



May 1, 2008

Volume 2, Number 13

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Deal Heaven or Deal Hell.

I am sure you are staying up nights wondering when you would get your next newsletter from Bond Street. In fact, I have received many emails pleading for a little commercial real estate loan entertainment. Well, if you believe that, then I have some single family properties to sell you in Cleveland at the bargain price of \$500K plus. By the way, don't expect the plumbing or the wires to still be in place in the house at that price.

I am sorry for the delay in getting this newsletter out. Well, I am sort of sorry. It's not that I don't enjoy writing; it's just that we have been slammed with business. Yes I am bragging and complaining at the same time. We never have too much business in this business. It's just so darn hard, however, to get deals to work in this environment. If it's not push back from our lenders and investors on LTV or property type (retail), it's borrowers that still think they are in control or it's appraisers that think they need to be overly conservative now to make up for being overly aggressive last year.

We all know that the business of commercial real estate is never easy. We sweat every closing and this week I was frankly drenched. Now I don't want to mislead anyone because the heavy lifting on the closing side here is done by Ned, Wyatt, and Kimberly and of course our great Regional Directors who bring in the business. But at the end of the day, the buck stops at my desk so I worry each deal to a close.

Our loan approvals and closings this week included a TIC deal, a multi-family deal though our correspondent gov't lending partner, a bridge deal and micro deal done as an accommodation. What is interesting about these deals is how varied they are which of course shows the wide-ranging capabilities of our capital partners. On the other hand, all of these deals have a number of things in common:

- The real estate is fundamentally good. Solid market, good occupancy, loan amounts that are within reason.
- Strong sponsors – good credit, experienced.

- Borrowers who understand how difficult this market is and adjusted their expectations accordingly.

The bottom line for all commercial real estate is that it's "back to basics" underwriting. Other than the "for-sale" housing segment, there is money available on attractive terms for solid deals. The pricing is good and the pre-payment penalties range from zero to low cost structured pre-pays.

Here is a little sample of the deals:

A TIC DEAL: TIC (Tenants In Common) deals are always a challenge because the sponsors have certain structural requirements and a lot of lenders view them as more trouble than they are worth. Even though these deals are typically lower leverage, the sheer number of potential TIC's means extra processing, potential servicing, and recourse issues. The deal we closed is for one of the bigger companies that is migrating to the portfolio sector from having borrowed hundreds of millions of dollars through Wall Street.

The education process for everyone involved is challenging but, we got it done. Our clients are terrific and our lender did a great job and we expect this to be the first of many deals. The loan amount on this was approximately \$2,000,000, the rate is in the mid 6's; we delivered five years of IO with no pre-pay. This is a terrific loan. At BSCCI **"WE KNOW TICS!"**

A BRIDGE DEAL: This deal represented one of the bigger challenges that any lender can undertake; the financing of a construction deal in progress. In this particular deal we were asked to provide financing for a partially completed retail project. The Borrowers had expected to sell the project to an REIT which bailed on them mid-stream. No institution would finance this deal mid-way through construction and because it had inadequate pre-leasing. We are closing on a \$14,000,000 deal in the next few days.

CONDOS TO APARTMENTS: Our client built a very 4-plex project in a west coast city. He built this project with the intention of selling the 4-plexes. When the market slowed he went into an aggressive leasing program. Just before the collapse of the residential financing markets, he was able to finance four of the 4-plexes on a residential basis. We were asked to finance a fractured 4-plex project with the highest rents in the market! The first appraiser we used completely blew the appraisal. They used comps from the wrong side of town and of a completely different asset quality. They misunderstood the expenses and applied a completely ridiculous cap rate. Even after our lender pointed this out to him, he refused to change it. With our Investor's support and approval, we retained a new appraiser

who got it right! We closed the loan.

IT'S ALL ABOUT THE EXIT!

In today's market the role of the bridge lender is more important than ever. We have an extensive bridge program and I thought it might make sense to focus on the critical issue that drives a bridge deal. It's all about the exit! Most bridge lenders are in it for the short term. Typically our loans go from one to three years. The most critical part of the analysis is determining how the borrower will get us out. We are not a "lend to own" investor. Our investors want to put their money in short term with as minimal risk as possible and see a clear path to getting paid off. We do not do deals that rely on the passage of time to generate value. For example we will be able to conventionally finance the retail deal described above once it is completed and leased. If you are a borrower looking for a bridge loan or a broker representing a borrower, lead with the exit! Loan to value is very important but it does not matter if we can't see a way out of the deal.

- Joe Forman, President and CEO

