

## FINANCIAL TRENDS

# Some banks loosening lending for commercial real estate

BY SCOTT BLAKE

Starcreek, a 314-unit apartment complex in North Miami Beach, will be seeing a number of improvements following a recently closed \$13.5 million loan from Miami-based City National Bank of Florida.

The loan itself is not particularly large for the South Florida market, but it is indicative of an encouraging trend – some increased availability of commercial real estate lending.

“There are some banks lending today,” said Gary Fitzgerald, executive vice president and real estate banking executive at City National Bank.

At Starcreek, City National provided the loan to CFH Group, a private real estate investment, development and management firm. The acquisition/renovation loan will be used to make improvements for tenants as well as other property upgrades.

In the end, it will mean a better, more valuable property – another small step forward for the overall market following the recession and credit crisis of recent years.

“Starcreek represents a unique opportunity for a local investor to purchase a stable, multi-family asset in desirable [Miami-]Dade County with value-creation potential,” said David Lukes, City National’s senior vice president of real estate banking, who handled the deal for the bank.

“CFH has the infrastructure to maximize the performance the improving liquidity of banks, according to banking executives, making some lenders more active.

“I think you’re beginning to see things free up a little bit,” said Carlos Fernandez-Guzman, president and CEO of Pacific National Bank in Miami.

“I can’t tell you it’s across the board,” Mr. Fernandez-Guzman added. “There are still many lenders hampered by capital constraints, regulatory constraints or troubled portfolios.”

Amid the struggles, there are signs for optimism.

In Coral Gables-based Bauer Financial Inc.’s last quarterly ratings of banks and credit unions, those earning recommended ratings rose to 64.5% for banks, the highest level since the first quarter of 2008.

Also, Bauer gave 73.2% of credit unions recommended ratings, the highest level for them since the third quarter of 2007.

And healthier banks are freer to lend.

“I think there is growth in the availability of financing,” said Mr. Fitzgerald of City National Bank. “Banks are flush with liquidity.”

Pacific National, meanwhile, recorded 18% growth in lending in the first quarter this year, compared with the fourth quarter last year. The bank’s lending in the first quarter also was

up by double-digits when compared to the first quarter of last year, Mr. Fernandez-Guzman said

Another reason for an overall uptick in lending this year, he said, is that some commercial borrowers – particularly those who “did all the right things” through the recession – are improving their financial standing, making them less risky for lenders.

“We see businesses with balance sheets that are starting to cure,” he explained. “By that, I mean we’re seeing more businesses that are beginning to look sustainable.”

Still, he said, signs do not yet point to a full-fledged economic recovery.

“It’s still not a trend,” he added about the general condition of many small and mid-sized businesses. “It’s selective. It’s niche. It’s based on what they did in the tough years.”

Coral Gables-based Benworth Capital Partners, which specializes in “bridge” lending, is seeing increased demand from borrowers this year, said Benworth President Bernie Navarro.

“This market is moving,” he said about Miami-Dade County. “More people are getting off the sidelines and are pulling the trigger” on purchases.



Says Bernie Navarro of Benworth Capital, “This market is moving.”

“They feel we’ve already touched bottom and it’s the right time to jump in,” he added.

Benworth’s loans typically are short term, ranging from \$40,000 to \$4 million.

“On the commercial side,” Mr. Navarro said, “it’s usually someone who wants to buy a property really quick.”