

[New York Real Estate Scene by GreenPearl](#)

People, Events and Deals in the City that never sleeps

- [front page](#)
- [About GreenPearl.com](#)
- [Upcoming Events](#)
- [RSS](#)



← [Seen at Building Foundation fete at the Four Seasons](#) [Goldstein, Freel talk workouts at MBA of NY breakfast](#) →

iGlobal Private Equity Summit focuses on state of real estate finance

March 24th, 2009 · [2 Comments](#) · [Event](#)



Above: David Crawford, Vice President Investments, Yancey-Hausman; Arnold K. “Arnie” Altsuler, CEO, Yancey-Hausman

iGlobal Forum hosted an all-day, in-depth “2nd Real Estate Private Equity Summit” Tuesday at the Embassy Suites Hotel in Downtown Manhattan. It was a beautiful, clear day, perfect to hear about the details of the markets and report back on some of the strategies and insights guiding the decisions of high-powered professionals, and their advice for the best ways manage, invest, and prevail in the today’s tough real estate market.

Bruce Richards, President & CEO of Marathon Asset Management, noting that Marathon is a “distress shop,” said that he was still looking for capitulation—that would lead to normalization of the market. Marathon isn’t looking to own, and during the discussion between Richards and Jon Halpern, Partner and Global Head of Real Estate for Marathon, the figure 25 cents on the dollar for whole-loan debt did float out across the room. In later conversation, however, a number of sources advised that something in the 50% to 60% range for a good asset of an older vintage might be more average (if such a thing exists anymore!). That’s because all vintages aren’t the same (vintage refers to the year of the loan and, more importantly, the appraisal). A loan from 2004 will be earlier on in the value bubble and hence the debt will be discounted less.

Right now, of course, raising capital is tough, Richards observed. He could raise a billion dollars in a couple of months a year ago—today its hard to raise \$250 million. That said, its a “whooping opportunity” right now and hes “really psyched” about it.

Halpern noted that the good news is that there is “actual interest in real-estate distressed debt” by a lot of people—although many of them are capital-constrained at present. There is still the fear of being too early, and whatever debt you may buy, better have “tons” of recourse on it.

The big shift in thinking for the financial world is that real estate is not a commodity, but a local business. Mashing everything into giant CMBS packages may make it all look homogeneous, but it just ain't so.



Above: Thomas Devaney, Partner, Morrison Foerster; Paul M. Fox, Managing Director, Cereberus Real Estate Capital Management; Jeffrey W. Adler, President, The Sanctuary Group, Former Chief Property Operations Officer, AIMCO

At a morning panel, Blackstone Group's Peter Sotoloff, ING Clarion's Edward Carey, JER's Arne Arneson, Cerebrus' Paul Fox Aviva's Russ Bates, Morgan Stanley's J. Timothy Morris and moderator Tom Devaney of Morrison Foerster, discussed trends and strategies for real estate funds.

Fox noted that managing is different today than even a year ago. “It's pretty tough,” he noted, with a lot of lenders putting the pressure on to “default you,” and there being few options, like extending the loans, refinancing, etc., especially if the property is upside-down. And the debt markets are still basically shut down.

Add to that cash flow problems: “a lot of the fundamentals of assets are starting to go sideways,” he advised. “We're just getting crushed.”

Morris agreed, adding that what was originally a credit-induced problem that hit the leverage issues has now spread to the general economy—which impacts fundamentals like rent rolls. And just to make things more interesting, real estate recovery tends to lag general economic rebounds historically, so relief will come late to the industry.

Loans for new deals? Pretty unlikely unless they are perfectly plain vanilla and the assets cash-flow. Arneson noted, however, that things are not necessarily as bleak for existing loans. “Lenders on existing assets that run into issues have been pretty good—even if they are not going to get back to the original values.”

Sotoloff advised that he felt the new administration is “making an effort” and taking some “positive steps.” Its actions have, in particular, included making CMBS' allowable assets in its programs.

Carey may well have depicted the recovery scenario best, though. “Either it's way complicated, or very simple,” he observed. “In the 1990s, when prices got cheap enough, equity capital came back in.”



Above: David V. Politano, Regional Director, Metlife Real Estate Investments; Timothy Zietara, Senior Vice President and Portfolio Manager, ING Clarion Capital; Daniel Hartman, Senior Director and Northeast Region Manager, Wrightwood Capital; Dan LePage, Head of US Real Estate, RBC Capital Markets, Christopher LaBianca, President, RCG Longview, John I. Bralower, Managing Director, The Carlton Group

The panel that followed about partnership's perspective on the present state of real estate included Jerry Davis, New Orleans Employees Retirement System; Susan Doyle, GE Asset Management; Raymond Jacobs, Franklin Templeton Real Estate Advisors; Andrew Hoffman, Brookfield Asset Management; and moderator Ignatius Fogarty of Prequin.

One problem, according to Doyle, is that a smaller limited partnership won't have a big enough staff to cover a large number of investments and external relationships. Hoffman concurred. That said, given that investment entities have and may still fail, noted Jacobs, partnerships will now have to consider if they have eggs in too few baskets—and “reconsider risks to specific investment managers,” and not just by geography and sector.

One good thing about the private equity side of real estate, vs. REITS, advised Doyle, is that you have a “little more control over your own destiny.” Hoffman advised that above all LPs are now all in risk reduction mode. As a result, they have been pulling back to domestic investments vs. foreign ones—even though there are some “real deals in terms of cash flow” in the emerging markets.



Above: Timothy Zietara; Anna Ivanova, Managing Partner, iGlobal Forum

The lenders and financing strategies panel included Wrightwood Capital's Dan Hartman; RCG Longview's Christopher LaBianca; Metlife's David Politano; Carlton Group's John Bralower; RBC Capital Markets' Dan LePage

and moderator ING Clarion's Timothy Zietara.



Above: Steve Felix, Head of Client Relations, North America, Aviva Investors; Angie Dickson; David J. Lynn, Managing Director, ING Clarion Real Estate, Michael R. Pecorino, Senior Managing Director, CB Richard Ellis

Given the state of the bid-ask spread on both debt and property these days, perhaps it is best to start off with one pithy summation of the present situation. "Hope is not a strategy," observed Hartman.

What strategy is working now? Buying Triple A CMBS that is yielding returns in the teens and can be liquidated in a matter of hours was the one most favored by the group. The buy-a-loan-to-own strategy might work on selected assets, but things are still pretty expensive. Unless it is a deal of an earlier vintage and at about 50% of face value, it seemed that most of the experts at the summit thought that it is still too rich and too early to dabble.



Above: Anna Ivanova, Managing Partner, iGlobal Forum; Arnold K. "Arnie" Altsuler, CEO, Yancey-Hausman

Another key is a return to basics, which means looking at real estate from an operational standpoint and underwriting from that standpoint, too—one that reflects reality, as in cash flow that covers costs and debt servicing, according to LaBianca.

Lender hot button today? Zietara noted that he's not interested in so-called "value," as much as he is in other dynamics, such as the quality of the real estate and the experience of the sponsor in operating the asset. Bralower added that, beyond those two, he also targets the buy-price at 50%, although it might ultimately close at 65%. And the analysis of the asset is now based on cash-flow projected on conservative scenarios that he described as realistic "unless the world ends."

[Share / Save](#)

Tags:

2 responses so far ↓

- [1 Tom Humes](#) // Mar 27, 2009 at 2:44 pm

Nice Site layout for your blog. I am looking forward to reading more from you.

Tom Humes

- [2 Allen Taylor](#) // Mar 27, 2009 at 2:45 pm

Nice writing. You are on my RSS reader now so I can read more from you down the road.

Allen Taylor

Leave a Comment

Name

Mail

Website

-

• Recent Posts

- [NYCREW tours Durst's 1 Bryant Park](#)
- [NYSPE hears update on 2nd Ave. Subway](#)
- [Wells Fargo's Bader talks residential at NRC](#)
- [Construction Groups' conference focuses on recovery](#)
- [Seen at the LMCC gala fundraiser at 7 WTC...](#)

• GreenPearl pages

- [Follow this blog on Twitter](#)
- [GreenPearl Blog](#)
- [GreenPearl Home](#)
- [GreenPearl New York Scene](#)

• Upcoming Events

- [Long Island Real Estate Industry Mixer - Feb 17](#)
- [Queens Real Estate Industry Networking Mixer, Feb 12](#)

© 2008–2009 New York Real Estate Scene by GreenPearl — [Sitemap](#) — [Cutline](#) by [Chris Pearson](#)