

COMMERCIAL NEWS

BY BOB MELLINO

HOTEL EQUITY DEALS ON THE RISE:

Hospitality money is flowing into new places, including the Midwest. Equity investors are seeking refuge in hotels as cap rates compress in other food groups and the sector's fundamentals continue to exhibit strength. With so much capital pursuing hospitality deals, IRR's are slipping into the low teens.

CONDUITS WELCOME LIMITED-SERVICE HOTELS:

As competition heats up lenders are stretching their underwriting parameters, even to the point of funding perms on new properties. It is anticipated that pricing for these properties could dip as low as 1.2% over Treasury. Supply has not outstripped demand as construction costs have kept development relatively tame.

APARTMENT LENDERS ARE BUSY WITH REFIS:

From a property perspective, apartments have become a much sought after niche. Condo conversion has stripped inventory, pushing values higher. Climbing interest rates and a slowing of then for-sale home market has helped spike apartment values. The steady rise in construction costs over the short term has feed values for existing stock. Finally, shrinking vacancy rates have helped burn off concessions and give hope to rent growth.

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