

RANKINGS

Park Bridge, Pentalpha Captured All Trust-Advisor Jobs in First Half

The already-small field of trust advisors narrowed even further in the first half.

The trust-advisor assignments on commercial MBS transactions floated from January to June were divided between just two shops — **Park Bridge Lender Services** and Pentalpha Surveillance. That shut out the two other firms that have been active in the sector — Trimont Real Estate and Situs Holdings.

New York-based Park Bridge significantly boosted its market share as the field narrowed. The firm was named as trust advisor on \$12.1 billion of U.S. transactions, or 65.3% of the volume with advisors. That was up from a 43.4% market share in last year's first half. Pentalpha, of Greenwich, Conn., handled the remaining 34.7% of first-half activity, up from 32.1%.

Trust advisors, also known as operating advisors, were created after the crash to help ensure that special servicers don't abuse the wide discretion they have to work out distressed collateral. The trust advisor primarily performs a yearly audit of the special servicer to verify its capability and serves as a kind of "catastrophic insurance" in case a special servicer violates its duty. The advisor can recommend that a special servicer be replaced and put the matter to a bondholder vote, but it can't unilaterally remove the special servicer.

At the middle of last year, the creation of another supervisory role kicked in. Under the SEC's "Regulation AB 2," issuers have to hire a third-party firm for each securitization to serve as a watchdog on the lenders that originated the collateral commercial mortgages. If delinquencies in the collateral pool reach a prescribed level, the firm has to conduct a review of whether the originators had provided adequate and accurate loan data

to investors, as promised under their "representations and warranties."

Trust advisors were viewed as natural candidates to win that post, known as an "asset-representations reviewer," because it is complementary to the advisory work they already do. And indeed, in the first half, Park Bridge and Pentalpha were awarded the position for each deal on which they were named as trust advisor.

As for Trimont and Situs, both companies said they remain in the sector, even though they won no assignments in the first half. Trimont finished in third place in the full-year 2015 ranking, with an 11.1% market share, with Situs close behind, at 10.5%.

A few factors worked against the firms. For one thing, volume was down 43% in the half, reducing the number of potential assignments. Advisors were appointed on 22 transactions, down from 31 in last year's first half.

In the case of Trimont, the Atlanta company faced a transition as its operations were merged into Minneapolis fund shop Varde Partners, which acquired Trimont in September from its founding partners. What's more, Trimont wasn't immediately ready to serve as an asset-representations reviewer. It has since added that service.

As for Situs, a spokesman said the firm continues to solicit assignments for trust advisor and asset-representations reviewer. But some sources pointed out that the Houston shop's robust business as a third-party loan underwriter could create conflicts of interest when it seeks to serve as an asset-representations reviewer. ❖

Trust Advisors for US CMBS Issued in the First Half

	1H-16 Issuance (\$Mil.)	No. of Deals	Market Share (%)	1H-15 Issuance (\$Mil.)	No. of Deals	Market Share (%)	'15-'16 % Chg.
1 Park Bridge Lender Services	\$12,078.8	15	65.3	\$14,187.4	11	43.4	-14.9
2 Pentalpha Surveillance	6,420.5	7	34.7	10,472.7	10	32.1	-38.7
Trimont Real Estate	0.0	0	0.0	5,248.0	5	16.1	-100.0
Situs Holdings	0.0	0	0.0	2,765.4	5	8.5	-100.0
Total (with trust advisor)	18,499.2	22	100.0	32,673.5	31	100.0	-43.4