



## **Commercial and Residential Loans: The various aspects related to the commercial and residential debt and REO market**

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I find it interesting and even sometimes funny discussing the various aspects related to the commercial and residential debt and REO market. Some think the acquisition and disposition of loans in the secondary market first started in late 2007 or early 2008, while others think it began in the late 80's or early 90's, though, the truth is, mortgage loans have been trading for hundreds of years. This debt, secured by all asset types across all performance classes, has been changing hands for centuries to private individuals, corporations or institutions.

Regardless of when this product started trading in the secondary market, one thing is for sure is that the last five years has seen an unprecedented amount of commercial and residential paper secured by assets throughout the tri-state area, and particularly throughout N.Y., trade.

The amount of five, seven and ten year commercial loans originated during the height of the market by the likes of Wells Fargo, JP Morgan, Citi, B of A etc. etc., but also regional and community banks located throughout the tri -state area, has created a supply of loans for sale never seen before in the secondary market. These loans are typically small balance UPB secured by asset types including, but not limited to, multifamily, mixed-use, retail, industrial and unfinished constructions projects. The majority of these loans were originated for the acquisition or refinance of assets at extremely aggressive pricing due to speculation that the market would keep soaring. Unfortunately, at maturity along with the depreciation of values, borrowers around the globe began to default on their loans. This event, coupled with the lack of liquidity in the capital markets, ultimately spurring one of most heavily traded non-performing commercial & residential real estate loans sell off in history. This was especially the case in NY where prices for assets soared to unrealistic levels during the height of the market and were completely unsustainable during the downturn.

To note, the residential loan market is now also following the same path and faith as the commercial market.

Investors from around the globe started raising billions of dollars specifically allocated for the acquisition of commercial and residential loans with an insatiable appetite that continues today and will continue for years to come.

This perfect storm within the debt market has placed real estate investment banking firms like Besen Special Assets in the ideal position to utilize their broad range of business lines that are specifically tailored to current market conditions. Taking a closer look, leading the charge at Besen Special Assets are Samuel Boyd and me, managing director and managing partner respectively.

According to the National Foreclosure Review, New York and New Jersey possess some of the highest foreclosure rates in the country. Considering our experience and knowledge of the local markets, our team has found success via a boots on the ground approach. It is this unique approach

that provides for a complete knowledge of local markets, in turn leading to quick dispositions of loans and efficient debt & equity placements where necessary finance is required.

Besen Special Assets has excelled in exclusively representing note holders of all kinds in the disposition of mortgage loans in the secondary market to private, corporate and institutional investors. Having recently opened a similar platform in Athens, Greece, Besen Special Assets is prepared to service yet another regional hotbed for debt and distressed assets. Besen is currently representing ten different UK and continental European Lenders on the disposition of more than \$1B in loans and direct assets. The Royal Bank of Scotland recently announced its plans to open a capital resolution division to free up \$61 billion of capital. The future is bright for firms that can capitalize on this unique debt environment. Besen Special Assets is one such firm that is poised to do just that.

Jonathan Horn is managing partner at The Besen Group, New York, N.Y.

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