

Webinar

ULI NNJ: CRE Lending Now and Post COVID-19

Date: June 10, 2020

00:00:00 --> 00:00:02: I am the Co District chairman of you a line
 00:00:02 --> 00:00:06: or the New Jersey wanted to thank everybody for joining
 00:00:06 --> 00:00:07: us today.
 00:00:07 --> 00:00:11: Hope everybody has stayed safe and somewhat staying
 throughout this
 00:00:11 --> 00:00:11: crisis.
 00:00:11 --> 00:00:14: I, like many of you and working from home with
 00:00:14 --> 00:00:18: small children so presents its own challenges so we
 understand
 00:00:19 --> 00:00:20: everybody's time is valuable,
 00:00:20 --> 00:00:23: but we want to continue to try and put out
 00:00:23 --> 00:00:27: some some good programming and we're very lucky to have
 00:00:27 --> 00:00:30: such a great panel for today's program on CRV lending
 00:00:30 --> 00:00:32: and. And what's going on?
 00:00:32 --> 00:00:35: What's changed? I'm personally very interested in this.
 00:00:35 --> 00:00:37: I'm going to attorney at CSG law,
 00:00:37 --> 00:00:40: but always interested to know what the guys in the
 00:00:40 --> 00:00:43: know can share about my flow of work going forward,
 00:00:43 --> 00:00:46: and I'm sure many of you feel the same.
 00:00:46 --> 00:00:47: So with that being said,
 00:00:47 --> 00:00:50: I also want to thank our annual sponsors.
 00:00:50 --> 00:00:52: Hopefully you had a chance to see the screen up,
 00:00:52 --> 00:00:55: but our goal Daniel sponsors Connell,
 00:00:55 --> 00:00:59: Foley, Dresner Robin or Silver Bohler engineering kimley
 Horn Lang
 00:00:59 --> 00:01:01: in McLaren Tim has Angie ZA.
 00:01:01 --> 00:01:04: And I also want to thank,
 00:01:04 --> 00:01:08: Mike lacks the. Co District chairman before me at JLL
 00:01:08 --> 00:01:09: Capital Markets,
 00:01:09 --> 00:01:11: for helping put this together,

00:01:11 --> 00:01:13: are moderate are today is Michael Klein?

00:01:13 --> 00:01:16: When I introduce him, he is the senior Managing Director

00:01:16 --> 00:01:20: in the New Jersey Office of JLL Capital Markets Americas.

00:01:20 --> 00:01:22: He joined the AOL as part of the HF acquisition

00:01:22 --> 00:01:25: and has more than 17 years of experience in commercial

00:01:25 --> 00:01:26: mortgage banking.

00:01:26 --> 00:01:28: If you don't know him,

00:01:28 --> 00:01:31: he handles debt and equity placements for owners of office,

00:01:31 --> 00:01:34: retail, multifamily, industrial and storage properties,

00:01:34 --> 00:01:36: and over the course of your he's.

00:01:36 --> 00:01:38: Been involved in over two.

00:01:38 --> 00:01:40: I'm sort of reading this correctly.

00:01:40 --> 00:01:43: It's billion, not million. 2 billion in transactions,

00:01:43 --> 00:01:46: so hopefully you've all met him and without any further

00:01:46 --> 00:01:46: doing,

00:01:46 --> 00:01:48: let Mike take it over,

00:01:48 --> 00:01:53: introduce the panel, and teaches something hopefully

00:01:53 --> 00:01:56: valuable.

00:01:53 --> 00:01:56: Great, I appreciate it. Thanks for inviting me this morning.

00:01:56 --> 00:01:58: We've got a All Star cast.

00:01:58 --> 00:02:01: The panelists some have better backgrounds than I do

00:02:01 --> 00:02:04: apologize

00:02:01 --> 00:02:04: for the technical difficulties this morning,

00:02:04 --> 00:02:07: but let's jump in and introduce our panelists first.

00:02:07 --> 00:02:08: We have Mr Doug Mckinstry,

00:02:08 --> 00:02:12: who is a Managing Director at Principal Global Investors.

00:02:12 --> 00:02:15: Doug is responsible for the commercial mortgage

00:02:16 --> 00:02:17: underwriting team in

00:02:16 --> 00:02:17: the Eastern region of the US.

00:02:17 --> 00:02:20: Doug, you want to tell us a little bit about

00:02:20 --> 00:02:24: principle and your your experience in the New Jersey market.

00:02:24 --> 00:02:29: Absolutely. Mike Principle continues to be an active lender.

00:02:29 --> 00:02:33: Obviously during the Kovit situation there was was a pause

00:02:33 --> 00:02:35: and lending market,

00:02:35 --> 00:02:37: and the life companies side,

00:02:37 --> 00:02:41: but. Principle continues to be active looking to do around

00:02:42 --> 00:02:45: 5 billion in loan activity per year,

00:02:45 --> 00:02:49: specifically with New Jersey, we have two billion of assets

00:02:49 --> 00:02:54: under management within our debt platform within 10

00:02:55 --> 00:02:55: different capital

00:02:55 --> 00:02:55: clients.

00:02:55 --> 00:03:00: Principle covers the gamut of just regular fixed rate

00:02:55 --> 00:03:00: financings,

00:03:00 --> 00:03:03: anywhere five years to 30 years,
00:03:03 --> 00:03:05: but also is active in construction,
00:03:05 --> 00:03:13: lending construction perm lending. Mezzanine loans and participating construction debts
00:03:13 --> 00:03:13: so.
00:03:13 --> 00:03:16: Uh, plenty of different pockets of money.
00:03:16 --> 00:03:19: We also have a large advisory business will do,
00:03:19 --> 00:03:23: probably a billion a billion and a half of lending
00:03:23 --> 00:03:26: on behalf of international pension funds.
00:03:26 --> 00:03:29: National pension funds in another life,
00:03:29 --> 00:03:32: companies look for us to be an advisor rather than
00:03:32 --> 00:03:35: staffing up for large that platform.
00:03:35 --> 00:03:39: So continue to be active Mike and looking forward to
00:03:39 --> 00:03:41: more business in New Jersey.
00:03:41 --> 00:03:44: Fantastic, thanks Doug. Do we have Chris back on is?
00:03:44 --> 00:03:46: I know Chris had some technical difficulties.
00:03:46 --> 00:03:48: Chris are you there?
00:03:48 --> 00:03:49: Can you hear me now,
00:03:49 --> 00:03:49: Mike?
00:03:51 --> 00:03:52: Yup, I can hear you.
00:03:52 --> 00:03:55: Thanks, Chris. So we have Chris Labianca,
00:03:55 --> 00:03:59: managing director and head of origination for the real estate,
00:03:59 --> 00:04:02: finance and mortgage backed securities group within the Global Bank
00:04:03 --> 00:04:04: Division at UBS Investment Bank.
00:04:04 --> 00:04:08: Chris is responsible for leading a national lending platform which
00:04:08 --> 00:04:12: provides commercial real estate debt for execution through the MBS
00:04:12 --> 00:04:16: market as well as traditional balance sheet lending through the
00:04:16 --> 00:04:19: banks. USA affiliate Chris you want to tell us a
00:04:19 --> 00:04:22: little bit more about UBS and your focus on the
00:04:22 --> 00:04:24: New Jersey New York Metro area.
00:04:24 --> 00:04:28: Yeah, sure, and thanks for having me guys.
00:04:28 --> 00:04:32: You know, UBS is the largest global wealth manager in
00:04:32 --> 00:04:33: the world.
00:04:33 --> 00:04:37: 3 trillion of assets that we manage between our high
00:04:37 --> 00:04:42: net worth business and our institutional business on the real
00:04:42 --> 00:04:43: estate side.
00:04:43 --> 00:04:48: Global real estate asset management businesses close to
00:04:48 --> 00:04:52: 100 billion,
00:04:48 --> 00:04:52: 30 billion in the USI sit on the principle side

00:04:52 --> 00:04:53: for the lending piece.

00:04:53 --> 00:04:55: And so we really run.

00:04:55 --> 00:05:00: Two platforms there. One is a securitization business through the

00:05:00 --> 00:05:04: MBS market and one is a balance sheet business that

00:05:04 --> 00:05:07: we focus on our high net worth client base doing

00:05:07 --> 00:05:12: portfolio loans so very very active nationwide and obviously with

00:05:12 --> 00:05:15: our New York footprint in the tristate area.

00:05:15 --> 00:05:19: Heavily active in in this region as well.

00:05:19 --> 00:05:22: Fantastic, thanks, Chris. Next we have Mr Paul oliveri.

00:05:22 --> 00:05:26: Paul is a managing director at Prime Finance representing the

00:05:26 --> 00:05:30: bridge aspect of Lending Pool heads up the Northeast region

00:05:30 --> 00:05:33: for prime sitting in the New York City office pool.

00:05:33 --> 00:05:35: You want to give us a little bit of an

00:05:35 --> 00:05:36: overview.

00:05:36 --> 00:05:39: Sure, thanks for having Mike and looking forward to speaking

00:05:39 --> 00:05:42: on the panel today so I am with prime Finance

00:05:42 --> 00:05:45: and I lead East Coast loan originations so we are

00:05:45 --> 00:05:49: non bank lender primarily in the senior bridge space are

00:05:49 --> 00:05:49: current.

00:05:49 --> 00:05:52: Portfolio totals just shy of 5.5 billion,

00:05:52 --> 00:05:57: almost all of which are middle market like transitional bridge

00:05:57 --> 00:05:59: loans with some in place cash flow.

00:05:59 --> 00:06:03: Last year we closed on 2 billion of loan originations

00:06:03 --> 00:06:08: across 60 transactions so average loan size around 30 to

00:06:08 --> 00:06:12: \$40,000,000 of that 2 billion just under 200 million was

00:06:12 --> 00:06:15: in the tristate area. So worth noting.

00:06:15 --> 00:06:19: Actually just yesterday we closed on a suburban office

00:06:20 --> 00:06:21: acquisition

00:06:20 --> 00:06:21: just outside Princeton.

00:06:21 --> 00:06:25: That was a a \$21,000,000 loan.

00:06:25 --> 00:06:27: Not many people doing that right now.

00:06:27 --> 00:06:28: Thanks Paul. Next up is Mr.

00:06:28 --> 00:06:32: Mark melchione. Mark is Executive Vice president and head

00:06:32 --> 00:06:34: of

00:06:32 --> 00:06:34: Commercial Real Estate at Peoples United Bank.

00:06:34 --> 00:06:38: He's representing the larger banks segment of the discussion

00:06:38 --> 00:06:41: today.

00:06:38 --> 00:06:41: Mark can you tell us a little bit more about

00:06:41 --> 00:06:44: peoples and your role in the New York Metro area?

00:06:44 --> 00:06:46: Sure, Michael thanks Mark melchin.

00:06:46 --> 00:06:50: I had commercial real estate for peoples were a \$60,000,000

00:06:50 --> 00:06:53: financial institution based in Bridgeport,
00:06:53 --> 00:06:57: CT. Our retail banking footprint which consists of over 400
00:06:57 --> 00:06:59: branches from New York to Boston,
00:06:59 --> 00:07:04: is our natural footprint. Our Northeast corridor for commercial real
00:07:04 --> 00:07:08: estate from DC through Boston is more naturally where our
00:07:08 --> 00:07:10: loan portfolio typically sits.
00:07:10 --> 00:07:13: Alone book is today about 13 billion,
00:07:13 --> 00:07:16: a little bit over 13 billion.
00:07:16 --> 00:07:19: Comprised of a blend between permanent value,
00:07:19 --> 00:07:23: add bridge and construction.
00:07:23 --> 00:07:25: Entry into New Jersey isn't new.
00:07:25 --> 00:07:28: We've been in New Jersey for a number of years,
00:07:28 --> 00:07:30: lending to really good clients.
00:07:30 --> 00:07:34: We kind of accelerated that path a few years ago,
00:07:34 --> 00:07:37: and I've probably done more construction in New Jersey.
00:07:37 --> 00:07:41: Believe it or not, and we have in Manhattan in
00:07:41 --> 00:07:42: the last 24 months.
00:07:42 --> 00:07:47: Whether it's transit oriented, multifamily or office or industrial.
00:07:47 --> 00:07:50: We're very bullish on the New Jersey market,
00:07:50 --> 00:07:53: and it's actually where are asset based lending.
00:07:53 --> 00:07:57: Platform is headquartered in Metro Park.
00:07:57 --> 00:08:00: Fantastic thank you Mark. And last but not least,
00:08:00 --> 00:08:02: the person with the nicest backgrounds,
00:08:02 --> 00:08:06: Mr. Walter Shirako, executive vice President and Chief
lending Officer
00:08:06 --> 00:08:09: at Provident Bank Walt is responsible for the strategic
direction
00:08:09 --> 00:08:13: of the commercial lending function in the bank and
overseeing
00:08:13 --> 00:08:15: the management and development of the banks.
00:08:15 --> 00:08:17: Commercial lending lines of business.
00:08:17 --> 00:08:20: As part of the bank's executive management team,
00:08:20 --> 00:08:23: works closely with senior lenders to focus on strategic growth
00:08:23 --> 00:08:26: of lending and deposit Ori relationships.
00:08:26 --> 00:08:27: While you want to give
00:08:27 --> 00:08:30: give the group an overview on Provident.
00:08:33 --> 00:08:34: You're on mute wall.
00:08:38 --> 00:08:41: Thanks, Michael. See faces background.
00:08:41 --> 00:08:46: Worst foreground so pre she ate that basically Provident
Bank
00:08:46 --> 00:08:50: is a community bank in central New Jersey.
00:08:50 --> 00:08:54: We currently are about 10 billion dollars in assets sooner

00:08:54 --> 00:08:59: B12 through an acquisition merger with SP One Bank are
00:08:59 --> 00:09:01: active markets are New Jersey,
00:09:01 --> 00:09:06: Pennsylvania. For the most part through RE 2 branch
network.

00:09:06 --> 00:09:08: We have a real estate book of.
00:09:08 --> 00:09:13: Just over 3.7 billion dollars and about 20 to 25%
00:09:13 --> 00:09:17: of that is construction. We look for sponsors based in
00:09:17 --> 00:09:18: our footprint,
00:09:18 --> 00:09:21: but we will follow them nationally,
00:09:21 --> 00:09:24: most mostly down the East Coast,
00:09:24 --> 00:09:29: some out through Texas in the Midwest.
00:09:29 --> 00:09:31: Our strategic plan is simple.
00:09:31 --> 00:09:35: We want the best sponsors and solid real estate operators.
00:09:35 --> 00:09:39: We probably average about 700 just over 700 million a
00:09:39 --> 00:09:43: year in originations and we partner with a lot of
00:09:43 --> 00:09:45: the other of banks Mark Melchione.
00:09:45 --> 00:09:49: For one we partnered on a couple of construction loans
00:09:49 --> 00:09:52: and we look to continue doing that on the,
00:09:52 --> 00:09:56: you know the largest transactions.
00:09:56 --> 00:10:00: Fantastic thanks. Well, so I'm going to kick it off
00:10:00 --> 00:10:03: and just set up the stage so in order for
00:10:03 --> 00:10:04: debt and equity,
00:10:04 --> 00:10:08: the capital market to be functioning properly we really need
00:10:08 --> 00:10:11: to have balance between all of the lending sources so
00:10:11 --> 00:10:14: leading up to the Great Recession,
00:10:14 --> 00:10:16: we had very little balance with 53%
00:10:16 --> 00:10:19: of all transactions being financed by CMDS shops.
00:10:19 --> 00:10:22: So at that time we should have seen a problem
00:10:22 --> 00:10:25: was looming and many of us all know how that
00:10:25 --> 00:10:27: movie turned out.
00:10:27 --> 00:10:30: So prior to COVID-19. Hitting the market was probably the
00:10:30 --> 00:10:34: most balanced that we've had between life insurance
companies,
00:10:34 --> 00:10:38: banks, CMDS shops, Ridge lenders in the agencies meeting
Freddie
00:10:38 --> 00:10:38: Mac.
00:10:38 --> 00:10:41: Fannie Mae that we've seen in a long long time
00:10:41 --> 00:10:44: and then Covid hit an that balance went out the
00:10:44 --> 00:10:45: window overnight.
00:10:45 --> 00:10:48: So if you look at the debt market as a
00:10:48 --> 00:10:51: stool with each of the legs representing a segment of
00:10:51 --> 00:10:52: the lending market,
00:10:52 --> 00:10:55: it's fair to say that the stool is currently a

00:10:55 --> 00:10:58: little bit broken so it can be fixed.

00:10:58 --> 00:11:00: It will be fixed. But it's going to take a

00:11:00 --> 00:11:01: little time,

00:11:01 --> 00:11:04: so we're going to now spend some time talking about

00:11:04 --> 00:11:05: each legs of the stool.

00:11:05 --> 00:11:08: So the first leg that we're going to talk about

00:11:08 --> 00:11:10: his life insurance companies.

00:11:10 --> 00:11:12: So prior to Covid hitting life Co borrowers,

00:11:12 --> 00:11:15: were benefiting from historically low interest rates.

00:11:15 --> 00:11:18: There was a period of time between February and when

00:11:19 --> 00:11:22: Covid hit where borrowers could have gotten all in rates

00:11:22 --> 00:11:22: of 2.75%.

00:11:22 --> 00:11:25: So when Covid hit many of the life insurance company

00:11:25 --> 00:11:27: is headed to the sidelines,

00:11:27 --> 00:11:29: and others who remained in the market.

00:11:29 --> 00:11:32: Push therefore rates out to four to four and a

00:11:32 --> 00:11:33: half percent,

00:11:33 --> 00:11:36: which really was sticker shock for a lot of our

00:11:36 --> 00:11:36: hours.

00:11:36 --> 00:11:40: So today the market is healing and most life insurance

00:11:40 --> 00:11:41: companies are back.

00:11:41 --> 00:11:43: For rates are now almost to where we were as

00:11:44 --> 00:11:44: low as 3%

00:11:44 --> 00:11:47: to 375 and this is a very important and welcome

00:11:47 --> 00:11:50: segment of the lending market to have returns.

00:11:50 --> 00:11:54: Life insurance companies are a great source of financing for

00:11:54 --> 00:11:57: those who are interested in more conservative leverage and

00:11:57 --> 00:11:59: in

00:11:57 --> 00:11:59: many instances longer term loans.

00:11:59 --> 00:12:01: So Doug, I'm going to turn to you.

00:12:01 --> 00:12:05: What do you think caused the market for life insurance

00:12:05 --> 00:12:08: company loans to heal so quickly and will this continue

00:12:08 --> 00:12:08: to last?

00:12:11 --> 00:12:15: Yeah, thanks Mike. You know what we saw rate when

00:12:15 --> 00:12:15: Covid hit.

00:12:15 --> 00:12:20: Obviously life companies benchmark of the benchmark price

00:12:20 --> 00:12:21: of corporate

00:12:20 --> 00:12:21: bonds.

00:12:21 --> 00:12:24: So we did see corporate vibe on widening quite a

00:12:24 --> 00:12:27: bit to the tune of 100 and 200 basis points

00:12:27 --> 00:12:30: right after the covid situation.

00:12:30 --> 00:12:34: And Fortunately the feds stepped in with aggressive

00:12:30 --> 00:12:34: measures getting

00:12:34 --> 00:12:39: into even buying corporate bonds which cause friends to come

00:12:39 --> 00:12:42: in drastically during that time frame so.

00:12:42 --> 00:12:46: As you said, you know life company pricing just using

00:12:46 --> 00:12:46: examples,

00:12:46 --> 00:12:50: tenure pricing went four to four and a quarter over

00:12:50 --> 00:12:52: the last couple months,

00:12:52 --> 00:12:56: but we've seen spreads come in about 100 basis points

00:12:56 --> 00:12:58: that were last three weeks,

00:12:58 --> 00:13:02: so seeing tremendous amount of stability to the market,

00:13:02 --> 00:13:06: I'd say, you know, use that example of 275 rate

00:13:06 --> 00:13:10: on the 10 year pricing for commercial mortgages for life

00:13:10 --> 00:13:10: codes.

00:13:10 --> 00:13:14: Not quite there yet. I'd say we're right around 3%

00:13:14 --> 00:13:18: plus or minus, so really within that three month period

00:13:18 --> 00:13:22: and we're seeing spreads within our rates within 15 to

00:13:22 --> 00:13:25: 20 basis points of what we saw pre covered.

00:13:25 --> 00:13:28: So I think the life companies you know they went

00:13:29 --> 00:13:33: into this recession with very low leverage balance sheet.

00:13:33 --> 00:13:37: So I'd say average commercial real estate Holdings on the

00:13:37 --> 00:13:39: balance sheets of life codes.

00:13:39 --> 00:13:41: I think there in the upper 50%

00:13:41 --> 00:13:46: range which allowed. Companies that come in pretty quickly

00:13:46 --> 00:13:47: in

00:13:46 --> 00:13:47: this situation,

00:13:47 --> 00:13:50: which is much different than the GFC which we saw.

00:13:50 --> 00:13:54: Life companies on the on the sidelines for quite awhile,

00:13:54 --> 00:13:57: so I think most of my my peer set is

00:13:57 --> 00:13:58: very active.

00:13:58 --> 00:14:03: There's a number of groups that are chasing larger

00:14:03 --> 00:14:05: transactions,

00:14:03 --> 00:14:05: so kind of compliment.

00:14:05 --> 00:14:10: The banks that are on this on this panel basically

00:14:10 --> 00:14:13: going larger in size.

00:14:13 --> 00:14:16: On what property types are you focused on currently?

00:14:16 --> 00:14:19: Is there anything that's out of favor and why?

00:14:22 --> 00:14:26: Yeah, I think most lab companies and probably most people

00:14:26 --> 00:14:30: on this call are pretty pretty laser focus on multi

00:14:30 --> 00:14:32: family as well as industrial.

00:14:32 --> 00:14:37: Seen a lot of international capital going towards industrial

00:14:37 --> 00:14:37: properties

00:14:37 --> 00:14:37: right now,

00:14:37 --> 00:14:41: which obviously New Jersey has a good share of industrial

00:14:41 --> 00:14:45: product which everyone seems to be running after right now.

00:14:45 --> 00:14:47: I think the retail segment.

00:14:47 --> 00:14:50: Obviously people are not very active.

00:14:50 --> 00:14:54: We will, however, I'm sure the rest group would proceed.

00:14:54 --> 00:14:58: Grocery anchored retail with strong sales by the anchor and

00:14:58 --> 00:15:01: and some some length within the term of that lease

00:15:01 --> 00:15:02: office buildings.

00:15:02 --> 00:15:04: I think people are going to be very,

00:15:04 --> 00:15:08: very cautious. We're probably going to stay up in quality.

00:15:08 --> 00:15:12: You know. AA minus type properties very focused on location

00:15:12 --> 00:15:13: obviously as well.

00:15:13 --> 00:15:16: I don't think we're going to race to the suburbs

00:15:16 --> 00:15:19: like you're reading some some articles.

00:15:19 --> 00:15:21: I think we're still going to.

00:15:21 --> 00:15:24: Continue to see DVD lending on the office side,

00:15:24 --> 00:15:28: but I would say we're going to be very cautious

00:15:28 --> 00:15:29: and lending an office.

00:15:29 --> 00:15:32: I'd say that's probably going to be 50%

00:15:32 --> 00:15:34: LTV or less right now,

00:15:34 --> 00:15:38: given the given the dynamics of the kovid situation,

00:15:38 --> 00:15:41: the virus, but I think like most of our peers

00:15:41 --> 00:15:43: set industrial and multifamily,

00:15:43 --> 00:15:48: we're going to focus and obviously other other property types

00:15:48 --> 00:15:49: are open hotels.

00:15:49 --> 00:15:53: Obviously not looking to do a lot of hotels right

00:15:53 --> 00:15:53: now.

00:15:53 --> 00:15:56: Given the challenges there are,

00:15:56 --> 00:15:59: but those are probably the main main focuses right now.

00:15:59 --> 00:16:03: Like cool lot of guys on the panel or relationship

00:16:03 --> 00:16:04: oriented.

00:16:04 --> 00:16:07: I always think of life insurance companies is kind of

00:16:07 --> 00:16:10: a hybrid in between that who is principles?

00:16:10 --> 00:16:16: Ideal bar? What's the ideal Bror profile for principle?

00:16:16 --> 00:16:19: Yeah, I think right now we are seeing a lot

00:16:19 --> 00:16:23: of institutional capital looking to borrow with where rates are

00:16:23 --> 00:16:24: right now.

00:16:24 --> 00:16:27: So obviously we we do do a lot of institutional

00:16:27 --> 00:16:27: lending.

00:16:27 --> 00:16:29: You know, as you were saying,

00:16:29 --> 00:16:34: that focusing on relationships, but obviously we have

00:16:34 --> 00:16:37: longstanding relationships.

00:16:34 --> 00:16:37: And in New Jersey we started learning,

00:16:37 --> 00:16:39: and in New Jersey in the in the late 70s,
00:16:39 --> 00:16:43: so created some long-term relationships with a lot of industrial
00:16:43 --> 00:16:44: groups.
00:16:44 --> 00:16:46: So we kind of went exit by exit.
00:16:46 --> 00:16:51: Developing long term relationships there in terms of sponsorship I
00:16:51 --> 00:16:55: mean obviously credit is foremost on everyone's mind right now,
00:16:55 --> 00:16:58: so low leverage balance sheet,
00:16:58 --> 00:17:02: strong reputation and excellent credit history is probably where most
00:17:02 --> 00:17:04: of our focus is on.
00:17:04 --> 00:17:08: Also, looking at diversification of what property types that are
00:17:08 --> 00:17:11: on involved in the large exposures,
00:17:11 --> 00:17:15: the hotel on anchor retail with probably caused some pause,
00:17:15 --> 00:17:18: but obviously we're learning on the asset,
00:17:18 --> 00:17:22: not the portfolios so. We're still an asset based lender
00:17:22 --> 00:17:23: nonrecourse,
00:17:23 --> 00:17:28: but sponsorship obviously matters in the grand scheme of things.
00:17:28 --> 00:17:29: Fantastic.
00:17:29 --> 00:17:31: How is loan structures change?
00:17:31 --> 00:17:35: Doug is leverage down. Is there interest only available or
00:17:35 --> 00:17:35: you?
00:17:35 --> 00:17:39: You know copying with the with the agencies are doing
00:17:39 --> 00:17:42: with repor with the reserves on the back end of
00:17:42 --> 00:17:43: the loan.
00:17:43 --> 00:17:45: Tell us how things have changed.
00:17:47 --> 00:17:50: Yeah, I would say the change is probably more in
00:17:51 --> 00:17:51: valuation.
00:17:51 --> 00:17:55: How we're looking at values now versus appraisals.
00:17:55 --> 00:17:59: I'd say we we place a lot of our underwriting
00:17:59 --> 00:18:02: assumptions based on internal valuation,
00:18:02 --> 00:18:06: so probably have a have adjusted values anywhere 5 to
00:18:06 --> 00:18:07: 15%
00:18:07 --> 00:18:11: across the board. Multifamily privacy in a lot the least
00:18:11 --> 00:18:15: amount of valuation change along with industrial.
00:18:15 --> 00:18:19: So sticking to the same loan to value we probably
00:18:19 --> 00:18:20: were going in.
00:18:20 --> 00:18:22: Free Cove in between 50 and 60%
00:18:22 --> 00:18:27: loan to value, but obviously the denominator and the valuations

00:18:27 --> 00:18:28: have changed.
 00:18:28 --> 00:18:32: Or basically adjusting our loans to reflect new valuations.
 00:18:32 --> 00:18:34: How we're looking at those metrics,
 00:18:34 --> 00:18:37: so I think if you were to say if someone
 00:18:37 --> 00:18:39: argue values haven't changed,
 00:18:39 --> 00:18:42: then we're probably in the 40 to 50%
 00:18:42 --> 00:18:45: of pre covid valuations in terms of what we're looking
 00:18:45 --> 00:18:47: for and loans right now.
 00:18:47 --> 00:18:51: I think like you said structure will come into play.
 00:18:51 --> 00:18:56: Large rollovers for priority, pretty focus on getting structure
 for
 00:18:56 --> 00:19:01: those potential that service interruption possibilities.
 00:19:01 --> 00:19:05: And the multifamily sign is really we're going to look
 00:19:05 --> 00:19:09: at collections to determine what kind of structure that we
 00:19:09 --> 00:19:12: potentially would put in a transaction.
 00:19:12 --> 00:19:15: Giving are given our loan to values or low in
 00:19:15 --> 00:19:15: the 50%
 00:19:15 --> 00:19:19: LTV range were typically not doing structure up front.
 00:19:19 --> 00:19:22: But if we do see collection issues,
 00:19:22 --> 00:19:25: we will hold a three to six month escrow on
 00:19:25 --> 00:19:29: debt service if if they are having some issues there.
 00:19:29 --> 00:19:31: Yastik last question for you.
 00:19:31 --> 00:19:36: Doug Life Insurance company rates are extremely attractive
 for borrowers
 00:19:36 --> 00:19:37: right now.
 00:19:37 --> 00:19:40: With floors getting back to historic lows,
 00:19:40 --> 00:19:41: do you see this?
 00:19:54 --> 00:19:55: You froze up there, Mike.
 00:20:02 --> 00:20:04: Yes, leg of the stool,
 00:20:04 --> 00:20:07: so that's the second leg of the stool to see.
 00:20:07 --> 00:20:11: MBS Market is a key lending source for borrowers who
 00:20:11 --> 00:20:15: need maximum leverage or maximum interest only for people
 who
 00:20:15 --> 00:20:19: have properties in secondary or tertiary locations and
 especially for
 00:20:19 --> 00:20:24: those not located in the Northeast that can't benefit from
 00:20:24 --> 00:20:25: the strong banking.
 00:20:25 --> 00:20:29: Network that is providing non recourse financing here.
 00:20:29 --> 00:20:32: So when Covid started pricing for many see MBS securities
 00:20:32 --> 00:20:35: that patient pools didn't go as expected.
 00:20:35 --> 00:20:38: Lenders didn't know how to price loans the market for
 00:20:38 --> 00:20:41: the paper dried up and see MBS lending came to
 00:20:41 --> 00:20:44: a screeching halt recently and there have been some new

00:20:44 --> 00:20:48: securitized pools that have come to the market and lenders
00:20:48 --> 00:20:51: believe they now have a grasp on the demand for
00:20:51 --> 00:20:54: the paper and how they can profitably price loans.
00:20:54 --> 00:20:56: As a result we're seeing some shops.
00:20:56 --> 00:21:00: Including UBS started quote deals and issue term sheets.
00:21:00 --> 00:21:03: So Chris, what caused the MBS market to freeze up
00:21:03 --> 00:21:04: at the start of Kogan?
00:21:07 --> 00:21:09: So our market is, you know,
00:21:09 --> 00:21:11: a supply and demand market,
00:21:11 --> 00:21:12: right? And I would say,
00:21:12 --> 00:21:16: you know. Demand the investor demand was driving.
00:21:16 --> 00:21:18: You know what happens? You know on the pre covid
00:21:19 --> 00:21:21: side just to pick up on what Doug said.
00:21:21 --> 00:21:24: 'cause I think it helps highlight how interconnected our
markets
00:21:24 --> 00:21:25: are.
00:21:25 --> 00:21:28: You know he talked about how life companies price off
00:21:28 --> 00:21:29: the bond market.
00:21:29 --> 00:21:32: Well you know we live and die by the bond
00:21:32 --> 00:21:33: market on the CBS side.
00:21:33 --> 00:21:36: And so, and an insurance companies are,
00:21:36 --> 00:21:39: you know, our biggest buyers of our paper,
00:21:39 --> 00:21:43: right? So you mentioned sort of the pricing we were
00:21:43 --> 00:21:45: sitting with a large securitization.
00:21:45 --> 00:21:48: The last deal that got done pre Kovid was a
00:21:49 --> 00:21:50: CS deal at 139 on the AAA.
00:21:50 --> 00:21:54: As you saw a significant widening from where they were.
00:21:54 --> 00:21:57: You know in the sort of mid 90s and you
00:21:57 --> 00:22:00: know we came into the office on Monday the 16th
00:22:00 --> 00:22:03: expecting to launch our first UBS.
00:22:03 --> 00:22:05: Kill the year. And we were told,
00:22:05 --> 00:22:08: you know, it looked like the market was maybe 1:45,
00:22:08 --> 00:22:10: but there was not a lot of investor demand.
00:22:10 --> 00:22:11: We didn't think we filled a book,
00:22:11 --> 00:22:14: so we pulled the deal.
00:22:14 --> 00:22:16: And so that really basically started.
00:22:16 --> 00:22:19: You know, the freeze up of the market where there
00:22:19 --> 00:22:22: just wasn't demand that the pricing that we had,
00:22:22 --> 00:22:26: you know, booked these loans and intended to sell them
00:22:26 --> 00:22:26: at so.
00:22:26 --> 00:22:30: We we we reconfigured the pool and that that deal
00:22:30 --> 00:22:33: that we thought would go off at 1:45 is off

00:22:33 --> 00:22:36: the UBS shelf in the third week of March ended
00:22:36 --> 00:22:40: up pricing last week off the Wells Fargo Shelf because
00:22:40 --> 00:22:42: there were a bunch of guys.
00:22:42 --> 00:22:45: As you can imagine who tried to go to market
00:22:45 --> 00:22:48: with collateral that you know was not going to be
00:22:48 --> 00:22:49: sailed.
00:22:49 --> 00:22:52: Will post covid you know and we can get into
00:22:52 --> 00:22:52: that.
00:22:52 --> 00:22:56: But ironically where spreads that blown out to say 300
00:22:56 --> 00:22:58: or over 300 on the AAA's.
00:22:58 --> 00:23:00: We got that deal done at 1:45,
00:23:00 --> 00:23:04: so the snapback was was pretty quick and it just
00:23:04 --> 00:23:07: shows you that you know investor demand was there.
00:23:07 --> 00:23:10: It just it was a matter of price discovery.
00:23:12 --> 00:23:15: Got it, thanks, Chris. So what?
00:23:15 --> 00:23:19: What is the CMB S loan look like today compared
00:23:19 --> 00:23:21: to pre covid as far as pricing,
00:23:21 --> 00:23:23: leverage, structure, loan term size?
00:23:23 --> 00:23:27: What can you elaborate on there?
00:23:27 --> 00:23:30: Yeah, I would say the leverage is still there,
00:23:30 --> 00:23:34: although you probably get a little bit less,
00:23:34 --> 00:23:37: I owe the debt service reserves that Doug talked about
00:23:38 --> 00:23:39: or are common.
00:23:39 --> 00:23:41: We are typically, you know,
00:23:41 --> 00:23:44: requiring those. I would say they get waived in very
00:23:44 --> 00:23:46: low leverage situations.
00:23:46 --> 00:23:51: You know, we're still. 10 year nonrecourse I would say
00:23:51 --> 00:23:55: you know the biggest challenge would be larger loans.
00:23:55 --> 00:23:59: So if you think about anything between say 100 million
00:23:59 --> 00:24:00: and 250 million,
00:24:00 --> 00:24:05: that's alone. That pre covid typically would have been taken
00:24:05 --> 00:24:08: down by CMD S shop and then carved up an you
00:24:08 --> 00:24:13: know securitized into three or more Harry pursue notes and
00:24:13 --> 00:24:18: future securitizations an with the amount of inventory that's
00:24:18 --> 00:24:21: still
00:24:18 --> 00:24:21: sitting on issuers balance sheets.
00:24:21 --> 00:24:23: I think most guys are very reluctant to take on
00:24:23 --> 00:24:27: positions where it's going to take them multiple
00:24:27 --> 00:24:30: securitizations to
00:24:27 --> 00:24:30: exit the position because you just don't have any good
00:24:30 --> 00:24:33: visibility into the you know into the forward calendar.
00:24:33 --> 00:24:36: So if those loans do get taken down on the

00:24:36 --> 00:24:37: CMDS side,

00:24:37 --> 00:24:38: I think it probably will be.

00:24:38 --> 00:24:41: You know where guys pair up to execute them so

00:24:41 --> 00:24:43: they can distribute them quicker.

00:24:43 --> 00:24:46: And that's always a you know a more difficult process

00:24:46 --> 00:24:49: obviously than dealing with one lender.

00:24:49 --> 00:24:54: Got it. And everybody is used to thinking that CBS

00:24:54 --> 00:24:55: is 75%

00:24:55 --> 00:24:59: leverage. Is is that no longer the case in this

00:24:59 --> 00:25:01: current environment?

00:25:01 --> 00:25:03: I will tell you even pre covid,

00:25:03 --> 00:25:06: but a lot of the loans that we quoted at

00:25:06 --> 00:25:06: 75%

00:25:06 --> 00:25:10: leverage we're getting constrained by debt yields,

00:25:10 --> 00:25:12: so we weren't really getting to 75%

00:25:12 --> 00:25:15: and so you know, debt yields have been the driver

00:25:15 --> 00:25:16: for awhile.

00:25:16 --> 00:25:19: I would tell you that we would quote 75%,

00:25:19 --> 00:25:22: but maybe you know pre covid where you might have

00:25:22 --> 00:25:25: been able to get a couple of years of IO

00:25:25 --> 00:25:26: at 75%.

00:25:26 --> 00:25:29: Now it might be at 10:30.

00:25:29 --> 00:25:32: Got it an are there any property types that you're

00:25:32 --> 00:25:33: staying away from?

00:25:33 --> 00:25:37: Is it similar to what Doug had talked about?

00:25:37 --> 00:25:40: I think you're gonna hear you know very similar.

00:25:40 --> 00:25:43: Comments on that from all the lenders right.

00:25:43 --> 00:25:45: It's basic real estate underwriting,

00:25:45 --> 00:25:49: I think. For for C MBS guys you know we're

00:25:49 --> 00:25:50: going to be.

00:25:50 --> 00:25:53: Holding some hotel loans. If you think about just the

00:25:53 --> 00:25:56: typical see MBS pool that had 15 to 20%

00:25:56 --> 00:25:57: hotel in it, you know.

00:25:57 --> 00:26:01: And if you think about the fact that this probably

00:26:01 --> 00:26:05: still somewhere around 8 to 10 billion on issuers balance

00:26:05 --> 00:26:08: sheets of pre covid loans that haven't been sold,

00:26:08 --> 00:26:12: you know most guys are sitting with some sizable inventory

00:26:12 --> 00:26:15: of hotel loans that they can't move in the current

00:26:15 --> 00:26:19: environment and so you know adding new ones is a

00:26:19 --> 00:26:22: difficult sell to your credit committee.

00:26:22 --> 00:26:24: So I think the But the good news there is

00:26:25 --> 00:26:28: we are seeing some recovery in those loans and the

00:26:28 --> 00:26:31: performance of those loans have been far better than I
00:26:31 --> 00:26:36: think anybody expected, so we'll see how quickly that
recovers
00:26:36 --> 00:26:40: and how accepting you know B piece buyers and investors
00:26:41 --> 00:26:43: are of hotel loans in see MBS pools.
00:26:43 --> 00:26:46: Fantastic, so my next two questions for you.
00:26:46 --> 00:26:48: A little bit more challenging there,
00:26:48 --> 00:26:52: Chris. Is there any way to give borrower assurances that
00:26:52 --> 00:26:57: the terms outlined in a term sheet or an application
00:26:57 --> 00:27:00: will make it through closing today?
00:27:00 --> 00:27:01: Listen, I always tell people.
00:27:01 --> 00:27:03: And as we talked about at the beginning,
00:27:03 --> 00:27:06: you know we run two sides of the business,
00:27:06 --> 00:27:09: right? We run CMDs and we run balance sheet loans.
00:27:09 --> 00:27:11: You know your get with with balance sheet loans you're
00:27:12 --> 00:27:14: getting more certainty of execution,
00:27:14 --> 00:27:17: but on our balance sheet that typically comes with recourse.
00:27:17 --> 00:27:19: If you want CMDs, I'm giving you more leverage.
00:27:19 --> 00:27:21: I'm giving you 10 years.
00:27:21 --> 00:27:23: I'm probably giving you some interest,
00:27:23 --> 00:27:25: only you're getting the course,
00:27:25 --> 00:27:27: but there is a capital markets element to to our
00:27:27 --> 00:27:28: business,
00:27:28 --> 00:27:32: right? So the pricing. You can never guarantee what the
00:27:32 --> 00:27:33: pricing is,
00:27:33 --> 00:27:36: but you know in a market like we're in now
00:27:36 --> 00:27:41: where we've seen spreads sort of coming in pretty
dramatically.
00:27:41 --> 00:27:44: It's a pretty good time to do a see MBS
00:27:44 --> 00:27:44: loan,
00:27:44 --> 00:27:48: because the odds that you know spreads are going to
00:27:48 --> 00:27:49: move wider.
00:27:49 --> 00:27:52: Lesson and then the odds that they're going to move
00:27:52 --> 00:27:52: tighter,
00:27:52 --> 00:27:55: where, which we've seen already happening.
00:27:55 --> 00:27:56: And as we get more issuance,
00:27:56 --> 00:27:59: will see even tighter spreads you know are in your
00:27:59 --> 00:27:59: favor.
00:27:59 --> 00:28:01: So those are that it's it's a little bit more
00:28:01 --> 00:28:03: about market timing then it is about,
00:28:03 --> 00:28:06: you know, I applied for a loan at X spread.
00:28:06 --> 00:28:07: Has the market changed or you know,
00:28:07 --> 00:28:11: well you wanted that spread.

00:28:11 --> 00:28:13: All right, we'll have to monitor that one.

00:28:13 --> 00:28:17: During the last downturn, the only way that borrowers could

00:28:17 --> 00:28:21: speak with servicers was to put their loans in default.

00:28:21 --> 00:28:23: What do you think is going to be different?

00:28:23 --> 00:28:26: This go around during the covid interruption.

00:28:26 --> 00:28:29: Yeah, I think we've already seen a big difference on

00:28:29 --> 00:28:30: that side.

00:28:30 --> 00:28:33: I think you know servicers have been much more willing

00:28:33 --> 00:28:35: to to work with borrowers.

00:28:35 --> 00:28:37: I think the bigger problem is,

00:28:37 --> 00:28:40: you know they're significantly understaffed.

00:28:40 --> 00:28:43: So where an average asset manager on the on the

00:28:43 --> 00:28:46: servicing side and see MBS World was having.

00:28:46 --> 00:28:49: You know 10 to 15 deals on their plate.

00:28:49 --> 00:28:51: They might now have 60 or 70 deals on their

00:28:51 --> 00:28:51: plate,

00:28:51 --> 00:28:54: and again that you know most of these guys are

00:28:54 --> 00:28:56: 10 years experience or less,

00:28:56 --> 00:28:58: so you're not typically dealing with seasons,

00:28:58 --> 00:29:00: real estate, people on this stuff.

00:29:00 --> 00:29:02: So what has gone out is some of the you

00:29:02 --> 00:29:03: know,

00:29:03 --> 00:29:05: some of the fee gouging that we saw the first

00:29:05 --> 00:29:06: time around,

00:29:06 --> 00:29:09: which was, you know, very contentious and gave the MBS

00:29:09 --> 00:29:10: you know,

00:29:10 --> 00:29:12: left a lot left a bad taste in the mouth

00:29:12 --> 00:29:14: for a lot of guys who had to interact with

00:29:14 --> 00:29:15: that.

00:29:15 --> 00:29:17: That seems to be.

00:29:17 --> 00:29:20: You know, not going on in any widespread way.

00:29:20 --> 00:29:23: This time, I think the servicers are really trying to

00:29:24 --> 00:29:25: work with anyone who has,

00:29:25 --> 00:29:29: you know, forbearance questions and what we found is the

00:29:29 --> 00:29:32: people who are most worth coming,

00:29:32 --> 00:29:36: you know, and transparent are really getting treated pretty

00:29:36 --> 00:29:40: fairly,

00:29:40 --> 00:29:43: so I would say that's the the overarching trend.

00:29:43 --> 00:29:45: Let's they'll still be pockets of of stories,

00:29:45 --> 00:29:47: but that seems to be the experience,

00:29:47 --> 00:29:51: broadly.

00:29:47 --> 00:29:51: Fantastic seems like positive sign for potential borrowers

here.

00:29:51 --> 00:29:54: So let's move to the next leg of the stool.

00:29:54 --> 00:29:57: The next leg of the stool is the bridge lending

00:29:57 --> 00:29:57: market.

00:29:57 --> 00:30:00: The bridge lending more get emerged out of the last

00:30:00 --> 00:30:01: downturn.

00:30:01 --> 00:30:04: In a sense, evolved into a major segment of the

00:30:04 --> 00:30:07: lending universe providing non recourse financing for value.

00:30:07 --> 00:30:11: Add deals that have limited to Emplate limited to zero

00:30:11 --> 00:30:11: in place,

00:30:11 --> 00:30:15: cash flow coming out of the Mortgage Bankers Association

00:30:15 --> 00:30:16: conference

00:30:16 --> 00:30:16: in February.

00:30:16 --> 00:30:19: There was over 160 lenders in the bridge space,

00:30:19 --> 00:30:22: including life insurance companies. Thanks,

00:30:22 --> 00:30:25: debt funds, private reads, private developers,

00:30:25 --> 00:30:27: everybody in the search of yield,

00:30:27 --> 00:30:30: but prior to covid pricing was as low as Libor

00:30:30 --> 00:30:33: plus 275 and the leverage was as high as 80%

00:30:33 --> 00:30:36: of cost. So that has significantly changed.

00:30:36 --> 00:30:40: Unfortunately, the problem with Ridge lending business plans

00:30:40 --> 00:30:44: for a

00:30:40 --> 00:30:44: lot of lenders which has been exposed during Covid is

00:30:44 --> 00:30:47: that they rely on leverage when covid hate groups that

00:30:47 --> 00:30:51: were aggregating loans to sell in the Cielo market,

00:30:51 --> 00:30:52: similar to the MBS market.

00:30:52 --> 00:30:55: Got stuck as the market for the paper froze up

00:30:55 --> 00:30:58: and they didn't know where to price the loans for

00:30:58 --> 00:31:01: lenders who were relying on warehouse lines to leverage

00:31:01 --> 00:31:05: their

00:31:01 --> 00:31:05: loans, they were faced with reduced capacity margin calls,

00:31:05 --> 00:31:08: price increases. Also putting them in price discovery mode.

00:31:08 --> 00:31:11: So today there's still a market for bridge loans,

00:31:11 --> 00:31:14: but approximately 3/4 of the market is on the sidelines

00:31:14 --> 00:31:17: or offering rates that aren't attractive to most borrowers.

00:31:17 --> 00:31:21: So those that are in the market are relying on

00:31:21 --> 00:31:23: their own balance sheet to make loans.

00:31:23 --> 00:31:25: So Paul, how is prime been able to continue to

00:31:26 --> 00:31:28: lend what many of your competitors are sitting on the

00:31:28 --> 00:31:29: sidelines?

00:31:31 --> 00:31:33: Thanks, Mike.

00:31:33 --> 00:31:36: Yeah, I think from you know during the crisis here

00:31:36 --> 00:31:38: there's a couple of things.

00:31:38 --> 00:31:41: I mean, I think the first is really strong liquidity.
 00:31:41 --> 00:31:44: So I mean, we have plenty of callable capital in
 00:31:44 --> 00:31:45: our latest fund,
 00:31:45 --> 00:31:48: and I think you combine that with carefully structured debt.
 00:31:48 --> 00:31:52: We have a wide variety of relationships in financing tools
 00:31:52 --> 00:31:53: that we use.
 00:31:53 --> 00:31:55: We have a deep bench of warehouse lines.
 00:31:55 --> 00:31:59: We occasionally will issue a Cielo when market conditions
 warrant
 00:31:59 --> 00:31:59: it,
 00:31:59 --> 00:32:03: and we have modified subscription lines and a note sales.
 00:32:03 --> 00:32:07: So we've always tried to diversify or financing sources so
 00:32:07 --> 00:32:09: no one lender controls our destiny.
 00:32:09 --> 00:32:12: If you will. And we also don't rely on capital
 00:32:12 --> 00:32:13: markets.
 00:32:13 --> 00:32:17: As you mentioned, Cielo to generate required returns,
 00:32:17 --> 00:32:19: we only use Cielo market to enhance them.
 00:32:19 --> 00:32:22: So the second I would say is is the makeup
 00:32:22 --> 00:32:24: of our current portfolio.
 00:32:24 --> 00:32:27: We our current fund only has I was just looking
 00:32:27 --> 00:32:29: this morning only 5%
 00:32:29 --> 00:32:31: hotel exposure, an 5% retail exposure.
 00:32:31 --> 00:32:34: So a majority of our portfolio is multifamily,
 00:32:34 --> 00:32:40: followed by office. And the occasional occasional industrial
 deal so.
 00:32:40 --> 00:32:43: Combine that with the makeup of our portfolio is that
 00:32:44 --> 00:32:46: we only focus on middle market transactions,
 00:32:46 --> 00:32:49: so that really helps drive the durability.
 00:32:49 --> 00:32:52: You know, given no heavy concentrations on our balance
 sheet
 00:32:52 --> 00:32:55: and then third I think is is our in-house asset
 00:32:55 --> 00:32:56: management team,
 00:32:56 --> 00:33:00: they've done a great job working with our existing
 relationships
 00:33:00 --> 00:33:01: during the crisis.
 00:33:01 --> 00:33:04: We've always viewed them as a as a competitive advantage
 00:33:04 --> 00:33:05: to our competitors.
 00:33:05 --> 00:33:08: You know this is a service to our borrowers,
 00:33:08 --> 00:33:10: but it's also a first line of defense,
 00:33:10 --> 00:33:15: which. Really helped us to be proactive in addressing any
 00:33:15 --> 00:33:17: issues on our balance sheet.
 00:33:17 --> 00:33:22: Fantastic. Paul, what any property types you staying away
 from?

00:33:22 --> 00:33:23: Would you consider a hotel?

00:33:23 --> 00:33:26: Would you consider retail in this market?

00:33:26 --> 00:33:29: Yeah, I mean, I think we're still focused mainly on

00:33:29 --> 00:33:32: office and multifamily in primary and secondary markets.

00:33:32 --> 00:33:35: You know even pre covid we had historically been bullish

00:33:36 --> 00:33:37: on suburban office.

00:33:37 --> 00:33:40: CBD is expensive, developers have standard tended to stay away

00:33:40 --> 00:33:42: from from the suburban markets,

00:33:42 --> 00:33:44: which has limited supply. I think.

00:33:44 --> 00:33:45: Now post covid. You know,

00:33:45 --> 00:33:48: having discussion, just releasing brokers,

00:33:48 --> 00:33:51: you hear you work from home is going better than

00:33:51 --> 00:33:51: expected.

00:33:51 --> 00:33:54: But I think the real focus is on density requirements

00:33:54 --> 00:33:56: and the need for more space.

00:33:56 --> 00:34:00: So it's not. Also, in a location that's not as

00:34:00 --> 00:34:01: high prices of CBD so.

00:34:01 --> 00:34:04: You know, I still think that's our focus.

00:34:04 --> 00:34:07: We're staying away from hospitality right now and being highly

00:34:07 --> 00:34:09: selective on retail.

00:34:09 --> 00:34:11: I think retail, you know it's a giant sector.

00:34:11 --> 00:34:14: There will always be successful corners of it.

00:34:14 --> 00:34:17: Grocery anchored service tenants, national brands,

00:34:17 --> 00:34:20: things like that. But there's still a lot of binary

00:34:20 --> 00:34:21: downside risk for malls,

00:34:21 --> 00:34:25: lifestyle centers, you know, entertainment and even the experiential retail.

00:34:25 --> 00:34:28: So I'm just not sure that you know those can

00:34:28 --> 00:34:29: survive post code.

00:34:29 --> 00:34:32: Covid, you know many of those concepts were trying to.

00:34:32 --> 00:34:35: To keep retail assets afloat and then hospitality,

00:34:35 --> 00:34:37: we've historically been been cautious.

00:34:37 --> 00:34:41: Just given you increase in supply across various markets throughout

00:34:41 --> 00:34:42: the country,

00:34:42 --> 00:34:45: you think drive 2 and cultural property should bounce back already.

00:34:45 --> 00:34:46: Seeing that in our portfolio as as Chris mentioned,

00:34:46 --> 00:34:49: but you know, group business,

00:34:49 --> 00:34:50: corporate demand that will struggle in the term hotels are

00:34:50 --> 00:34:54: also complicated right there there.

00:34:54 --> 00:34:56:

00:34:56 --> 00:34:59: There probably be some structural changes and how that real

00:34:59 --> 00:35:01: estate is is used and occupied.

00:35:01 --> 00:35:04: I think you know. Our borrowers need to figure that

00:35:04 --> 00:35:07: out and you combine that with complicated labor relationships.

00:35:07 --> 00:35:11: It is operating intensive and it's really just a different

00:35:11 --> 00:35:13: animal than the other asset classes.

00:35:13 --> 00:35:16: Well, can you talk a little bit how your loan

00:35:16 --> 00:35:17: program has changed?

00:35:17 --> 00:35:20: It seems that a lot of bridge lenders are ratcheting

00:35:20 --> 00:35:20: down leverage.

00:35:20 --> 00:35:23: Anything you can elaborate on there.

00:35:23 --> 00:35:27: And I think short answer is pricings wider leverage.

00:35:27 --> 00:35:31: Lower prepayments are longer, structure is more robust,

00:35:31 --> 00:35:36: but you know realistically it really changes week to week,

00:35:36 --> 00:35:39: and as of today I would say pricing is probably

00:35:39 --> 00:35:42: 150 to 200 basis points wide.

00:35:42 --> 00:35:44: You know somewhere in the.

00:35:44 --> 00:35:47: Libor plus 400, Four, 50 over range.

00:35:47 --> 00:35:50: So certainly you know widened out leverage.

00:35:50 --> 00:35:53: Right now. It's probably somewhere in the 65 to 70%

00:35:53 --> 00:35:58: range depending on asset type prepayments.

00:35:58 --> 00:36:00: Pretty much the same 18 to 24 months.

00:36:00 --> 00:36:05: Fees haven't changed point in 0 two quarter point out.

00:36:05 --> 00:36:09: OK, great. So how is covid impacted your borrowers business

00:36:09 --> 00:36:13: plans to stabilize these value added properties that they recently

00:36:13 --> 00:36:14: purchased?

00:36:14 --> 00:36:18: Paul, are you seeing a big big disruption in that?

00:36:18 --> 00:36:21: You know, I wouldn't say there's a disruption.

00:36:21 --> 00:36:23: I think. I mean, we first thing we did was

00:36:23 --> 00:36:26: we re underwrote every loan on our books.

00:36:26 --> 00:36:27: And again, as I mentioned,

00:36:27 --> 00:36:31: we proactively reached out to borrowers to give them the

00:36:31 --> 00:36:34: support that they need to get through the next six

00:36:34 --> 00:36:35: to nine months,

00:36:35 --> 00:36:38: right? We've had very good collection numbers in both April

00:36:39 --> 00:36:41: and May and June's coming in even better,

00:36:41 --> 00:36:44: which is promising. I do think the covid impact is

00:36:44 --> 00:36:47: really simply pushing business plans out,

00:36:47 --> 00:36:50: you know, remember we already give enough term on HDL,

00:36:50 --> 00:36:53: right? Three to five year term to execute a 24
00:36:53 --> 00:36:54: month business plan.
00:36:54 --> 00:36:56: So we sort of give them that runway.
00:36:56 --> 00:37:00: Two business plans tend to take longer than expected typically,
00:37:00 --> 00:37:03: and we recognize that, so we really haven't seen too
00:37:03 --> 00:37:05: much of an impact.
00:37:05 --> 00:37:08: OK, and last question Paul how?
00:37:08 --> 00:37:10: How much more time do you think we need for
00:37:11 --> 00:37:12: the bridge market to heal?
00:37:12 --> 00:37:14: You think the same level of participants is going to
00:37:15 --> 00:37:15: come back?
00:37:15 --> 00:37:18: Is it going to now what needs to happen?
00:37:18 --> 00:37:20: Yeah, I think a couple of things.
00:37:20 --> 00:37:23: I think the most important in our space is the
00:37:23 --> 00:37:24: status of internal financing,
00:37:24 --> 00:37:26: right? So without access to that,
00:37:26 --> 00:37:30: it's almost impossible to harness new business opportunities.
00:37:30 --> 00:37:32: Many of our competitors right now either rely on one
00:37:32 --> 00:37:35: source of financing or capital markets,
00:37:35 --> 00:37:37: yellow execution to run their business,
00:37:37 --> 00:37:40: which is not a very attractive financing source today again,
00:37:40 --> 00:37:41: that changes week by week.
00:37:41 --> 00:37:43: We're seeing some progress there.
00:37:43 --> 00:37:46: The few selos we have seen executed to date were
00:37:46 --> 00:37:47: pretty low advance rates,
00:37:47 --> 00:37:51: high cost of capital, and the limited pool buyers.
00:37:51 --> 00:37:53: So you know we're monitoring that every day.
00:37:53 --> 00:37:56: I think our space has been very crowded for sometime.
00:37:56 --> 00:38:00: We have anticipated some disruption and volatility that would
in
00:38:00 --> 00:38:01: our mind,
00:38:01 --> 00:38:04: you know, a little disruption and volatility should result in
00:38:04 --> 00:38:05: consolidation.
00:38:05 --> 00:38:07: That's a good thing for us,
00:38:07 --> 00:38:09: so I think you're seeing some of that now,
00:38:09 --> 00:38:13: and the well, capitalized shops that have been around for
00:38:13 --> 00:38:13: a long time,
00:38:13 --> 00:38:16: they should be able to meet the demand near term
00:38:16 --> 00:38:18: for those bridge opportunities.
00:38:18 --> 00:38:21: Specifically, I think the banks and insurance companies.
00:38:21 --> 00:38:23: Well, well, well going forward.
00:38:23 --> 00:38:26: Be more selective on who they partner with right in

00:38:26 --> 00:38:28: the non bank lending space now more than ever that

00:38:28 --> 00:38:32: they're really focused on providing capital only to you know

00:38:32 --> 00:38:36: the healthiest of finance companies in the non bank lending

00:38:36 --> 00:38:36: space.

00:38:36 --> 00:38:39: OK, thank you Paul all right now we're going to

00:38:39 --> 00:38:41: the last leg of the stool,

00:38:41 --> 00:38:44: which is the bank lending world and the bank lending

00:38:44 --> 00:38:47: market right now is really a tale of two tapes.

00:38:47 --> 00:38:48: The larger money center banks,

00:38:48 --> 00:38:52: large foreign banks, large regional banks have really been on

00:38:52 --> 00:38:54: the sidelines since Covid started.

00:38:54 --> 00:38:57: Many tried to push off loan Closings until the market

00:38:57 --> 00:39:01: settle down and in some instances lenders have dropped

00:39:01 --> 00:39:04: deals

00:39:04 --> 00:39:08: that were in closing even if borrowers had hard money

00:39:08 --> 00:39:10: deposits up. So today these lenders are selectively dipping

00:39:10 --> 00:39:14: their

00:39:14 --> 00:39:17: toes back into the water.

00:39:17 --> 00:39:20: And those who are quoting in many instances are saving

00:39:20 --> 00:39:23: their dry powder for existing companies at the bank.

00:39:23 --> 00:39:27: So this is causing some problems.

00:39:27 --> 00:39:32: This is putting a huge strain on the lending market

00:39:32 --> 00:39:33: as it's hard to get bank financing larger than \$35,000,000,

00:39:33 --> 00:39:36: and it's really limiting the availability of construction financing

00:39:36 --> 00:39:39: for

00:39:39 --> 00:39:40: new projects.

00:39:40 --> 00:39:44: So Mark, what are the reasons a lot of banks

00:39:44 --> 00:39:47: are not open to lending to new customers right now

00:39:47 --> 00:39:50: trying to be?

00:39:50 --> 00:39:51: Careful, what do you think is driving that Mark?

00:39:51 --> 00:39:54: Yeah, so I almost would ask you to open the

00:39:54 --> 00:39:57: mic for wall 'cause he and I both came from

00:39:57 --> 00:40:01: Wells Fargo in 2009.

00:40:01 --> 00:40:04: He was my credit officer so we have fond memories

00:40:04 --> 00:40:05: of coming out of the last Great Recession.

00:40:05 --> 00:40:06: You know, it's hard to predict lender to lender what

00:40:06 --> 00:40:09: their position is and why they're doing what they're doing

00:40:09 --> 00:40:11: or not,

00:40:11 --> 00:40:14: but I I would say to you,

00:40:14 --> 00:40:15: you know in the early days of the pandemic I

00:40:15 --> 00:40:15: remember the first call.

00:40:15 --> 00:40:15: I got March 9th that was from a frantic retail

00:40:15 --> 00:40:15: client.

00:40:15 --> 00:40:18: Who thought the world was ending right?
 00:40:18 --> 00:40:21: And so that was the first sort of shot across
 00:40:21 --> 00:40:24: my bow and hence everyone's bow bow at the same
 00:40:24 --> 00:40:25: time.
 00:40:25 --> 00:40:28: And so we've been in that mode ever since.
 00:40:28 --> 00:40:30: And as everyone probably knows,
 00:40:30 --> 00:40:35: on March 22nd, interagency guidance came out that allowed.
 00:40:35 --> 00:40:38: Banks, community banks, national Banks,
 00:40:38 --> 00:40:44: money center banks, all of us regulated institutions to provide
 00:40:44 --> 00:40:48: up to six months of referral for clients whose assets
 00:40:48 --> 00:40:55: were impacted by covid without constituting a troubled debt
 restructuring.
 00:40:55 --> 00:40:59: So I feel like that the speed of that action
 00:40:59 --> 00:41:01: caused all of us.
 00:41:01 --> 00:41:04: Just sort of take a step back and think about
 00:41:04 --> 00:41:07: you know how can we be most helpful for our
 00:41:07 --> 00:41:08: clients,
 00:41:08 --> 00:41:11: right? And so you know people like you know we
 00:41:11 --> 00:41:13: have a \$13,000,000 portfolio.
 00:41:13 --> 00:41:16: I would call it 4 and when I say core
 00:41:16 --> 00:41:16: I mean,
 00:41:16 --> 00:41:20: you know we're very very strong credit culture.
 00:41:20 --> 00:41:23: We have lowest loss content of the top 50 banks.
 00:41:23 --> 00:41:27: We're very proud of that and I think that position
 00:41:27 --> 00:41:30: does well to to be helpful in the coronavirus and
 00:41:30 --> 00:41:31: pandemic.
 00:41:31 --> 00:41:35: So we've spent more of our time helping our clients
 00:41:35 --> 00:41:38: maintain their wealth than we otherwise would do.
 00:41:38 --> 00:41:40: Originate Ng loans to create.
 00:41:40 --> 00:41:44: Well, the reality is, the loan demand is down considerably.
 00:41:44 --> 00:41:46: Are we closing loans? Yeah,
 00:41:46 --> 00:41:50: we're closing loans, but those are when our clients tell
 00:41:50 --> 00:41:54: us they need us 'cause they're making that acquisition.
 00:41:54 --> 00:41:56: The development pipeline is way down.
 00:41:56 --> 00:42:01: I think the last construction loan closed was in New
 00:42:01 --> 00:42:01: Jersey.
 00:42:01 --> 00:42:05: About 30 days ago was to actually two prospects,
 00:42:05 --> 00:42:08: one whom I had banked in prior life for 20
 00:42:08 --> 00:42:09: years so.
 00:42:09 --> 00:42:12: So it's not that peoples or really any of the
 00:42:12 --> 00:42:15: banks lack the capital or liquidity.
 00:42:15 --> 00:42:19: It's really about being able to assess risk.

00:42:19 --> 00:42:23: And during a pandemic you know your ability to assess
00:42:23 --> 00:42:26: that risk is really limited.
00:42:26 --> 00:42:29: If you are assets or retail center or a hotel
00:42:29 --> 00:42:34: which seems obvious and almost every other asset class on
00:42:34 --> 00:42:36: a situational basis,
00:42:36 --> 00:42:39: you know unless you have a CVS.
00:42:39 --> 00:42:43: Aurora Walmart single tenant grade.
00:42:43 --> 00:42:47: Um? You know, even our investment grade tenants aren't
00:42:47 --> 00:42:48: paying
00:42:48 --> 00:42:51: rent,
00:42:51 --> 00:42:54: right? We were seeing at that point.
00:42:54 --> 00:42:56: So Mark, we've talked a bunch since Covid began,
00:42:56 --> 00:43:00: and what would it take is?
00:43:00 --> 00:43:04: Is there any type of barware that you would consider
00:43:04 --> 00:43:05: lending to that's not already within the People's United Bank
00:43:05 --> 00:43:08: umbrella?
00:43:08 --> 00:43:10: Meeting a prospect. Someone we correctly right,
00:43:10 --> 00:43:14: you know, I sort of feel like we have 1100
00:43:14 --> 00:43:17: clients and we're serving them well and will continue to
00:43:17 --> 00:43:20: serve them even if the deferrals run out,
00:43:20 --> 00:43:21: because we have a long history of working with people
00:43:21 --> 00:43:24: right who work with us?
00:43:24 --> 00:43:27: I think that's another calling card at Peoples.
00:43:27 --> 00:43:30: You know. If I'm a prospect and I've never done
00:43:30 --> 00:43:34: business with the bank and vice a verse to the
00:43:34 --> 00:43:36: first thing you need to get through is the conversation
00:43:36 --> 00:43:39: about are you impacted by COVID-19,
00:43:39 --> 00:43:40: and if so? How bad is it and what your
00:43:40 --> 00:43:44: staying power?
00:43:44 --> 00:43:49: How long can you run a property at a .2
00:43:49 --> 00:43:51: times debt service coverage after the deferrals run out?
00:43:51 --> 00:43:55: And maintain self hosting right?
00:43:55 --> 00:43:56: So it becomes a difficult conversation with someone you
00:43:56 --> 00:43:58: don't
00:43:58 --> 00:44:01: know that well,
00:44:01 --> 00:44:05: right? And that's just a reality.
00:44:05 --> 00:44:07: So trust me, I spent the first 45 days of
00:44:07 --> 00:44:10: this pandemic reprogramming a sales force that only knew
00:44:10 --> 00:44:13: how
00:44:13 --> 00:44:16: to make new loans right there.
00:44:16 --> 00:44:18: We've been in a 10 almost 11 year expansion.
00:44:18 --> 00:44:21: And that's muscle memory, and that's hard to reverse.
00:44:21 --> 00:44:24: When the best we can do to serve a client

00:44:16 --> 00:44:19: is to be empathetic and work with them through something
00:44:19 --> 00:44:21: that wasn't of their doing right.
00:44:21 --> 00:44:23: They didn't miss a business plan.
00:44:23 --> 00:44:26: The economy closed down, and that includes cobin,
00:44:26 --> 00:44:28: right? No, yeah, you can't blame.
00:44:28 --> 00:44:31: There's no blame here. There's no throat to choke,
00:44:31 --> 00:44:34: right? It's it's. It's a pandemic,
00:44:34 --> 00:44:36: and none of us have ever been through it.
00:44:36 --> 00:44:39: So I think it knowledge ING that is probably the
00:44:40 --> 00:44:41: most important thing.
00:44:41 --> 00:44:43: OK, last question for you.
00:44:43 --> 00:44:47: Mark how important are ancillary deposits to the bank?
00:44:47 --> 00:44:49: We're seeing that topic come up on a lot of
00:44:49 --> 00:44:52: transactions were working at it on JLL,
00:44:52 --> 00:44:56: and it seems very similar to the last downturn.
00:44:56 --> 00:44:58: Right, so that's a memo.
00:44:58 --> 00:45:02: I remember getting that memo in 1998.
00:45:02 --> 00:45:04: As a traditional balance sheet lender,
00:45:04 --> 00:45:07: that's an old memo. I don't know why that would
00:45:07 --> 00:45:08: be new news.
00:45:08 --> 00:45:13: If you're talking to a traditional balance sheet lender like
00:45:13 --> 00:45:14: a People's United Bank.
00:45:14 --> 00:45:18: Well, well over 100% funded with deposits so we don't
00:45:18 --> 00:45:20: have a net need for deposits.
00:45:20 --> 00:45:22: It's a cheap cost of funding right?
00:45:22 --> 00:45:26: Got it. Alright, fantastic. So we're going to talk about
00:45:26 --> 00:45:29: the other part of the banking universe now and that
00:45:29 --> 00:45:32: is we're going to bring both Rocco and so the
00:45:32 --> 00:45:37: smaller regional banks have continued to lend throughout
Covid.
00:45:37 --> 00:45:40: They lost a lot of deals to life insurance companies
00:45:40 --> 00:45:43: to bridge lenders over the last several years and now
00:45:44 --> 00:45:45: have an opportunity to shine.
00:45:45 --> 00:45:49: Pick up market share and convert long term prospects into
00:45:49 --> 00:45:50: customers of the bank.
00:45:50 --> 00:45:55: Thanks for. Being careful you're not straying off the fairway
00:45:55 --> 00:45:59: and often requiring lower leverage and structure for deals
with
00:45:59 --> 00:46:00: short term.
00:46:00 --> 00:46:05: These short-term leases leverage is typically maxing out at
about
00:46:05 --> 00:46:05: 60 to 65%
00:46:05 --> 00:46:07: and pricing is pretty wide,

00:46:07 --> 00:46:10: you know, low threes to the 4%
00:46:10 --> 00:46:13: range for terms from 3 to 10 years.
00:46:13 --> 00:46:16: They were here for us during the Great Recession and
00:46:16 --> 00:46:19: we expect them to be here throughout the crisis and
00:46:19 --> 00:46:20: beyond.
00:46:20 --> 00:46:24: Well, how has this market disruption been a good opportunity
00:46:24 --> 00:46:28: for Provident and some of the other smaller regional banks?
00:46:28 --> 00:46:31: Well, this is Mark was saying you know,
00:46:31 --> 00:46:34: first you're helping out your existing clients,
00:46:34 --> 00:46:38: so the opportunity is to strengthen your relationship because
we're
00:46:38 --> 00:46:39: a relationship lender.
00:46:39 --> 00:46:42: By helping a client through a tough time,
00:46:42 --> 00:46:43: you you build.
00:46:46 --> 00:46:50: A relationship that is just stronger and and last long
00:46:50 --> 00:46:54: lasting so you don't maybe three years down the road.
00:46:54 --> 00:46:57: You don't have to be the cheapest person on the
00:46:57 --> 00:46:58: street to do a deal,
00:46:58 --> 00:47:02: so Providence done that. You know we sit there and
00:47:02 --> 00:47:05: say we have a commitment you can count on and
00:47:05 --> 00:47:06: we live by that.
00:47:06 --> 00:47:09: We say we're going to do something we're going to
00:47:10 --> 00:47:10: do it.
00:47:10 --> 00:47:12: It sends it over your shoulder.
00:47:12 --> 00:47:15: There does right so, but basically,
00:47:15 --> 00:47:18: you know this is a time of opportunity for strong
00:47:18 --> 00:47:19: banks.
00:47:19 --> 00:47:22: Is Mark said about people's so is Provident.
00:47:22 --> 00:47:24: You know our capital position is very strong,
00:47:24 --> 00:47:27: so we're not worried about issues there.
00:47:27 --> 00:47:30: We have the ability to go out and see some
00:47:30 --> 00:47:34: opportunity with strong sponsors that we haven't been able to
00:47:34 --> 00:47:38: bank in the past 'cause they had good relationships and
00:47:38 --> 00:47:39: I hate to say it,
00:47:39 --> 00:47:42: but you kind of hope the other lenders stuff there
00:47:42 --> 00:47:44: to and there's your opportunity.
00:47:44 --> 00:47:48: You know somebody stubs toe and you're still in business,
00:47:48 --> 00:47:50: you know.
00:47:50 --> 00:47:54: Real estate developers and real estate owners need capital,
00:47:54 --> 00:47:58: and it's a great opportunity to provide it and build
00:47:58 --> 00:48:00: a new strong relationship.
00:48:00 --> 00:48:03: Fantastic, well how's your? How's your lending change?

00:48:03 --> 00:48:06: So you are scaling back on leveraged pricing up.

00:48:06 --> 00:48:08: Tell us a little bit about that.

00:48:08 --> 00:48:11: That be yes both, but but it is,

00:48:11 --> 00:48:15: so we've never been loaned value lender,

00:48:15 --> 00:48:18: so to speak. And I think I heard Chris say

00:48:18 --> 00:48:19: it earlier.

00:48:21 --> 00:48:24: We're really, you know, all of us.

00:48:24 --> 00:48:27: I think to a large degree our cash flow lenders

00:48:27 --> 00:48:30: like what is the cash flow with the property in

00:48:30 --> 00:48:34: this low interest rate environment is so easy to have

00:48:34 --> 00:48:37: a 125 coverage, it's meaningless as a covenant.

00:48:37 --> 00:48:39: Now if you can cover 3 1/2%

00:48:39 --> 00:48:43: at 1:25 coverage, you know weren't we're in trouble.

00:48:43 --> 00:48:46: So basically we like to use debt yield a lot

00:48:46 --> 00:48:47: as a parameter.

00:48:47 --> 00:48:51: It's probably the best barometer for the times you can

00:48:51 --> 00:48:54: look back at historic cap rates and.

00:48:54 --> 00:48:57: You know, if you have an 8 debt yield and

00:48:57 --> 00:49:00: cap rates have never been above A6 for that product

00:49:00 --> 00:49:01: type,

00:49:01 --> 00:49:03: well, you're going to be at 75%

00:49:03 --> 00:49:06: loan to value Max. We also don't like long term

00:49:07 --> 00:49:10: interest only because one of the benefits to a bank

00:49:10 --> 00:49:11: is amortization.

00:49:11 --> 00:49:15: Your mom should get better and less riskier as time

00:49:15 --> 00:49:18: goes on and amortization does that,

00:49:18 --> 00:49:22: but certainly lower leverage and spreads spreads of blown

00:49:22 --> 00:49:24: out.

00:49:22 --> 00:49:24: I don't think we've seen.

00:49:24 --> 00:49:28: Any spreads below 2%, and even if you quoted spread

00:49:28 --> 00:49:29: below 2%,

00:49:29 --> 00:49:33: you're going to have a floor rate that really causes

00:49:33 --> 00:49:36: your real spread to be well in excess of 2%.

00:49:36 --> 00:49:40: So I think the floor rates have really been the

00:49:40 --> 00:49:42: spread expansion.

00:49:42 --> 00:49:44: But there's there's business, we don't.

00:49:44 --> 00:49:48: I mean, we're still talking rates for the most part

00:49:48 --> 00:49:49: between 3 and 4%.

00:49:49 --> 00:49:53: I mean, those are really terrific interest rates in the

00:49:53 --> 00:49:55: commercial real estate well,

00:49:55 --> 00:49:56: so.

00:49:56 --> 00:50:01: Hopefully you know. It's it makes us more competitive.

00:50:01 --> 00:50:03: In terms of what I think of Providence,
 00:50:03 --> 00:50:05: for a lot of construction financing,
 00:50:05 --> 00:50:08: can you talk a little bit about the bank's appetite
 00:50:08 --> 00:50:11: for construction financing at this point in the market?
 00:50:11 --> 00:50:15: Short construction financing is probably 20 to 25%
 00:50:15 --> 00:50:19: of our book. Very healthy again to talk about product
 00:50:19 --> 00:50:20: types right?
 00:50:20 --> 00:50:24: I don't think we're doing a spec office building or
 00:50:24 --> 00:50:26: a new hotel anytime soon,
 00:50:26 --> 00:50:29: but, you know, industrial, multifamily,
 00:50:29 --> 00:50:32: just like everyone else absolutely,
 00:50:32 --> 00:50:36: specially in our markets of New Jersey and Pennsylvania
 with
 00:50:36 --> 00:50:38: our great access to the ports,
 00:50:38 --> 00:50:42: Terrific Rd access between 90 five 7880.
 00:50:42 --> 00:50:45: I mean, you can get goods anywhere in a well
 00:50:45 --> 00:50:46: within a day.
 00:50:46 --> 00:50:50: Therefore the various warehouses that can be built and
 should
 00:50:50 --> 00:50:54: be built along those quarters are excellent in this time
 00:50:54 --> 00:50:55: of kovid.
 00:50:55 --> 00:50:57: I mean, everybody relied on Amazon,
 00:50:57 --> 00:51:00: mean Amazon was all over the place.
 00:51:00 --> 00:51:03: I mean, so the number of warehouse storage and shop
 00:51:03 --> 00:51:05: from home on groceries.
 00:51:05 --> 00:51:10: It was fantastic. You need warehouses for that.
 00:51:10 --> 00:51:14: They're great. I still think people need place to live
 00:51:14 --> 00:51:15: collections in apartments.
 00:51:15 --> 00:51:18: Multifamily has been really pretty good.
 00:51:18 --> 00:51:21: Most cases 9095% collection rate,
 00:51:21 --> 00:51:24: so that continues to be a strong product so will
 00:51:24 --> 00:51:26: stay with that as well.
 00:51:26 --> 00:51:30: Again, office and hotel are probably much on the sideline
 00:51:30 --> 00:51:31: for us right now,
 00:51:31 --> 00:51:33: but retail, grocery, anchored retail,
 00:51:33 --> 00:51:37: or any retail. It's it's open for business on,
 00:51:37 --> 00:51:40: you know. You've got a Walmart or Lowe's or something
 00:51:41 --> 00:51:42: like that as an anchor.
 00:51:42 --> 00:51:46: If you can show. And open for business debt yield
 00:51:46 --> 00:51:49: on the tenants that are in place and paying rent.
 00:51:49 --> 00:51:54: Probably. Seven and above. Will look at it.
 00:51:54 --> 00:51:56: We know the rest of it's going to be great
 00:51:56 --> 00:51:57: interest.

00:51:57 --> 00:52:00: It will come back and it depends on the sponsors

00:52:00 --> 00:52:03: in the operators you do business with those sponsors and

00:52:03 --> 00:52:06: operators and work with their tenants are going to do

00:52:06 --> 00:52:10: the best. We have a number of retail properties that

00:52:10 --> 00:52:12: response and talk to their mom and pops.

00:52:12 --> 00:52:15: Basically said I'll tell you what free rent for three

00:52:15 --> 00:52:16: months,

00:52:16 --> 00:52:17: not even in turn back on it.

00:52:17 --> 00:52:20: Why? Because it makes the mom and pop store feel

00:52:20 --> 00:52:23: secure that they're not going to risk losing their.

00:52:23 --> 00:52:27: Burnley's and basically it would take that retail owner longer

00:52:27 --> 00:52:29: to replace that tenant.

00:52:29 --> 00:52:32: Then in three months they just gave up some kind

00:52:32 --> 00:52:34: of given ice in the winter.

00:52:34 --> 00:52:37: So we like people that are very in touch with

00:52:37 --> 00:52:37: their tenants.

00:52:37 --> 00:52:39: We like to be in touch with our customers.

00:52:39 --> 00:52:43: It's just all about relationships all.

00:52:43 --> 00:52:46: Got it alright so we are now at 11:01 we

00:52:46 --> 00:52:49: started a little bit late for those that want to

00:52:49 --> 00:52:50: continue to listen.

00:52:50 --> 00:52:53: We have a little bit of a bonus round some

00:52:53 --> 00:52:55: questions for all the panelists,

00:52:55 --> 00:52:58: so hopefully everybody can continue to join us.

00:52:58 --> 00:53:01: I'm going to open it up to our panelists.

00:53:01 --> 00:53:05: What are your overall predictions for the commercial real

estate

00:53:05 --> 00:53:06: market post code?

00:53:06 --> 00:53:09: But it's a very broad topic there Doug.

00:53:09 --> 00:53:10: You want to kick us off?

00:53:13 --> 00:53:17: Yeah is it is broad topic and hard to make

00:53:17 --> 00:53:18: predictions post code.

00:53:18 --> 00:53:22: But I think the asset class will continue to quite

00:53:22 --> 00:53:22: well.

00:53:22 --> 00:53:26: There's still a lot of liquidity in the industry,

00:53:26 --> 00:53:28: so I think we'll see.

00:53:28 --> 00:53:30: We will see values come back.

00:53:30 --> 00:53:34: We've already seen some seen values come back on the

00:53:34 --> 00:53:36: in the industrial segment,

00:53:36 --> 00:53:39: so I think once we kind of figure out what

00:53:39 --> 00:53:42: the post covid life looks like,

00:53:42 --> 00:53:44: especially in office, I do see.

00:53:44 --> 00:53:48: The market continues to be strong and I think the
00:53:48 --> 00:53:51: amount of liquid ITI and quite honestly this group all
00:53:51 --> 00:53:57: working together and some construct sharing loans doing
construction loans
00:53:57 --> 00:54:01: together. Partnering up with first and mezz type
opportunities.
00:54:01 --> 00:54:05: I think we'll continue to see strong capital source for
00:54:05 --> 00:54:08: for the industry on the debt side.
00:54:08 --> 00:54:12: Fantastic Chris. Any thoughts on that topic?
00:54:12 --> 00:54:16: The prediction business is a dangerous cycle,
00:54:16 --> 00:54:18: I say.
00:54:18 --> 00:54:22: We've learned from from this pandemic is to be a
00:54:22 --> 00:54:24: lot more sceptical of experts,
00:54:24 --> 00:54:26: that's for sure.
00:54:26 --> 00:54:29: But what I would say is.
00:54:29 --> 00:54:33: You know, I think about going back to work and
00:54:33 --> 00:54:34: I think about you,
00:54:34 --> 00:54:37: know our office at 1285 6th Ave and I think
00:54:37 --> 00:54:41: there's probably about 8 steak houses with five minutes
Clock.
00:54:41 --> 00:54:44: I can't see how they're all gonna stay in business,
00:54:44 --> 00:54:48: so I think that. Although I feel that the economy
00:54:48 --> 00:54:50: is going to come back fairly quickly,
00:54:50 --> 00:54:53: I think New York City is going to lag and
00:54:53 --> 00:54:56: that might be a trend in in other big cities.
00:54:56 --> 00:54:57: You know, across the country.
00:54:57 --> 00:55:00: I just think the level of activity you know is
00:55:00 --> 00:55:01: going to be less,
00:55:01 --> 00:55:04: and then it's going to be a lot harder for
00:55:04 --> 00:55:08: all these businesses to bounce the bounce back equally.
00:55:08 --> 00:55:11: Chris, do you think New Jersey benefits from that disruption
00:55:11 --> 00:55:12: in New York City?
00:55:12 --> 00:55:14: I do, I do, and you know we also run.
00:55:14 --> 00:55:18: We run warehouse, lending businesses both on the
commercial and
00:55:18 --> 00:55:19: residential side.
00:55:19 --> 00:55:22: And our residential guys really shocked me this week by
00:55:22 --> 00:55:26: telling me that you know their volume of business is
00:55:26 --> 00:55:29: obviously way up because of where interest rates are and
00:55:29 --> 00:55:31: I I just assumed that was 80 to 90%.
00:55:31 --> 00:55:33: You know refis was actually 60%
00:55:33 --> 00:55:35: refis and 40% purchases. You know,
00:55:35 --> 00:55:38: during a time when people when people could not do

00:55:38 --> 00:55:42: site inspections of the properties they were buying,
00:55:42 --> 00:55:44: they were looking up properties online.
00:55:44 --> 00:55:47: And they were buying properties largely,
00:55:47 --> 00:55:50: you know, outside of major Metropolitan areas.
00:55:50 --> 00:55:53: So that's a trend to watch.
00:55:53 --> 00:55:56: Got it Paul what what's your thoughts on on the
00:55:57 --> 00:55:57: predictions?
00:55:57 --> 00:56:01: Post code. Yeah, look, I think there will be disruption
00:56:01 --> 00:56:04: and opportunities in all sectors,
00:56:04 --> 00:56:07: right? You know multi family is shown to be very
00:56:07 --> 00:56:08: resilient.
00:56:08 --> 00:56:11: As I mentioned office, you know impacted by work from
00:56:11 --> 00:56:14: home possible recession that may reduce demand.
00:56:14 --> 00:56:17: But you know non gateway markets could be attractive,
00:56:17 --> 00:56:21: right? If tenants move forward with that need for density
00:56:21 --> 00:56:23: retail already showing signs of distress,
00:56:23 --> 00:56:27: I think asset selection is is key hospitality already an
00:56:27 --> 00:56:28: oversupply issue?
00:56:28 --> 00:56:31: So I do think that the recovery for that asset
00:56:31 --> 00:56:33: type will be long and difficult.
00:56:33 --> 00:56:36: I do. Industrial was already healthy pre covid so no
00:56:36 --> 00:56:37: concerns there,
00:56:37 --> 00:56:40: but you know you see what's happening in the stock
00:56:40 --> 00:56:41: market right now,
00:56:41 --> 00:56:44: which frankly makes no sense to me and it still
00:56:44 --> 00:56:47: feels like there's there's too much volatility to feel to
00:56:47 --> 00:56:48: feel good right now.
00:56:48 --> 00:56:51: I think a lot of that is due to some
00:56:51 --> 00:56:54: funny government money in the system right now that you
00:56:54 --> 00:56:56: know is is causing a lot of this,
00:56:56 --> 00:56:58: but we just need to wait and see and be
00:56:58 --> 00:56:59: cautious.
00:56:59 --> 00:57:03: And I do think commercial real estate will will bounce
00:57:03 --> 00:57:03: back.
00:57:03 --> 00:57:07: Fantastic mark, what you thought?
00:57:07 --> 00:57:09: No crystal ball here, that's for sure.
00:57:09 --> 00:57:12: One thing the pandemics taught me is patience,
00:57:12 --> 00:57:15: and I think it's going to be a very long
00:57:15 --> 00:57:19: time till our unemployment rate gets remotely close to where
00:57:19 --> 00:57:21: it was before the pandemic,
00:57:21 --> 00:57:24: and I think that's going to have a ripple effect
00:57:24 --> 00:57:26: through commercial real estate.

00:57:26 --> 00:57:29: So I think this is like it's always been left
00:57:29 --> 00:57:30: at the jockey,
00:57:30 --> 00:57:33: not the horse, and then that will be what will
00:57:33 --> 00:57:36: be the difference between for us,
00:57:36 --> 00:57:37: you know, a loss or.
00:57:37 --> 00:57:39: We're not a loss, so yeah,
00:57:39 --> 00:57:43: if you want to asset class by assets I mean
00:57:43 --> 00:57:44: multifamily for us,
00:57:44 --> 00:57:48: our portfolio. We've had very few deferrals,
00:57:48 --> 00:57:53: all 90 plus percent collections through May even into June.
00:57:53 --> 00:57:58: Surprisingly, you know, even a retail portfolios held up better
00:57:58 --> 00:58:00: than I would have expected,
00:58:00 --> 00:58:04: no doubt, because half of its grocery anchored.
00:58:04 --> 00:58:08: But I do worry about the psychology of people returning
00:58:09 --> 00:58:09: to work.
00:58:09 --> 00:58:13: And getting back to whatever normal is and how long
00:58:13 --> 00:58:15: that's going to take.
00:58:15 --> 00:58:18: I could tell you our company has just started to
00:58:18 --> 00:58:22: invite people back to work right on voluntary basis.
00:58:22 --> 00:58:26: You move 7000 people to their to their remote location
00:58:27 --> 00:58:30: in two weeks and I think it will be some
00:58:30 --> 00:58:35: time before people feel safe enough to take mass transit.
00:58:35 --> 00:58:39: Or or enter an office building so.
00:58:39 --> 00:58:42: It's gonna be a long term and the vaccine is
00:58:42 --> 00:58:45: is an absolute necessity that that's next year great,
00:58:45 --> 00:58:49: that would be at the earliest.
00:58:49 --> 00:58:53: Fantastic, well you want to just take that the topic
00:58:53 --> 00:58:54: one step further.
00:58:54 --> 00:58:57: Yeah, basically I agree with Mark there too.
00:58:57 --> 00:59:01: Is you know of my crystal balls know better than
00:59:01 --> 00:59:05: anybody else is one of the nice things during this.
00:59:05 --> 00:59:07: You know the traffic has been incredible,
00:59:07 --> 00:59:10: right? So you can see on the roads that the
00:59:10 --> 00:59:11: people are home.
00:59:11 --> 00:59:15: So if you're home you're not spending and basically some
00:59:15 --> 00:59:16: reports of it out.
00:59:16 --> 00:59:19: The spending rate as skyrocket out of the spending.
00:59:19 --> 00:59:22: The savings rate has skyrocketed in the US to almost
00:59:22 --> 00:59:23: 30%
00:59:23 --> 00:59:25: or something like that. Some crazy number.
00:59:25 --> 00:59:27: So it's getting my wife that yeah,
00:59:27 --> 00:59:31: yeah, exactly so you get an Amazon package today,

00:59:31 --> 00:59:36: right? Of multiple run first name basis point.

00:59:36 --> 00:59:40: You're buying gifts, yeah, but basically,

00:59:40 --> 00:59:43: you know there is some pent up demand out there

00:59:43 --> 00:59:47: to people that want to get back to normal so

00:59:47 --> 00:59:48: bad we have problem.

00:59:48 --> 00:59:52: We're bringing our staff back in in a slow move.

00:59:52 --> 00:59:56: Starting Monday, 25% of the staff will be brought back

00:59:56 --> 00:59:57: in.

00:59:57 --> 01:00:00: It'll alternate.

01:00:00 --> 01:00:02: Five weeks out will be at 50%

01:00:02 --> 01:00:05: in at one time, so you know as people start

01:00:06 --> 01:00:08: feeling that they can get out again,

01:00:08 --> 01:00:12: it'll be. It'll be a wonderful thing actually,

01:00:12 --> 01:00:14: and people start spending again,

01:00:14 --> 01:00:17: so I think it will be a slow.

01:00:17 --> 01:00:20: Growth back but they were going to get back to

01:00:20 --> 01:00:23: what we had in January anytime soon or at three

01:00:23 --> 01:00:24: point 6%

01:00:24 --> 01:00:27: unemployment anytime soon. But if we get back to some

01:00:27 --> 01:00:29: semblance of normal,

01:00:29 --> 01:00:32: I think it'll take. Probably a good 12 to 18

01:00:32 --> 01:00:35: months and those that I I do feel bad.

01:00:35 --> 01:00:40: As Chris said, the restaurants it's going to be tough

01:00:40 --> 01:00:44: that that's very tough business on a good day.

01:00:44 --> 01:00:47: I've had a very bad day for three months,

01:00:47 --> 01:00:51: four months so. I feel bad that way,

01:00:51 --> 01:00:52: but I think it will.

01:00:52 --> 01:00:56: So everybody everybody support their local restaurants.

01:00:56 --> 01:01:01: Honestly, true support your local businesses where you lived.

01:01:01 --> 01:01:05: Shop dying, do whatever but help your brother out.

01:01:05 --> 01:01:08: Got it, I can't eat.

01:01:08 --> 01:01:10: I'm sorry.

01:01:10 --> 01:01:14: Taking so long. Yeah, so we're rapidly running out of

01:01:14 --> 01:01:15: time.

01:01:15 --> 01:01:18: We have a couple questions here from the audience that

01:01:18 --> 01:01:21: we're going to let the panelists take.

01:01:21 --> 01:01:23: The first one is what appetite does,

01:01:23 --> 01:01:26: the debt market have for both short term three to

01:01:26 --> 01:01:29: four years and longer term 7 to 10 years non

01:01:29 --> 01:01:30: recourse.

01:01:30 --> 01:01:34: Multifamily construction loans. What kind of leveraging

pricing is being

01:01:35 --> 01:01:36: seen in the market today?

01:01:36 --> 01:01:40: Associated with these loans? Anybody want to take that one?

01:01:44 --> 01:01:49: I did not request construction.

01:01:49 --> 01:01:51: A long way away. Right,

01:01:51 --> 01:01:56: it was for me. Nonrecourse construction was a long way

01:01:56 --> 01:01:56: away.

01:01:56 --> 01:01:58: Before the crisis.

01:01:58 --> 01:02:00: Right?

01:02:00 --> 01:02:03: Got it Doug and anybody in the in your world.

01:02:03 --> 01:02:07: I know you got a pretty robust construction program.

01:02:07 --> 01:02:13: So we haven't told. If I'm entertaining an industrial

01:02:13 --> 01:02:14: speculative

01:02:14 --> 01:02:16: construction,

01:02:16 --> 01:02:19: mainly 50 to 50% one,

01:02:19 --> 01:02:23: the cost on the multifamily side.

01:02:23 --> 01:02:28: It's challenging because you know under right rents in the

01:02:28 --> 01:02:32: future is become very difficult right now in this environment,

01:02:32 --> 01:02:34: so we have yet to quote a non recourse construction

01:02:34 --> 01:02:38: on multifamily.

01:02:38 --> 01:02:40: I'd say it would have to be extremely strong opportunity

01:02:40 --> 01:02:44: and fill location.

01:02:44 --> 01:02:48: Dynamics on the supply and demand make for a strong

01:02:48 --> 01:02:51: argument with with the strong outlook on rents.

01:02:51 --> 01:02:52: So I think it is difficult on the non recourse

01:02:52 --> 01:02:56: side for multi.

01:02:56 --> 01:03:00: But you know for the right deal would happen but

01:03:00 --> 01:03:00: it had to be quite strong in terms of market

01:03:00 --> 01:03:05: mix.

01:03:05 --> 01:03:08: Alright, great next question. Interested in hearing feedback

01:03:08 --> 01:03:11: from the

01:03:11 --> 01:03:15: various debt legs of the stool?

01:03:15 --> 01:03:20: An underwriting self storage properties.

01:03:20 --> 01:03:21: In areas that have that have balanced two under supplied

01:03:21 --> 01:03:24: submarkets spreads long the cost on the value ratios term

01:03:24 --> 01:03:26: in length.

01:03:26 --> 01:03:29: Anybody want to take that one?

01:03:29 --> 01:03:30: We do a lot of self storage lending,

01:03:30 --> 01:03:33: you know. See MBS. I think it's been a great

01:03:33 --> 01:03:34: outlet for self storage.

01:03:34 --> 01:03:37: So the leverage I would say so on self storage

01:03:37 --> 01:03:40: is is still there.

01:03:40 --> 01:03:43: I would say you know we're underwriting.

01:03:37 --> 01:03:40: Probably you know debt yields in the eighth pre covert
 01:03:40 --> 01:03:44: and that's that's still available 10 year deals with with
 01:03:44 --> 01:03:48: 30 year amortizations and some IO at lower leverage points.
 01:03:48 --> 01:03:51: OK. We're still looking at.
 01:03:51 --> 01:03:53: We still look at self storage,
 01:03:53 --> 01:03:57: however, would probably be a lower leverage point.
 01:03:57 --> 01:03:59: Maxing out in the 60 to 65%
 01:03:59 --> 01:03:59: range.
 01:04:01 --> 01:04:03: And we probably want a little recourse on it.
 01:04:05 --> 01:04:09: But it's something we're still looking at.
 01:04:09 --> 01:04:12: Yeah, the life companies how we play echo Walt.
 01:04:12 --> 01:04:16: Probably 50 to 60% leverage strong history and track record
 01:04:16 --> 01:04:18: on the on the self storage property,
 01:04:18 --> 01:04:20: but then we go longer term.
 01:04:20 --> 01:04:23: We can go 10 to 20 years for the for
 01:04:23 --> 01:04:26: the right opportunities in the right market.
 01:04:26 --> 01:04:30: Fantastic alright, we're going to wrap it up with one
 01:04:30 --> 01:04:32: last question from the audience.
 01:04:32 --> 01:04:34: Do you think the lag in New York will be
 01:04:34 --> 01:04:38: more geographic or mainly restricted to the major cities in
 01:04:38 --> 01:04:39: general?
 01:04:39 --> 01:04:41: IE the Southeast, Southwest, Midwest?
 01:04:44 --> 01:04:45: Any thoughts on that guys?
 01:04:47 --> 01:04:50: I think it's six friends of of,
 01:04:50 --> 01:04:53: yeah, I think it's accelerated.
 01:04:53 --> 01:04:56: A trend that people leaving.
 01:04:56 --> 01:05:01: Northeast cities moving to, you know the South,
 01:05:01 --> 01:05:03: you know better tax structure.
 01:05:03 --> 01:05:06: I think you've seen that was already underway.
 01:05:06 --> 01:05:09: I think you're going to celebration of that.
 01:05:11 --> 01:05:13: Paul, you wanna jump in there?
 01:05:13 --> 01:05:14: Yeah no I would agree.
 01:05:14 --> 01:05:17: I mean, I think you've seen that that that trend
 01:05:17 --> 01:05:20: pre pre covid that should continue post covid you know
 01:05:20 --> 01:05:23: I do think from a recovery standpoint just the tristate
 01:05:23 --> 01:05:26: area in general, it's going to take longer than what
 01:05:26 --> 01:05:29: you're already seeing in the Southeast and the West Coast.
 01:05:29 --> 01:05:31: You know? Having said that,
 01:05:31 --> 01:05:34: if you ask me before last week's unemployment numbers,
 01:05:34 --> 01:05:37: I would have said you were going to see a
 01:05:37 --> 01:05:37: nice.
 01:05:37 --> 01:05:39: Why'd you, um, you know,

01:05:39 --> 01:05:41: throughout the country, and I think,
01:05:41 --> 01:05:44: New York proper would would take even longer.
01:05:44 --> 01:05:46: I do think if we continue on this path,
01:05:46 --> 01:05:48: we might see a sharp V.
01:05:48 --> 01:05:52: Having said that, I think it's really important that we're
01:05:52 --> 01:05:54: smart about reopening the economy,
01:05:54 --> 01:05:56: especially in New York Post covid,
01:05:56 --> 01:05:59: so we don't kind of see that W which which
01:05:59 --> 01:06:02: everyone is very concerned about.
01:06:02 --> 01:06:05: Got it alright. Well I think that wraps up our
01:06:05 --> 01:06:06: time here.
01:06:06 --> 01:06:09: I want to thank and give a big round of
01:06:09 --> 01:06:09: applause,
01:06:09 --> 01:06:13: virtually to all of our panelists for taking time out
01:06:13 --> 01:06:15: of their busy days.
01:06:15 --> 01:06:18: And hopefully everybody got a bit of information out of
01:06:19 --> 01:06:22: this on what's going on in the overall debt markets.
01:06:22 --> 01:06:26: And if anybody has any additional questions and wants to
01:06:26 --> 01:06:27: talk afterwards.
01:06:27 --> 01:06:30: Again, it's Michael Klein at JLL,
01:06:30 --> 01:06:33: and you can easily find me on the Internet.
01:06:33 --> 01:06:36: My contact information. So appreciate everybody joining
01:06:36 --> 01:06:39: today.
01:06:36 --> 01:06:39: Thank you again to the panelists and most importantly,
01:06:39 --> 01:06:43: thanks to you alive for hosting us all.
01:06:43 --> 01:06:45: Thanks Mike, next time Mike.
01:06:45 --> 01:06:47: Take care, thanks everybody.

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