



KATHLEEN CABLE

Darron Kattan, managing director real estate services for FranklinStreet Financial who brokered the deal for Chesterfield Apartments in Tampa, and Randy Ferreira, managing partner of Blue Rock Partners LLC, which bought the property.

Multifamily lending continues to improve

BY MARK HOLAN
STAFF WRITER

It's not scientific, but it could be a more telling way to measure financing activity for multifamily projects.

"I went from no calls from the banks to lunch meetings where they are pitching their lending programs," said Darron Kattan, managing director at Franklin Street, a Tampa-based real estate, insurance, capital and management firm. "They seem to be not only executing deals but also making a push for new business."

The sale of existing multifamily buildings and construction of new ones has been one of the few bright spots in the commercial real estate industry since the economic downturn of 2008.

"We are seeing all types of lending sources become much more active across all types of projects," Kattan said. "In the last six months we've seen very measured increases, and all indications are this is more things getting back to normal rather than an anomaly."

There is "fierce competition" to finance Class A projects with large life insurance companies and commercial mortgage-backed securities leading the way, Kattan said.

Life insurance companies are "significantly more active" than a year ago, agreed Byron L. Moger, executive director of apartment brokerage services at Cushman & Wakefield of Florida Inc. "They can give better rates, but they are also more conservative about who they advance the money to."

CMBS lending activity appears to be receding again after a brief uptick due to uncertainty in the securities market, Moger said.

Government-backed Fannie Mae and Freddie Mac also are offering loans of up to 80 percent on Class A and Class B multifamily property.

BANK LOANS

Traditional bankers are picking up the pace of lending as well as a few lunch tabs. But they are still cautious.

"Relative to the peak of the market, underwriting criteria remains conservative," Trey Korhn, vice president of USAmeriBank in Tampa, wrote in an email. "Lenders are requiring more equity and underwriting to in-place property cash flow. In addition to current and historical property perfor-

mance, lenders are also focusing on the operational and management experience of the borrower, location, and sub-market trends and competition.

Rates are typically around 5 percent for bank-financed multifamily, while other sources may offer 4 percent on high-quality projects.

Here's how one deal worked: Franklin Street brokered the \$5.5 million sale of the former Palm Grove Apartments, 5039 Chalet Court, to Blue Rock Partners. The buyer reserved another \$3.5 million for rehabilitation work and carrying costs.

Most of the multifamily activity to date has been the sale or refinancing of existing property, but developers are getting more construction loans, Moger said.

"That has improved substantially," he said. "They are getting better terms for good projects. Equity rates are getting lower but still are around 25 percent."

NEW CONSTRUCTION

The \$31 million Broadstone at Citrus Park nearing completion near Gunn Highway and Citrus Park Drive is an example of new construction.

The final touches will not be finished until February, but more than 100 of the 296-units already have been leased, said Michael Ging, managing director of Florida operations for Alliance Residential Co. of Phoenix.

The developer put down 40 percent of the cost, or \$12.4 million, and the balance was financed through a Texas-based pension fund advisor.

Lenders are looking closely at market fundamentals such as location, average rents and absorption rates, Ging said. "We saw a market that looked like it made sense."

The Texas pension fund agreed.

Alliance is under contract for another multifamily project in Pinellas County.

"We are talking with different pension fund advisors and working with institution capital investors such as Prudential," Ging said. "Last summer there were very few investors [to finance Broadstone]. After the first of this year we saw a big change with lenders becoming more aggressive."

Kattan said the market appears healthy for the foreseeable future.

"We don't see any signs of it slowing down," he said. "Rates are going to stay low. I anticipate it will continue."

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