

# Starwood Property Trust and Starwood Capital Group to Sell Interest in \$475 Million First Mortgage and Mezzanine Financing on Times Square Property to Vornado Realty Trust

Company Release - 10/22/2012

GREENWICH, Conn. & PARAMUS, N.J.--(BUSINESS WIRE)-- **Starwood Property Trust** (NYSE: STWD) and **Starwood Capital Group** (on behalf of Starwood Distressed Opportunity Fund IX) today announced the sale to Vornado Realty Trust (NYSE: VNO) of a 25 percent participation in both the first mortgage and mezzanine loan on 701 Seventh Avenue in the Times Square area of Manhattan.

On October 16, 2012, Starwood Property Trust and Starwood Capital Group announced the co-origination of a \$475 million first mortgage and mezzanine financing for the acquisition and redevelopment of a 10-story retail building located in Times Square. \$375 million was funded at closing and \$100 million will be funded upon reaching certain milestones during the transformation of the property. STWD, Starwood Distressed Opportunity Fund IX, and VNO have now funded \$210.9 million, \$70.3 million and \$93.8 million, respectively, and each party will fund their pro rata share of any future fundings. Following the sale to Vornado, the Starwood entities retained the controlling position in both the first mortgage and mezzanine loans.

The lenders intend to sell the first mortgage in the near term to increase their investment returns and retain the mezzanine loan. Following the completion of the sale, the existing lenders expect that the mezzanine loan will generate an IRR in excess of 14 percent before attributing value to the equity participation received in the transaction which could be material.

## About Starwood Property Trust, Inc.

Starwood Property Trust, Inc. is focused on originating, investing in, financing and managing commercial mortgage loans and other commercial real estate debt investments, commercial mortgage-backed securities ("CMBS"), and other commercial real estate-related debt investments. Starwood Property Trust, Inc. also invests in residential

mortgage-backed securities ("RMBS") and residential real estate owned, and may invest in non-performing loans, commercial properties subject to net leases and residential mortgage loans. The Company is externally managed and advised by SPT Management, LLC, an affiliate of Starwood Capital Group, and has elected to be taxed as a real estate investment trust for U.S. federal income tax purposes.

## About Starwood Capital Group

Starwood Capital Group is a private, U.S.-based investment firm with a core focus on global real estate. Since the group's inception in 1991, the firm has raised nearly \$16 billion of equity capital and, through its various funds, has invested \$13 billion representing nearly \$35 billion in assets. Starwood Capital Group currently has over \$21 billion of assets under management. Starwood Capital Group maintains offices in Greenwich, Atlanta, San Francisco, Washington, D.C., Los Angeles and Chicago, and affiliated offices in London, Luxembourg, Paris, Mumbai and Sao Paulo. Starwood Capital Group has invested in nearly every class of real estate on a global basis, including office, retail, residential, senior housing, golf, hotels, resorts and industrial assets. Starwood Capital Group and its affiliates have successfully executed an investment strategy that includes building enterprises around core real estate portfolios in both the private and public markets. Additional information about Starwood Capital can be found at [www.starwoodcapital.com](http://www.starwoodcapital.com).

## About Vornado Realty

Vornado is one of the largest owners and managers of commercial real estate in the United States with a portfolio over 100 million square feet, primarily located in the New York and Washington, DC areas. Vornado's core businesses include New York Office and Retail Properties; Washington, DC Office Properties; and, Retail Properties in the northeast states, California and Puerto Rico.

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