



# BOND STREET CAPITAL NEWS

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## Old Joe Goes to the MBA!

I am writing this email on the plane back from the annual Mortgage Bankers Association Commercial Real Estate conference. For the last few hours I have been thinking about the meetings and the conversations of the last two days. Part of me is thinking that I am getting too old to do the 18 hour days full of meetings and presentations. But, this is the one Conference you have to attend if you want to really know what is going on in our industry.

This conference is held annually and typically provides an overall sense of the state of the industry. In previous years, there was a mood of euphoria as the business was running on all cylinders. Then came the Capital Markets crash of 2007. Where are we now? Is the industry as in a positive or negative frame of mind? Is everyone sensing disaster lurking or is the business as whole generally on solid ground.

Frankly, it's not easy to convey the sense of this conference. Clearly it's not like the wild and woolly days of yester-year nor did I attend a funeral. To paraphrase a familiar concept "beauty in this conference was in the eye of the beholder." Here are a few tidbits to chew over:

- First, it seemed like the conference was half its normal size. There was no problem traversing the lobby as in years past and many friends were not in attendance. The Exhibit Hall was busy but also seemed much smaller. One of our investors described the mood of this MBA as much more sober and down to business. For example, in years past one of the big investment banks would put on a big bash with major entertainers to show the world what a successful year they had. One year, five thousand of us rocked out to Santana and Crosby Stills & Nash. This year a small group of us were in the side room of the Hard Rock watching a Blues Brothers tribute band. No one spent the big bucks on entertainment. No one was bragging. This conference was focused on doing business, not play time.
- The conduit lenders were barely visible. The smiles and handshakes of the few I saw could not hide the body language of fear. No one is predicting a return to business as usual any time soon and some folks are already writing off 2008. Yes there are some shops quoting deals but there is nothing compelling in these quotes to cause any of our borrowers to go the conduit route rather than one of our portfolio

investors.

- The portfolio investors were there and happy little campers. Deals a plenty and of much better quality than in previous years. It's clearly their time to shine. One question, however. When will they run out of money? A number of life companies and banks predicted that they would be out of money by the middle of the year. **Borrowers waiting on the sidelines may be in for a rude surprise if they wait too long to finance their property.**
- Lots of capital available in the hard money, mezz space. Rates are the same as last year (12%to 14%) but much tighter underwriting standards. Some land loan money is available but only in very special circumstances. Everyone believes that values are on the decline and are cutting proceeds accordingly.

So what do I think? Am I depressed? Does my wife have to hide the cutlery? NO!

We are definitely in a credit crunch. No doubt about it. It's not yet an early 90's level credit crunch when we had no money available. We have plenty of money available but there clearly is a move towards more credit quality and tighter loan terms.

This market is going to be tough on borrowers with impaired credit, over-priced deals, and certain property types. Quality deals will get done and marginal deals will be very expensive if they can get done at all.

**One final thought. I look back on this Conference feeling very good about the future of our company and our industry as a whole. Yes we may have a rough patch but, we have a great team, we have terrific capital partners and we know how to get the deal done. 2008 will be a great year for Bond Street and our clients!**

-Joe Forman



**Coming Soon!**