

Financing is available, just in smaller chunks than before

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By: Polyana da Costa

Contrary to the notion that financing for commercial properties has disappeared, some local lenders say they are eager to fund smaller, income-producing properties.

Multifamily properties are especially popular with lenders, according to Michael McCleary, associate director of Marcus & Millichap Capital.

"I get multiple calls a day from lenders saying, 'We are in the market, and we want to lend,'" McCleary said.

"Now, by and large, they have lowered their lending limits from \$10 million to \$5 million, for example. They want to spread their risk. If they put all their eggs in one basket and that property goes belly up, then what?"

One bank ready to finance commercial real estate is First National Bank of South Miami.

Steve Moynahan, senior vice president and senior lender at First National, said the bank has about \$10 million worth of loans expected to close within the next three weeks, and another \$5 million to \$10 million potential loan deals in the underwriting stage.

Moynahan said the bank has a goal of lending \$30 million in 2009 and an additional \$40 million next year.

First National's internal lending limit is \$5 million per deal, he said.

"Our target market is the \$750,000 to \$4 million range deal," Moynahan said. "Our borrowers include small businesses [interested in acquiring or expanding their real estate space] and investors who are looking for good quality investments properties with strong cash flows."

The bank, which focuses on commercial property lending, has seen an increase demand for lending, according to Moynahan, who said many potential loan customers would have gone to a national lender in better times.

"Our lending portfolio grew by about 25 percent, to about \$118 million over this past year," Moynahan said.

David Eiler, chief lending officer at Sterling Bank of Lantana, said his bank has the capital to lend and is looking for deals, preferably under \$5 million, although it hasn't closed any commercial loans recently.

About 80 percent of the loan inquiries come from commercial property owners who have loans coming due and want to refinance, he said.

Most of those deals don't make economic sense because of properties have declined in value and the current mortgage balance is now too high, he said.

"Before, two out of five deals that came in were approved," Eiler said. "Now, it's one out of 10."

The other 20 percent of Sterling's potential commercial borrowers are investors that want to buy properties. Those deals often stall over price issues.

"There is still a disconnect of what the buyers want, and what the sellers are asking for," he said.

Randy Fuchs, principal of Stamford, Conn.-based Boxwood Means, a real estate research and consulting firm that focuses on commercial properties under \$5 million, said that although the capital market for larger acquisitions has dried up, the so-called small-balance market is stable.

"It is more difficult to get loans but a lot of the smaller community banks that are not dealing with the liquidity issues that the larger banks have, are doing OK and are well-capitalized," Fuchs said,

According to Boxwood's latest data, commercial loans of \$5 million or less totaled \$33.5 billion nationally in the third quarter of 2008, a 6.4 percent increase over the same quarter the previous year. Fuchs expects the trend to continue.

Some local brokers are wary of lenders who say they want to fund commercial acquisitions.

"While they say they are willing to lend, the lending criteria is so much stricter to the point where the borrowers are not willing to borrow," said Neil Merin of Merin Codman Hunter.

Lenders, even on smaller deals, have insisted that borrowers provide personal guarantees and additional collateral on the loans, are requiring down payments of more than 50 percent in some cases and will only provide recourse loans, where the borrower is personally liable for the full debt in the event of default.

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