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Capital Markets Gurus Respond To Rising Interest Rates

MIAMI—What you read may surprise you



MIAMI—With the recent interest rate hike signaling the end of an era for cheap loans, **real estate** developers and investors are racing to the finish line to secure favorable financing. In Miami, we have seen billions in financing across all asset classes in this year alone.

Case in point: We saw the largest condo construction loan in Miami history close, when **Paramount Miami Worldcenter** secured \$285 million in new financing. The loan surpassed the previous record: a \$225 million loan for the Zaha Hadid-designed One Thousand Museum project, which closed in December of 2016. (A Miami Beach **hotel** recently won a refi nod from the **CMBS** market and a **South Beach refi** in February speaks volumes.)

Lenders are narrowing their loan criteria by putting greater emphasis on well-capitalized sponsors building projects in premium locations. This marks a clear shift in a Miami **real estate market** that has experienced a surge of free-flowing capital in recent years.



"Interest rates have increased during the last several months and will continue to do so, until the global markets stabilize," **Charles Penan**, managing director of **Aztec Group**, tells GlobeSt.com. "While lenders have become more conservative, that should not be misinterpreted as a halt in commercial lending."

Penan assures banks and finance companies are ready, willing and able to make loans. Lending institutions are looking to make loans on all property types with strong borrowers that contribute substantial equity to the project, he says. With a continued appetite from banking institutions, Penan and his colleagues at Aztec Group expect to see a stabilization in interest rate volatility and loan terms over the course of this year.

"From a bankers perspective, the surge in excitement around Miami **real estate** is very real," Eddy Arriola, **CEO** of **Apollo Bank**, tells GlobeSt.com. "The economic downturn of the early 2000s has made banks smarter and less risk averse. When Apollo Bank considers a loan for a commercial development, the most important factors we look for in a borrower are pre-sales, proven track record of past performance, proof of concept, confirmation of demand and ability to close."