Why This Asset Class Hogs the Capital Flow

By **Jennifer LeClaire** | Houston
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HOUSTON—Markets are shifting and Jim Adams, senior vice president at Berkadia, is helping his clients shift with them. From capital flows to property types, Adams has his finger on the pulse of Texas commercial real estate lending trends.

GlobeSt.com caught up with Adams to talk about the current lending environment in Texas and what property types and markets lenders and equity providers are favoring in part one of this exclusive interview. Be sure to come back to this afternoon's Houston edition for part two.

GlobeSt.com: Describe the current lending environment in the Texas market compared with 18 months ago in terms of competition and underwriting.

Adams: Texas is one of the most active and desirable lending markets in US. We have some of the highest job growth in nation, which makes Texas as appealing to lenders as major metropolitan areas like New York and San Francisco.

Additionally, Houston is now considered a gateway city—similar to New York, LA, et cetera—among institutional investors. These factors together are making the Texas commercial real estate markets among the best in US.

GlobeSt.com: What are the main sources of loans you're seeing in Texas?

Adams: The main sources of loans in recent years have been **CMBS**, banks, life companies, and agencies. Over past 18 months, competition among **CMBS** and banks has increased significantly, while agencies and life companies have remained fairly stable.

Additionally, we have seen a significant increase in other lender types, such as debt funds and **REIT**s, providing bridge and mezzanine loan structures. Borrowers benefit from this increased attention to Texas and competition among lenders in the form of more competitive rates and loan structures, while senior loan leverage remains at 75% max for commercial and 80% max for multifamily properties.

GlobeSt.com: What property types and/or markets are lenders and equity providers favoring? What sectors and/or markets are facing more challenges?

Adams: Since the 2008 financial crisis, new loan originations have been dominated by **multifamily** properties. But every year since about 2010, other property types have increased in transaction volume. Today, **multifamily** still accounts for more than half of capital flow, with office and retail increasing every month. The biggest challenges today are that there is more capital available than properties to lend or purchase. This is as also true for new construction