



## **Fordham Real Estate Institute hosts third event in its Visionary Series: The Future Role of CRE**

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New York, NY The Fordham Real Estate Institute (REI) held the third event in its Visionary Series CCL: The Future Role of CRE, a five-year campaign tied to the 250th anniversary of the United States in 2026. The virtual panel discussion, “Show Us the Money: How Providers Will View Risk and Capital for the Next Five Years” took place on March 18 and gathered together the country’s leading minds in real estate finance to discuss the future of capital investments, where the money is coming from, the government’s role and how financial prospects will shape-up over the next five years.

Broken up into two separate discussions, the event, moderated by Tony Fineman, senior managing director, head of east and midwest originations, ACORE, focused on topics such as what asset classes are the most attractive to lenders and investors, the impact of the COVID-19 crisis compared to previous events that the industry as weathered, how the pandemic has changed the way financing is handled, and more.

When it comes to which sectors are spurring interest with lenders, panelist Kevin Davis, senior managing director, capital markets, JLL is confident that certain asset classes within hospitality and lodging will continue to be attractive to investors, while others will take longer to bounce back.

“The sectors that have performed better than others have been primarily leisure resorts last summer, when you saw the economy opening up and people being able to travel in a socially distant and safe manner. People went to beaches and other resorts that were less dense where they could spread out,” Davis said. “That sub-asset class within hospitality has performed relatively well, as well as the select service and extended stay sector. The sub-sectors that have been more challenged have been the large group boxes that typically cater to group meetings and conventions.”

Kathy Corton, chief executive officer, chief investment officer and managing partner, Hillcrest Finance LLC, agreed with the future of lodging, but was less positive about office investments.

“We like the opportunities we’re seeing in hospitality. But you have to look at both real estate fundamentals and also where the capital is. There’s just a lot less competition in the space, so we can get what we think are very attractive, risk adjusted returns on first mortgages,” Corton said. “We like the space and will continue to invest in those opportunities as they unfold over the course of the next couple of years. I find office more of a question mark than hospitality. I think that it’s very challenging as a class. The secondary cities will likely benefit, as people will be remote working or

have the ability to work outside the home office.”

When it comes to the future of the office, and if it is still attractive to lenders, the panelists agreed there was a larger question of what that would look like over the coming years.

“There are basically two camps when it comes to office, and it’s too early to tell who’s going to be right. One camp is flexible work hours, work from home and you can reduce your footprint by 20% to 35%, so why would we take on these lease obligations? The other side of the coin is wanting to get your staff back to the office, wanting that personal interaction, but lowering density and upping the square foot per employee,” said Michael Medvin, managing director, commercial lending mortgage, AIG Asset Management (U.S.) LLC. “In my conversations with the developers, and with the deals that I’m writing, there is leasing activity and interest in the space, but there are still a lot of questions.”

For the second part of the discussion, Fineman was joined by three new panelists, where they took a deeper dive on what types of investments are taking place, how the pandemic has impacted the contractual aspect of financing, and how the pandemic compared to previous events that had a tremendous economic toll.

When discussing the much-talked about migration out of cities such as New York and Chicago, especially for investors, Ethan Penner, managing partner, Mosaic Real Estate Investors, said, “From a lender’s perspective, the world today in real estate and in security stocks is a venture capital world, rather than a value investment world. Meaning there’s very little in the way of certainty for capital. A lot of the industry today, particularly office, retail and hotels to a certain extent, is a binary risk, and lenders don’t get rewarded for making binary risks.”

When discussing the lessons learned during the pandemic, Jon Mechanic, chairman of real estate department, Fried Frank, said, “In the loan context, borrowers and lenders have approached each situation based on the specific facts at issue. In many cases, this has involved granting forbearance to the borrower to allow properties to recover from the effects of the pandemic. In addition, there has been government-mandated forbearance, as is the case with government ordered foreclosure moratoriums. Going forward there may be expanded definitions of ‘force majeure’ delays with respect to construction or sales milestones, but it is unlikely to see any provisions excusing or delaying required payments on a loan because of a pandemic.”

Overall, the panelists agreed that with the rollout of the vaccine and the country beginning to move towards life as we knew it pre-COVID would mean more interest from lenders, and that the swift response from government allowed the industry to recover much more quickly than some previous events.

“The COVID-19 crisis was very abrupt. There was a supply shock due to the shutdown of global economies and a demand shock, because people lost their jobs and therefore couldn’t buy things. But the big difference was how quickly things snapped back. The government moved quickly—they learned a lot from the global financial crisis—they dropped rates immediately, they got the CARES Act

up and running and put money in people's hands, and the Fed did extreme monetary stimulus," said Greta Guggenheim, CEO and president, TPG Real Estate Finance Trust. "All of the non-banks were ready, willing and able to supply capital during this most recent crisis. There was a strong encouragement for banks and other lenders to forbear because we know what the cause of the shock was, and that there would be a cure and a vaccine and the crisis would ultimately end in a finite period of time."

The event was the third of four currently scheduled virtual events in the Visionary Series CCL: The Future Role of CRE. The remaining event will take place on April 15th, 2021: Envisioning the Near Future: Technology, Innovation and Obsolescence. For a list of speakers and to register, [CLICK HERE](#).

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