

Lotus designs loan sale platform for bull market

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[Sondra Campanelli](#)

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While loan sale and distribution businesses have always enjoyed success in downturns, real estate firms are starting to see the value of the business when times are still good. **Lotus Capital Partners**, a New York-based real estate investment bank, recently launched a loan sale and distribution business that will target lenders and investors that are looking to de-risk and leverage their positions in whole loans, A-notes and mezzanine debt.

A bulk of the platform's business during the bull market will come from debt funds' sales of A-notes, as well as from the placement of mezzanine debt for CMBS shops. The platform can also distribute paper within a client's capital structure that totals between zero and 90% loan-to-value.

So far, the platform has done about \$150m of distributions of mezzanine risk, acting as an outsourced distribution desk for a firm that had its own in-house distribution desk. The Lotus team won that business based on its worldwide capital-sourcing relationships and capital markets trading experience, according to **Faisal Ashraf**, founder and managing partner. "Capital markets desk expertise is needed when you are trading components of the capital structure, and guys with that experience are already work at [the big investment banks]," he added. "But we offer that expertise as an independent firm [because we have the that experience]."

The firm will also help firms rebalance portfolios that are over- or under-exposed to certain areas of commercial real estate. "We've been hearing a lot about retail—we're having a conversation with a firm that may want to downscale their retail portfolio book [...] and rebalance their holdings in 2018," said Ashraf.

In that case, Lotus would match the firm that wants to get rid of retail with a firm that's looking to bolster its holdings of the property type. "Our view is that we understand who's got what bias and why they have that bias," said Ashraf.

Though the platform will continue to operate as the cycle improves, it still expects business to grow during an eventual market correction—a market where loan sellers have typically enjoyed the most success. "There is strong demand today and more tomorrow for outsourced distribution," said **Tim Taylor**, managing director, who was recently hired to oversee the platform. "We are nine years into a bull market. When the market begins to soften and volatility increases, portfolio scrutiny will increase as well."