Q+A

Michael Hoffenberg

Founder and Managing Principal, Trevian Capital

Hoffenberg

***Mortgage Observer Weekly*: How did you get your start in commercial real estate finance?**

Michael Hoffenberg: I'm originally from Chicago and always had an interest in the capital markets and the actual bricks-and-mortar side of the real estate business. To me, commercial real estate is exciting, because it runs the gamut from the highly entrepreneurial to the highly institutional and everything in between. I entered the real estate finance business right after undergrad.

What was the impetus for launching Trevian Capital?

I created Trevian Capital to fill a void in the middle-market bridge-lending space. Having been in the bridge-lending market for a number of years, I was struck by how regional and fragmented the business is. I found that the middle-market bridge-lending landscape lacked a true national platform that could appreciate and understand markets often overlooked by single-region players and larger institutions that primarily focus on the coasts. In fact, most situational bridge lenders only focus on their backyard, and the majority are situated on the coasts, specifically New York, Florida and California. The Heartland (east of the Rockies and outside of the Northeast as I describe it) is highly underserved from a capital perspective, and Trevian is filling that void as we speak. (That being said, we do lend nationwide and of course in our backyard—New York and Chicago.)

Why does Trevian focus on short-term bridge lending?

I saw an opportunity to create a transparent platform in a sector of the commercial real estate finance market that is often viewed as opaque. Where we differ from other bridge lenders is not only our willingness to be transparent, but also in our ability to quickly digest a deal and discern the optical risk from the actual risk. Borrowers come to us with one of three main issues: 1) a time constraint, 2) a transitional property and/or 3) a nonbankable borrower.

What kinds of borrowers do you target?

We have lent to institutions, individuals and everyone in between. We recently provided a $16.5 million bridge loan to a commercial real estate private equity fund for the acquisition of a value-add shopping center in Raleigh, N.C., and an $8.3 million loan to a REIT to recapitalize two limited-service hotels in metro Washington, D.C.

What was the most interesting deal you worked on last year?

The most interesting deal last year was the $29.6 million loan we funded for the acquisition of a development site in Chelsea in Manhattan. We closed the loan in two-and-a-half weeks over Labor Day yet managed to fully digest the story, value a complex asset and overcome some major obstacles in a very short time frame.

What are the main trends that you currently see in the market?

The situational bridge-lending space is resilient through real estate cycles. No matter the market conditions, situations arise in commercial real estate that render borrowers or assets unfinanceable in the traditional capital markets. A strong 2013 saw record-breaking numbers in the market, but still there was no shortage of demand for situational bridge financing. Given the $1.5 trillion of CRE debt that is maturing between now and 2019, we anticipate a vast opportunity to provide flexible, reliable and timely short-term capital to borrowers who are either acquiring, refinancing or recapitalizing their assets in the coming years. MOW

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