

Property Shop Eyes DIP Lending

BH Properties has launched a platform that offers debtor-in-possession financing.

The Los Angeles firm is looking to provide secured real estate debt to businesses that have filed for bankruptcy protection or are working toward that end. The proceeds would help those firms survive the bankruptcy process.

BH has set aside \$200 million of equity for the new business line, but could increase the amount if there are enough opportunities. The firm typically doesn't leverage its investments.

In addition to financing, BH will provide "stalking-horse bids" in bankruptcy and receivership cases, and also buy assets in bankruptcy auctions. It also can purchase distressed debt, either for workouts or foreclosures.

The firm expects a pandemic-driven wave of receivership and bankruptcy cases later this year, said president **James Brooks**. It believes short-term moratoriums on foreclosures and evictions from commercial properties will unleash a slew of defaults, foreclosures and business failures. The bet is that the winding down of government-assistance programs will further add to the distress.

"We have set up the program to help save commercial borrowers and landlords when the moratoriums on evictions and foreclosures expire later this year," said senior managing director of investments **Andrew Van Tuyle**, who will help lead the effort. "Our platform will help serve the many owners of commercial real estate that will need immediate help."

Van Tuyle will spearhead the initiative along with veteran bankruptcy attorney **Howard Weg**, who serves as a consultant to BH.

Weg said larger properties financed by multiple banks, insurers and commercial MBS shops are more likely to get relief from those lenders. With its middle-market target, Weg believes BH will find an under-served audience.

"While the larger . . . DIP-loan market appears to be very efficient, we will target troubled real estate assets between \$5 million and \$150 million, including commercial office, hospitality, distribution and call-center industrial properties," he said.

In April, BH announced plans to buy distressed real estate as-



sets from lenders. The firm hired **Rowan Sbaiti** as senior managing director of acquisitions from New York-based **Fortress Investment** to scout deals. The firm originally planned to hire Sbaiti to focus on ground-lease transactions and value-added plays, but it pivoted in response to the coronavirus crisis.

Founded in 1993, BH owns 10 million square feet of commercial real estate across 19 states. The firm, which doesn't run money for outside investors, says it has a well-capitalized, liquid balance sheet that allows it to close deals in as little as 10 days. ❖