

CRAIN'S DETROIT BUSINESS

September 19, 2010

Investors buy loan for Chrysler HQ

A group of local and national investors is expecting to cash in on a loan deal involving the **Chrysler LLC** headquarters building in Auburn Hills.

Details coming to light about the quietly brokered deal indicate a \$225 million loan — which uses the 4.4 million-square-foot building as collateral — was purchased for \$60 million, according to sources with knowledge of the deal.

The loan buy was led by **OZ Management LP**, a New York-based subsidiary of investment management firm **Och-Ziff Capital Management Group**, according to Oakland County property records.

The records indicate the loan amount was \$225 million and held by **Citigroup Global Markets Realty Corp.** until March, when it was transferred to **CHQ LLC**, an entity incorporated in Delaware. The articles of incorporation for CHQ were signed by Joel Frank, who is also CFO of Och-Ziff.

OZ Management and Och-Ziff do not comment on any investments they may or may not be involved with, according to a statement released by its New York-based public relations firm **Abernathy MacGregor Group**.

The deal was structured with 20 percent of the funds coming from local investors, according to sources with knowledge of the deal.



The local group was led by David Friedman, president and CEO of Farmington Hills–based **Friedman Real Estate Group**.

Amy Schiffman, Friedman director of marketing and administration, declined to comment on the deal.

The \$60 million investment is to be repaid by Chrysler's mortgage payments over two years; the remaining payments are profit.

The building continues to be owned by Chrysler. There have been some loan sales in the area recently with more expected in the near future, said Steve Sallen, president of Southfield–based **Maddin, Hauser, Wartell, Roth & Heller PC**.

Sallen, who is not familiar with the Chrysler deal, said loan deals are typically structured where the selling lender is willing to offer a discount as a way to speed the process of cutting ties with a company or its real estate.

“Lenders have been making the internal decision, for one reason or another, that it is better to speed up the process and sell the note in order to achieve their goals,” Sallen said.

The upside to buyers, he said, is that they get a loan at a sometimes deep discount and can either make a profit if the loan is paid off or end up with ownership of the real estate if the loan goes bad.

Chrysler originally financed the \$1 billion project itself when construction started in 1990, then transferred ownership to a trust, leasing the building from the trust.

When **Cerberus Capital Management LP** took 80 percent ownership of Chrysler in August 2007, the investment firm also bought the building for \$325 million, according to past Crain's reports. That loan was later refinanced with Citigroup, which held it until the recent sale.

Michael Palese, of Chrysler's corporate communications office, confirmed the loan was sold, but “we do not know the ownership structure of the new lender.”