

# COMMERCIAL REAL ESTATE LENDING SURVEY

# 2011



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## INTRODUCTION

**GEORGE RATIU**  
Economist

Commercial real estate markets experienced a broad stabilization of fundamentals during 2010. Demand for space improved and vacancy rates, while still high, began to descend. The combination of a stronger economy and a soft residential housing market made the multifamily sector especially attractive, leading to contracting availability and growing rents.

On the investment and transaction side, commercial real estate posted improvements. During 2010, there were \$120.0 billion in sales of commercial properties priced at \$5 million or higher. The annual figure represents a 120 percent increase from the decade-low \$54.6 billion in 2009.

The shift in commercial investments occurred amid increased availability of capital at the high end of the market and global investors' changing preferences. With corporate profits at record highs and private funds aiming for quality, investors turned to stable markets and top tier properties. Major economic centers like Washington, D.C., New York, Boston and San Francisco became attractive alternatives to other major international gateway markets.

However, for properties priced below \$5 million, transaction activity remained soft as credit for commercial real estate bifurcated. While high-end properties in top markets found access to capital, smaller size investments in mid-tier metros continued to struggle with lack of access to financing. At the middle and lower ends, credit conditions remained tight as banks remained wary of risks to their balance sheets.

Against this backdrop, the National Association of REALTORS® conducted a survey of commercial real estate members focused on lending conditions. The aim of the survey was to assess how lending conditions impacted commercial transactions.

In March 2011, NAR invited a random sample of 56,000 REALTORS® with an interest in commercial real estate to fill out an on-line survey. A total of 525 responses were received for an overall response rate of 0.9 percent. The results of the survey and respondent comments are detailed on the following pages.

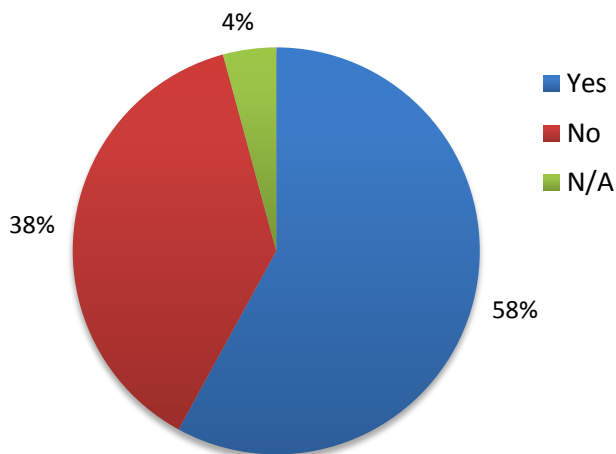
**SURVEY QUESTIONS**

1. What is your area of specialty?
2. Have you completed a sale transaction this year?
3. Based on your experiences, what have been the major obstacles for commercial real estate this year?
4. Have you failed to complete a transaction this year due to lack of financing?
5. Based on your experience, has lack of financing impacted your clients' (landlords, tenants, investors) decisions related to commercial real estate?
6. Based on your experiences, how have lending conditions changed over this year?
7. Based on your experiences, which groups currently provide financing for commercial deals?
8. Based on your last sales transaction (if applicable), what was the amount of the loan?
9. What has been the average loan-to-value (LTV) ratios for commercial deals over the past year?
10. Based on your experience, have you been involved with any commercial transaction supported by a Small Business Administration (SBA) loan?
11. Please describe your experience over the past year with commercial property appraisals.
12. Please provide any comments you may have as well as suggestions for practitioners looking for commercial loans.

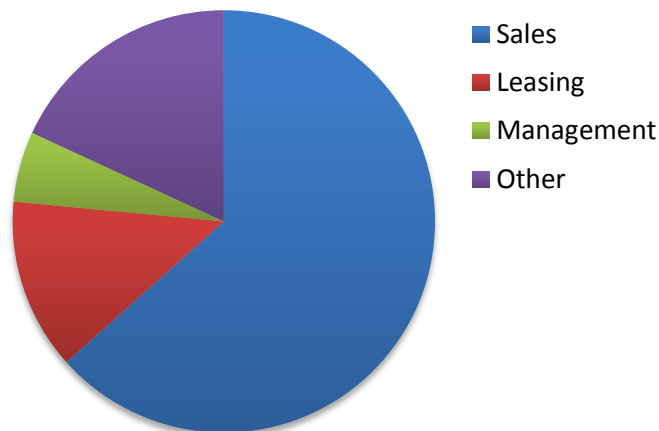
# COMMERCIAL REAL ESTATE LENDING SURVEY

## SURVEY RESULTS: Market Environment

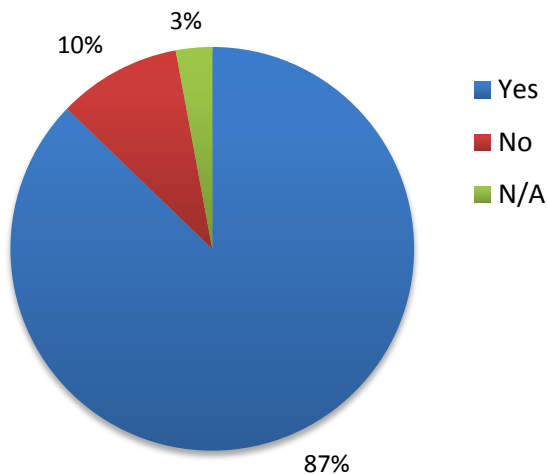
Have you completed a sale transaction in 2011?



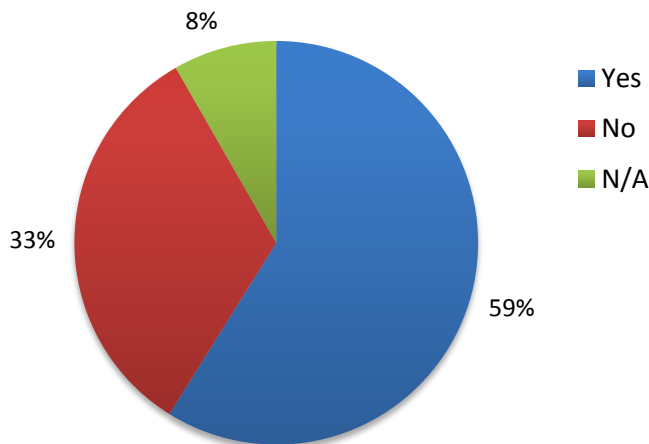
What is your area of specialty?



Has lack of financing impacted your clients' decisions in 2011?



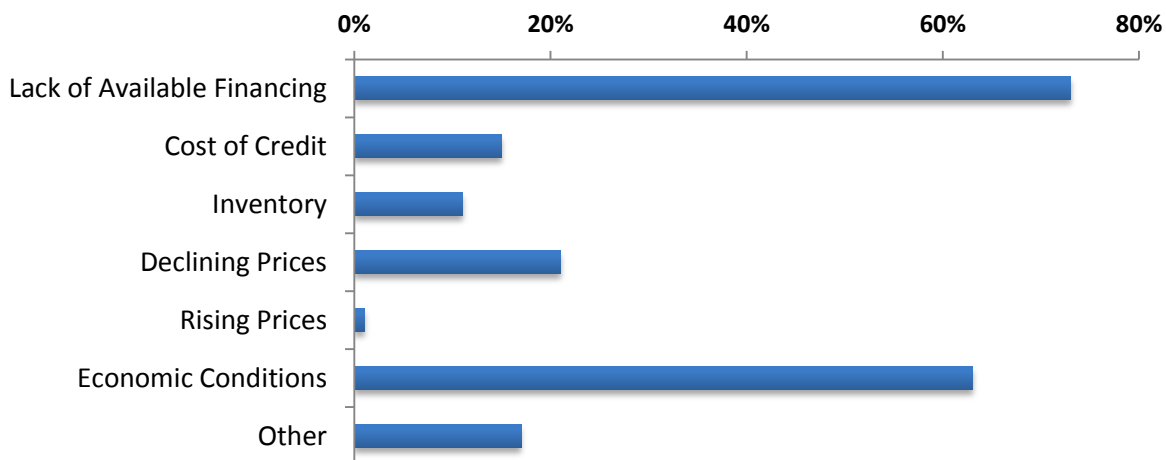
Have you failed to complete a transaction due to financing in 2011?



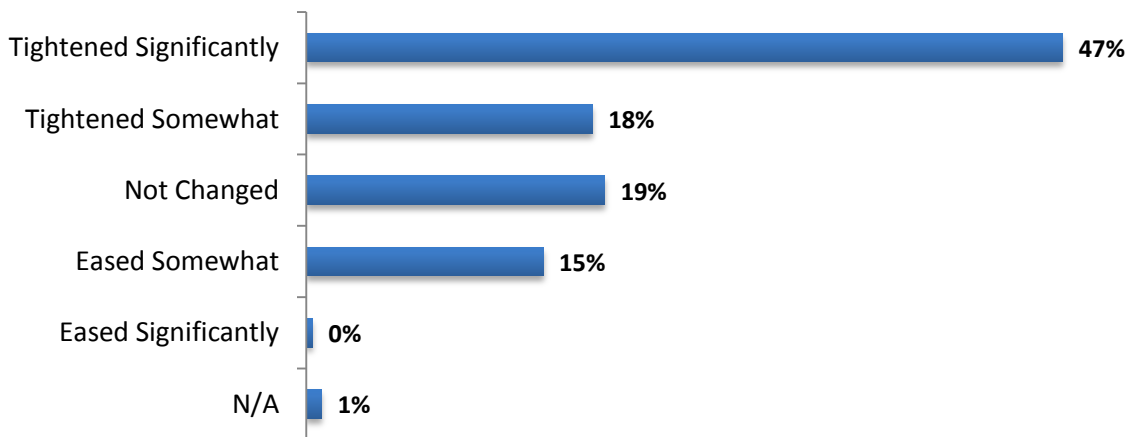
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## SURVEY RESULTS: Lending Environment

What have been the major obstacles for commercial real estate this year? (multiple selections)



How have lending conditions changed over this year?



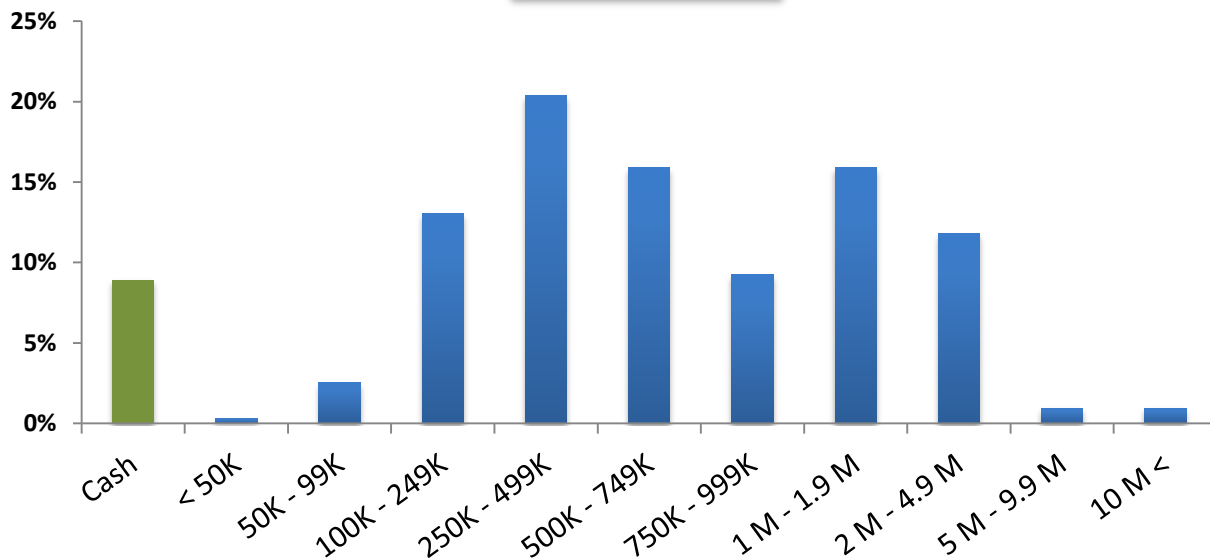
# COMMERCIAL REAL ESTATE LENDING SURVEY

## SURVEY RESULTS: Lending Details

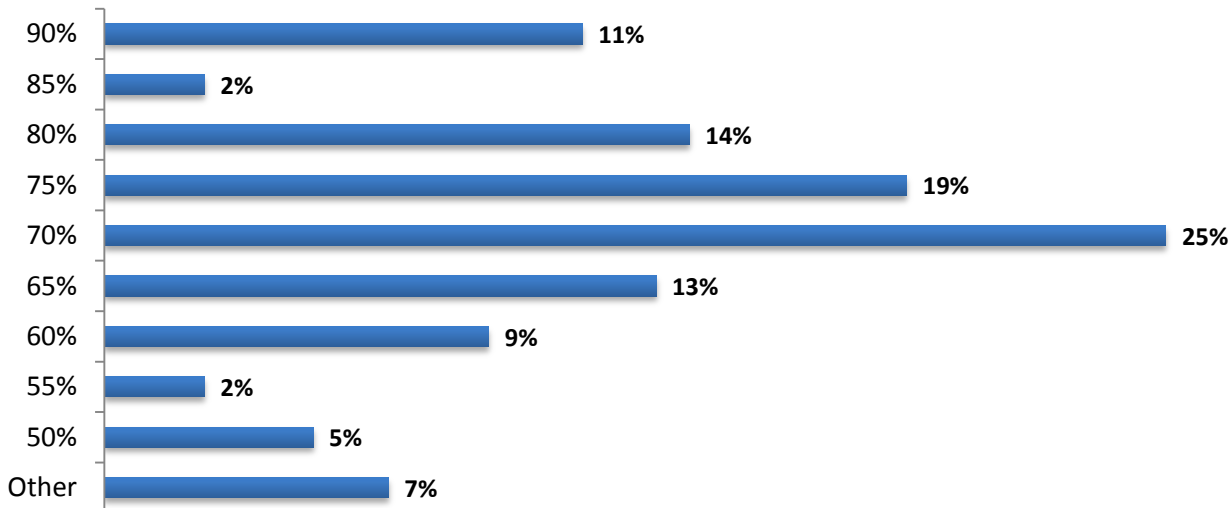
Average Commercial Real Estate Loan in 2011

\$ 1,183,897

Distribution of Loans



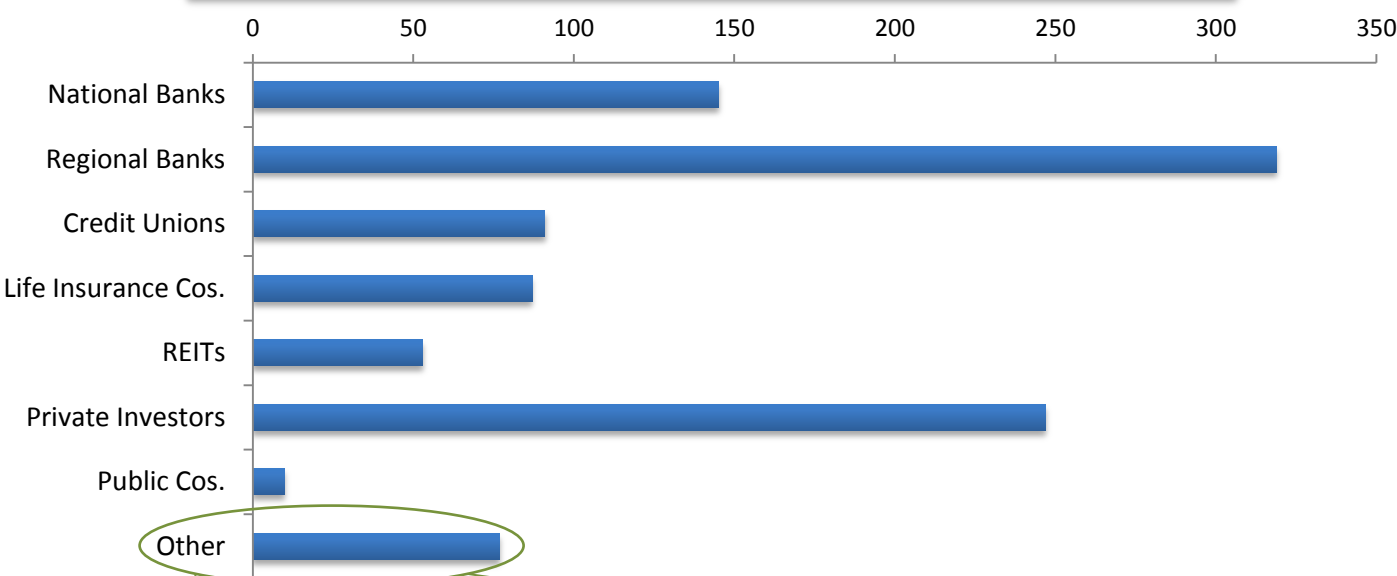
What have been average loan-to-value (LTV) ratios for commercial deals over the past year?



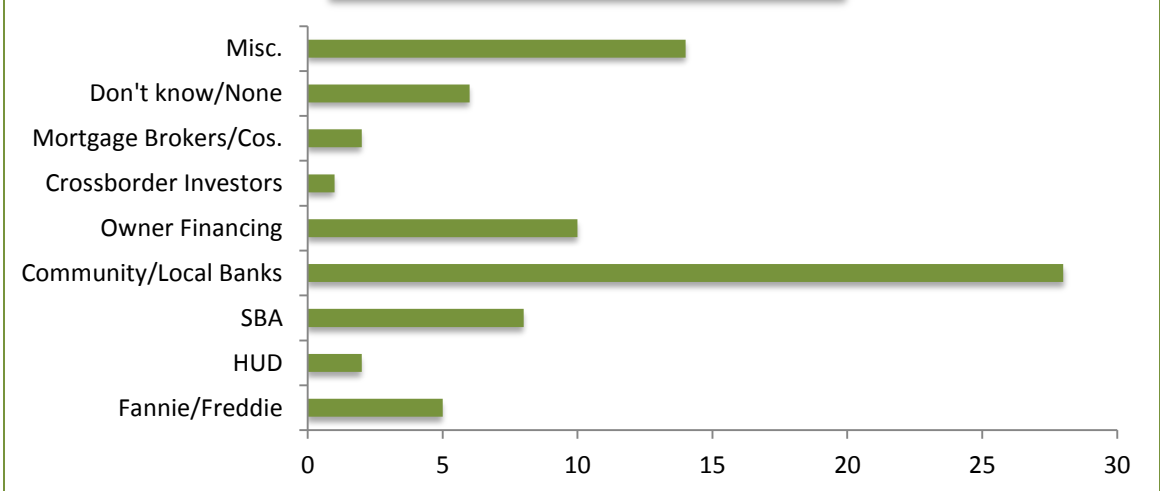
# COMMERCIAL REAL ESTATE LENDING SURVEY

## SURVEY RESULTS: Sources of Financing

Which groups currently provide financing for commercial deals? (multiple selections)

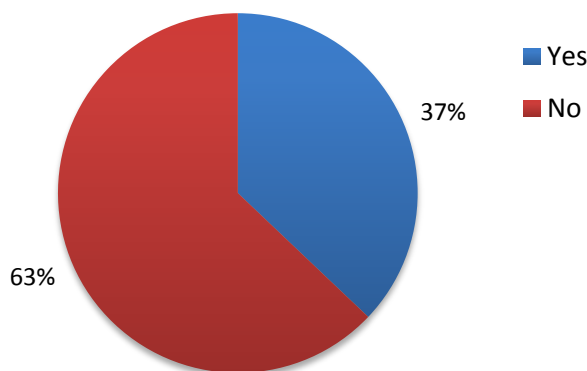


Providers of commercial financing: Other



## SURVEY RESULTS: Small Business Administration Loans

Have you been involved with any commercial transaction supported by a Small Business Administration (SBA) loan?



### Comments:

*An SBA Loan working on now is in its 6th Month, and still has not closed. I have buyers with up to 50% down looking for owner contracts as the way to buy.*

*Commercial leasing has accounted for about 1/4 of our transactions. 1/4 Small Business using SBA and the other half land sales with cash.*

*I have spoken to a SBA loan officer who was going to send me more information and never did. Told me there's a lot of paper work to do...*

*Most of my sales have either been short sales and some all cash. The appraisal has helped the short sales. As the result the banks and SBA have been more inclined to take a hit!*

*Small SBA deals under 100k are somewhat easier if the seller participates in a second mortgage. Deals in middle market (\$300 to \$2 Mil) very difficult to get thru the finance parameters for financing.*

*SBA still takes months to complete. Private money lenders, locally owned banks are the best source right now.*

*Shop the entire market, the money is out there, but very, very hard to find.*

*SBA and cooperating banks seem only willing to finance properties where the owner will have a physical presence on the property (owner operated). Banks seem unwilling to loan on vacant properties regardless of obvious physical value. If the property does not have a running history of generating income, banks have no confidence that it can/will. Many banks have no interest in any commercial loans of any type because they are trying to save money to buy failing banks with. Banks tell me that the Government severely limits how many loans they can write regardless of obvious value of the property and strength of the borrower.*

*Most of my buyers gave up in the SBA process and found family, friends, other ways to fund. SBA is too long, too complicated, too user unfriendly*

*My last Buyer was relying on the SBA for funding. His contract was postponed twice until he finally gave up. Currently I am working to obtain financing for a distressed property. The property is 40% vacant and the lender is gouging the potential investor making the deal un do able.*

*SBA loan about 10 years ago. Nothing recently.*

*SBA loans could be a viable alternative for small business, but it's too much paper work and red tape. The lenders are too demanding and requires the buyers/borrowers to go through impossible loops. Mind you that the government guarantees these loans in order to help the taxpayers and small business people. The lenders take advantage and lately raised the bar to a point that only reach people are able to get a loan.*

*SBA loans or local regional lenders are the best bet.*

## COMMENTS: Property Appraisals

Please describe your experience over the past year with **commercial property appraisals**:

*All have been VERY low values, mostly based on too few sales and not enough sales to have real comps. Again, too much red tape from the Feds...*

*Appraisals are coming in all across the board due to the variety of legitimate sales comps (i.e. traditional arms length, foreclosure, short sale, distress, etc.) and because of this are very unreliable.*

*Appraisals are difficult because there have been few comparable sales to use to base pricing for an appraisal. Appraisers are also too conservative out of fears of overvaluation of properties.*

*Appraisals are extremely conservative. Due to lack of velocity in the market, appraisers are for the most part clueless as to what values are. They look to brokers for value.*

*Appraisals do not provide sufficient weighting for the continuing decline in property values*

*Appraisals have also tightened substantially. It is highly likely that IF you get a bank willing to loan, that the appraisal will be your most significant hurdle. Pro-forma budgets of the acquiring company will only be given weight if they are comparable to the actual of the previous owner (Seller). If a property was under-performing, vacant or otherwise, the appraisal will be a roll-of-the-dice for they buyer. It is true that banks are suspect of Buyers and appraisers are pessimistic. The net effect is an environment with declining values, higher cost of credit, less available credit and lower appraisals. Tough.*

*Appraisals have become more boilerplate as new data has become available. There is now real market support for value conclusions.*

*Appraisals have been close to purchase price and not broken any deals. Conservative, based on income approach.*

*Appraisals have been too low. Many transactions have been bank initiated, and the purchase prices don't reflect true property values. Sales comps should not be used for appraisals ... Only replacement value is a real indicator of value.*

*Appraisals have been tough on Commercial Properties because of their declining sales volume. Projected appraisals have been very conservative.*

*Appraisals have not been a problem because the properties I have sold were user office condo/buildings which were well priced with many comps. to support the value.*

*Appraisers are appraising low. The loans I have been able to get to work are owner carry and we haven't been forced to get an appraisal.*

*Appraisers are being hamstrung in some instances, due to compliance issues with FDIC guidelines of not using distressed sales as comparables.*

*Appraisers are having a more difficult time finding ground in this market with limited sales comparables.*

*Appraisers are overly conservative as if they are receiving pressure from lending institutions. Appraisers are unwilling to allow weight to current rather than trailing market conditions.*

*Appraisers are struggling to locate meaningful comps and thus continue to degrade the value of properties.*

*Appraisers do not have current sales data (last 3-6 months) to conduct accurate appraisals to reflect the current economic conditions.*

## COMMENTS: Property Appraisals (continued)

Please describe your experience over the past year with commercial property appraisals:

*Appraisers in general (the ones that are left are obviously the best) struggle to find comparables because of lack of sales in our area. Seems to be more regulated than before but maybe it was and it wasn't as strict.*

*Banks are instructing Appraisers to keep appraisals low.*

*Cap rates have increased in the past year, rents/leases have lowered thus values are lower making it difficult to appraise as needed.*

*Coming in significantly below the price willing buyer and willing seller agree to. Appraisals for bank owned property are also lower than reality.*

*Comparable sales are severely limited; unreliable operating financials; reduced fees and volume of business; continuing gap x buyers and sellers with unrealistic expectations*

*Declining value-based on Bank underwriting and pressure from lenders to decrease the value and require more equity-even though the project is financially viable.*

*Difficult for appraisers to find comparable sales. Appraisers reluctant to "opine", looking for solid evidence and not finding it.*

*Difficult task due to lack of current market data that reflects current economic conditions.*

*Down 30 to 40 % from three years ago.*

*Difficult due to Low Property Appraisals which inhibit the Buyer and upset the Seller. The Low appraisals actually causes the deals to not proceed.*

*Extremely tough and highly conservative not to say dooming reasonable historical results even on 10 and 15 years span*

*Having trouble coming up with recent comps (sells within the last 12 months), and appraiser's are conservative for this reason.*

*Hearing nothing but complaints about new asset management system in place.*

*I have heard bankers largely not putting too much value on the appraisal due to the complications of the process. They are resorting to their own internal assessment of the property which I believe is too conservative.*

*Insane. Appraisals at 40-50% of replacement cost. NOI means little. Risk issues are everything. Cross collateralization, pledged assets, personal guarantees to more than double the deal cost.*

*Interestingly, on the few brokerage deals I have done (keep in mind I have been involved in the purchase and restructure of notes from banks) the appraisals have been at the purchase price or close to it.*

*Lack of comparables have caused appraisers to go too far out of the area and use too old of data. Lately with more sales of some depressed, auctioned or short sales, appraisers have more information. The result is a lower valued assets for banks to deal with. The sooner the banks respond to what the market will pay for these assets, the sooner this down turn will end.*

*Lenders are making a lot of money. The cost of funds is very low. Pricing depends on the lender. Solid lenders will go out to 5 years usually at 240-270 BP over the five year treasury with a floor of 5%.*

*Lenders want all appraisals to be the same as the very last sale & settlement in a 5-mile radius. This is not the way to value any property, most are completely different.*

## COMMENTS: Property Appraisals (continued)

Please describe your experience over the past year with commercial property appraisals:

*Local commercial appraisers know what is happening in our market. Out of town or out of state appraisers assigned to our area are clueless to our local market.*

*Most appraisals have come in below the asking values causing the banks to lower their loan amounts and requiring buyers to add more capital. Often those deals fail to be completed.*

*Most commercial appraisers are desperate to find recent comparables and therefore, are not able to adequately evaluate each property. I get the impression that some of these appraisers are "guessing" and stretching their standards. It also seems as if they're being told by the lender to be EXTREMELY conservative on every appraisal. It's almost as if the lender doesn't want the deal from the start.*

*My experience is that traditional methods of valuation no longer are applicable. The replacement cost approach is not valid and the market approach requires too much adjustment because properties are so different except for perhaps land. The income approach and what is the chance of significant appreciation is all that my clients care about.*

*No real issues, though I'm seeing very conservative valuations. There is still an uneasiness about establishing values that will work.*

*Not in touch with the real market conditions. I have a corporate client that was disposing of several excess properties and every MAI appraisal was significantly over the market.*

*Not many comps available, nothing taken into account for 'fire sales' - negatively affecting appraisal values.*

*Not reacting to the changing marketplace fast enough. Still basing today's decisions on values set in the downturn. Holding back the increase available in the market.*

*Prices for commercial properties in my geographical area have decreased dramatically. Appraisals reflect these price changes.*

*Properties may have difficulty appraising because foreclosures and short sales have affected values. Shortage of "arms length" transactions. Tighter lending guidelines are making it more difficult for seasoned investors to buy in today's market.*

*Property appraisal values are 30%-40% of values from just two years ago, and are still being questioned as accurate by local banks.*

*The appraisers are completing work as though they are afraid. This is not conducive to realistic market conditions. The appraisers are having difficulty find comparable sales due to the lack of transactions over the past couple of years.*

*The appraisals are 30-40% lower than 3-5 years ago.*

*The only experience is assisting the appraisers in the appraisals. They call me to determine the price. Happens all the time. Nothing new. We see more properties for sale, etc. than they do, by far!*

*The prices have declined as there is too much inventory. The process to get the appraisal is very cumbersome. It all has to go through a processing center and it delays things tremendously. The new system is not working.*

*The sales volume has been so miniscule that comps are very difficult to obtain. Our local appraisers do a great job with what they have to work with.*

*There have been a lot of properties which every appraiser calls the selling agent to verify the sell and to inquire the specifics regarding the sale.*

*They have been 10-15% lower than anticipated.*

## COMMENTS: Property Appraisals (continued)

Please describe your experience over the past year with commercial property appraisals:

*They are afraid to be objective and frankly cannot afford to go against the banks. Because of it clients don't know what a good deal is anymore.*

*They are also affected by the market conditions, and they are normally 20-30% below market, just to be safe.*

*They are basically 1/2 of what the original value was and the appraisals are not done properly because they are using comps from 3-4 years ago and they are done for the banks not for the market. I have 3 development loans and all the appraisals a not worth the paper they are printed on.*

*They are more realistic and based on more sound financials and current income.*

*They are not very dependable. Recent Sales Comparables are still hard to find. The Income approach to valuing a property is currently the most accurate.*

*They are so much in reaction to their prior methodology of "what number do you need?" to attempt to regain credibility they have swung too conservatively BUT they have such a challenge with recent comparables out there it is very little to hang your hat on.*

*They are tighter also. Appraisers were most interested in cash flow and ability of the property to support increased expenses and debt.*

*They generally have not kept pace with actual market/buyer devaluation of assets. Stated differently, appraised values always exceed the sale price by 40% or more.*

*They have come in 20% lower than listing values which is acceptable considering asking values are out of line relative to property performance on an income basis*

*They have gone down and usually they meet our sales price because everyone seems to understand the price fall.*

*They have reduced in price anywhere from 25% to 50%.*

*They seem to take more time to evaluate properties as there are not as many sales or leases to compare to.*

*Very complicated and full of red tape. Lenders and buyers cannot chose an appraiser, therefore leaving the choice to unqualified entities that make the wrong choice of appraisers that may not be qualified to evaluate a certain type of property/business. If the buyer pays for the report, then the buyer should chose, an appraiser that is part of the lender's pre-approved list.*

*Very mixed, local appraisers with area knowledge are typically closer to the sales values than out of area appraisers but the lenders are going pretty far afield to meet appraisal requirements.*

*We have not had a problem in this area. I try to provide comps for the appraisers that will support the sales price, and I try to price my listings appropriately.*

*We have seen appraisals come back showing a loss in excess of 50% of value for specific properties from prior years.*

*We have seen some appraisals that appear to be overly conservative - using assumptions that may be inappropriate when compared with historical norms.*

*While they have been reduced, it seems the primary issue is lack of comparable sales for the area in the last 12 months.*

## COMMENTS: Suggestions for Lending Sources

Provide any **comments** you may have as well as **suggestions** for practitioners looking for commercial loans:

*Go to the bank that you have a history with. The \$555,000 loan in 2010 sale, my client had to really get aggressive with his bank that he had dealt with for 25 years to get a short term loan to purchase the bank owned property, that he had a 2 year lease history. We finally closed escrow on the final day at 4 P.M. Another back up offer was in the wings waiting for us to fail {an all cash offer}.*

*Most investors have specific loan companies they may use and some may be private financing. Loans depend on the value ratio over the land use proportioned to collateral having more value over the cost to purchase.*

*1. Standardization of documents like SBA loans should be introduced for all commercial loans. 2. Lenders should be monitored for speedy decision on pending applications. 3. Practice of charging upfront processing fees (with pre-approval) should be discouraged or such fees should be made fully refundable should the lender fail to approve the loan at any later stage*

*A Property's value should be able to stand on its own financial history, without the fear of an appraisal being shortchanged due to local market conditions by transactions that are not considered "arms length"; especially when there are very few "arms length" transactions available for appraisers to even apply to their appraisal opinion.*

*Always have 5 to 7 sources for loans*

*Approach wealth manager and foreign pool of investors: they are looking for deals.*

*As a broker and an owner of a handful of properties it has been very difficult to arrange financing for good properties. Forget about the large national banks. I will never use them again for the way they have treated me and mine.*

*As long as the equity is real and the financial strength of the buyer is there deals can be done with the right lenders. Any deviation from expected strength and equity is an uphill battle right now. Oh, and cash is still king!*

*At present it will take more equity in the property to get a loan. Owner occupied properties are very possible, but Investor loans are very tight.*

*Bank are not making any decisions. They keep on asking more and more papers not telling the client in one shot what is needed to process the loan. That has delayed the deal for over 8 months.*

*Banks are a dead end for the most part. If they don't jump back in to the game they'll miss much of the apparent recovery.*

*Banks are back looking for loans, including lending for investment purposes as well as owner occupied, but still tough market conditions.*

*Banks indicate that new federal regulations are restricting them from loaning.*

*Be persistent and do all due diligence before applying for a loan. Brokers should cultivate relationships with bankers and refer clients those who will make loans.*

*Be prepared to have all aspects of the transaction underwritten, not just the asset and borrower strength. An example of this in multi-family, the management company will face closer scrutiny so they should be prepared with updated financials and well documented property experience. Presentation is also key. It's about marketing the project through clear, concise and complete data that is well documented. Be prepared for over communicating.*

## COMMENTS: Suggestions for Lending Sources (*continued*)

Provide any **comments** you may have as well as **suggestions** for practitioners looking for commercial loans:

*Borrower must be willing to run all his business through the lender and have a strong track record or substantial equity in the deal. Lenders strongly prefer owner/operator borrowers. Borrowers should start shopping around early for a Lender and give allow substantial time in the Purchase Contract for financing.*

*Call all banks possible, there is usually someone out there, especially if you already have a relationship with them*

*Check with local credit unions.*

*Commercial loans are very hard to come by. Even American Ag Credit is using a 50% LTV.*

*Community-based lenders are the only possibility for smaller transactions.*

*Concentrate on the five C's: capital, credit history, collateral, conditions, cash flow!!!! Add my own: Conscience.*

*Contact local banks and determine what types of loans they are looking for. Most banks are seeking solid CRE loans.*

*Continue to develop relationships with credible lenders. Local community-oriented banks with very strong ties to the local business communities are easier to work with. Also, start looking for a commercial loan way in advance of searching for a property. And be prepared to "pay" for the privilege of any commercial loan - the lenders are making huge profits on loan-associated fees.*

*Creative financing through private investors more so than financial institutions tend to be more receptive in finding alternative solutions or even considering joint venture partnerships to move a deal forward.*

*Credit unions and SBA loans are the only real options for small deals.*

*Credit Unions are the most aggressive for smaller loans below \$1MM and willing to go a little higher. Larger deals are still hard with the tight requirements imposed by banks.*

*Debt capital is available for all property types. Standards have eased over the past year as lenders need to get money out. Investors looking to purchase a property should contact a debt professional to survey the market and provide feedback.*

*Definitely have a business plan ready and your financials as tight as you can get them prior to submitting loan package. Also, have letters of explanation handy for anything that may be out of the box for the proposed lender.*

*Develop a relationship with lenders who specialize in your product type.*

*Develop relationships with smaller local banks and credit unions whose decisions are not likely to be changed by decision makers in other areas of the country. Develop private investor/lenders. SBA 504 loans. Seller financing. We all have to use many different resources to fund our transactions, search wisely and do not get discouraged my friend.*

*Don't give up, if you are well qualified you can get the money, but you will need 30% to 40% equity.*

*Don't give up. Some Lenders just need a little more time.*

*Even though banks have SBA backing available on loans they are still being extremely cautious with lending. Some types of SBA loans they don't even want to consider. I've been told by banks making SBA loans not to even introduce them to restaurant operators, chiropractors, etc.*

**COMMENTS: Suggestions for Lending Sources (continued)**

Provide any **comments** you may have as well as **suggestions** for practitioners looking for commercial loans:

*Explore insurance companies and large banks for larger deals and credit unions, SBA and private investors for smaller.*

*For big commercial loans, 2 bank participation may be needed. SBA guaranteed loans are also suggested. Private lending company will do but they assess higher interest rates.*

*For my clients I do small commercial (less than 2 million) and SBA appears to be the best bet. Expand or make them a direct lender.*

*For owner users SBA is a viable option with many banks participating in the 504 and 7A programs. For investors there is very little money out there. In our market there is a new regional bank with 2 branches that has money to lend up to \$1.5 mil because they don't have any non-performing loans.*

*Fundamentally, only owner occupied buildings are financiable at this time. Most owners are not wanting to apply the huge down payments that are being required by most lenders, and most don't want to mess with Small Business Administration. They just stay where they are, renegotiate leases to a lower rate.*

*Go Local! When the lender is too far away they don't know your market and that could cost the owner their property. Lenders are tired of eating loans so deficiency judgments might go beyond the borrower and extend to practitioners as well. BE CAUTIOUS. If anything stay conservatively low. I expect 10 years of lag until the economy goes from petro to green. Thanks for the nice large blanks for comments.*

*Go to local banks as soon as you have a seller. Determine what they will lend.*

*Go to local banks; skip the big banks they are too slow and impersonal.*

*Have been pushing SBA 504 programs with a couple of local banks, of the recent closings, 3 are cash, 2 are seller financing, and the rest arranged financing prior to making offers. Have plenty of cash on hand. The bank will be a minority partner in the transaction.*

*I believe that banks who participated or received help from the bailout are by law, obligated to originate a certain percentage of loans. I would suggest practitioners find out first "who is lending", rather than sending prospective buyers to a bank that will not admit that their hands are tied when it comes to lending and instead suggesting that either borrower or property does not meet "their new criteria". Great way to lose a Buyer!*

*I can only speak for Hospitality and it is very difficult and continues to be difficult. Occupancies are down on most properties and fixed costs are up. In reviewing a P&L from a sale in 2004 and the same sale today the taxes have doubled and the utilities have tripled while the ADR and occupancy is down.*

*I deal exclusively in hotel purchasing and selling. I have found lenders are willing to lend unlimited amounts of money on a portfolio of hotels in different markets, in the hundreds of millions but are reluctant for a single asset because the risk is spread out.*

*I find the small banks are willing to offer commercial loans more than the big banks. SBA is one of the worst places for loans.*

*I market church properties only and the financing has almost totally dried up for this, except with 35-50% down payments*

*In our area, Northeast Massachusetts, the local and regional Banks are looking for Commercial Loans!*

## COMMENTS: Suggestions for Lending Sources (continued)

Provide any **comments** you may have as well as **suggestions** for practitioners looking for **commercial loans**:

*In South Carolina there isn't a commercial real estate loan good enough to overcome lender's fear of the government. Investor financing is dried up unless private equity funding but low LTV and high interest rates. Owner occupied is available but SBA has tightened underwriting and some bank have decent rates available.*

*It takes a lower LTV, a longer good payment history and a stronger balance sheet to get lenders comfort level high enough to get a financing offer from them.*

*I've had banks try to take my customer and convert them to a bank owned property. They would agree to a loan on their property but not on my contract.*

*I've primarily used private equity groups as banks require 20% down +, recourse, 3 year tax returns, personal financial statement, global analysis, and take their time.*

*Keep shopping local banks are easier than big regional national banks. lending decisions made locally in bank, not in Atlanta, Dallas, New York, or some unknown location.*

*Lenders unloading troubled assets, either bad loans or REO, are unwilling to accept reality in pricing; take the hit and move on. More banks are focused on getting rid of commercial loans rather than making commercial loans.*

*Local banks are still the best option.*

*Local banks have been better to deal with then Regional or National Banks.*

*Look for many sources for financing, including SBA and mortgage brokers.*

*Look in the private sector or Credit Unions.*

*Look to the private sector for money, I have found over the last two months some money coming available there and also small local Banks.*

*Lots of private funds out there. Cash is king! Buyers must be prepared to move quickly so a long loan approval cycle with an uncertain outcome is a no-no.*

*Make sure your purchaser has enough cash to invest around 30% and that their credit score is over 725.*

*Money down - at least 20% no matter how much "equity" person has in buildings.*

*More long term loans with fixed financing is the only way out of this mess. The lenders want to shorten the terms and raise interest rates and the taxing authorities want to decrease values of commercial real estate and raise the mill levy. Hard to compete.*

*My last transaction was funded through a local bank that was interested in doing business in the community.*

*Our experience has been that only investors with significant liquid cash reserves seem able to purchase/refinance*

*Prepare prospective buyers as to typical bank requirements for financing. Make sure they fit those requirements before spending too much time with them.*

*Prepare to bring more equity to the table and plan on more stringent reserve requirements.*

*Private Investors are the best. They require a great deal of information, but once they lend they basically become your partner and work with you for success.*

## COMMENTS: Suggestions for Lending Sources (continued)

Provide any comments you may have as well as suggestions for practitioners looking for commercial loans:

*Private investors are the number one loan makers in this market. Wells Fargo have shown interest in lending on commercial loans, however, we need umbrellas when it's raining, not when the sun starts shinning again. We must get money flowing in order to recover.*

*Private money appears to be the best resource at this time if you have additional collateral. The property itself regardless of buy point is of no real consideration.*

*Push the Buyer FIRST to seriously discern where and if they can get a loan. 'My banker says I am good' is not sufficient. Take the deal to a banker and get as firm a commitment as possible. Even then, they may back out or you may stumble on the appraisal. From my experience, strengthen your network of relationships with lenders and be prepared to dig deep into your list to make a deal work.*

*Qualify the property metrics: leases, collections, tenancy, expenses for underwriting*

*Quality of properties NOI plays a significant role. That and the cap rate.*

*Regional banks and credit unions have been a great source for us. We have not had any deals shot down as long as these two sources are utilized. Land deals are steal pretty tough regardless of who you utilize.*

*Regional banks and private banks for high net worth individuals are the best sources. First Republic Bank in particular.*

*SBA loans, Community Development Block Grant Loans (through Cities and Counties) can be sources of funding if the subject property qualifies.*

*Shop the market for terms and rates. Review appraisal guidelines from the bank prior to making agreements. Start off with the reality that the lenders are looking for a minimum 40%--45% D.P.*

*Stick with local lending institutions*

*Strong local banks have plenty of money for good deals and qualified borrowers.*

*Strong regional banks are your best bet. Big banks are still in the 'twilight zone' as to underwriting standards.. Fannie Mae is nervous (nervous lenders are very hard to work with).*

*Suggest Credit Unions for smaller loans, and regional Banks that are strong that have good bottom lines, of issue, they prefer mostly owner occupied and want 40% down.*

*The banking parameters have to loosen just a little. One way is to lengthen the amortization on SBAs to 25 years not 10 yrs. on the 7a's or 18 years on the 504 programs to justify the debt ratios. Too many good deals are not getting done in the SBA. The new passing of the refis into SBA loans have been helpful but not on purchases.*

*The documentation now required for good cash flowing properties is beyond belief. Property history for 20 years does not matter to a lender. Borrowers need to be prepared for giving time consuming volumes of information.*

*The regional (community) banks have been the best partners, not only because they have capital, but also because they have the staff with the patience to look at the smaller deals. They are interested in building relationships with small businesses, their bread and butter customer, whereas the larger banks don't seem to have the patience for these relationships when it comes to lending.*

## COMMENTS: Suggestions for Lending Sources (*continued*)

Provide any **comments** you may have as well as **suggestions** for practitioners looking for commercial loans:

*There is virtually no financing for any land and development loans even though the Banks say there is. They basically say they are not worth anything and the bad loans are still hurting the banks and the FDIC will not use the \$500 Billion LOC to clear out the system and free up the banks to make loans.*

*Things are starting to ease up and I saw a big increase in property tours and interest in light commercial property in just the last two months.*

*To obtain a bank loan investors have had to complete a well done business plan that shows a profit-impossible to do today since cost of health care, cap and trade and taxes are unknown*

*Try non-American Banks.*

*Try Regional or Community banks where relationships an grow. Which in my case have enabled me through those relationships to actually find locations for the various banks to open new branches. Opportunity is still out there if you think out of the box.*

*Try smaller community banks. Clients must have 25 - 30% down payments. It is easier to get loans on income properties. Single occupant commercial properties are difficult to get financing.*

*Try the SBA 504 loan program. If you qualify, the rates are reasonable and you would be surprised at what the SBA (and its partners) will finance.*

*Warn your commercial clients (buyers) to prepare adequate and current financial information since banks are being very conservative on their lending requirements to commercial borrowers*

*We have been looking for commercial loans for some time. Good appraisal, good Phase I and when it comes to final underwriting they come up with lame excuses as to why they won't make the loan, wasting everyone's time, resources, money on other things.*

*We have been meeting with lenders to keep ourselves updated on loan programs and we try to prequalify buyers if necessary. However, our market has been stable and seems to be picking up nicely.*



## **NATIONAL ASSOCIATION OF REALTORS® RESEARCH DIVISION**

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