

COMMERCIAL OBSERVER

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REAL ESTATE

COMMERCIAL OBSERVER SPECIAL SECTION

Lenders



What Do You See?

Settle in with a cup of cocoa or (after this year) a glass of mulled wine, and read how top lenders are doing.

By Cathy Cunningham | Illustration by Kevin Fales

human contact would be something to be feared, we'd never have believed you. But, here we are.

Since March 13 (or thereabouts), commercial real estate lenders, a particularly social bunch in an industry that thrives on in-person interactions, have been forced to quarantine — albeit in some very nice locations — and close transactions remotely.

Gone are the days of hopping on a plane without a second thought to walk a property or meet a sponsor. Gone are the “meeting of the minds” conference room gatherings. Gone is the shoptalk over a martini and (gulp) shared bar nuts. Gone are the elaborate closing dinners. And, heck, gone are the days of the good, old-fashioned handshakes.

On the flip side, the market flipped from a borrower's market to a lender's market overnight. So, perhaps it's not *all* bad? For the lenders who didn't rely too heavily on leverage and were somewhat prepared for a downturn, there are now some market opportunities to be had.

So, how have real estate financiers fared over the past year? What are some of the biggest market lessons learned during COVID-19? Which closed deals are they super proud of? What's their take on New York's recovery? And which show have they been bingeing as they wait for the pandemic to end?

Commercial Observer was keen to find out and asked 20 of the industry's top lenders those very questions (and more). What we learned is that the debt markets can't be hindered by a global pandemic when the deal is right, and those at the very top of their game financing the nation's most prominent buildings are just like us — they continue to get down to business, while juggling home life and all of its unexpected curveballs, and still make time for some Netflix escapism when the day is finally done.

Well, well, well, 2020. We didn't see you coming. We all knew *something* was on its way to ending the longest bull run in the history of the commercial property sector, but we didn't expect a high-speed, runaway train to hit us head-on.

If someone had told us nine months ago that we'd be approaching 2021 having spent the majority of this year at home, and that

Warren de Haan

Co-Founder and Head of Originations at ACORE Capital

What's been the biggest market lesson learned during COVID?

Strong relationships are key to navigating challenging times together. You can't discount the power of maintaining clear, consistent communication with business partners, especially during periods defined by extreme volatility and uncertainty.

Are you bullish on New York City? If so, why?

New York City remains the financial capital of the world, and it's a place where people and businesses will want to be over the long term. Currently, however, we've been very selective in our origination activity in the market as we continue to monitor the near and medium-term impact of the pandemic.

What's key to New York's rebound and recovery?

A strong government that's genuinely committed to working in good faith to address the city's most pressing issues – many of which existed pre-COVID. This includes examining taxes, housing, cost of living and infrastructure issues, among others.

How are you winning the deals for which you're competing most aggressively today?

At the end of the day, it's always about relationships and trust. People want certainty, and in today's environment, that's hard to come by. We've built our business on doing what we say we're going to do, and that hasn't changed today nor will it change tomorrow.

How has your loan portfolio fared through the pandemic? Any surprises during asset management in the early days?

There have been no major surprises. When COVID-19 cases began to rise, we knew there were going to be some issues we'd need to address, which we did ... and quite effectively, I might add. We are grateful that we invested heavily in building out our asset management team and systems when we started ACORE five years ago. Overall, we remain pleased with how we've constructed our loan portfolio, which has proved resilient.

Which closed deal, post-COVID, are you most proud of?

I love all my kids equally. We've steadily ramped back up our origination activity and are deploying capital across the country on a range of assets.

What strengths do traditional lenders and non-traditional lenders bring to the market today? Who's emerging stronger post-COVID?

Speed of execution is, and will always be, a competitive advantage for most non-bank lenders. There's been lots written and discussed about investors' plan to capitalize on the disruption by investing opportunistically. If someone brings us a deal that meets our investment criteria, we're ready to move quickly and with precision.

How has your underwriting changed post-COVID? Is there more of an emphasis on underwriting or asset management today?

Over the past 25 years, my partners and I have navigated different economic and real estate cycles, and underwriting protocol needs to be fluid to account for changing behavioral patterns and market movements. Asset management, however, has been a major focal point since the onset of the pandemic given how quickly things escalated.

Do you feel urban living is dissipating as a result of COVID-19? Why or why not?

For the near term, yes, but I don't think people's desire to live in big cities will diminish over the long term. This economic crisis is different from the [2008-09 financial crisis], because it involves a virus, and cities are naturally not conducive to social distancing. Once there's a safe and effective vaccine, I think you'll see people once again migrate back to urban hubs.

"When I'm not doing deals while working from home, you'll find me..." (please complete this sentence.)

"...spending time with my family engaging in outdoor activities."



Lightning Round

Favorite TV show you binged during quarantine?

"The Last Dance" on Netflix

Have you eaten inside a restaurant post-COVID?

Nope

Any new hobbies taken up during COVID?

E-biking

Where is your COVID hideaway?

Lake house in Connecticut.

Number of haircuts in past six months – family trim or professional?

I am the family barber!

Home office or actual office?

Both

Have you been on a plane post-COVID?

No planes, just RVs.

Best book you read during COVID?

"Red Notice" by Bill Browder

Which will rebound first: retail or hospitality?

Hospitality

Favorite post-COVID secondary market from a lending perspective?

Dallas