance within the authorities and restrictions of each deal's documentation, which varies, "but servicers try to be proactive in finding solutions, rather than waiting for things to happen".