

Glimpse of topics

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Essential Financing News for the Busy Commercial Real Estate Professional

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CONDUITS EXPERIENCE COLLATERAL DAMAGE

Conduits say they're open for business in the face of the credit crunch, but many in the commercial real estate mortgage world are seeing sky-high pricing coming from these lenders, effectively keeping them from realistically competing for perm deals. Trying to fill the void

are portfolio players who seem happy with recent developments as more business flows their way. With uncertainty in the air, look for lenders of every stripe to err on the side of caution until the smoke clears.

The immediate outlook for conduits is murky at best. A recent report by Wachovia Capital Markets predicts fixed-rate conduit origination volume to drop 75% through the second half of 2007. Tighter lending standards are expected to boost cap rates by 5% by the end of 2007 and beginning of 2008. The report also states that the average price for commercial real estate will likely dip by 5% to 10% compared to Q1 2007, with those numbers already occurring in some secondary and tertiary markets.

Anecdotally, brokers see a flight to quality. Good markets, good real estate and good historical occupancy are imperative nowadays. For example, attendees at the recent **Self Storage Association** trade show in Las Vegas heard about the rising cost of capital and the possibility of debt service coverage constraints. For loan originators, the new challenge is to successfully navigate the lag time between application and rate lock, then getting both borrower and lender to sign on the dotted line before the sands shift again and the deal crumbles.

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News
in a
nutshell

LENDER NEWS

Commercial mortgage broker **Robert S. Slatt** recently announced that he's moving to San Francisco-based **Newmark Realty Capital**. What's interesting about this news is that Slatt abruptly left **Barry S. Slatt Mortgage**, a company founded by his dad, **Barry S. Slatt**, who passed away in 2004. Slatt characterized the decision to relocate as "a quality of life move." He described the combination of working for a family oriented company and dealing with personal family issues, as

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