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Drawing to a Quick Close

By Paul Bubny

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Luysterborghs

NEW YORK CITY-Although the often-remarked "rising tide of distress" hasn't meant a flood of buying opportunities as yet, the assets that do come to market in 2010 and beyond may require fast action, particularly as circumstances shift. Financing may abruptly slip away, or there may be a sudden need for equity to take advantage of an opportunity. It's with these types of scenarios in mind that investment bank Avant Capital has just launched a small-balance bridge loan program for deals of \$1 million to \$5 million, with a focus on the Northeast and the state of Texas.

"One of the things that's different is that we're funding based on internal valuation rather than third-party valuations," managing principal Adam Luysterborghs tells GlobeSt.com. "It's a quick-close program. It's a niche product." Avant's clients since its founding in 2006 have run the gamut from institutional asset managers to individual investors; the quick-close program is meant to address situations that generally would be off the radar screens of major players.

The "ideal" transaction for this type of program, Luysterborghs says, would be "one that was supposed to be a bank loan, the bank pulls out at the last moment, there's a hard deposit and they need to close in a week. A variation of that is: a client is acquiring a new asset, it's an opportunistic purchase, they have equity partnerships lined up, those partnerships fall out at the last minute, but they happen to have other assets and need to extract cash immediately to make an equity investment in that project."

Another scenario, he says, would be "recapitalizing a deal that is being settled out at a discount with the in-place lender. We're seeing a lot of those in the course of our normal business." The program would also come into play for discounted note purchases and/or recapitalizations of underwater assets or sale/leasebacks to avoid foreclosure

Luysterborghs expects more of each of these scenarios to materialize over the next couple of years. "Portfolio managers, special servicers and portfolio lenders are finally getting to the point where they're being pushed to make a decision and dispose of assets," he says. "That can lead to the opportunistic purchase, or settlement with in-place sponsors. Either way it's an opportunity for us, because if they're selling bank-owned assets, somebody's going to be a buyer, and the buyers that can close the quickest in most cases get the best prices."

He predicts that the second half of this year will be "much different from the first half. The first half is looking a lot more like 2009 except for a slightly different buzz about it. There's the same amount of business going on now and the same type of business. Players are trying to do deals; it's just a matter of finding deals that make sense."

Lately, the bid/ask gap has been tightening somewhat. "If that trend continues, there's definitely plenty of capital out there to take advantage of the opportunities," Luysterborghs says. "As more deals make sense, we're going to see transaction velocity increase."

Concurrently with the launch of the quick-close program, Avant has just opened a Boston office, headed by principal Jeffrey Weingart. "The opening of the Boston office puts us in our fourth major market," says Luysterborghs. "We've been in New York City for a long time and Chicago for a long time, and we have a presence in Dallas. Entering the Boston market is a major step for us. We'd like to hire someone in Atlanta and in Miami, and we'll look to the West Coast also, to have one senior person in the Los Angeles and San Francisco markets. The investors we represent want to see deals that are geographically spread out."

Along with opening the new office, "We've been hiring senior people, experienced equity guys," says Luysterborghs. "We think that's going to be a big part of our business in 2010 and 2011: replacement equity and new partnership equity for opportunistic acquisitions."

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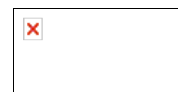
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