



## IStar's Portfolio of Nonperformers Shrinks; REO Climbs

IStar Financial Inc.'s portfolio of nonperforming loans shrunk slightly during the third quarter, to 85 loans with a balance of \$4.4 billion from \$4.6 billion in the second quarter.

But that could be explained in large part by the company's foreclosing on 15 properties with a loan value of \$826.5 million. The company's real estate-owned portfolio stood at 29 assets with a book value of \$920.1 million as of the end of the latest quarter. IStar plans to sell \$584.5 million of the assets in the short term and hold the remainder as investments.

According to Jay Sugarman, the company's chairman and chief executive, the expectation is that the REO portfolio will keep on growing, as borrowers continue to face difficulties lining up debt to take out iStar's loans and property markets weaken.

The company's portfolio of nonperformers is backed primarily by land (30.2 percent of the portfolio) and condominium-construction assets (16.4 percent). But it also contains loans on apartment properties (8.4 percent), retail space (6.8 percent) and office properties (1.8 percent), among other assets.

Nearly a quarter of the company's overall portfolio by balance - both nonperformers and performers - is backed by properties on the West Coast.

The New York finance company holds \$13.4 billion of assets, of which \$8.6 billion is comprised of loans. The bulk of the remainder is in the form of credit-tenant leases. That's down from \$15.3 billion at the end of last year.

It has shrunk its portfolio by asset sales and principal repayments. During the latest quarter, it received \$403.6 million of principal repayments and generated \$182.4 million of proceeds from the sale of loans, \$22 million from the sale of three corporate tenant leases and \$25.9 million from the sale of foreclosed real estate.

It used \$192 million of those proceeds to pay down financing that was used to [acquire the commercial real estate lending operation of Fremont General Corp.](#) two years ago. It still has about \$700 million outstanding under that credit facility, which must be paid down as Fremont assets are sold or otherwise liquidated.

IStar said it funded \$283.1 million of commitments under existing loans and it still has another \$1.1 billion of unfunded commitments outstanding. It has \$187.1 million of cash on hand at the end of the quarter and \$417.4 million available under a credit facility.

It is relying on asset sales and loan repayments to fund those commitments. In total, the company said it would require some \$1 billion of cash between now and next April, including \$425 million of unfunded commitments.

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