



Bahiri of Emerald Creek helps developer acquire 17,000 s/f land parcel for \$8.5 million

January 30, 2012 - Financial Digest

Steve Cheung, developer, acquired a 17,000 s/f land parcel in the Queens Plaza area of Long Island City.

The \$8.5 million price tag is almost a 40% discount from what Queens Plaza Development paid for the property in 2006 to U.S. Bancorp, before defaulting on a \$17 million loan and forcing the parcel into foreclosure. U.S. Bancorp's preference to offload the property for cash highlights the banks' reluctance to lend in this economy. Amid rising defaults and reduced bank assets, the FDIC reported only \$235 billion in construction and land building loans as of September 2011, compared to \$326 billion in 2010.

Cheung's E Home Real Estate LLC was short of the needed cash when the bridge lender, Emerald Creek Capital stepped in with a short-term loan, helping him close weeks before his purchase option expired. With developers feeling the funding crunch, private equity firms like Emerald Creek Capital are rapidly replacing bank lending with alternative financing that is quick and flexible. Manhattan-based Emerald Creek Capital is small enough to act with speed and finesse, while counting on three decades of experience to structure the loans to the best interests of the parties involved.

With time running out, Cheung was happy that Emerald Creek Capital saw the value in the land and his development plans. According to Emerald Creek Capital's assessment, the development firm paid a third less per s/f than comparable deals in the area. "With the developer contributing 80% of the equity, our risk was reduced enough that we were able to offer Cheung a very reasonable interest rate," said Emerald Creek Capital's managing partner, Mark Bahiri, who structured the loan. Cheung's plan to build a 200-plus condo building on the parcel attracted Emerald Creek Capital, which recently financed similar developments in the nearby Manhattan-feeding hubs of Williamsburg and Greenpoint, to the tune of \$3.8 million and \$3.3 million respectively. This one-year bridge loan fits neatly into Emerald Creek Capital's portfolio of residential bridge loans in up-and-coming areas. Emerald Creek Capital usually invests between \$1 million and \$20 million with interest rates between 10% and 13% "It is hard to predict what will happen to the real estate market in five or ten years," said Bahiri. "But the short term nature of our loan and the collateral provided by E Home Real Estate LLC make us feel good about the deal."

Cheung was satisfied with Emerald Creek Capital's transparency about the terms and the process. Clarity and efficiency helps Emerald Creek Capital close deals in one to two weeks, allowing real estate professionals to get their deals closed faster and with less red tape.

As banks continue to shy away from lending, developers like Cheung and private equity lenders like Emerald Creek Capital step in to take a calculated risk on Long Island City's rise in New York real estate prominence.

