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Lending climate may be warming

By Douglas Sams

STAFF WRITER

Lending for commercial real estate projects in Atlanta, including a critical source of financing from life insurance companies, is showing faint signs of a revival.

The evidence is anecdotal and based on conversations that lenders are having with firms such as Holliday Fenoglio Fowler L.P., which helps arrange financing for real estate deals.

But, any indication that lenders could be ready to lend again offers a bit of optimism for an Atlanta commercial real estate market in which the big and sometimes record-breaking transactions of recent years have come to a halt during the past several months.

"Many of the life insurance companies have been on the sidelines since the fourth quarter of 2008," said Michael Cale, director with Holliday Fenoglio Fowler's Atlanta office. "... Based on our conversations with the life companies, many have indicated they will likely ease back into the market during the second quarter of '09."

Along with traditional banking powerhouses in Atlanta commercial real estate, such as **Bank of America Corp.** and **SunTrust Banks Inc.**, life insurance companies have helped finance several of the city's signature towers, including Midtown's new 1075 Peachtree.

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MetLife provided equity for the 38-story building that is being developed by **Daniel Corp.** and **Selig Enterprises Inc.** and designed by **Rule Joy Trammell + Rubio LLC.**

Since the financial crisis deepened late last year, many traditional lenders have essentially shut down financing for commercial real estate, Atlanta developers and building owners say. In an earnings call with investors Feb. 10, **Cousins Properties Inc.** CEO Tom Bell said the credit markets remain basically frozen because lenders have too much bad real estate on their books.

Cushman & Wakefield Sonnenblick Goldman, which also helps arrange financing for real estate transactions, hasn't secured any debt for a commercial project in Atlanta this year.

Multifamily real estate is generating the

most transactions, primarily because Fannie Mae and Freddie Mac are one of the few lenders offering 70 percent to 80 percent financing at reasonable rates, commercial lenders said.

About 65 percent of Cushman & Wakefield Sonnenblick Goldman's activity involves trying to secure debt on multifamily real estate.

Holliday Fenoglio Fowler recently closed six multifamily transactions valued at more than \$100 million, including Woodland Hills in Atlanta, a 228-unit apartment building.

In recent months, life insurance companies have been investing money in other types of assets with better yields and risk profiles than real estate, Cale said.

Until the true value of commercial real estate assets becomes clearer, life insurance companies will likely re-enter the



Back on track? Life insurance companies have financed signature towers like 1075 Peachtree and may be ready to lend again.

marketplace with "an abundance of caution," he said.

Lenders are also putting their cash into reserves or using it to shore up their own balance sheets. One large life insurance

company received a \$5 billion allocation to provide debt for real estate deals, but the vast majority of the allocation is going to help extend the existing loans for borrowers who are struggling to refinance, said Mike Ryan, executive director with Cushman & Wakefield Sonnenblick Goldman.

Although the crisis has stymied many transactions, smaller banks are lending for commercial real estate projects.

Buckhead's Private Bank helped finance several projects in recent months, including a \$1.7 million loan and a \$650,000 loan for commercial buildings on downtown Atlanta's Marietta Street.

Private Bank, just as larger lenders, is asking borrowers to put more equity in their projects, one of the loan terms that has changed for many during the past year, said the bank's president and CEO, Charlie Crawford.

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