

Multifamily Financing Tightened, But Not Stopped

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Multifamily finance is tighter than it was six months — even three months — ago. We spoke about the state of multifamily finance with Newmark principal George Mitsanas, whose firm recently structured and secured \$325M for development of a 41-story mixed-use multifamily and hotel tower **Belltown**. The yet-to-be-named property was formerly known as **Potala Tower**.

Bisnow: Is the market beginning to tighten access to multifamily development financing?

Mitsanas: The capital flow to multifamily is definitely slowing down and lenders are becoming more selective on the projects they work with. The investment goals of the capital stack will play a more significant role in securing financing.

Bisnow: Who has the advantage in the new climate?

Mitsanas: Private equity will have an advantage in structuring new developments, as they will have more flexibility in timing the market for the long term without the time constraints imposed by the disposition timelines of the institutional investors. New projects will be gauged on the source of capital and local market conditions, and follow the tried-and-true location, location, location equation.



Bisnow: So the spigot is slowing down, not stopping?

Mitsanas: Well-positioned properties that occupy desirable locations in their local submarkets will continue to be successful in finding construction financing. For Newmark, that means telling the accurate story for a given project by highlighting its attributes and sponsorship will be even more critical when identifying the best capital sources for financing new construction moving forward.

Bisnow: How challenging was the **EB-5** component to the tower's financing?

Mitsanas: EB-5 financed projects are always challenging to administrate. The fact that this project had been stalled for over a year and was in receivership further compounded the problems associated with this form of financing.

We worked closely with legal counsel from Baker McKenzie to identify a joint venture that had experience working with investors in this arena. The solution developed by the new joint venture partners focused on keeping the original EB-5 investors for the tower involved. This solution impressed the court receiver enough to award the project to their

learn.

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