

Investors Seek to Strike Office Financing Deals With New \$500 Million Venture

- Morning Calm Management will finance high-quality buildings
- Firm enters debt business to capitalize on lender pullback

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Morning Calm Management has created a \$500 million joint venture to target office financing deals as landlords struggle to get funding.

The Boca Raton, Florida-based property management firm has partnered with an investment manager to form Morning Calm Office Finance, according to a statement Monday. The venture will focus on providing credit for high-quality offices in major cities across the US, with loan sizes ranging from \$25 million to more than \$100 million.

“As long-time office investors, we understand the unique challenges the sector is facing and how difficult it is to secure new financing – even for the best-positioned properties,” said Mukang Cho, Morning Calm Management’s chief executive officer and managing principal. The firm is entering the debt business to “capitalize on the opportunity created by legacy lenders pulling back.”

Cho said they expect to deploy the funds over the next couple of years. The group is seeking overall returns in the mid-teens.

Office landlords are facing a wall of maturing debt this year and a lending environment that’s weakened due to rising vacancies. Over the past three years, remote work and layoffs in industries including technology and finance have led to record amounts of empty space.

Office assets are the collateral for nearly a quarter of the \$400 billion of US commercial property debt maturing in 2023, according to MSCI Real Assets.

Morning Calm Management owns and manages more than 9 million square feet (836,000 square meters) of commercial property in the US, with more than half of that offices. Its joint venture partner has more than \$50 billion in assets under management. The name of the partner wasn’t disclosed.

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