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MBA's CREF/Multifamily Housing Convention & Expo 2015 - capital is back!

March 19, 2015 - Connecticut

MBA's CREF/Multifamily Housing Convention & Expo 2015 was recently held in San Diego, California at the Manchester Hyatt Hotel. The conference is a forum for the commercial real estate industry to discuss the latest industry trends, regulatory developments and strategies to succeed in an ever changing financial market place. The event was attended by 3,100 lenders and mortgage bankers from all over the U.S. The market is getting better as attendance is up some 25% over the past two years.

The theme for this year's conference was "where market makers meet." It really should have been "Borrowing opportunities have never been better!" The lending market for 2015 is expected to be \$415 billion, 7% higher than 2014.

Long-term interest rates are very low; 2015 will be a competitive market and a favorable borrowing environment. Lenders having established interest rate floors before the conference, with evidence of how competitive this market is, are now reconsidering rate floor levels and even eliminating them altogether.

Forwards: Lenders can lock interest rates up to one year forward for about three to four basis points per month beyond a 90-day funding window, with some even offering six month locks for no premium. Review impending loan maturities for possible forward rate lock possibilities. We can help with this analysis.

Property types: Multifamily is the favorite product type followed by industrial portfolios, grocery anchored retail, office and medical office. Lenders are expanding their property types to include hotel, self-storage, student housing and affordable housing. The New York Area remains at the top of most lender lists.

Flexible prepayment: Lenders are offering a variety of flexible prepayment options, stepped down after a couple of years. Considering how low interest rates are today, yield maintenance may not be a factor given the interest rate on the equivalent duration treasury used to calculate a prepayment premium could be the same or higher than the mortgage note rate in the future.

Properties in lease up: Although a property may not currently be stabilized, there are structures available to lock interest rate now, especially in the multifamily arena.

Pricing: Pricing generally reflects leverage of 70%. Rates start in the mid 3% range for five year loans and increases to around 3.75-4.25% for 10 year deals of \$5 million and over.

Lower LTV: For deals of less than 50% loan-to-value, Borrowers can command the low interest rates, as low as 3.25-3.5%, fixed for 10 years.

Underwriting: Lender underwriting has not shifted much in the last couple of years focusing on in place income and expenses and not unsupported proforma analysis. We expect lenders will continue this focus in 2015.

CMBS: Loan conduits will continue to try and get their fair share of the debt origination market in 2015. Industry leaders expect their market to be \$125 million this year. CMBS lenders will generally offer full 75% LTV loans on retail, industrial and office. They will also finance hotel and special use properties. These differences set them apart from traditional lenders.

NorthMarq Multifamily: NorthMarq Capital has a number of competitive options to finance permanent and construction of multifamily properties:

Life Companies: Lock interest rate now, no reserves, and limited amount of paperwork. Some life companies offer construction/permanent multi-family loans.

Freddie Mac: 80% loan-to-value, low interest rates. NorthMarq is the third largest originator for Freddie Mac having originated 415 deals in the last several years, \$2 billion during 2014.

Fannie Mae: NorthMarq purchased the remainder of interest in Amerisphere, in February, the Fannie Mae DUS lender to own the company fully. This will allow our company more flexibility to offer favorable loan terms and execution, improved response time and efficient loan approval and closing.

2015 promises to be an excellent year for borrowers with many lender choices, low interest rates, and creative structure. At NorthMarq, we provide capital solutions for owners of commercial real estate through 35 regional offices coast-to-coast. We offer clients the ideal combination of a strong national company capable of attracting a wide range of capital sources and an organization strategically positioned to provide vital firsthand knowledge of local markets. With an annual production volume of \$13 billion and a loan servicing portfolio of more than \$45 billion on behalf of more than 50 institutional investors, NorthMarq is one of the largest commercial real estate mortgage banking firms worldwide.

Ernest DesRochers is managing director in the New York Metro Office of NorthMarq Capital, New York, N.Y.