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Our January 2024 Newsletter

Happy 2024! I hope everyone had a great Holiday Season. With holiday vacations over, everyone is now back at work preparing for another profitable year - so its time to see what's in store for 2024. Interest rates possibly decreasing? (finally), commercial lending crisis on the horizon? There is a lot to cover, so lets dive in!

The Current State of the Marketplace

A NOTE FROM YOUR DOYLESTOWN REAL ESTATE ATTORNEY

Is a Commercial Lending Crisis on the Horizon?

There has been a lot of discussion recently regarding a possible commercial lending crisis brewing. Even with rates projected to move downward in 2024 (more on that below) the decreases in rate will not substantially impact or lessen this potential crisis. The easiest thing to do is boil it down to simple and straightforward numbers. These numbers encompass loans maturing in the next 24 months. The figures were obtained from CRED iQ and deal with loans maturing in 2024 and 2025. Here are some of the major factors/indicators that outline the situation:

Total Loans Maturing in 2024 and 2025 - \$1.2 Trillion Dollars

(\$659 Million in 2024 and \$539 Million in 2025)

Of These Loans That Were Securitized - 43% of them have rates Below 5%

(Those non securitized loans have an equal if not higher percentage)

Property Types Most Impacted

- 42.3 Billion are Hotel/Hospitality

And remember, not only do we have loan maturities, but there are Billions of dollars in loans that are due to re-set off of their 5 or 7-1 ARMs. Almost all of those loans had an initial rate below 4%. On top of all of that, CAP rates have adjusted as well impacting the value of properties.

So what's the big deal and why should you care? Philadelphia area Distressed properties. Properties that barely met debt service requirements at loan rates of 3 or 4% will have little chance qualifying at 7% or higher, especially when the property value has also been reduced. If the property cannot debt service, conventional financing will be difficult if not impossible to find - especially when the banks are becoming more and more hesitant to lend in the commercial space to begin with. Bucks County and surrounding property owners will have only a few options - find private bridge financing, put more money down (bring cash to close) in order to get a conventional refinance, or sell at the now current market rate that would allow a buyer to obtain conventional financing. The third option is what savvy Pennsylvania investors need to pay attention to. There will undoubtedly be opportunities in the commercial space to get properties at reduced values for long term holds. It will be interesting to keep tabs on the marketplace to see how this maturity and loan reset issue impacts investors.

Our Doylestown commercial real estate office is noticing that on the Residential side, we received good news/indications that not only will the FED not raise rates in 2024, but that they project reducing rates several times throughout the year. This would be a welcome boost to the marketplace just in time for the Spring market. 2023 ended rather sluggish with rates topping out over 7% for conventional mortgages. A reduction in rates could give a shot in the arm to the market, especially for first time Bucks County home buyers deciding between buying their first home or continuing to rent.

Real Estate Investment Strategies

Bucks County and surrounding area Real Estate is what we do. Helping our clients find their next Philadelphia area investment opportunity is something that separates us from other firms, we love to grow with our clients and see them succeed. If you are looking for your next investment, your Bucks County real estate attorney and realtor can help:

Hard Money/Private Lending

We are still lending!! Our sister company, Stone Commercial Capital, LLC continues to see steady deal flow and continues to make solid loans. We are still lending on good deals regardless of the market conditions. Quite a few lenders are taking a pause in overall lending to see how the market plays out, but we continue to operate full steam ahead. Our reputation for honesty and ability to close loans quickly differentiates us from other lenders. Keep an eye out in the coming months as we will be rolling out our new website to further help our Brokers and our clients.

Our new lending entity Terra Funding Group, LLC closed out 2023 in spectacular fashion boasting a total loan tape of less than 50LTV for all our loans. We continue to see solid deal flow from seasoned operators. We are incredibly excited for continued growth in 2024. Thinking of investing in hard money lending? Feel free to reach out to me to discuss investment options.

D-town Realty is now part of EXP Commercial!!

We teased some updates in June of last year - we are proud to announce at in August of 2023 we became part of the most dynamic brokerage in the United States. We are now part of EXP Commercial, LLC. This is a fantastic change that will bring substantial value to our Pennsylvania clients. Our new website is under development and will be released shortly. We will continue to bring the attorney-realtor advantage to our clients. We closed over \$5 million in transactions last year, and already have over \$5.7 million in listings on the market currently.

Do not hesitate to contact us for your next Commercial, Investment or Residential property

initial terms, but finding solutions to problems that arise during the transaction. Whether it is your next investment property or your primary residence, we are here for you to help find your next property. We can help you navigate the cumbersome search process and also evaluate the property to ensure that it meets your investment criteria as part of your portfolio.

If you or anyone you know would like to receive regular emails with current investment opportunities in our office, please feel free to reach out to me via email at riscgate@isgatelaw.com or via phone at 215-396-1020.

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