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The Bond Street Capital Companies Annual Conference and Symposium

Hi to Everyone:

Last week was a busy one for us. We hosted The Bond Street Capital Companies Conference which was held at Sherwood Country Club here in Thousand Oaks, CA. (www.sherwoodcc.com). This invitation only conference had over eighty folks, representing institutional and private capital providers, service providers, clients and the Bond Street team participating in twelve sessions.

This year, for the first time, we had a symposium of lenders, borrowers, appraisers and experts from other disciplines participate in a four hour free-for-all panel session. Our speakers along with many members of the audience engaged in a dialogue (very heated at times) on the impact of the shutdown of the capital markets on the commercial real estate industry. Topics covered during the session included valuation issues, rates, the availability of capital, and underwriting considerations in an economy perhaps headed for a deep recession. Our goal in hosting the symposium was to bring a variety of perspectives to the challenges of a disjointed market. Given the widely disparate views voiced at this session, it is safe to say that we achieved all that we hoped for.

We had the commercial loan origination leadership of over twenty institutional and private capital sources attend. The willingness of these busy industry pros to travel to our conference is perhaps indicative of the shift from a highly competitive environment to a "cooperative" one. Or, perhaps, it's an acknowledgment of the confusion about the direction of the market.

I am gratified by how well the Conference was received. Many folks told me that it was one of the best conferences they have attended in some time. For example, Doug Crozier, CEO of Church Development Fund, a specialized church fund lender sent me a note: "Joe, it was the best conference I have attended in the last several years."

In coming newsletters I will share some of the insights that I personally gained from the Conference. For example, Martin Bronstein, the Founder and Chairman of The Situs Companies, provided some valuable insight on the history of commercial loan securitization and valuation issues in today's

markets. Situs is one of the world's largest firms providing due diligence, loan servicing and other client services to major institutional lenders located throughout the world.

Martin's firm had recently evaluated a portfolio of residential land development loans for a major financial institution. Situs had to use creative measures to give the client a reliable estimate of value because traditional appraisal techniques would not work. There are no current comparables for residential land sales to form the basis of a reliable appraisal. To provide a real world number, Situs canvassed prospective buyers as to what they would pay for fully entitled, undeveloped residential land in today's market? Most folks in the Conference had assumed a value of 50 to 60 cents of 2006 values. The results, of the survey, however, were shocking to most of us. The buyers in the market were **interested at 30 cents on the dollar or less. That's 30 cents on the dollar**. Is that number artificially low? Probably not considering that the folks that historically would pay the most for the land, residential home builders, have no capital availability. That leaves only the so called "vultures" as possible buyers. These folks are buying land at deeply discounted prices knowing that they may have to hold the land for 5 to 10 year to realize a real profit. For further information about the Situs Companies, contact Martin Bronstein at (713) 328-4401 (martin.bronstein@situscompanies.com)

One final note, the Conference was not all doom and gloom. If one thing was clear after the panel session is that the Wall Street guys were very negative about their world and the portfolio guys were business as usual but slightly more conservative.

After two full days of meetings, one thing is clear. WE HAVE MONEY TO LEND!!!!

More to come from the conference...

Our Conference Gold Sponsor: The New York Office of First American Title

At this time I would like to publicly thank the folks at the New York office of First American Title for being the Gold Sponsor of our Conference. We have had a long and very successful relationship with First American. We have learned that having a competent and creative title insurance company can make a huge difference. One quick story: We had a deal in a hurricane ravaged area of the southeast. The building was subject to a ground lease. As is customary, our Investor needed an SNDA and Estoppel from the owner of the land to close the loan. The land owner, decided to try and extort

additional compensation from our client by refusing to sign the SNDA (Subordination -Non Disturbance Agreement) and Estoppel Agreement.

The local title company selected by the borrower and could not come up with any remedy. We brought the New York office of First American into the picture. First American determined that it could provide insurance that would make the lender whole in the event that any problem arose with the land owner. Our Investor closed without the SNDA/Estoppel Agreement and the land owner was never heard from again.

The folks at **First American** have time and again helped us to close deals. By the way, we always bring the deal to the New York office no matter where it is located because of the superior transaction management skills of the New York team. It never costs the client more but we get results. **We believe in the New York office of First American Title.** Contact Steve LaForgia at First American for assistance on your transactions.

212.551.9491 or SLaForgia@firstam.com

- Joe Forman, President and CEO of The Bond Street Capital Companies

