March Commercial Lending Still Slow

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Commercial lending activity continues to be slow as companies either choose not to apply or are unable to qualify for loans.

Shelby County banks and mortgage companies made 21 commercial purchase mortgages in March, according to the latest data from real estate information company Chandler Reports, www.chandlerreports.com. (This report doesn't include refinances.)

That marked a 5 percent decline from 22 mortgages in March 2009 but a 75 percent improvement from the rock-bottom total of 12 mortgages in February.

Outside of seller-financed deals, only five companies made loans last month, proof that the lending landscape remains bleak as the commercial real estate market struggles to hang on.

There was, however, a glimmer of hope in the numbers as both loan average and volume showed improvement compared to the same month a year ago and previous month.

Loans last month averaged $777,530, up 21 percent from $611,834 in March 2009 and up 31 percent from $595,360 in February.

Also, the March total mortgage volume of $16.3 million marked a 21 percent increase from $13.5 million in March 2009 and a 129 percent increase from $7.1 million in February.

Sellers accounted for the highest loan total last month with eight averaging $250,775 and totaling $2 million.

The top individual lender in March was First National Bank in Blytheville, Ark., (now Southern Bancorp), which made one loan for $1.8 million.

Next came Landmark Community Bank (one for $559,920) and First Tennessee Bank NA (two loans averaging $252,025 and totaling $504,050).

The lending data come on the heels of the CRE sales figures. The county saw 53 CRE sales last month, a 4 percent increase from 51 sales in March 2009 and 61 percent increase from 33 in February.

Last month's average sales price was roughly on par with the latest figures. March sales averaged $436,622, down 3 percent from $447,938 in March 2009 and down 4 percent from $454,668 in February.

The March sales volume of $23.1 million was slightly higher – 1 percent – than the March 2009 total of $22.8 million and 54 percent higher than February's $15 million.

The apartment sector was one of the strongest for lending as well as sales, which averaged $993,000 in March.

Rick Wood, senior vice president for Financial Federal Savings Bank, said multifamily is the "product of choice by most national lenders" because of improved acquisition and refinance lending dynamics and reduced equity demands in that sector.

"Both Freddie Mac and Fannie Mae

will make loans up to 80 percent loan to value on both acquisitions and refinances," Wood said. "That's up from 75 percent not too long ago. That's a definite improvement."

With the multifamily sector's numbers looking stronger, it bodes well for it to show the quickest recovery.

"Every large apartment owner that we deal with around the Southeast has said the first quarter of 2010 was the best they had seen in a year and a half in terms of occupancy, tenant retention, collections and an ability to bump rents, although slightly," Wood said.

Blake Pera, senior vice president of CB Richard Ellis' multifamily division, told The Daily News last week a flurry of recent sales is evidence that multifamily properties here are still a draw for out-of-town investors.

"The number of people interested in this kind of product continues to grow day by day," Pera said. "We're seeing plenty of interest on the product we've sold recently and the ones we have out now."

With that increased interest, increased lending might not be far behind.

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