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## BANKS TO BE FLEXIBLE WITH RECOURSE

Expect an increase in non-recourse debt from the banks by year's end, as the market heals and property-level cash flows show improvement. The major banks, **BofA**, **Wells Fargo**, **JP Morgan Chase** and **Citigroup**, will be the most comfortable with non-recourse debt in 2012 for deals with ample equity and strong tenants. **US Bank** will be willing to consider partial recourse, but the amount will be based on the associated risks of the project. The lender will require 50% to 100% recourse, but will go down to 25% upon stabilization. **Union Bank** will provide non- to full-recourse loans, depending on the risk profile.

Keep an eye out for banks to offer additional limited recourse options throughout the year for core assets with strong metrics. Banks could be more comfortable providing non-recourse money for the lower 50% to 60% leverage loans. The higher the leverage, the less likely bank will be to lower recourse requirements. Look for recourse on built-to-suite deals to go as low as 10%, if the property is 100% preleased to a credit tenant. Count on recourse to differ based on size of the property, stabilization level, class, type of market (CBD versus suburban) and leverage. Watch for banks to be more flexible with recourse requirements for recovered property classes such as multifamily.

**Comerica Bank** will require recourse of 25% to 50%, depending on product type and strength of the tenant. **BMO Harris Bank** will expect material recourse on most transactions this year. The lender will be flexible on lower leverage loans and relationship borrowers. **Provident Bank** and **Applied Bank** will require 100% recourse on all loans. All banks will be influenced by competition in the market, economic conditions and the amount of deal flow. Expect some to be cautious about compromising significant structural issues such as recourse, as this could be an early sign of over-heating in the marketplace.

## PRIVATE LENDERS FINANCE DISTRESSED HOTELS

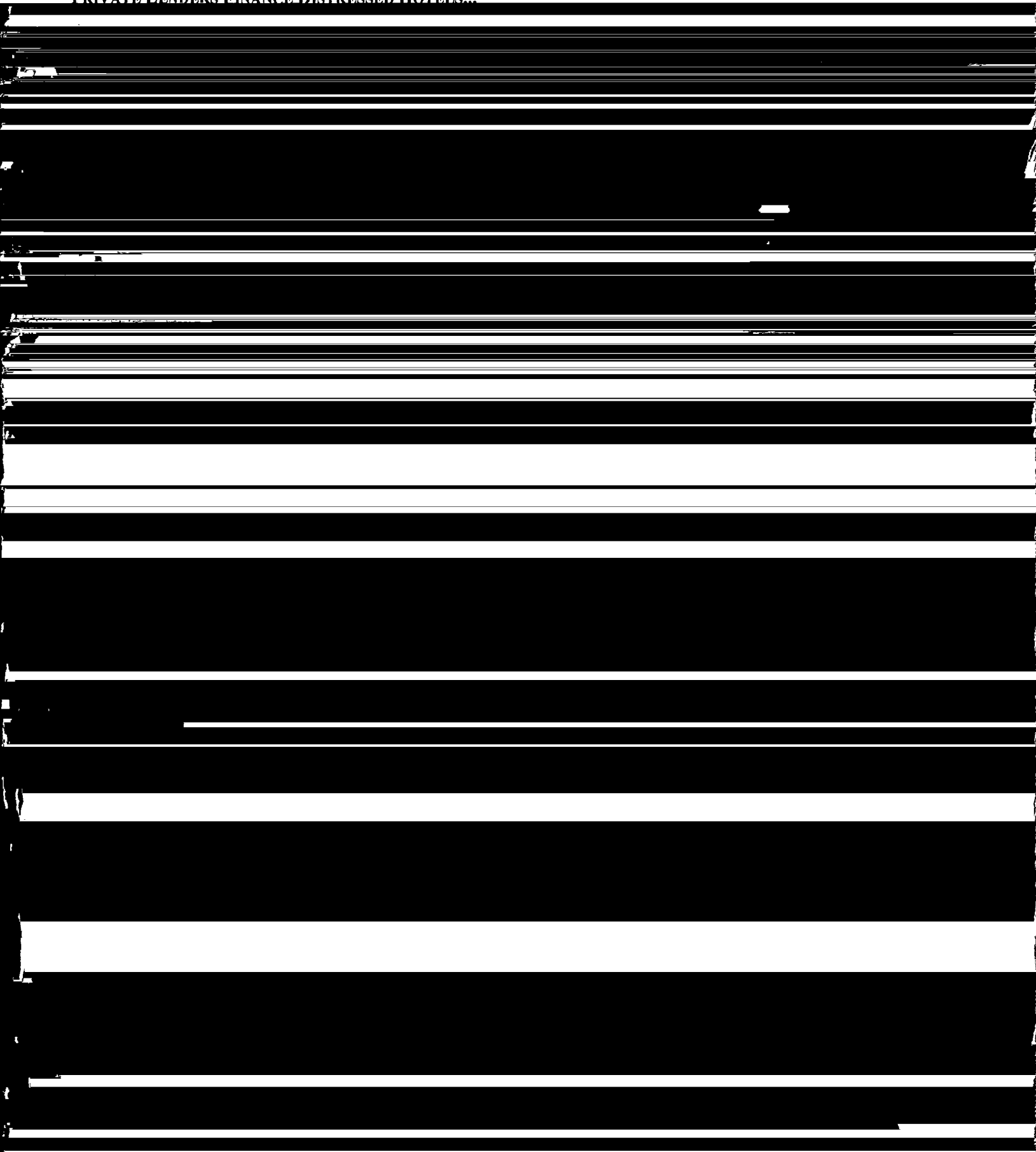
Look for a considerable boost in distressed hotel financing as the year progresses, with leverage set to reach 65% to 90%. While many lenders prefer new equity in the deal, some loans will go through at 90% to 100% leverage providing the property will be sold at a vast discount and the borrower shows plans for improvement. Expect to see a rise in the number of distressed assets being pushed off the books by community and regional banks. Bankers will finally be willing to take a necessary haircut to get rid of shaky loans in order to make capital available for stable funding opportunities going forward.

**Regional Capital Group** will finance discounted note acquisitions and DPO deals. The lender will consider operators that purchase a hotel with a solid flag or with plans to reflag. **Regional Capital** will provide 75% to 100% leverage on distressed deals. Its conduit arm will provide long-term financing in the mid-60% LTV range. **Buchanan Street Partners** will underwrite distressed hotel loans and will lend up to 90% of cost, as long as the percentage to value will be under 75%. **Edgewood Capital** will look for distressed hotel loans to be at 65% leverage. The lender prefers fresh equity in the deal.

Expect **Popular Commercial Lending Group** to be active in hospitality lending this year, including discounted note purchases, distressed asset acquisitions, rehabs, PIPs and permanent financing. The lender looks for leverage at 70% to 75% and targets 10% new equity in distressed deals. **Low Enterprise Investors** will do distressed hotel deals and looks for first mortgage hotel loans from \$8M to \$25M with leverage maxing out at 80%. **PMC Commercial Trust** and **American Business Lending** will likely be active with distressed hotel financing this year as well.

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**PRIVATE LENDERS FINANCE DISTRESSED HOTELS...**



## DEALMAKER DATABANK

## CBRE

777 Brickell Ave., Suite 900, Miami, FL 33131  
 Charles Foschini, Vice Chairman  
 (305) 381-6424  
 charles.foschini@cbre.com

CBRE arranges an \$8M floating-rate bridge loan with Greystone Financial Group for a student-housing portfolio in Tallahassee, Fla. The 18-month loan had a 75% LTV. DSC was 1.25x and the loan was used to refi the property.

## Cohen Financial

50 California St., Suite 1900, San Francisco, CA 94111  
 Ken Fox, Managing Director-Capital Markets Unit  
 (415) 591-3111  
 kfox@cohenfinancial.com

Cohen Financial works on a fixed-rate, \$9.2M refi loan with JP Morgan Chase for The Balboa Building, a multitenant office over retail building in Santa Barbara, Calif. LTV was around 55%. Interest came in at the mid-4% range.

## Cohen Financial

2 N. LaSalle St., Suite 800, Chicago, IL 60602  
 Michael Wieden, VP  
 (312) 602-6063  
 mwieden@cohenfinancial.com

Cohen Financial secures \$52M for the refinance of a grocery-anchored retail property in Chicago with a life company lender. This was a 10-year, fixed-rate loan.

## HFF

1627 I St. N.W., 12<sup>th</sup> Floor, Washington, DC 20006  
 Mark Remington, Managing Director  
 (202) 533-2523  
 mremington@hfflp.com

HFF arranges a \$16M three-year, floating-rate loan with PCCP for University Mall in Chapel Hill, N.C. Remington also secures a \$10M three-year, floating-rate loan with BB&T for Monroe Crossing, a regional mall in Monroe, N.C.

## HFF

18300 Von Karman Ave., Suite 900, Irvine, CA 92612  
 Don Curtis, Senior Managing Director  
 (949) 253-8800  
 dcurtis@hfflp.com

HFF secures a \$43M acquisition loan with Hartford for Encinitas Village, a retail center in Encinitas, Calif. LTV was 55%. Interest came in the low 4% range for the 10-year, fixed-rate loan.

## HFF

301 Grant St., Suite 600, Pittsburgh, PA 15219  
 Mark Popovich, Senior Managing Director  
 (412) 281-8714  
 mpopovich@hfflp.com

HFF works on a \$33.5M fixed-rate, perm loan with Guggenheim Commercial Real Estate Finance for Piatt Place, a Class A office property with ground floor retail located in Pittsburgh.

MBA Hotel Brokers Inc. and MBA Capital Funding Inc.

MBA Capital Funding arranges financing for

**DEALMAKER DATABANK**

NorthMarq Capital  
1 Embarcadero Center, Suite 2150, San Francisco, CA 94111  
Dennis Sidbury, SVP/Senior Director  
(415) 433-2149  
dsidbury@northmarq.com

NorthMarq puts together a \$35M refi with Hartford for a retail center in San Bruno, Calif. LTV was 55%. Interest was subject to a floor of 5%. This was a 20-year loan, with 20-year amortization.

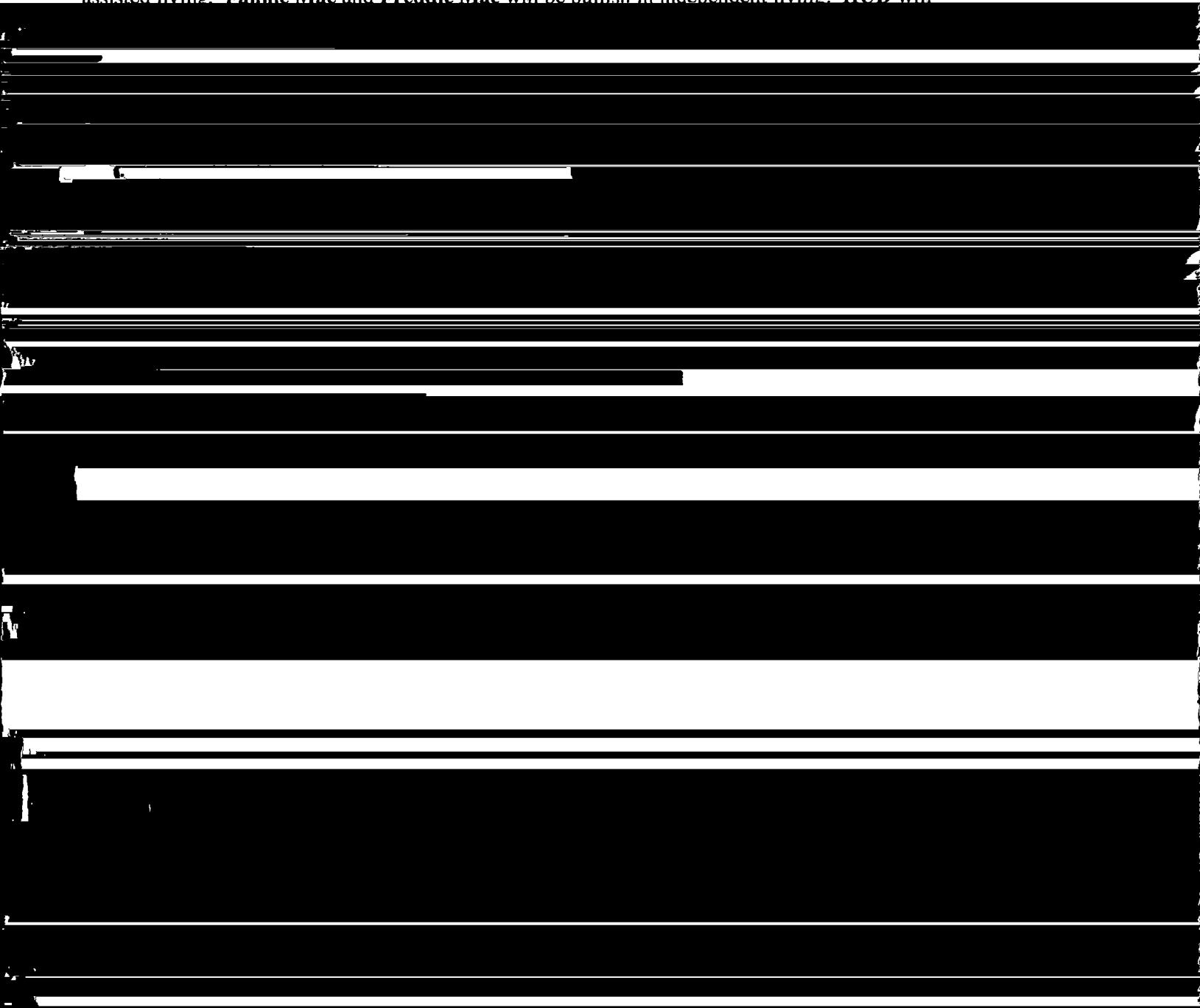
Thomas D. Wood and Company  
3665 Bee Ridge Road, Suite 210, Sarasota, FL 34233  
Brad Cox, SVP  
(941) 552-9731  
bcox@tdwood.com

Thomas D. Wood arranges two refi loans for Dollar General Stores located in Jacksonville and Holly Hill, Fla. Stancorp was the lender on both loans, which had 63% LTVs. Interest was 5.25%, which will reset after five years.

**BANKS RETURN TO SENIOR HOUSING/HEALTHCARE...**

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Leverage will go up to 80% on agency loans. **FHA** will be the most active in skilled nursing and assisted living. **Fannie Mae** and **Freddie Mac** will be bullish in independent living. **HUD** will



**BANKS & LENDERS**

## MEZZ COVERS CONSTRUCTION GAP

Count on mezz lenders to get involved in construction financing for the first time in a while this year. Ground-up projects that were not able to get financing in the past few years will look toward mezz to cover equity needs. Expect construction lenders to want 30% to 35% of the loan in cash. Mezz will help to fill that gap. Projects that have been ignored completely by senior lenders will obtain financing with the help of mezz players this year. Leverage will be between 75% and 95% of the total capitalization. DSC can go as low as 1.10x, but most loans will be leverage driven. Rates will come in around 9% to 15%.

**Canyon Capital Realty Advisors** will provide loans in the \$15M to \$200M range. The lender's typical facility runs \$20M to \$25M. **Newport Capital Advisors'** average loan will be between \$1M and \$10M this year. **Housing & Healthcare Finance** and **Dominion Corporation** will originate mezz for senior housing assets. **Redwood Trust, Buchanan Street Partners, NY Urban, Morrison Street Capital, Edgewood Capital, RCG Longview** and **Hudson Realty Capital** will all originate mezz debt before the year is through.

Be on the lookout for additional mezz players to enter the scene by year's end. This will improve rates and other debt metrics as a result of more competition. Demand for subordinate debt will be high in 2012. Senior lenders will provide low-leverage loans based on conservative underwriting, thereby creating a gap in the capital stack for mezz to fill. As transaction volume increases, so will demand for mezz across all property types. Look for the most need to come from hotels, retail and office in secondary and tertiary markets. Expect conduits to be more conservative on leverage when they return to the market providing an opportunity for a mezz piece.

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