

Lending experts trace the money in South Florida's real estate market: VIDEO

Traditional lenders are backing off from preconstruction condo financing



Big or small, almost every development and property purchase has one thing in common: someone is providing the cash.

With financing just as important to a deal as the buyers or developers themselves, *The Real Deal* convened a panel of lending experts to gauge the financing market's health, and break down the potential problems looming over South Florida's real estate market.

Panelists included [Ezra Katz](#), CEO and founder of the Aztec Group; Brent Truscott, partner at Bloomfield Capital; and Daniel Kawebloom, acquisition specialist for [FM Capital](#).

One of the discussion's main takeaways is that traditional construction financing is turning out to be an Achilles' heel for condo developers. Katz said lenders have become reluctant to take on preconstruction borrowers because of market conditions, and more importantly, new financial regulations that make signing off on a loan more difficult.

"Nearly 50 percent of the lenders that were out there in the last 10 years are effectively out of business," Katz said. "Or their criteria is very difficult to meet."

But while traditional lenders like national banks are taking a step back, the void is ripe for private financial firms like hedge funds — albeit with a few extra strings attached.

Truscott said the first thing his firm wants to know is “what’s the exit strategy.” Private lenders like his firm are typically involved in a deal for only six to 24 months, he said, which means vetting a borrower and having other financing lined up are key to putting a deal together.

The panel, titled “Lenders & investors perspective: What to expect in an environment of strict regulatory standards and headwinds in the capital markets,” was one of five at *TRD*’s biggest-ever Showcase & Forum hosted at Wynwood’s Soho Studios on Oct. 20. [More than 4,500 brokers, developers and taste makers came](#) to network and get an in-person education from some of the industry’s biggest figures.