



ReCap secures \$3.6 million renovation loan

May 13, 2013 - Long Island

One of the largest Asian restaurants in L.I. has completed \$3.6 million in financing for its renovation, thanks to Real Estate Capital of America (ReCap).

"The loan was difficult on many fronts," said Johnny Su, COO of ReCap. "Restaurants are generally the least favorable assets for banks because over 90% of all restaurants fail within 10 years. Standalone restaurant real estate is a special use asset which makes the real estate collateral harder to appraise and difficult to recoup full loan value during any liquidation or foreclosure proceeding."

When the value of the real estate depends on the business, the value of real estate is correlated to the success of the business, for better or for worse. The L.I. real estate market has also been slow in recent years, making the lender pool smaller and particular.

Restaurant real estate also experiences more intensive usage compared to other commercial structures, especially, for example, a busy restaurant that counts on volume to generate profit. A class A office might still be in excellent shape after 10 years but a busy restaurant, regardless of how well built and maintained, can't withstand 10 years of heavy use.

After being established in Long Island for several years, the client needed to get a renovation loan to rebuild and refurbish his restaurant to make sure the business would last many more years of operation. "However," said Su, "it was no small task securing the financing because the restaurant had to shut down during the renovation and there would be no income during the renovation period."

In addition to income loss in the interim, there was no guarantee that the business would preserve its customer base. "The restaurant business in nature is very competitive," said Su. "And the uncertainty of the future cash flow certainly compounds the difficulty of an already difficult loan to secure."

The client trusted ReCap and its team's expertise in securing the necessary financing to continue his business. The client previously relied on ReCap for its expertise in financing his acquisition of this restaurant 5 years ago when other lenders turned him away.

While recounting the difficulty of processing the loan, Su said, "it was a very tough deal because at the time the client was already renting the property for over 6 years and the seller knew he had them on the hook so the sale price was way more than the value of the real estate." ReCap worked with the client and lenders to find the best terms. Su said, "Luckily, we found a local lender who is actually a big fan of the restaurant and a frequent client of the restaurant. The lender knew from his personal experience how busy the restaurant is and that added first-hand knowledge and familiarity."

Despite managing a very difficult deal, ReCap professionals have faith in the client's business. When remembering negotiations with lenders, Su said, "we knew we had to persuade the lenders

have more confidence in our client beyond just the tax return, the bad statistics, and poor experience with restaurant business in general."

With ReCap's extensive network of lenders, professionals were able to narrow down a few lenders that would be receptive to this type of deal. With many months of due diligence and underwriting, trouble with valuation due to the restaurant business and the weak Long Island real estate market in general, ReCap was able to close on the transaction.

"Once again, we delivered the financing for our clients despite all the challenges and we are proud that our client trusts us to come through for them, no matter how difficult the scenario may be," said Su.

Tomer Dicturel, CEO of ReCap, said, "this financial crisis has only strengthened and solidified our relationships with our clients, partners, and lenders. They appreciate, more than ever, the added value of our expertise in the commercial finance arena. We continue to deliver finance for our clients and help them not only survive but to thrive in this financial crisis."

ReCap is a prominent finance boutique assembled by distinguished experts. The professionals at ReCap assist their customers throughout the entire loan process. Their commitment to service and excellence keep customers satisfied and referring ReCap services to their colleagues. "We work hard to provide the best financing in complicated deals," said Dicturel, "We succeed where others fail."

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540