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## **Commercial real estate investors need to find alternative sources of capital to assist them**

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The dearth of conventional credit that currently exists in the commercial real estate market has made it very difficult for investors to both restructure their debt as well as grow their portfolios by acquiring new assets. Apartment complexes have become the most desirable asset class for conventional lenders to finance due to their affordability for the consumer. All other asset classes including industrial buildings; shopping centers; and all other types of commercial properties are not enjoying the same popularity or reasonable credit standards amongst the banks and other conventional lenders.

For those commercial real estate investors who do not have sufficient liquidity or have the necessary credit qualifications to obtain conventional bank financing and are seeking new ways to leverage their existing portfolios, locating alternative sources of capital would be beneficial to these investors. The poor economy has caused the bank regulators to increase the level of scrutiny for banks and subsequently force them to increase and tighten their credit standards. As a result, numerous commercial real estate investors are being shunned by the banks forcing these investors to become more resourceful. Hence, the popularity of private lenders and other alternative commercial real estate lenders amongst real estate investors has grown exponentially over the last few years.

Despite the higher cost of capital that private lenders charge in comparison to banks, real estate investors are able to access capital for their projects and holdings much more quickly and with much less bureaucracy and documentation.

A real estate investor can easily achieve added value by sourcing readily available capital from a private or alternative lending source for the purpose of purchasing undervalued real estate assets to add to its portfolio. More importantly, these investors can acquire income producing properties with private capital and use the cash flow from the property to offset the higher cost of capital. In addition, an investor can seek out the purchase of an empty building at a bargain price with private capital to renovate the property. In this instance, the investor could be purchasing the property at 50% below its intrinsic value. Since banks will not provide financing for commercial real estate in which there are no tenants in the building and no rental income, the investor can only take advantage of such an opportunity with either his own capital or with private debt capital.

The profit and ultimate upside that the investor will achieve in such a transaction will have been made possible through the use of this private capital. The net profit that the real estate investor realizes in such a transaction will far offset the cost of the capital that was the catalyst in this deal.

Since our inception in 2008, Worth Avenue Capital, LLC (WAC) has successfully closed numerous transactions for commercial real estate investors throughout the northeast. In all of these transactions, WAC's clients were unable to qualify for conventional bank financing and through WAC's efforts, the clients obtained the necessary capital to either purchase a commercial real estate

asset below its intrinsic market value or restructure or refinance one of their existing properties in their portfolio.

Commercial real estate investors will need to continue to obtain access to private capital as the economy lingers and the subsequent dearth of conventional bank credit persists.

WAC is based in Guilford, Conn. and specializes in raising debt capital for small businesses and real estate investors and also handles bank workouts for those same clients.

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