



Susan Blumberg

NorthMarq's Blumberg: Skin in the game matters when it comes to commercial financing

By Dan Rafter

Midwest Real Estate News recently spoke to Susan Blumberg, senior vice president and managing director with the Chicago office of NorthMarq Capital, about how busy developers and investors are these days when it comes to requesting commercial financing for new developments and acquisitions.

Blumberg's answer? Very

Midwest Real Estate News: What are some of the latest trends when it comes to construction financing?

Susan Blumberg: The newest trend in the last year is that we are seeing more borrowers looking for 100 percent of their costs to be financed in a permanent loan. They're not looking for 100 percent with construction loans. That is still usually limited to a maximum of 75 percent of costs. But more borrowers outside of that are looking for 100 percent of their costs to be financed. We do have deals where this can happen because the value and rents are higher than the costs. Replacement costs even on a new deal have reached that point depending on the value of the land and how you were able to secure that land.

It all comes down to, though, skin in the game, equity and the strength of the borrower. That will determine everything.

MREN: When it comes to multifamily financing, are you concerned at all about a possible oversupply of new multifamily units in some markets?

Blumberg: The apartment market is still so active. The monthly rents with the new properties are gigantic. And we are starting to see condos being built for sale that are exceeding even the rental values of new multifamily properties. That is exciting. That is a great strong market. The supply and demand right now is actually advantageous to more development and permanent financing. There has been a strengthening of the values when it comes to multifamily, and it is all about the values. I thought lenders might be concerned about possible overbuilding in this market. But the absorption in this sector has been incredible. There is trickle-down strength in multifamily even if you are not downtown. In Chicago, we see it all throughout the collar counties. There is a trickle-down of strength in the market.

MREN: What trends are you seeing in other commercial sectors?

Blumberg: There aren't that many new office buildings being built, but the ones that are being built are large projects. They are being built because they have already secured their big tenants. Even A-minus space will be priced differently now because of the new prices connected with A space. Consider a building like 111 S. Wacker in Chicago. That is a wonderful, modern building. But they are already redoing the common areas on the 10th and 11th floors. They have to upgrade to compete with what I think is an A building already. They have to do that to retain and regain tenants.

MREN: How about with industrial? How active is this sector when it comes to financing?

Blumberg: Industrial right now is highly sought after by our lenders. Our lenders have a very big appetite for industrial. It has a lot to do, actually, with what is happening in the retail world and online shopping. The rise of online shopping increased the need for industrial properties. Companies need more industrial facilities located closer to more customers. When it comes to new development for industrial, the biggest trend now is an increase in properties that are purpose-built for certain users. That is the trend.

MREN: You briefly mentioned retail. How is that segment performing today?

Blumberg: A lot of retailers are struggling. Everything is ordered online today. If you need to make an exchange, then you might go to the actual physical store. The need for physical locations is smaller today. Customer service has never been more important. There are certain retail segments that are doing better. Health clubs are doing well. Many restaurants and lifestyle retailers are doing well. The discount centers are doing great. Home-improvement stores are still considered to be anchors.

MREN: NorthMarq Capital covers a large portion of the Midwest. When you look at financing requests, which Midwest markets, in addition to Chicago, are the busiest these days?

Blumberg: There is strengthening in all of the Midwest markets in which NorthMarq has an office. We have offices in Chicago, Kansas City, St. Louis, Milwaukee, Minneapolis, Cincinnati and Omaha. The downtowns of each of those cities have new development. One good sign is all the new hotels you are seeing in these markets. A lot of nice, affordable and boutique hotels are springing up. We are also seeing plenty of new restaurants and lifestyle retailers opening in the downtowns. I don't have any negative cities in the Midwest right now. None of our offices are struggling. It's just a matter of how much new development there is.