



Press Release

Date: November 12, 2018

Re: Real Estate Investment Advisory Council
Fourth Quarter Presentation “15th Annual Debt Conference”
InterContinental Hotel Atlanta

On Thursday November 8th, The Real Estate Investment Advisory Council brought together a panel of capital markets experts for a wide-ranging discussion on the direction of the real estate debt capital markets considering an extended economic expansion and development cycle.

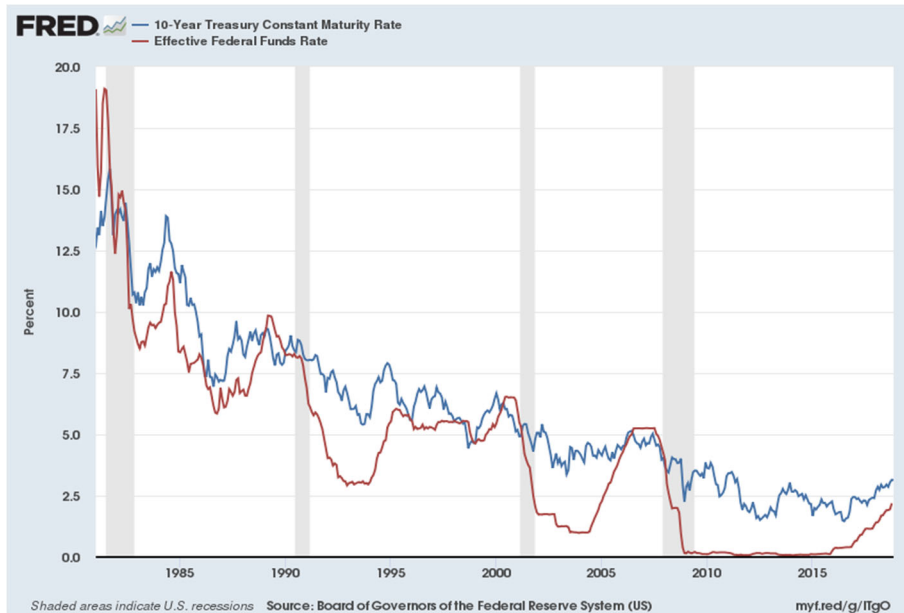
The largest REIAC audience of the year of Atlanta real estate professionals joined together at the InterContinental Buckhead Hotel and were treated to the high-level expertise and experience of:

Tim Groves, Senior Managing Director, Cantor Commercial Real Estate;
Rich Walsh, Managing Director, New York Life Insurance Co.;
Alfred Trivilino, Managing Director – Related Fund Management; and
Dick Knight, Southeast Regional Manager, Citizens Bank.

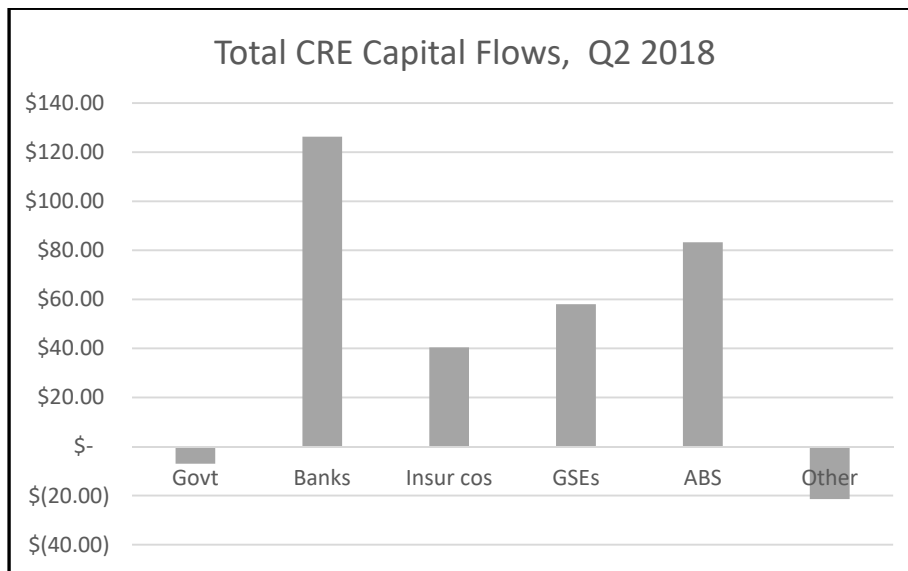
The evening began with a proclamation issued by **Brian Olasov**, moderator, adjunct professor of the NYU Schack Institute of Real Estate at NYU and long-time friend of REIAC: no predictions on the next recession. He points out that economists and prognosticators have been responding with “in two years” ever since 2012.

Olasov pointed to a telling chart of interest rate historical trends. While the 10-year Treasury did reach 1.39% briefly, these rates may have formed a bottom to the 35-year bond rally that has benefited everyone in the industry through refinancing activity and cap rate compression. This dynamic will not repeat.

Rich Walsh adds that interest rates could pick up a bit further through next year, but does not foresee movement in cap rates. He believes that the real estate economy is in for a “soft landing.”



Another compelling graphic points out the overwhelming amount of real estate capital provided by commercial banks vs. other providers:



The discussion shifted to the pending increase in federal regulation of commercial banks due to the shift in control of the House of Representatives, most notably of the House Financial Services Committee from Texan Jeb Hensarling to Californian Maxine Waters.

Dick Knight echoes the concern, stating that the banking industry is already heavily regulated, and banks' loss will be debt funds' gain. Other targets of regulation will be the Wall Street firms and conduits such as CCRE.

Alfred Trivilino agrees, and sees more opportunity for his Related Fund Management due to regulation of traditional competitors like banks and CMBS. He notes that there is a lot of demand for real estate

construction loans above 75% of cost; in fact, he believes his competition is now joint venture equity investors who have been filling the capital stack above the 65% level.

When questioned on whether the market is seeing any “dumb capital,” the answers were mixed. One speaker identified local community banks, in situations where a borrower may have some unusual “brother-in-law” relationship that lands an 80%-of-cost construction loan. Another panelist pointed out Family Offices; not necessarily “dumb” capital but willing to finance properties for reasons other than economics and profitability.

Each panelist demonstrated his institution’s lending advantages in the market with live examples of recent or pending deals closed.

Knight’s example of high-rise construction loans in secondary markets points out the “currency” that developers can use to horse-trade for an otherwise challenging loan. Bank deposits, treasury management services and end-loan refinancing are all valuable to a bank, and thus a credit committee would be willing to lean into a challenging transaction in exchange for this currency.

Related Fund Management seeks more complicated transactions in order to generate higher returns. Trivilino’s deal example of a \$200+ million loan for the substantial renovation of a hotel illustrates the financial structuring to create a low-risk senior loan combined with a higher-yielding mezzanine loan bearing 10%.

New York Life, on the more conservative end of the spectrum, sees its competitive advantage in deal size and long-term horizons. Walsh’s deal example involved a gut-renovation of an office building on the west coast, in which the financing provided a construction loan combined with a 20-year permanent loan to lock in long-term fixed rate proceeds. The client views New York Life’s long-term horizon as identical to its own investment views.

REIAC

The Real Estate Investment Advisory Council (REIAC) was established as a nonprofit trade association to provide a forum for the exchange of ideas, concerns and experiences among senior executives who conduct commercial real estate transactions. The Southeast chapter of REIAC was founded in 1994.

REIAC is an exclusive, principals-only national fellowship of top real estate executives that offers superior educational events, networking opportunities and community service. REIAC’s institutional quality programs are presented in a social environment where members can share experiences and knowledge with their peers. REIAC events encourage members to broaden horizons and develop personal relationships that further their success within the industry.

For further information, please contact:

Jerry Monash, President, Southeast Chapter of The Real Estate Investment Advisory Council
(404) 847-9781

jerry@lancetrealtyadvisors.com