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10 Things for Capital Seekers to Know in 2013

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Commentary



COSTA MESA, CA-In the spirit of college football bowl games and the fast approaching end to the season when all good teams (and not so good) teams are ranked, the following list is offered for **capital seekers** in 2013.

10. If you have not been in the market lately, be prepared for a whole new ball game. Credit underwriting is a lot more detailed and time consuming than it has been for a long time.

9. Liquidity in the permanent lending market is back. Borrowers have multiple options again, including insurance companies, banks, credit unions and conduits. A 10-year rate in the 4%+ range feels like a BCS bowl game invite—for 10 years straight!

8. Bridge loans are available, but the cost of capital reflects the risks inherent for a property that is not stabilized yet. In other words, the pricing seems too high to most borrowers.

7. Remember, joint venture equity investors get paid to create attractive risk-reward scenarios. While there is a lot of money available, it demands a good return - just as it did before.
6. Higher leveraged loans—75% or even 80%—are available from some conduits, but be sure to get familiar with cash management accounts / lock box structures early. If you don't, it may feel like a blindside hit from a blitzing linebacker.
5. Life companies are offering up to 25 year fixed rate terms for the right property, market and sponsor. Plus, the borrower can get prepayment flexibility, collateral substitution rights and a servicer that is helpful.
4. The debt market is not commoditized at this time. Even CMBS loans are quoted at dramatically different spreads and at varying levels of leverage.
3. Many lenders are short staffed and may stay that way throughout much of the year. They are like a team playing under NCAA scholarship limitation, lacking the depth necessary to efficiently deliver results all the time.
2. Securitized lenders and bridge lenders are anticipating a good year for volume in 2013, but several large banks have shared that they see this as a year to hunker down and be cautious.
1. Regardless of prognostications, two things are certain. First, right now is a good time to be a Notre Dame or Alabama fan (pre BCS Championship Game that is); second, it is a good time to be a borrower. Even with the challenges in closing debt and/or equity in the current environment, it is a very good time to get capital.

As you read the multiple articles and editorials written about 2013, remember the words reportedly attributed to Scott Adams, creator of the Dilbert comic strip. “There are many methods for predicting the future. For example, you can read horoscopes, tea leaves, tarot card, or crystal balls. Collectively, these methods are known as ‘nutty methods’. Or, you can put well-researched facts into sophisticated computer models, more commonly referred to as a ‘complete waste of time’.”

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