

Key Lending Issues to Watch



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Hoffman: “The compelling question is: is there enough liquidity in the market to refinance the \$160 billion in maturing CMBS debt, and if not, who will fill this gap?”

SAN DIEGO—**Risk retention, bank regulations**, where lenders think we are in the CRE cycle and **interest rates** are the main things impacting the **commercial real estate lending** sector in the immediate future, [Trigild](#)’s president **Judy Hoffman** tells GlobeSt.com. Trigild will be hosting its 16th annual lender conference here next month, which will deal with issues related to non-performing commercial real estate loans. We spoke exclusively with Hoffman about some of the key topics to be addressed at the conference, including looming CMBS debt and interest-rate uncertainties.

GlobeSt.com: *What do you think are the key issues that will impact the CRE/lending industries’ immediate future?*

Hoffman: Risk retention, bank regulations, where lenders think we are in the CRE cycle and, of course, interest rates. While stronger underlying market conditions mean that fewer loans have problems, upcoming loan maturities will definitely have an impact—especially in tertiary markets. The problem really hinges on the direction of interest rates, availability of capital and property values. CRE prices are leveling out—and if they do drop, the CMBS market will see maturity defaults rise. Also important considerations: global **economic** and political uncertainties, the erratic **retail** landscape, falling **oil and gas** prices and international **capital** flow into the US.

GlobeSt.com: *Where do you believe we are in the CRE cycle, and how do you think we should brace ourselves for another wave of distress?*

Hoffman: CRE is rounding its seventh year of increasing values, so the question is: how much more runway do we have? Real estate values vary wildly depending on asset class and location, but I sense we are at or near the top.

GlobeSt.com: *What do you think the hot-button issues will be at your lender conference this year?*

Hoffman: There are many hot-button issues this year, but probably the top three are risk retention and **Basel III**—both part of the **Dodd-Frank Act**—and the CMBS loans that are maturing. The first two have the potential of impeding borrowers’ ability to **refinance** the more-than-\$160 billion in CMBS loans maturing through 2017. Risk retention requires that the sponsor/originator of CMBS debt have skin in the game. Although not in effect until the end of this year, it has already resulted in CMBS issuance being down 41% from 2015. Basel III is a series of new bank regulations enacted to strengthen banks’ liquidity. There is a concern that it will decrease a bank’s lending capacity and increase costs. The compelling question is: is there enough liquidity in the market to refinance the \$160 billion in maturing CMBS debt, and if not, who will fill this gap?

GlobeSt.com: *What specific topics will be covered?*

Hoffman: In addition to bank regulations and risk retention, among the many topics this year will be strategies for recovery, managing environmental challenges and unique issues for both balance-sheet lenders and special servicers. And we are thrilled to have three esteemed keynote speakers this year: **Robert Guest**, foreign editor for the *Economist*; noted economist **Sam Chandan**, Ph.D; and **Donald Sheets** of **AlumCreek Holdings**. Guest will address commercial real estate from a global perspective, Chandan will give his annual presentation on the state of CRE, and Sheets will present “**Capital Markets Observations from a Contrarian’s Perspective.**”

The lender conference will provide an ideal forum to help participants prepare for the next wave of distress. Having witnessed a few slumps over the last few decades, we have seen each cycle bring new ways to deal with **distressed** loans and opportunities in investing in them. The conference will identify potential upcoming challenges, examine cutting-edge workout strategies and investment opportunities to capitalize on market changes.

GlobeSt.com: *What else should our readers know about this conference?*

Hoffman: The conference attracts an interesting combination of servicing professionals who deal with defaulting CRE loans, investors who want to buy them, lenders who make the loans and attorneys who facilitate the transactions. The combination makes for a high level of content and interaction.