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Lenders Are Expressing Interest In Portfolio Loans

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NEWPORT BEACH, CA—Eager to deploy capital before risk-retention regulations kick in next year, lenders across the board are showing interest in portfolio loans—some up to $100 million, Mission Capital's Alex Draganiuk tells GlobeSt.com **EXCLUSIVELY**.

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NEWPORT BEACH, CA—Eager to deploy **capital** before **risk-retention regulations** kick in next year, lenders across the board are showing interest in portfolio loans—some up to $100 million, **Mission Capital Advisors**' director **Alex Draganiuk** tells GlobeSt.com. Draganiuk, along with managing director **Chad Coluccio** and analyst **Eugene Shevaldin**, recently arranged $64.9 million in non-recourse bridge **financing** for a portfolio of 11 real estate assets located across the US on behalf of **Sabal Financial Group L.P.** and funds managed by **Oaktree Capital Management L.P.** The 11 properties comprise a total of approximately 1.4 million square feet, and are located in Arizona, Arkansas, Connecticut, New York, Pennsylvania and Tennessee. Composed primarily of office space, the portfolio also includes some **flex** and **retail** facilities. We spoke exclusively with Draganiuk about how lenders view the CRE financial landscape today, how this view has changed and trends he is noticing in portfolio financing.

GlobeSt.com: How are lenders viewing the CRE financing landscape today?

Draganiuk: Overall, I think there's still a lot of capital available for deals; lenders have gotten a little more conservative with **construction** financing, but there's a lot of permanent-loan capital available. Because things were rocky at the end of last year and the beginning of this year, most folks' volume is down, and they're trying to catch up before the new regulations with risk retention kick in at the end of the year. There's been a pullback on condo and construction loans, people are a little more conservative and they're watching their allocations.

Hotels is another area where they're a little more conservative these days, but it depends on the market. New York people are annoyed about the supply because there's been a fair amount of new stuff coming on line, but I feel this annoyance is overblown myself—New York is pretty under-hotelled compared to, say, London. In general, hotel lenders tend to be a little more conservative.

GlobeSt.com: How has this view changed as we've moved through the current cycle?

Draganiuk: After the gigantic blowup in '08, going into the **Great Recession**, obviously everything kind of stopped. Things started picking up in 2010 and 2011, and they're going pretty well. Things have taken a little bit of a break as lenders become more conservative for construction versus the permanent-loan market, which is still pretty robust. If you look at the average length of a recovery, we're pushing into the longer end of those, so the pullback is not too surprising.

GlobeSt.com: What trends are you noticing in portfolio financing?

Draganiuk: Again, it depends on what it is and how stable it is—how many jurisdictions, how many assets and how many tenants. The deal we just closed was a little more challenging, since one asset comprises 35 buildings. A lot of the assets were business parks with multiple buildings. Some shops are a little leaner, so it's difficult for them to put in the kind of resources you need to underwrite those types of deals versus one $65-million asset. That said, it may be a little less efficient in some ways. I found a lot of interest from lenders on it across the board—and some were willing to lend $100 million on that portfolio.

GlobeSt.com: What else should our readers know about your firm?

Draganiuk: Things have been good, very busy; we're outgrowing our New York space and moving to new space that's twice the size. We're probably expanding out in Orange County at the end of the year. We're looking for good originators, and we're expanding not just our debt and equity side, but also our asset-sales side.