

# Financing Trends



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Senior Director  
Affordable Housing



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SVP, Commercial Banker  
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Officer



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President





# FINANCING TRENDS

MEREDA Forecast Conference

February 29, 2024

Presented By:

**Kimberly Twitchell**

Senior Director Affordable Housing





## Introduction

### Background:

- Lead the organization's Affordable Housing vertical.
- Have been working in commercial banking in southern Maine for 35 years.
- Primary focus on Commercial Real Estate Financing, along with Low Income Housing Tax Credit Financing for the last 30 years.
- Graduated from Bowdoin College, have two adult children, and live with my husband in Cumberland, Maine.
- Enjoy skiing, snowmobiling, golfing and hiking.

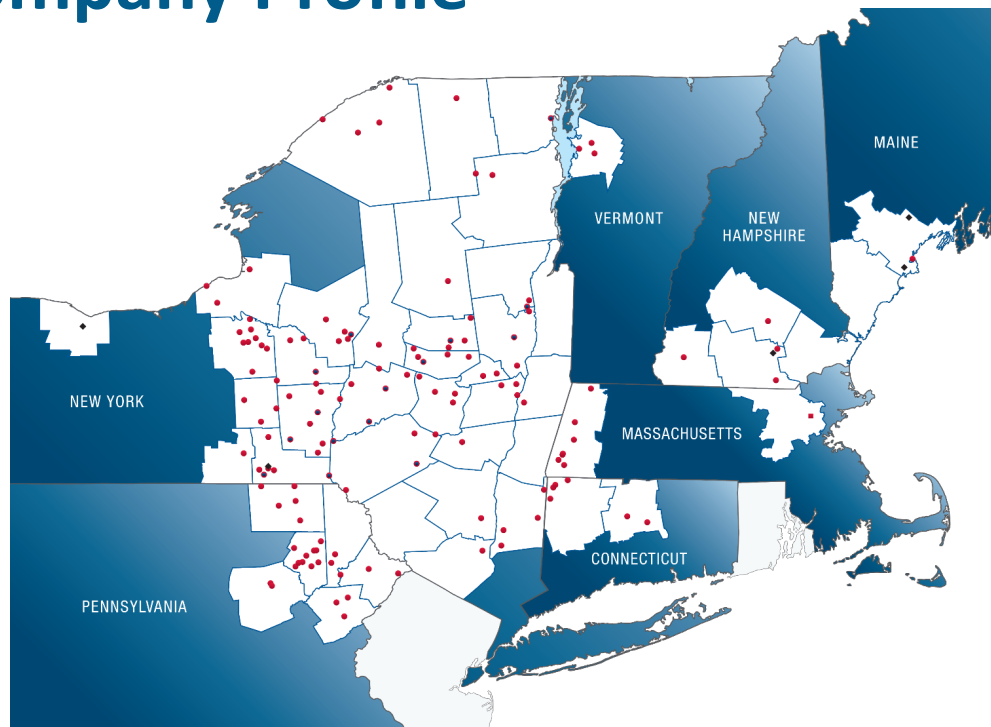


# Company Profile



- 87th largest bank holding company\*
- Public company traded on Nasdaq (NBTB)
- Assets of \$13.31 billion\*
- Over 150 branches in 7 states

\*As of December 31, 2023



# Project Financing



200 Federal St.  
Portland

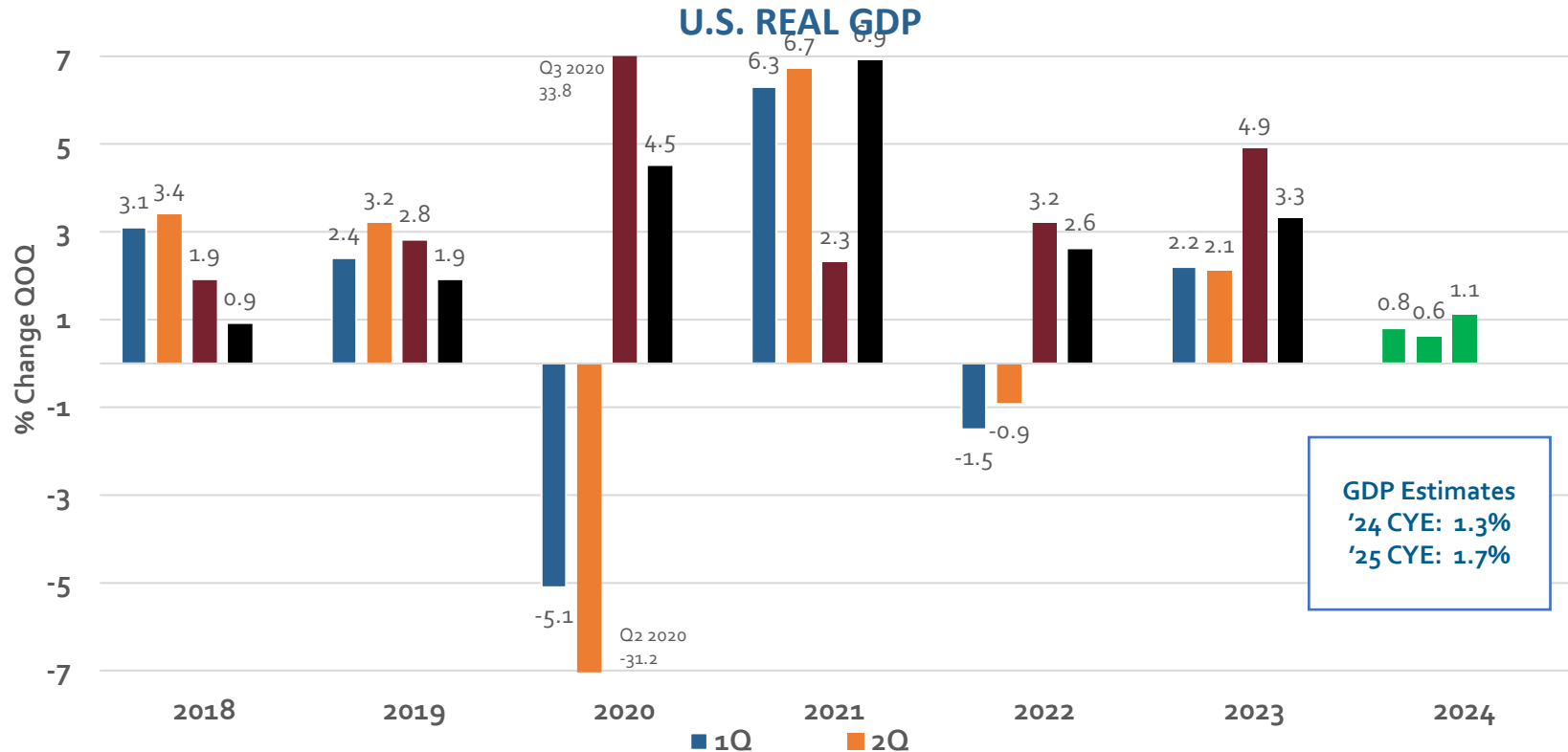


115 Congress  
St.  
Belfast



Portland VA Clinic

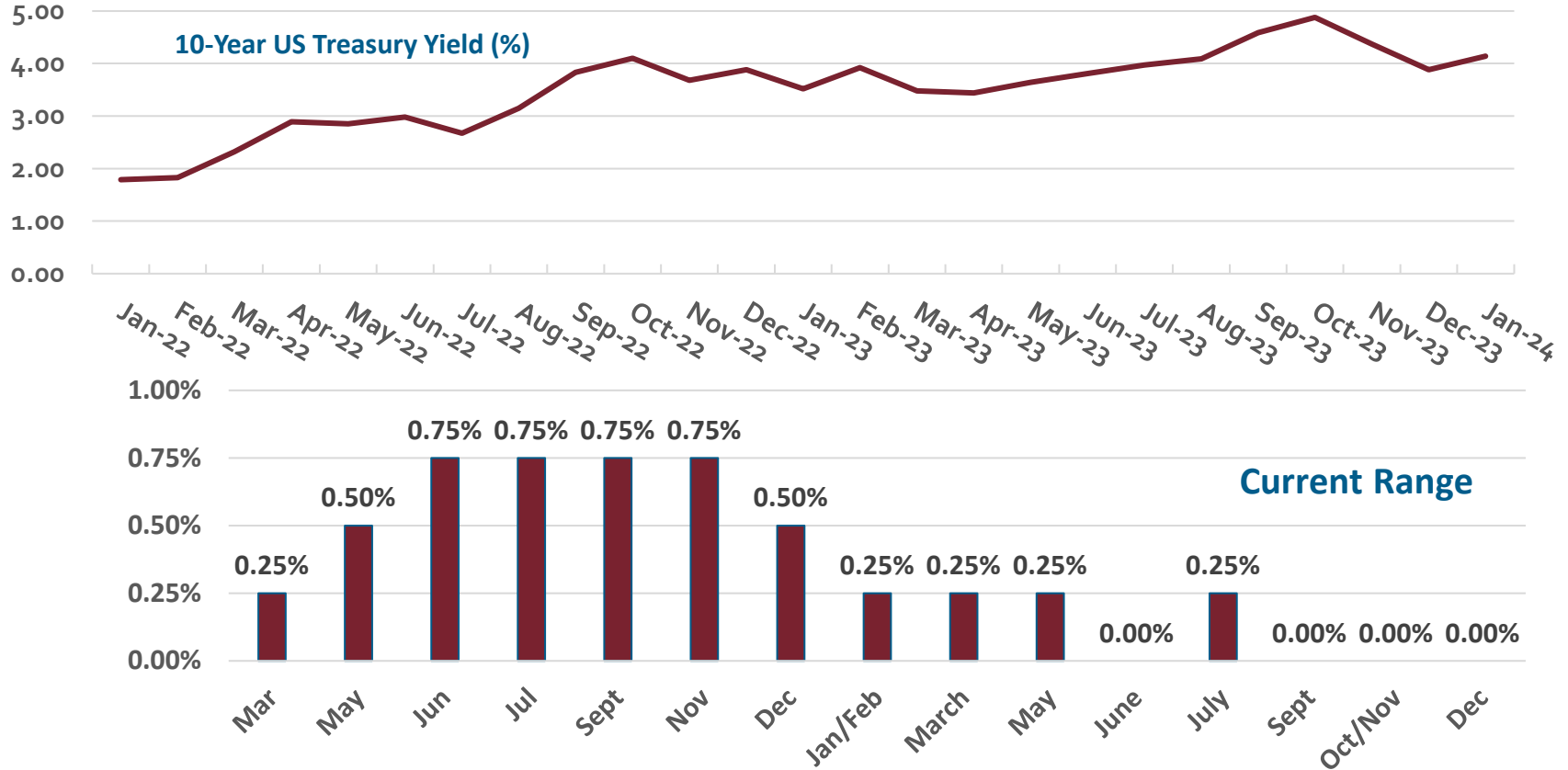
# US GDP: In Search of a Soft Landing



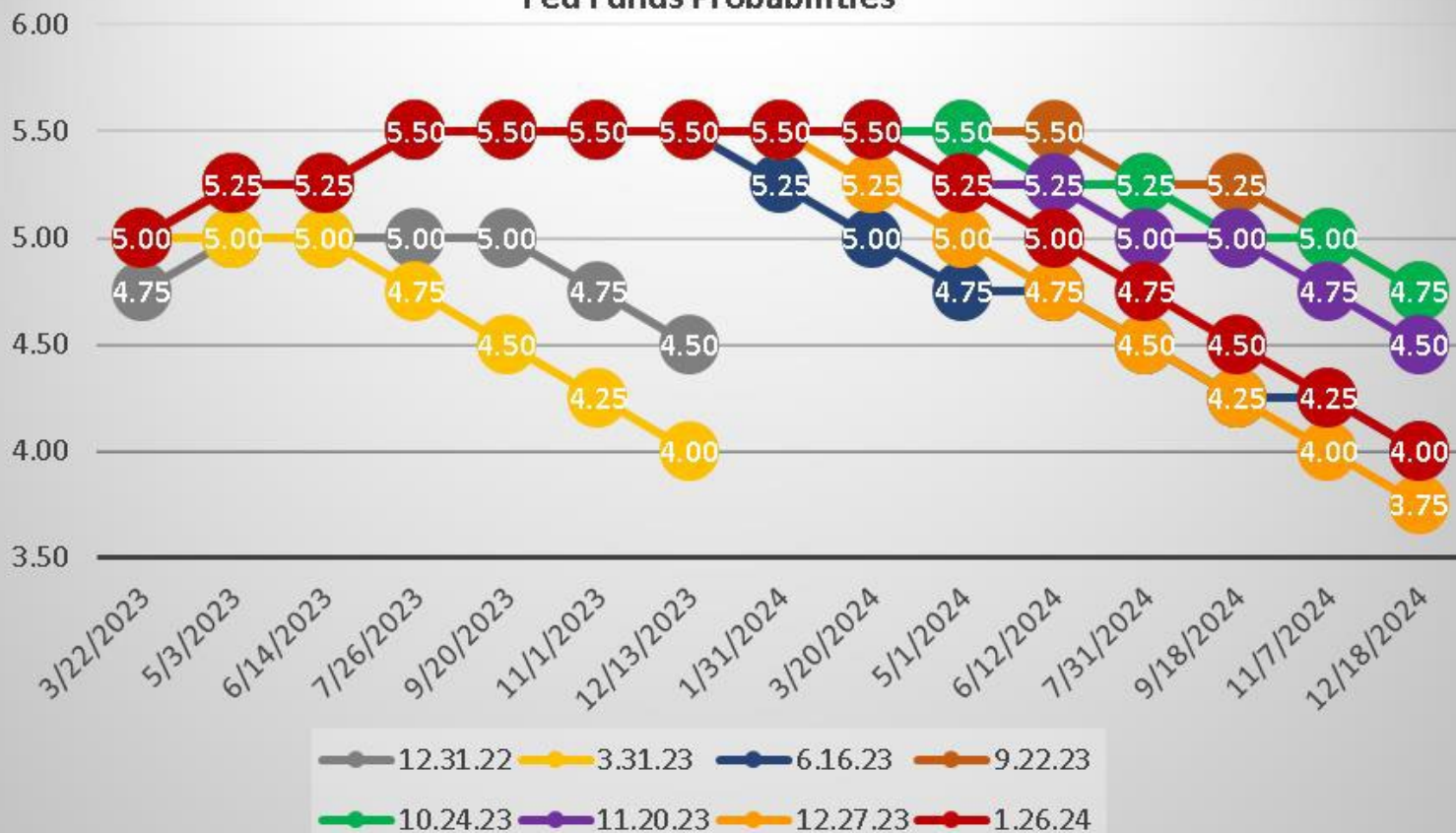
# The End of the Free Money Era

## Federal Reserve Rate Hikes 2022-23

### A Historic Rate of Change



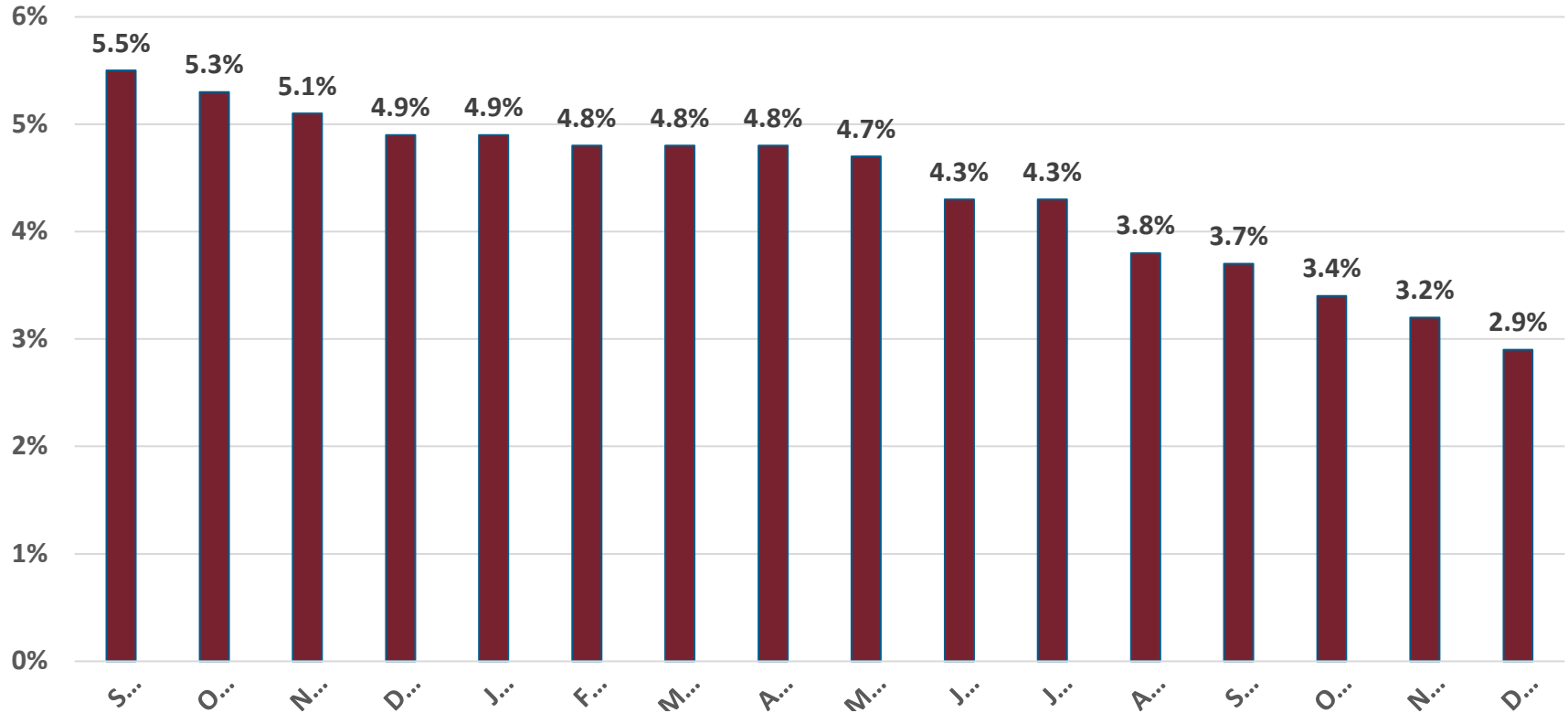
## Fed Funds Probabilities





# Core PCE (YoY %)

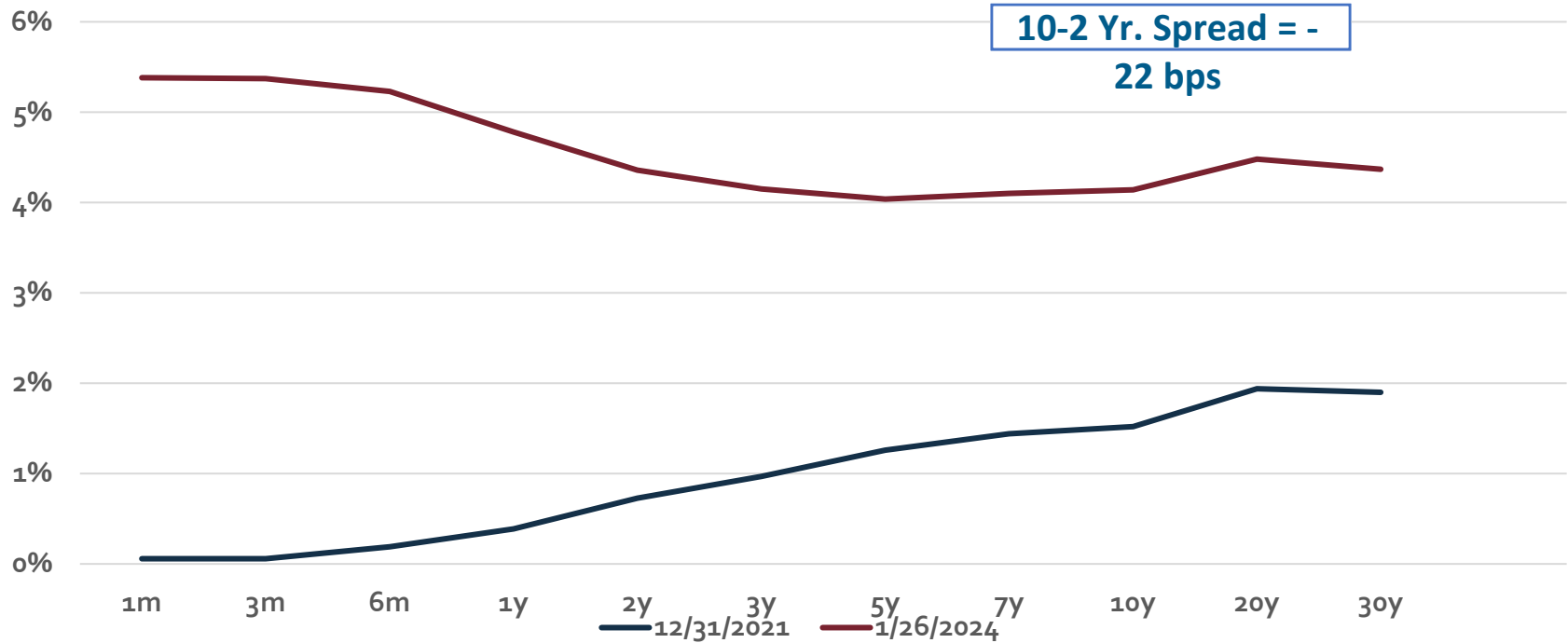
(excluding Food & Energy)



Source: BEA, data as of December 31, 2023

# Interest Rates

## An Inverted Yield Curve





# Current Trends



- Deposit Rates have started to decline.
- Loan Spreads are going to remain higher.
- Loan demand has softened.
- Credit has tightened.
- Cap rates have increased, sellers holding prices.
- Anticipate Economic soft landing.

# Financing Trends

MEREDA Forecast Conference | February 29, 2024

**Presented By: Matt Early**

*SVP, Commercial Banker & Business Development Officer*



GORHAMSAVINGS.BANK

# Hi, I'm Matt.

*SVP, Commercial Banker & Business Development Officer, Gorham Savings Bank*

- Lead the Bank's focus on external networking, partnership and relationship-building activities
- Worked in banking since graduating from the University of Maine more than 30 years ago
- Hold an MBA from New Hampshire College (now Southern New Hampshire University)
- Banking is an opportunity to meet and work with a wide variety of people and businesses
- You hear, see, and experience their stories – and not only get to be a part of them, but have a positive impact on them as well



# About Gorham Savings

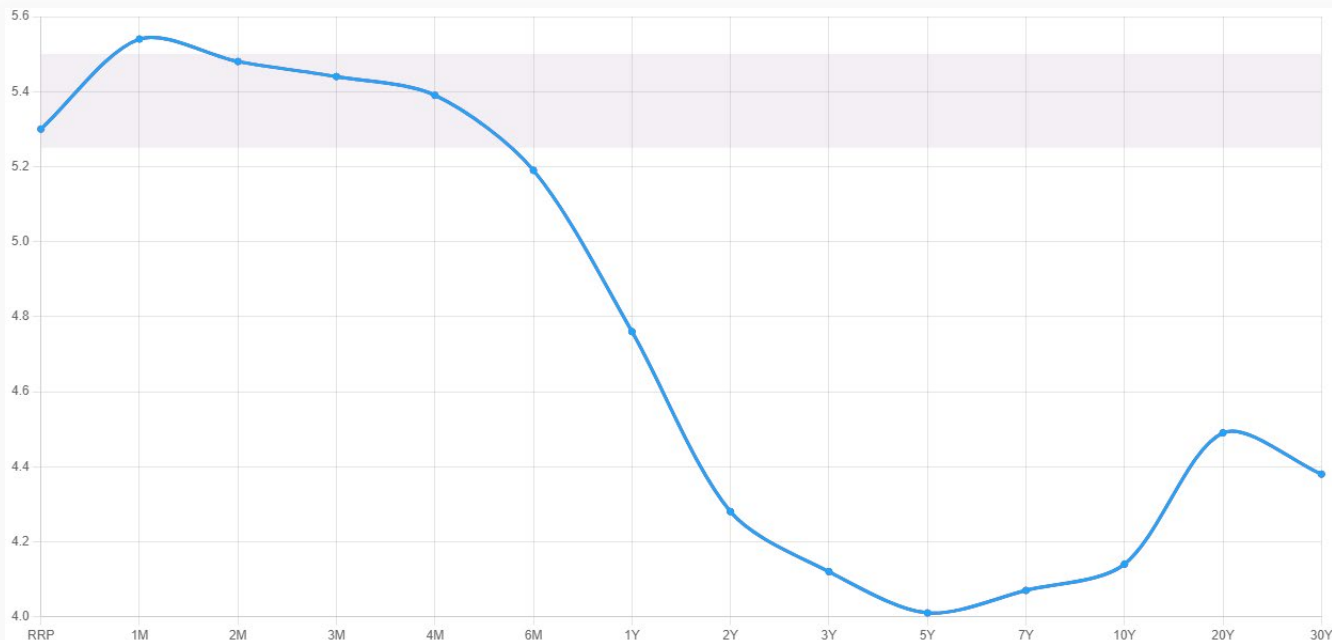
*The only bank headquartered in Cumberland County*

- A 150+ year old, \$1.7 billion-dollar, depositor-owned community bank
- Delivering financial solutions tailored to the needs to Southern Maine's businesses and consumers
- 11 branches and growing network of ATMs, Video Tellers, and online/mobile services
- Commercial Banking Office on Marginal Way in Portland, next door to a branch



# US Treasuries Yield Curve

Historical Interest Rates, as of 1/25/24

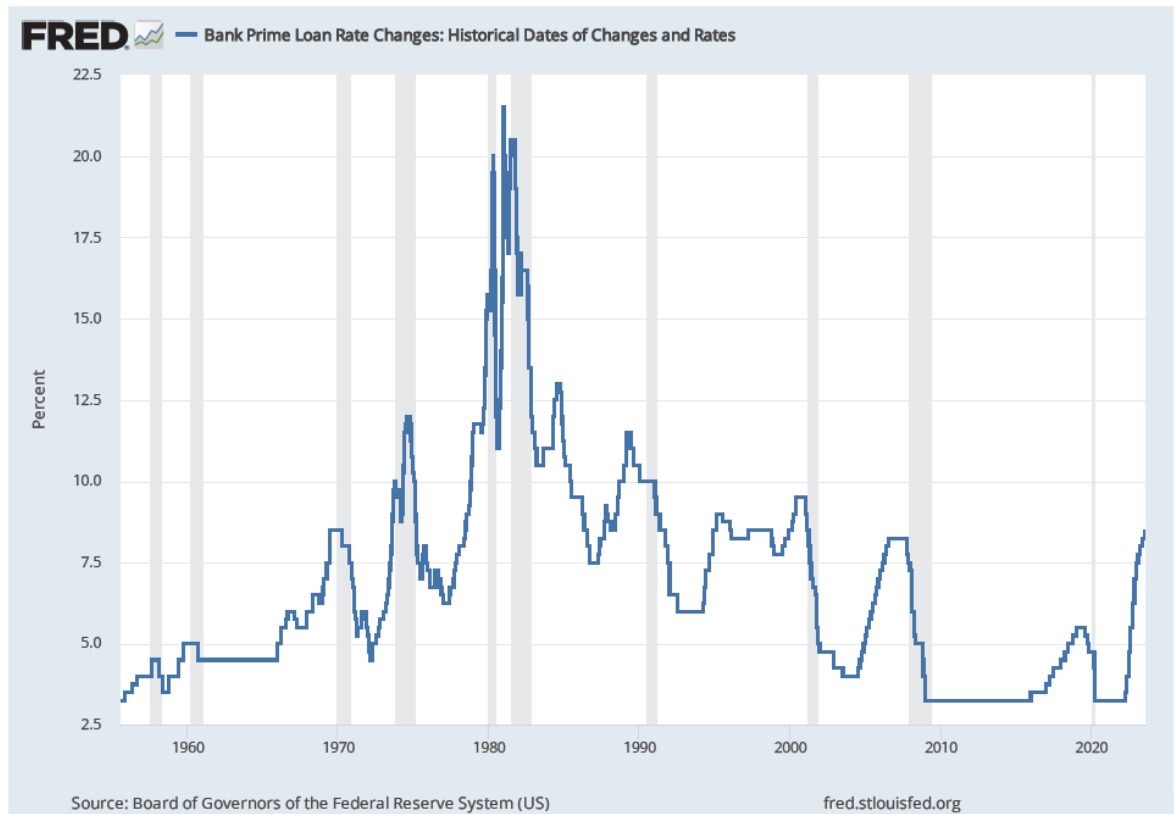


Source: [ustreasuryyieldcurve.com](https://ustreasuryyieldcurve.com)

# Prime Rate History

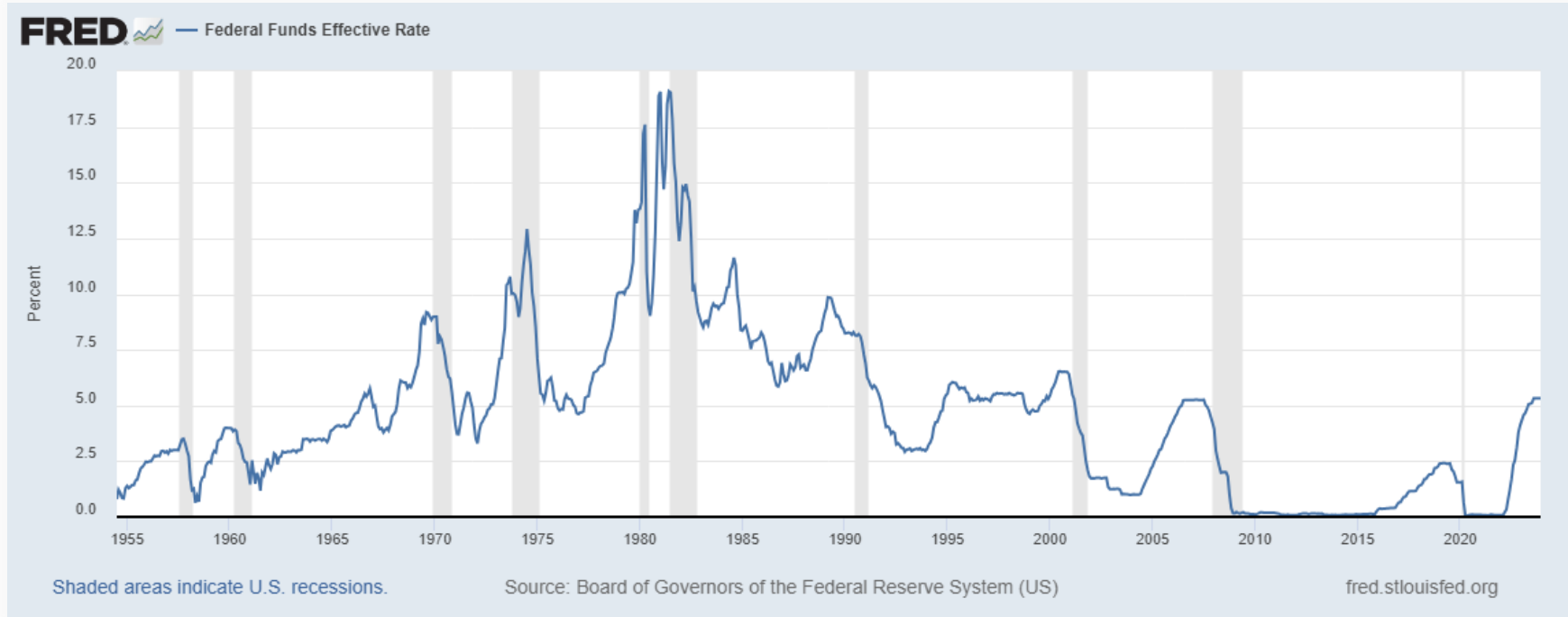
Bank Prime Loan Rate Changes: Historical Data

Source: Fred.StLouisFed.org



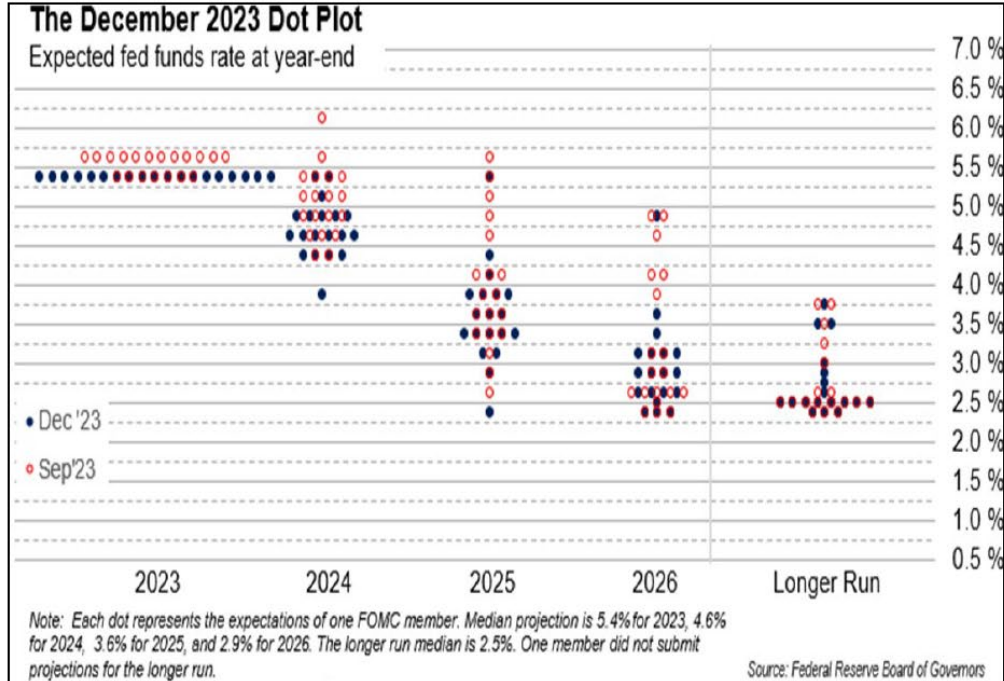


# Fed Funds Effective Rate

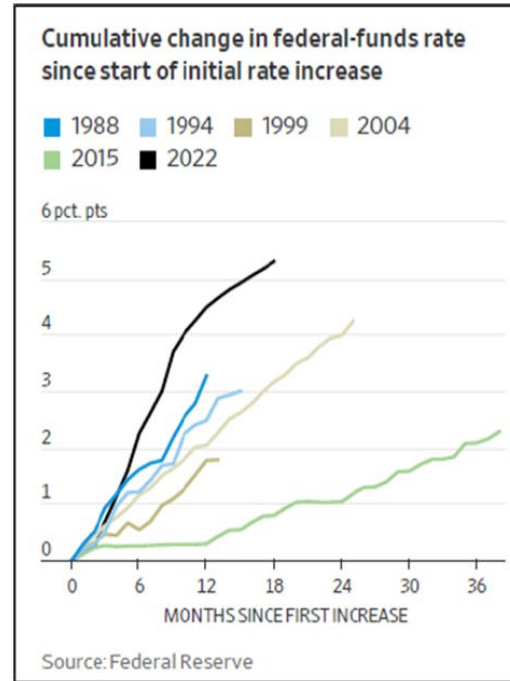


Source: Fred.StLouisFed.org

# Fed Funds Rate History & Forecast



Source: Darling ALCO Report for GSB, January 2024



## NOTABLE DEALS

# The Grant Building

## BATH

### Mixed-Use Historic Redevelopment | \$3 Million

- **Developer & General Contractor:** Sean Ireland
- Federal & State Historic Tax Credits
- Renovation of 22,000 sq. ft. former department store
- Centre Street in downtown Bath
- Vacant for almost a decade
- Includes coworking space, a theater and apartments



## NOTABLE DEALS

# Porter Station PORTLAND

## Avesta Housing | \$22 Million

- **General Contractor:** Landry French
- 48 affordable and 12 market units
- Historic St. John Valley neighborhood
- **Funding Sources:**
  - Federal 4% LIHTC
  - State LIHTC ("Maine Affordable Housing Tax Credit")
  - FHLB AHP Subsidy
  - MSHA Subsidy
  - City of Portland
  - Cumberland County
  - Efficiency Maine

Photography Credit: Jeff Stevenson Photography



GORHAMSAVINGS.BANK





NOTABLE DEALS

# Homeless Services Center PORTLAND

City of Portland | \$25 Million

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- **General Contractor:** Cianbro
- **Sponsor:** Developers Collaborative
- Completed in March 2023
- 52,000 sq. ft. single-story building
- Riverside Street in the Riverton neighborhood
- 208 beds and “wrap-around services”
- Participation with Kennebec Savings Bank



NOTABLE DEALS

# Washington Gardens PORTLAND

Portland Housing Authority | \$15 Million

- **General Contractor:** TPD Construction
- 100 affordable units across 25 buildings
- Low-income tax credit community
- East Deering neighborhood
- HUD Public Housing Conversion & Rehab
- **Funding Sources:**
  - LIHTC
  - FHLB AHP Subsidy
  - MSHA Subsidy
  - City of Portland
  - Cumberland County





## NOTABLE DEALS

# Village Commons SCARBOROUGH

## Avesta Housing | \$10 Million

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- **General Contractor:** Hebert Construction
- Completed in December 2023
- Oak Hill Village on Route 1
- Part of the Firehouse Village redevelopment of the former Scarborough Police and Fire Stations
- 31 affordable senior residences
- Energy-efficient design with solar panels
- **Funding Sources:**
  - LIHTC
  - FHLB AHP Subsidy
  - MSHA Interest-Only and Deferred Debt
  - Cumberland County grant funds



# Portland Commerce Center PORTLAND

## Ram Companies | \$10 Million

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- **Broker:** Malone Commercial Brokers
- 421 & 429 Warren Avenue industrial complex
- Transaction between The Ram Companies (buyer) and Peter Holmes (seller)
- Approximately 65,000 sq. ft. of light industrial space across 3 buildings, anchored by Safelite Auto Glass
- Creative financing





CLOSING

# Where do we go from here?

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- Yield curve begins to flatten
- Slow growth and activity
- Credit quality
- Liquidity
- Regulations
- Flat revenues and stabilized costs

## LET'S TALK

*It's best to start conversations early.*

Photography Credit: John Schinker, Flickr



# THANK YOU!

**MATT EARLY**

*SVP, Commercial Banker & Business Development Officer*

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SBA LENDING – WHERE DO  
WE SEE THE MARKET  
GOING

**Hi, I'm David Hulit**



**VP, Business Development Officer**

## **A little bit about me**

- Experienced in owner-occupied CRE loan originations, business acquisitions, debt refinancing, SBA loan packaging, compliance, and processing.
- \$68.73MM in SBA 7(a) originations (SBA's calendar year 2023), representing over 10% of volume for Ready Capital.
- Graduated with a B.S. in Business Administration from the University of Southern Maine.
- Based out of Portland, Maine, doing business nationwide.

- **A multi-strategy real estate finance company that originates, acquires, finances, and services small-to medium-sized balance commercial loans**
  - Established in 2011
  - 4<sup>th</sup> largest Commercial Mortgage REIT
  - 4<sup>th</sup> largest SBA 7(a) lender with a **\$1.6 billion portfolio**
  - Largest SBA 7(a) non-bank lender – backed by REIT

## SBA Loans Recently Closed



**Barncastle Inn**  
Change of Ownership  
Blue Hill, Maine

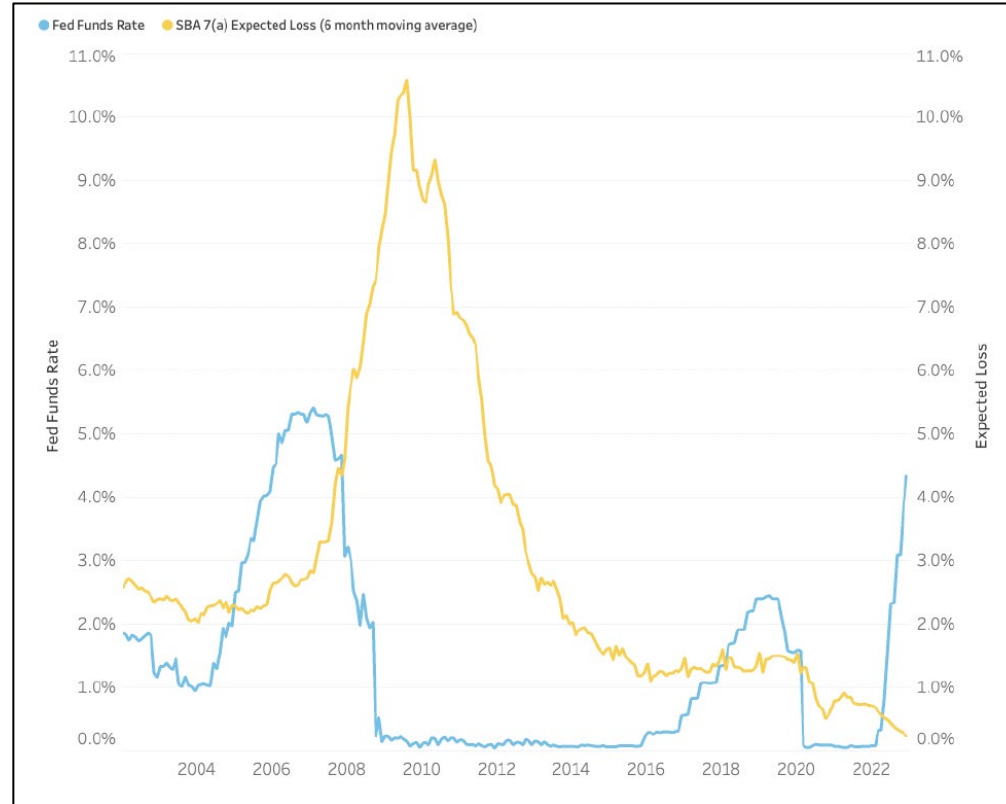


**Bookers Restaurant**  
Change of Ownership  
Philadelphia, Pennsylvania



**Eagle's Nest Gas Station**  
Ground Up Construction  
Newington, Connecticut

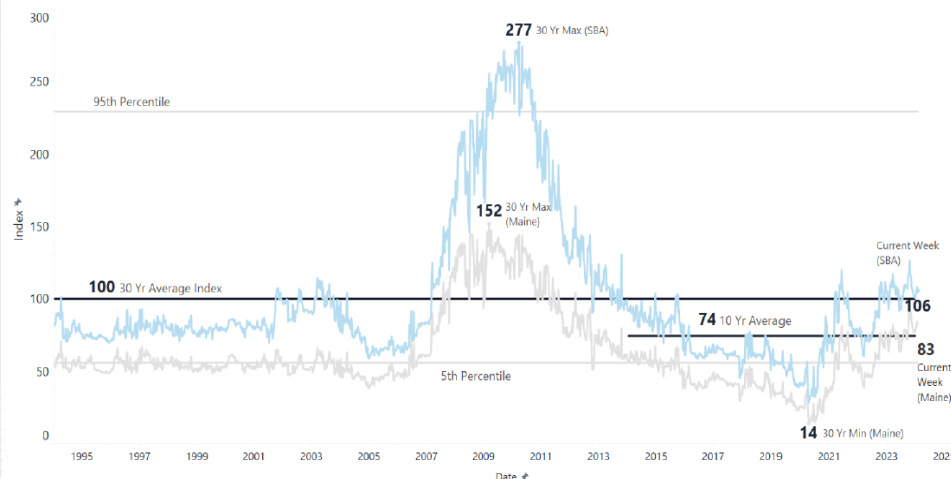
# Fed Funds Rate & SBA Expected Loss



# Annualized Loss Rates

Maine's 1 year Expected Loss prediction has been significantly better than the entire United States for the last 30 years.

## Lumos PRIME+ Economic Index



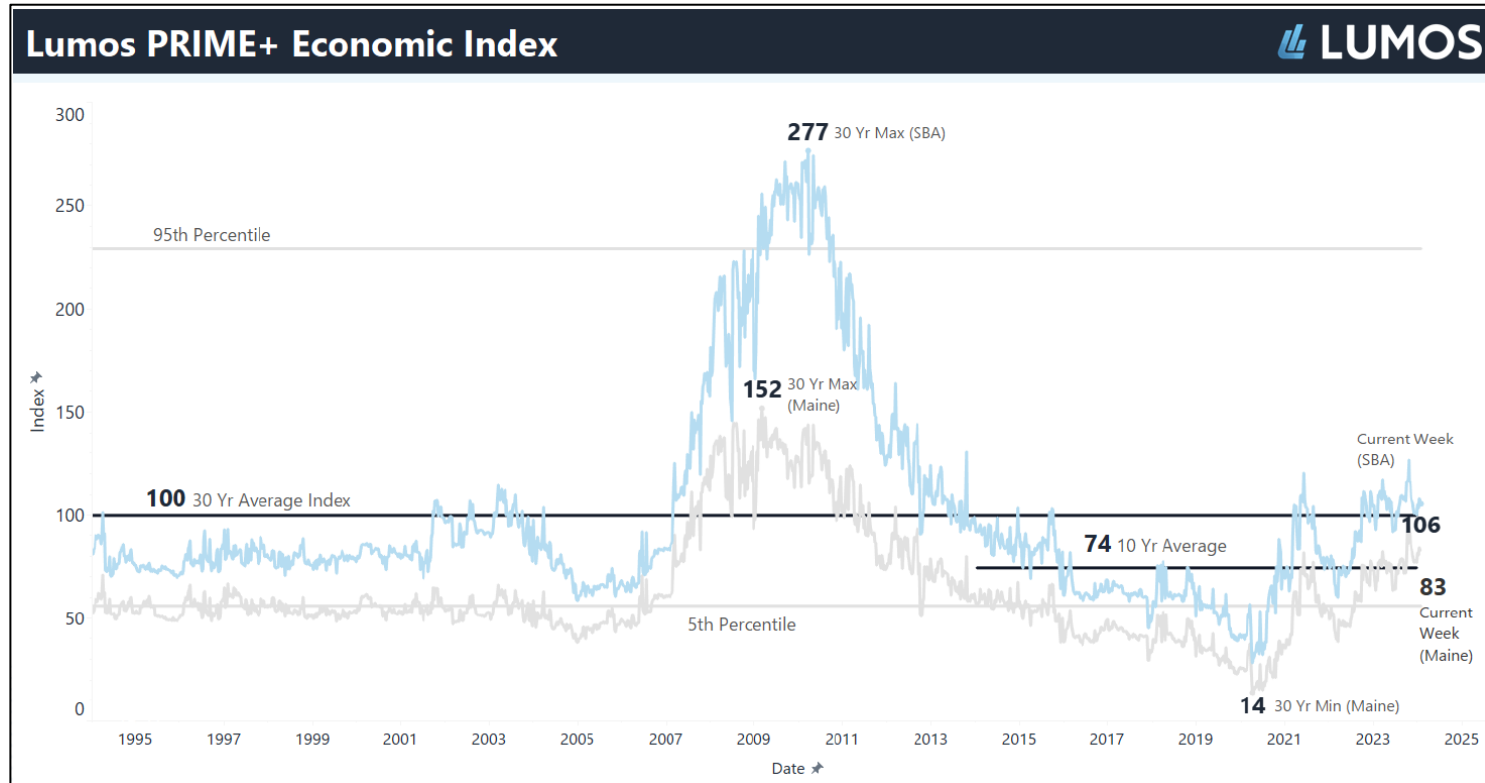
The PRIME+ Economic Index has a 30 year average of 100. Scores higher than 100 indicate higher than average credit losses are expected due to worsening economic conditions. The index is directly proportional to annual expected losses. For example, a score of 200 would indicate annual expected losses double the 30 year average and a score of 50 would indicate expected losses half the average.

The PRIME+ Economic Index is powered by the Lumos PRIME+ small business credit score and tracks local, state, and national economic factors' impact on the next year's expected credit losses for small business loans. Each 1 point increase in the index represents a 1% increase in expected losses from the 30-year average.

The economic factors that make up the index are the interest rate environment, inflation rates, market volatility, and employment and earnings data.

The current index is 106 as of 1/30/2024 indicating that over the next year we should expect small business loan credit losses to be 6% above the 30 year average and 43% above the last 10 year average.





**1. Silver Tsunami – Business Acquisition financing to increase**

- SBA 7(a) SOP expanding access to capital
- Partner Buy-Ins now eligible for succession planning

**2. SBA lending will escalate**

- Can do more with less
- Little to suggest lending will be pulling back in SBA

**3. Prime rate may decrease the second half of the year**

- Easing of the Fed Funds
- GDP is showing strength

# THANK YOU!

**David Hulit**

VP, Business Development Officer

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