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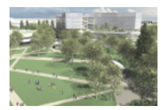
COMMERCIAL

Keeping Focus on Controlled Variables

Posted on March 31, 2017 by publisher8 in Commercial, Featured, Finance

INDUSTRY NEWS & RELEASES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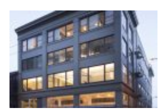
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$12.75MM in Financing Arrang

85 Bluxome, San Francisco, CA

Newmark Realty Capital was born during a recession of the early 1990s, it now has a solid roadmap for success.

THIS ARTICLE WAS PUBLISHED IN THE 'Q' – THE REGISTRY'S PRINT PUBLICATION – IN FEBRUARY OF 2017

Michael Heagerty's 20 years of experience in commercial mortgage banking and lending provides insight from the perspective of both the institution and the correspondent. As a Principal and Chief Financial Officer for Newmark, his areas of responsibility include the financial performance, management and direction of each of the company's business lines. Michael has managed the expansion of Newmark's platform on the west coast including operational, recruiting and technology initiatives that strive to improve the company's loan production and servicing capabilities. Since forming Newmark's Loan Servicing Department in 1994, the department has grown to be one of the top commercial loan servicers in the country with a portfolio representing over $9 billion in loans.

THE REGISTRY: Tell us a little about Newmark Realty Capital and your history in

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MARKET MAKERS: ART GENSLER

MICHAEL HEAGERTY: Newmark was started in San Francisco and Sacramento in 1991 during the depths of that recession. We have grown organically into the largest independent full service commercial mortgage banker on the west coast. We now have 65 employees in California, Washington, Oregon, Nevada and Arizona. Our national loan servicing portfolio recently surpassed $9 billion representing roughly 1,200 assets in 32 different states.

TR: How broad is your coverage today? Where does Newmark interact today and in what property types?

MH: We have produced between $2 and $2.5 billion in commercial real estate loans each of the last five years. Over the course of the company's history, we have placed and serviced more than $30 billion during the past 25 years. Newmark's production covers all commercial and multi-family property types with a nearly equal distribution of retail, office, apartments and industrial. We also see a significant number of transactions for hotel/hospitality properties and mixed-use projects. Our core strength is in the 20+ year lender relationships nationally, which has allowed us to regularly close loans from as small as $500,000 to as large as $300 million.

TR: Given that a lot of your work is to arrange lending on behalf large institutions, insurance companies and pension funds, how has their outlook on the industry changed over the last 12 months? What is their outlook on 2017, and how will that impact your business?

MH: I mentioned that Newmark's core strength is in the company's lender relationships and approximately 60 percent of our annual production is with the insurance companies, pension funds and national correspondents. Many of those institutions were actively lending through the great recession and every year since that time. They have been very consistent with their outlook for similar production in 2017. They do not appear to be loosening on their underwriting, so I expect that they will continue to focus on the strongest assets. Many non-traditional lenders are gaining market share for the transactions seeking higher yield and structure.

TR: What strikes you about this cycle at this particular point in time?

MH: We have had several years of steady growth, relatively low interest rates and building strength in our core west coast markets. Given the changing regulatory, policy and interest rate environment, the level of uncertainty and volatility is more than we have seen in awhile. The key is to focus on the
nd provide the best service possible and not worry
annot control.

CURRENT ISSUE

TR: In which property classes are you seeing most activity? Why do you think they are attractive for investors now?

MH: We have closed more industrial and apartment financings than any other class so far this year. They are seen as safer property types. We have been particularly strong in self-storage in recent years, and it has become a preferred property type for many of our institutional lenders.

TR: Conversely, are there any property classes for which lending and equity financing may be harder to obtain today?

MH: Retail is being scrutinized more closely than ever before with very tight underwriting. Even our most retail-oriented lenders are looking at all variables to pick the cream of the crop.

TR: If 2016 was a successful year for the industry, in general, how do you feel about 2017?

MH: The last five years have been very successful, and I would be pleased if 2017 turned out as strong. The first quarter of 2017 has started off strong as many borrowers are locking up these still great interest rate levels. The market volatility and upward interest rate movement worry me but I am confident our team will adapt to the changing conditions.

TR: What concerns you about the year ahead, and conversely, where do you see opportunities to evolve?

MH: In this type of market, experience counts. Those professionals who have been through a variety of real estate cycles will find opportunities. Competitors may come and go but the professionals who stick through the cycles build the strongest relationships and find opportunities at both ends of the business cycle. Adapting to a changing capital environment and not getting caught up in short-sighted decisions is the tough part.

TR: Where do you see interest rates going in 2017, and what impact should that have on the industry broadly?

MH: The national economists indicate that rates will continue to go up, but that has been said for a long time. We will adapt to the rates that are in front of us and strive to find a good competitive quote for both borrower and lender. As rates rise, there is a chance that our lenders will find more capital available.

...ial mortgages to stay as attractive as possible ...nt opportunities as they have been in the last few years. Keeping delinquencies to a negligible level through strong underwriting and diligent servicing is critical.

TR: How are you looking at the national politics at the moment, and where do you see opportunities and challenges for the industry based on your early reads of what is coming from Washington and the new administration?

MH: The regulatory changes could be significant, so we are watching those developments very closely especially involving tax policy. We work with our national trade associations like the Mortgage Bankers Association to keep us abreast of the political decisions and its impact on the capital markets.

TR: Is there something that we are not asking that we should be asking?

MH: During times of uncertainty, it is important to stay focused on what you can control and not get too caught up on the issues of the day. Overall, we would not trade our west coast markets for any others in the country and hope to build on those advantages. We are very encouraged by the current employment levels, industry diversification and growth opportunities in the local markets to show our national lenders why they need to allocate more capital to the west coast. I'm optimistic that we can deliver that message regardless of the volatility of the day nationally.

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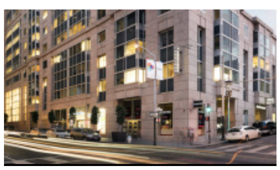

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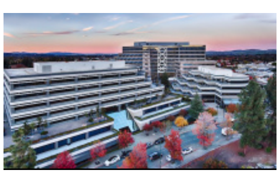

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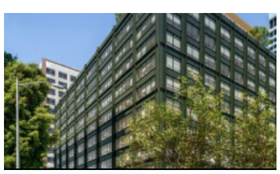

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