

Leverage for Lending

Texas' market creates new opportunities

BY BRANDI SMITH

When oil prices started to drop a few years ago, they pulled Houston's economy down with them. It took a big toll on the city built on black gold. Late in 2017, a barrel of crude started to become more valuable, helping Texas' largest city bounce back.

That rebound is being noticed in just about every sector of the economy, including commercial real estate lending.

"We're starting to see an uptick in transactions, in buyers and investors looking and more actively approaching properties," says Bill Dampier, vice president of commercial lending for City Bank. "I think the increase in the price of oil has re-energized the market. It has given investors more optimism in regard to kicking the tires and looking for good buying opportunities."

Beyond the city limits of Houston and even the borders of Texas, Dampier says there is a lot of capital out there, which means competition among investors. Additionally, it's likely interest rates will only continue to climb and real estate isn't getting any cheaper. That means finding a deal might take a bit more effort than it has in the past.



Bill Dampier
City Bank

"Their expectation of returns is getting more in line with the market and with reality," he says. "There's definitely still a lot of capital, but good buying opportunities are few and far between. Investors are having to dig a little deeper, look a little harder and turn over more stones."

City Bank has been helping Houston investors turn over those stones since 2007, but the company got its start in Lubbock in 1941.

"We are family owned and looking to continue to expand and grow," says Dampier. "My goal is to add value to my customers. Our mission is to build long-



lasting relationships by delivering extraordinary financial solutions through unrivaled customer service, one customer at a time. He joined City Bank's Houston team in 2013 when the market was just creeping out of the Great Recession.

"We have taken a more cautious, conservative approach. We tend to be a bit more selective in the clientele that we work with. The bank leans more in favor of the seasoned, financial-savvy real estate investor," explains Dampier.



Vince Di Mare
Equity Secured Capital

That approach by traditional banks is what often leads clients to Vince Di Mare of Equity Secured Capital.

"We fulfill a niche in the commercial real estate lending arena by providing very quick bridge loans, primarily for situations that just need to move a lot quicker than the bank's able to move," Di Mare says.

His company specializes in speed and approving loans that traditional lending sources shy away from due to cash-flow issues.

"Contrary to what a lot of people think, our clients are not the credit-impaired people. Ninety-nine percent of my clients are real estate developers or investors. They're real estate movers and shakers, and we're one of many tools in their toolbox," says Di Mare. "They have their bank relationships, they have their equity investor relationships and they have a relationship with us because sometimes they have to use us."

Continued on Page 20 >

Leverage for Lending

Texas' market creates new opportunities

< Continued from Page 18

Equity Secured Capital offers loans that bridge the gap between when the borrower needs the money and when he or she would be eligible for conventional financing.

"It's short-term. Our loans have an average shelf life of about a year. There's usually a definable exit strategy in place that the borrowers have before they come to me," Di Mare explains.

A property's sale is most often the "exit strategy" of choice for borrowers, he says. They have equity socked away in the land, but they need money for their next project. Di Mare says those clients typically do a cash-out loan and pay it off when they offload the property.

Di Mare shares the story of a client in Austin, who was aiming to have the winning bid on a \$10 million Lake Austin property. The borrower was putting \$4 million down, but needed the other \$6 million financed quickly.

"The bank told him they wouldn't be able to close for four or five weeks," he recalls. "We got the loan on Tuesday and closed it on Friday."

Di Mare offers up another example of a loan in Little Rock, where a borrower wanted to buy a former 120,000-square-foot Walmart shopping center. He won the property at auction, which dictated the deal had to close within three weeks.

"The borrower has perfect credit. He can put 25 percent down in cash. He's got massive real estate holdings and banking relationships in Austin," says Di Mare. "But when he

told his bank the timeline, they told him, 'There's no way we can close this in three weeks. Call Equity Secured Capital.'"

He says his company was willing to back this borrower because "he's putting his skin in the game." The exit strategy in this case, according to Di Mare, is getting the center fully leased and then refinancing with a conventional lender.

"It was a no-brainer to us. We condition for your real estate-related items on a commercial loan. We condition for your title, your survey, your operating document for the buying entity, your appraisal and your rent roll. Notice I didn't mention tax returns, pro formas or things like that because we don't care. We're asset-based," says Di Mare.

Di Mare is the first to point out, Equity Secured Capital isn't usually the first stop for would-be borrowers because there's a premium for its expedited services. An old motto the company wore out was "We're more expensive than a bank, but we're cheaper than a lost opportunity."

"We're certainly not going to give them a rate the bank would give them, but it's a short-lived scenario," he says.

In other instances, he says Equity Secured Capital

can be a fallback for clients. A recent borrower in Dallas had a Small Business Administration loan fall through the day before closing.

"We had plenty of situations in which the borrower is bankable. Often banks just can't move fast enough,"

- Vince Di Mare

"For us, it's really about building and cultivating those long lasting relationships with our clients that we can continue to grow and develop with."

- Bill Dampier

"He was buying a 35,000-square-foot commercial industrial building near downtown. The SBA literally pulled the rug on him, and his seller was not interested in extending the loan. He had to close or he was going to lose his earnest money as well as his contract," Di Mare says.

When asked whether his company saw a surge in queries during the Great Recession when SBA loans seemed to dry up, he explains that his business flow goes along with the overall market.

"When the economy was in the dumps, our business slowed down incredibly. The fact was, everybody slowed down everywhere," he says, pointing out that the situation has changed for the better in the past few years. "Now there's so much activity going on, we're getting more and more what we call 'fallouts' that come into our shop."

Di Mare calls the current market "amazing."

"There has been so much pent-up capital sitting on the sidelines for commercial real estate. Now things are getting done," he says.

That's an observation echoed by City Bank's Dampier.

"The price of oil has helped bring out investors who have been hibernating, waiting for signs of an improving market," he says. "I think with the Trump administration's tax breaks and regulation rollback, it will offer buyers and developers even more incentive."

Whether borrowers decide to go the conventional route through lenders like City Bank or push the limits with lenders like Equity Secured Capital, they are guaranteed to keep the lending industry busy for the foreseeable future.

Says Dampier: "There's a lot of optimism in the air right now." ■