

How to prosper in their demanding world

Best Sources for Commercial Loans

By Scott C. Seckel

Banks may not be lending to anyone whose last name isn't Rockefeller, but banks are a minor nationality in a wide world of lenders. Private lenders, local banks, and even some credit unions here and there will loan on commercial real estate, which did not get hit anywhere nearly as hard as the residential market. There were no strange loan products like adjustable rate mortgages to derail the machine, for instance.

Who do you look for? What will they look for? What do you need to have ready when you approach a lender?

BEST SOURCES

Hard-money lenders are flourishing, as are mortgage pool lenders. Some credit unions are taking advantage of rule changes to make commercial loans. And small local banks are making loans.

"We feel great in this market," said chief executive officer Tom O'Bryon of Wilshire Finance Partners, a Los Angeles, California-based mortgage pool lender. Wilshire has a pool of investors who buy shares. O'Bryon, and partner Kevin DeMeritt, finance commercial deals from the pooled investments. They're hard-money lenders, meaning the loans have tight times

and are for short durations. Hard-money loans can be approved in hours or days, not the weeks and months of banks.

"We're strictly hard-money lenders," said Ilan Ferdman, senior managing director of Metro Funding Corporation, a Paramus, New Jersey-based hard-money lender which loans on projects around the country. "We love anything that has income on it."

If you're on good terms with local bankers, develop the relationship, said Jason Jones, a certified financial planner and investor who specializes in locating and researching multi-unit investments and other commercial real estate around the country. He currently owns and operates Prosper



INVESTOR STRATEGIES

Real Estate Investments, a Las Vegas, Nevada-based organization dedicated to helping investors efficiently locate investment property.

"Get an idea of what they'll lend, and what they're looking for," Jones said.

Jones has a program that allows investors to tap into self-directed individual retirement accounts and invest in commercial real estate. "And to help IRA funds get a better return than they're getting now," he adds.

WHAT LENDERS LOOK FOR

"Today alone I've had eight deals cross my desk and not one of them was right," O'Bryon said.

"We don't want to loan on a big box store because if they move out, what we are going to do with that building?" DeMeritt asked.

What the lender is going to look at it is more heavily weighted on the financial attractiveness of the property than you, Jones said. The type of financing you get will depend on what you want to buy.

Apartment buildings seem to be popular with all lenders. Vacancies are running right around 6 percent nationwide. "Tons of people have been losing their homes and they need to live somewhere," Jones said. "You can get that financed about 80 percent loan-to-value right now."

Office buildings, not so much. Offices have an average vacancy of 14 percent across the country. "That's expected to go as high as 19 percent in the next couple of years," Jones said.

Ferdman was blunt about what Metro Funding looks for in a deal. "We love apartment buildings. Retail centers we're still very comfortable with," he said. "What we don't love is land

and development ... We want to make sure there's income in it."

Lenders are hot for retail right now. Vacancies nationwide are about 9 percent, according to Jones.

"I love retail," he said, citing single-tenant buildings and strip malls. "A strip center, depending on who the tenants are, could be easier to finance than a single-tenant building."

With single-tenant buildings, lenders like stable tenants like Applebee's, CVS Pharmacies, or Walgreen's.

"There are clearly businesses that are going to weather a downturn better than other businesses," Jones said. "The credit rating of the tenant will enable you to get financing on that building. It's going to mean lower interest rates. Walgreen's will sign a lease agreement for up to 50 years."

WHAT LENDERS NEED

Investors have to do a complete detailed financial analysis of the building and how it's performing and what it's generating in income and expenses today.

"I don't buy for potential," Jones said. "I buy for today ... the actual performance of that building today."

Lenders are going to look at you harder than future in-laws and the parole board combined. Out of 50 deals, Wilshire might pick one.

"The market is very tough because of the liquidity issues," O'Bryon said. "This is not a time for the uninitiated. You need to know what's going on." Values are all over the place, said DeMeritt. "I don't trust the appraisals. We're going to look at absorption rates, maintenance and fundamentals. Everything about lending on a piece of property in this market has to come into play. If you leave out one piece of

that information, you might not get out of that loan in shape."

DeMeritt looks for diverse tenants, an absorption rate the economy can support, a borrower with experience, and an exit strategy. "It's not just the piece of property," he said. "It's a lot of factors."

Ferdman wants to see a solid piece of collateral. "They need to have equity in the deal, either by virtue of owning the property for awhile or cash in the deal. Our parameters have to be around 50 percent loan-to-value."

Wilshire opened its doors six months ago. They see a great future in commercial lending, and they have money itching to be put to use. "All we did was come in when values are good values," DeMeritt said. ■

RESOURCES

Kennedy Funding
www.kennedyfunding.com
800-342-8500

LandMarc Capital & Investment Company
Landmarcmortgage.com
1-888-785-7958

Metro Funding Corporation
www.metrofundingcorp.com
866-302-6360

Prosper Real Estate Investments
www.prosperre.com
866-702-5188

Wilshire Finance Partners
www.wilshirefp.com
866-575-5070

LANDAMERICA TITLE NOW PART OF FIDELITY NATIONAL

In spite of media reports to the contrary, LandAmerica Title generally, and property title wizard Celeste Coe specifically, are not part of the widely reported LandAmerica bankruptcy. LandAmerica Title was bought by FNF even though they took a pass of the 1031

and financial components of LandAmerica. Fidelity acquired two of LandAmerica's underwriting units, Lawyers Title Insurance Co. and United Capital Title Insurance, in a \$139.4 million deal. Contact: Celeste Coe, 480-483-3939