



Letter of Intent - Bridge Financing for Townhomes

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Bridge lenders have started to move into a new territory to fill the need of townhouse developers in Manhattan. With the onslaught of international investment and the bounce-back of the market, savvy investors have taken advantage of a niche market only available to the wealthiest of homeowners, the townhouse. As prices have sky-rocketed in N.Y.C.'s most prestigious buildings, both local and overseas investors have started to source out their domicile in N.Y.C. by scouring the uber-tight townhouse market.

Over the past three months, Berko & Associates has had the opportunity to advise on and structure five bridge loans for townhouse developers. These investors need money available to them quickly in order to secure the most coveted assets, and bridge lenders are the answer. These transactions command a lot of attention from even the most discerning lenders, because the money comes back fast and furious. Most of these deals are smaller in square footage, and thus, a nice change from many of the construction-type deals that many bridge lenders are used to. The projects generally take less than a year from acquisition to sale, and in this market, they sell quickly.

Elliot Taub, a senior associate at Berko & Associates, who works with a bevy of clients who gear their attention specifically to this market, works on filling the capital stack so that his clients can keep their equity and transact more deals. In conjunction with Michael Korine and Andrew Milbank of the Berko Finance and Capital Markets Team, they achieved 85% LTC for the acquisition and construction with rates at or below 9% on the deals, allowing the investor to cut his equity injection in half and maximize his returns. These deals have become commonplace for us, utilizing our large network of lenders with the ability to analyze, structure, and close swiftly and efficiently.

The market is moving in all directions, this is just a slice that given steroids to the idea of the fix-and-flip, making sense of an asset type with the potential for huge gains in super-short periods of time.

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