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CMBS Is A Vital Part Of The CRE Finance Environment

FEBRUARY 24, 2017 | BY NATALIE DOLCE

SAN DIEGO—Speakers during the CMBS panel at MBA's CREF/Multifamily Housing Convention and Expo 2017 say educating brokers and borrowers is key to a healthy CMBS future.

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The "CMBS—What You Need to Know" panel at MBA's CREF/Multifamily Housing Convention and Expo 2017.

SAN DIEGO—CMBS finance has had its difficulties over the past years, but it is a vital part of the commercial real estate finance environment. That is according to panelists on the "CMBS—What You Need to Know" panel at [MBA's CREF/Multifamily Housing Convention and Expo 2017](#).

According to Patrick Sargent, partner at Alston & Bird LLP, about \$95-billion of CMBS is due to come due. "And of that only 55% had debt yields of at least 9%," he explained.

In 2007, CMBS represented about 25% of all CRE origination that year and last year, it represented only 12.9% of origination, explained Sargent. "Over the past 4 years, for CMBS new origination, only 40% was from CMBS refinances, but the good news is that 60% of new borrowers are coming in, but the numbers also show that we also couldn't attract a lot of them back."

The concern for panelist Michael Heagerty, principal of Newmark Realty Capital Inc., is that CMBS has become a lender of last resort. "It has gotten to the point where many of our borrowers don't even want to see CMBS and often times, we push it."



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He continues that the borrowers then “get upset at our producers are putting in front of them because of their experiences, so for us, it is a little bleak.”

He explained that “these maturities are coming up in 2017 and a lot of it is front loaded in the first half of the year, so what happens to CMBS after that?” According to Heagerty, many of the best loans have been picked off with forwards.

Last year, Heagerty was happy with the year that Newmark had, and part of that is because the life insurance companies are building. “There is plenty of capital out there, and CMBS seems to be edged out.”

But what is important going forward? According to Heagerty, it is to work together to make CMBS a better alternative. “Life insurance companies can only have a certain percentage of their assets in commercial mortgages,” he said. “In our shop, a lot of it is about educating our brokers about the process. We want to be able to get as much information out there to translate that to your borrowers.”

Keep checking back with GlobeSt.com this week for more coverage from the MBA's CREF/Multifamily Housing Convention and Expo 2017.



Natalie Dolce ›

Natalie Dolce, national executive editor of GlobeSt.com, is responsible for working with editorial staff, freelancers and senior management to help plan the overarching vision that encompasses GlobeSt.com, including short-term and long-term goals for the website, how content integrates through the company's other product lines and the overall quality of content. Previously she served as editor of the West Coast region for GlobeSt.com and Real Estate Forum, and was responsible for coverage of news and information pertaining to that vital real estate region. Prior to moving out to the Southern California office, Natalie was Northeast bureau chief, covering New York City for GlobeSt. Dolce's background includes a stint at InStyle Magazine, and as managing editor with New York Press, an alternative weekly New York City paper. In her career, she has also covered a variety of beats for M magazine, Arthur Frommer's Budget Travel, FashionLedge.com, Co-Ed magazine and the Daily Orange newspaper. Dolce has also freelanced for a number of publications, including MSNBC.com and Museums New York magazine.

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