



BOND STREET CAPITAL NEWS

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Heard and Absurd

I spoke to several folks about the CMSA convention held this week in Miami to get the scoop on the Capital Markets. There is not much optimism out in the Capital Markets community as to when we will get back to a normal market.

Spreads for conduit deals have come back a bit with multi's at the 235bps to 245bps range and commercial in the 240bps to 270bps range. Translated, that means rates from 6.20% to 6.60% plus (hotels and other secondary products will get priced much wider). When you compare that to agency spreads in the 150bps range and our portfolio programs in the low to mid sixes, those rates are not attractive except perhaps for secondary property types such as hotels.

Here is a perfect example of the rolling impact of the burgeoning credit crunch. We recently underwrote a fully leased medical office building in South Florida with short term leases. The borrower has good credit but not much cash liquidity. The borrower has adamantly refuses to allow collections for TI's and leasing commissions. All of our investors passed because of borrower liquidity and concerns that South Florida will fall into a deep, foreclosure generated recession which will impact tenancy on commercial properties. At the borrowers request, we submitted the loan to a bank where the LO is a long term friend of mine. He is a straight shooter. He gave us a sub 6% quote but lowered the LTV and required reserves. Apologizing for the reduced proceeds, he sent us the following note: **"Sorry I couldn't be more help. Our aggressiveness is lessening every week, in fact, almost daily. We need to sign this up soon or our offer could be off the table."**

Unfortunately, I have seen this show before. With the Capital Markets out of play, portfolio lenders will get more conservative and spreads will widen. Borrowers with credit issues, property issues or less desirable property types need to grab the deal on the table and not wait for the low Treasury rates to translate to low loan rates. Low Treasury rates are reflective of a flight to quality and will not result in low loan rates for most commercial borrowers. Perhaps multi-family will be the exception because of the agency money that supports the market. For everything else in the commercial arena, long term rates are going to be in the mid to be mid-sixes and up for the time being.

Best Deals on the Table

We have Multi-Family portfolio money from the mid-5% range on the short end

to low 7% on the long range. Loan size, asset quality, borrower quality, term, and prepayment all factor into where the deal fits in the pricing range. We still have commercial money beginning at the 6% fixed range for five years with a 3.2.1 prepay. The borrowers and the assets have to be solid. We still have some hotel money at reasonable rates. One more comment on rates. We keep seeing emails from folks who say they have really low priced money but we have not been able to find a single institutional lender who has those rates. When I see these rates in email blasts from unknown brokers/lenders, I simply do not believe they are for real. I suspect that there is a lot of bait and switch going on throughout the market. It's a time for everyone in the borrowing game to be cautious.

2007..... A Sad, Bad and Grateful Year for Bond Street

SAD: 2007 started off with the news that my partner and friend of many years, Barry Reiner, had passed away unexpectedly. He was a brilliant guy with a great sense of humor. *He is missed by all who knew him.*

Bad: Just as we reached the end of our post Barry transition, the Capital Markets collapsed. This caused an enormous amount of dislocation in the market and in all commercial lending organizations. For us it meant shifting gears, adding new portfolio Investors, educating our corporate offices on these products, and refocusing our efforts for the long haul. Unfortunately I don't yet see any light at the end of this tunnel. Those of us here in California remember that the credit crunch of the early 90's lasted nearly 7 years. It was very, very painful for most folks in the business. Are we at the beginning of a long credit crunch cycle?

Grateful: When tough times come, you know who your friends are. Despite the reorganization of Bond Street following Barry's passing, everyone stayed with us. Our core management team and our loan originators rolled up their sleeves and delivered great loans to our borrowers. I am grateful for everyone's continued support. We will not let you down!

-Joe Forman