CELEBRATING 55 YEARS
nerej

The MBA is on the horizon: What can we expect?

February 08, 2008 - Financial Digest

With the MBA's Commercial Real Estate Finance/Multifamily Housing Convention and Expo on the agenda for this week in Orlando (February 3-6), the natural and compelling question amongst those of us in commercial real estate is: What is there that can be uplifting and positive?

This will be, astonishingly enough, the 18th convention, since the inaugural in 1990 - a year that not too many of us in the real estate market recollect too fondly. But, unlike that original gathering, participants then were a small percentage of those expected to attend this year. Like that year, we attend with some trepidation.

The temperament of the meeting is expected to be very different than several of the past years. MBA officials projected a year of cautiousness and more stringent underwriting: Will there be any major pronouncements, ideas, new programs, that will shake-up the business? Surely, the structured side of the business is always seeking and finding and doing sensible transactions that are "out of the box" and creative, but what can we expect from the debt side of lending?

Life companies can be perceived to have regained favor over the prior dominance of Wall St./CMBS lenders. Their spreads appear more competitive and they can more boldly price the best from all, picking the best.

Concepts being proffered in the CMBS arena are the various "locking" options; locking index, or locking spread for a fee of 1-2 points. Locking rate is a delicate issue now with the volatility of the market conditions prevailing, the fluctuating spreads and indexes and the short term nature of all quotes.

Credit tenant real estate financing programs remain in tact and viable. The credit net lease financiers are bullish about production in 2008 and most especially with regard to larger ($25M+) transactions.

The ongoing residential sub-prime situation, the "threat" of a recession, coupled with the "credit/liquidity crisis," along with more stringent underwriting parameters and the impact of global financial issues, will all impact the way this year will unfold. Certainly the Boston/Cambridge market fundamentals, and generally those of the outlying regions remain essentially strong and healthy. While negative forces dominate in the "spin," it is important to remember that LIBOR and treasury indexes are very low and while spreads have significantly increased over last year, the end result coupon is not unreasonable.

Those attending the MBA are attending to learn more about our markets, market sectors, economic factors effecting various markets, legislation pending that will affect our industry and the like. Tenant credit worthiness, borrower strength, more stringent underwriting and lower leverage will most likely be the mantra of this year's MBA.

June Fish is partner at Ashworth Mortgage Corp., Newton, Mass.