

# COMMERCIAL OBSERVER

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REAL ESTATE

## 2023 Power Finance

### By The Editors

**W**e've said this before, but this was one of the hardest years to rank Power Finance.

It's been an unconventional and difficult year for most, to say the least, with the lending landscape changing, and the availability of financing ebbing and flowing at every turn. Not since the beginning of COVID has our wee niche of the commercial real estate market quite been so unsettled.

With that in mind, we considered many factors outside of lenders' origination numbers this year — which, for the most part, were down across the board. Additionally, the past 12 months warranted caution and prudence as a host of different factors pulled at commercial real estate, most notably the rising rate environment. Instead, we took a deeper look at how some of the firms pivoted and innovated to continue to serve their borrowers and clients during a turbulent time; how they troubleshooted problems; how they diversified their businesses in advance of this crisis to prepare them for survival; how they helped borrowers with creative solutions when all seemed lost; and how they rolled with the punches of the market, from switching from CMBS to balance sheet executions, to bringing in JV equity partners to fill diminishing capital stacks.

The CRE finance industry has been pretty unfairly treated in some (non-CO) headlines of late, with Global Financial Crisis references being thrown around like confetti at a wedding. It's a far more disciplined industry today on both the lending and borrowing side, and this current crisis doesn't have a bad guy to chase.

Nobody — and we mean nobody — on this list had an easy year. You all deserve a two-week all-inclusive vacation in the Bahamas, and we're impressed with each and every one of you. It was a year of even earlier starts and later nights at the office, a year of both defense and offense, a year of hand-



**#50 Ivan Kaufman**  
**Chairman and CEO at Arbor Realty Trust**

Last year's rank: 46

wringing — and it's not over yet. In fact, the worst may still be to come. But, we're confident we have the top 50 most powerful, savvy, valuable players in commercial real estate finance on this list, and there's nothing this world can throw at them that they can't handle like bosses.

**I**van Kaufman has spent the past 18 months preparing for a recession — one he believes we're already well into — and this allowed Arbor Realty Trust to accumulate over \$800 million of cash and liquidity on hand as of February.

"This has provided us with the unique ability to remain offensive, and take advantage of the many opportunities that will exist in this recession to go on a premium yield on our capital," Kaufman said in an email.

Kaufman believes the U.S. has already

been in a recession for around six to nine months, and that the present quarter is the bottom. "When we look back, we'll see it," said Kaufman. "We are a leader in the build-to-rent space, a most active lender there, and what we saw firsthand nine to 12 months ago was that construction costs were so high that developers couldn't build. That's over now. Costs have come down, lumber in particular."

Arbor generated \$10.9 billion in originations in 2022, and its \$28 billion fee-based servicing portfolio generates around \$115 million per year in recurring cash flow. With this, in addition to an increase in earnings on its \$2.3 billion escrow balance, the company is generating \$195 million in cash earnings annually "before we turn on the lights each day," said Kaufman.

Major deals for Arbor in 2022 included co-funding one of the largest Fannie Mae structured adjustable-rate mortgage (SARM) loans of 2022, in support of New York-based Emerald Empire's acquisition of Pangea Real Estate's Chicago portfolio.

"This deal supported and sustained thousands of units of affordable housing in Chicago — we have a strong social commitment to that — and it also opened up renters to more equitable opportunity by sharing their on-time rent payments with the three major credit bureaus to help build their credit scores," said Kaufman. "That was set up as part of Fannie Mae's innovative Multifamily Positive Rent Payment Reporting pilot program, and it's the latest in a long line of pilot partnerships we've done with the agencies."

Considering Arbor's current position, Kaufman is optimistic about the remainder of 2023. "Given the benefit of our low-liability structures, they put us in a position to continue to have outstanding earnings," said Kaufman. "If we leverage our existing liability structures, with assets, we have a real cushion and a real benefit. We are sitting in a pretty good position." —L.G.