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Lending according to traditional standards and realistic rates has its advantages again

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There are times when it pays to be a traditional New England bank that operates by conservative lending standards.

For Washington Trust, now is clearly one of those times.

As bigger rivals fight for survival, the 209-year-old institution based in Westerly, R.I., is capturing new business that should position it well for an eventual economic recovery.

A solid balance sheet means Washington Trust is in a position to make commercial real estate loans as competitors find themselves distracted or pulling out of the lending business altogether.

This has been an opportunity to plant some seeds that may bear fruit. In many ways, that fruit is well on its way to ripening.

The signs of this include a loan portfolio that continues to grow during the toughest economy in recent memory.

The fact that Washington Trust continues to thrive during difficult times should come as no surprise to those who know a little about its history and its distinction as the nation's oldest community bank.

From its headquarters in the southwestern corner of Rhode Island, Washington Trust has grown into a \$2.9 billion institution that lends primarily in Rhode Island, Massachusetts, and Connecticut but also reaches selectively into New York, New Hampshire and Maine.

Its in-house loan threshold for a single customer is in the range of \$12-\$15 million, Washington Trust will team up with other banks on occasion to put together larger deals, or continue to service relationships that exceed that threshold.

A commitment to sound lending practices helped propel Washington Trust's growth, but a few years back that commitment came under intense pressure.

Non-bank lenders like insurance companies and conduits had developed a huge appetite for loans that could be packaged into securities sold on Wall St., and their thresholds for loans kept getting lower.

Some of the big banks cut standards and pricing in response, but Washington Trust tried to resist the trend. I remember well the business environment back in 2006 and 2007 when competition for commercial real estate loans was intense. The appetite for packaged or securitized assets was voracious. The bigger competitors cut rates and eased structures. They could essentially buy any business.

That triggered frustration for her and her team of loan officers as Washington Trust stuck to its traditional underwriting practices and sensible pricing. We would be in our offices scratching our heads, saying, 'How are we going to make any deals?'

Then by late 2007 and early 2008 things began to change as the first signs of a credit crisis and an economic recession emerged. Washington Trust sensed opportunity and stepped into the

developing void.

Suddenly, lending according to traditional standards and realistic rates had its advantages again.

In the current business environment the focus is on higher quality deals, or properties with top-tier tenants.

And even at that level, activity is slow because national chains are not expanding like they once did. Right now, the real opportunities are in the area of refinancing as many competitors are contracting their balance sheets.

One such refinancing deal that closed recently involved a 73,000 s/f Warwick shopping center that features a Trader Joe's supermarket and a Panera Bread restaurant. It is owned by Linear Retail Properties LLC, a Burlington, Mass.-based company that operates convenience-oriented retail properties around New England.

The refinancing of the property at 1000 Bald Hill Rd. in Warwick proved to be the right opportunity to do business with Washington Trust for the first time, according William Beckeman, Linear Retail's president and chief executive officer.

Beckeman said his company had invited Washington Trust to bid on a couple earlier deals that the bank did not land. But still, he liked what he saw. "They were competing with much bigger financial institutions, and I was impressed with how well they competed."

That convinced him that he eventually wanted his company to do business with Washington Trust, leading to the refinancing of the Warwick property. He called the experience fabulous. "This is our first, but I'm certain there will be many more," Beckeman said.

And the message from Washington Trust is that it will be around for the long haul to continue making commercial real estate loans in New England to Linear Retail and other companies like it.

We've been here for 209 years doing pretty much the same thing. Our doors are wide open. We have money to lend. We're not always going to be the most aggressive player, but we're a consistent player. We're always open to doing good, sound business.

Julia Anne Slom is senior vice president for commercial real estate with Washington Trust, Westerly, RI.

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