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Staying nimble: Adapting and improvising is essential to continued success - by Shallini Mehra

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At Meridian Capital, we always emphasize the importance of staying nimble in our ongoing success across various fronts, whether financing, leasing, or sales.

Dovid Ostrov of Meridian Capital is seeing robust activity with bridge financing for construction deals in the lease-up period. The shorter-term financing allows the developer more time to stabilize the property and get higher proceeds in the takeout financing. Bridge financing has become a critical product due to fewer traditional lenders, stringent rent laws, and high interest rates. With many lenders preferring the shorter-term lending timeframe, the bridge lender universe is more competitive and offers flexibility for borrowers betting on a future decrease in interest rates. Alan Friedman of Meridian Capital is getting traction from both savings banks and hard money lenders for development projects with the new 485-x tax abatement program. These loans provide the lenders with a higher interest rate of 9-11% as compared to stable investment properties which would yield a savings bank a rate in the 5-6% range.

Shifting to investment sales, we often encounter overleveraged deals with maturing debt. For many deals, we work closely with both lenders and borrowers to innovate creative solutions. As Amit Doshi from Meridian Investment Sales reiterates, “Banks cannot be in the business of operating these rent-stabilized assets.” Solutions range from discounted payoffs, diluting existing partnerships with fresh equity, partner hope certificates, deeds in lieu of foreclosure, and selling discounted notes perhaps with note-on-note financing. Given the current strict regulatory environment, it’s essential to introduce experienced operators to manage rent-stabilized products effectively.

On the retail side, our Meridian Retail Leasing team has been active with first-time service operators who are seizing a unique opportunity to enter the market with retail rents still below pre-COVID highs and landlords’ commitment to their long-term success. Ben Biberaj recently facilitated a 10-year lease for a boutique gym in Manhattan with a five-year renewal option. Ben points out that new entrants looking to provide a high-end, personalized experience are spending serious dollars on their space buildouts and planting roots for the long term. Garrett Kelly, John Roesch, and Kyle Fink recently assisted Bark Barbeque, whose beginnings originated at the Time Out Market, in securing their flagship space on Thames St. in Bushwick with a 15-year lease. Garrett Kelly highlights that savvy landlords who understand the challenges for new entrants are offering longer free rent periods, funding tenant improvement dollars, and arranging revenue share agreements to nurture their long-term success.

Adapting and improvising have proven invaluable in ensuring that we continue to thrive in the New York City market.

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