



# nerej

## Reluctantly attending while cautiously optimistic at ICSC

June 12, 2008 - Financial Digest

Reluctantly attending while cautiously optimistic were the feelings that were most evident in those of us attending this year's ICSC in Las Vegas.

So many colleagues have gone through so much turmoil. The market has brought so many professionals to an unanticipated fork in the road professionally. Non-pessimism is not easy to muster as an overall approach. We all use the phrase, "hope for the best."

Best it was not. But, there was an air of limited, cautious optimism. Call it euphemistically the dipping of the toe into the water...the careful gaging of interest in new product.

Spreads are tightening was one of the mantras. How tightly? From 500's-400's? What does this mean? What it meant was higher mid 200'sâ€”not bad given the past and definitely better than no spreads. But was this spin and hopefulness rather than actual reality? The good news, upon Las Vegas departure and Boston return, this is exactly what we are witnessing, a breath of optimism, but "only for the right deals"...of course!

Banks and life companies continue to fill the void created by the standard conduit product and retain their position in the commercial real estate lending arena. But they are becoming more and more selective, as well they can be. But we brokers and borrowers look for more diversity in product in order to service the client best. They do however have their LTV ceilings which are constraining in many deals today.

What about those credit company lenders who were touting their on balance sheet lending parameters?

- \* Cash out not a problem
- \* Five year deals
- \* 1.20x on 6%
- \* Interest only pays rates
- \* Non-recourse

Not so fast.

- \* Cannot do five years.
- \* Pay rates are increasing
- \* Cash out is not a problem if the Loan to Value does not exceed 60%
- \* And by the way, did you not hear the fees?

There was some true excitement.

Some of the CMBS lenders are coming back in to the market with on balance sheet lending programs. One debuted at the ICSC with the other coming on stream this week. The larger, the more stabilized the transaction, the better. Most of these deals are priced on a floating rate basis over swaps, with actual rates in the low 6's. All can be accomplished with collars. They are interest only deals! Most are 3 years with two (one) year extensions. Non-recourse. 80% Loan to Value is

achievable. Fees can still be relatively costly, but are to some degree negotiable.

Overall, it was engaging, but not frenetic, to be at the ICSC. Hopefulness and positivity were pervasive, even if attendance was less than in years past. We are on the edge of a new beginning. The commercial real estate market indicators are remaining positive overall. The economy may be forcing a push-back to some degree in retail, but overall there continues to be strength in the market, that has enabled us to weather this liquidity crisis.

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

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540