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Advisory, Law Firms Target Troubled Loans

By Bob Howard

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Kaminker

CENTURY CITY, CA-Condor Capital Advisors has created a model for valuing troubled loans, and the law firm of Greenberg Glusker has formed a real estate restructuring and loan workout group in two of the most recent examples of firms gearing up for a wave of troubled assets resulting from the current economic and capital markets problems. The two firms, both based here, join a list of opportunity funds, law firms, workout groups, entitlement specialists and others that have been formed in recent months to cope with the workload generated by the troubled assets.

Ron Kaminker, the president of Condor Capital and a veteran of the Resolution Trust Corp.'s liquidation of failed S&L's in the early 1990's, tells GlobeSt.com that as the stress in the economy has started to affect commercial real estate and mortgages, his firm has been receiving numerous inquiries about how to value, buy and sell distressed commercial loans. Dennis B. Ellman, who chairs the restructuring & loan workout group at Greenberg Glusker, says that the law firm's new unit has been formed with attorneys from the firm's real estate, land use, tax, bankruptcy and litigation groups to work with owners, investors, developers, lenders, landlords and tenants.

Kaminker notes that Condor has already employed its valuation model for nonperforming loans to assist clients in Germany, Italy, China and the Czech Republic. In addition, the eight-year-old firm recently developed a model for a large financial institution for valuing its land investments.

According to Kaminker, many of today's nonperforming loans will be more complicated to work out for three primary reasons: the greater number of lenders on loans today, the larger number of construction loans and the large amount of land loans involved.

Generally speaking, the nonperforming loans of the previous downturn involved a buyer and a nonperforming borrower and that was pretty much it, he says. "What will make these workouts more complicated is that there are so many more mezzanine lenders," Kaminker says. That means the loans sometimes involve several layers of junior lenders, "who could have very different desires or expectations" about the disposition of the loan, Kaminker points out.

Regarding construction loans, the Condor Capital president explains that not only are more of them on the books, many of them involve busted condo deals, partially completed construction and other situations that are problematic. Buyers of these loans might have to cope with finishing construction, future funding requirements and other concerns, he points out.

Land also presents problems, he adds, because it "may require substantial amounts of money to get it entitled," or it may have lost most or all of its value because of the plunge in values.

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At Greenberg Glusker, the law firm's new restructuring and loan workout group will specialize in assessing what it describes as "issues and opportunities that arise in connection with the acquisition, disposition, restructuring, repositioning and workout of distressed real estate assets." Ellman says that these issues and opportunities present "both investment opportunities and restructuring challenges."

The firm says that the types of clients that the economic downturn and capital markets crunch are generating include buyers, developers, debtors-in-possession, trustees in the acquisition and disposition of real estate, landlords, tenants, financial institutions, investors and borrowers. Among the types of services these clients now require are the repositioning and adaptive re-use of high-vacancy properties, the restructuring of leases, the disposition of leases in bankruptcy proceedings, the acquisition and restructuring of troubled loans, the structuring of unconventional financing, the acquisition and disposition of REO properties, entitlement work and a host of other services.