

# CREFC 2018: Faisal Ashraf Weighs in on Lotus Capital's New Platform

BY CATHY CUNNINGHAM JANUARY 12, 2018 4:58 PM



FAISAL ASHRAF. PHOTO: CATHY CUNNINGHAM/ FOR COMMERCIAL OBSERVER



**Lotus Capital Partners** has been off to the races since it launched in 2016. In addition to arranging **\$315 million in financing from Mack Real Estate Credit Strategies** for the construction and recapitalization of **Penn-Florida**

**Companies Via Mizner**—a 2-million-square-foot mixed use project in Boca Raton, Fla., last year, the firm just expanded its offerings in launching a loan sale and distribution platform.

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The business will serve lenders and investors looking to de-risk and leverage their positions in whole loans, A-notes and mezzanine debt. Lotus has already closed \$150 million in private placements, including three ten-year mezzanine tranches on pharmaceutical company Allergan's new headquarters in Madison, N.J., structuring and separately placed \$70 million with **Hyundai Asset Management, Morrison Street Capital** and **Blackrock**. The initiative will be led by **Tim Taylor**, the former head of special situations at **Ten-X**.

Commercial Observer caught up with [Faisal Ashraf](#), Lotus Capital's founder and managing partner, at the **CREFC** conference in Miami to learn more about the launch.

I've never seen so many happy people in my life. I found bullish sentiments all around. The only bit of frustration I found, which is a little ironic, is that people can't get their money out fast enough.

**Lotus Capital just launched a loan sale and distribution business. Talk us through why it's the right time to launch a platform such as this.**

There's a myth that loan sale advisory is a countercyclical business that is only needed in a downturn. We believe that there's abundant opportunity to address the needs of investors in their *current* capital structures. Additionally, we characterize ourselves as the only outsourced capital markets desk in the business, which means that existing lenders can outsource to us, for example, the A-note distribution of their portfolios to us so that they can leverage yield. As you know, a big part of debt funds' strategies is to sell off their A-notes.

So, this is a business that has nothing to do with a downturn but rather a need that investors have today and it just so happens that there's nobody else providing it. Just to test the thesis, I sold \$150 million in mezz on behalf of a CMBS dealer recently. This is a very technical process, it involves negotiating inter-creditor agreements and we have to leave a certain amount of spread so that someone can still have a CMBS execution.

**What's the primary benefit in outsourcing the distribution?**

While the biggest firms will likely continue to do things internally, smaller firms may not have that capability. I think that, generally and broadly speaking, there may also be a view that we may have more relationships or different relationships, or that we have creative views in structuring that they may not have. For example, we may have 5 new ideas on how to get that paper sold in the Middle East. In that regard we become an outsourced capital markets private-placement desk.

The proof point in the Allergan deal [Lotus arranged a \$115 million 10-year, fixed-rate CMBS financing from Natixis for Lincoln Equities Group for the new Allergan U.S. headquarters in Madison, N.J.] was that we sourced a \$50 million mezzanine loan from an investor who had never invested in the U.S. We have a series of relationships that are off-market and allow us to present some interesting solutions. We're not the silver-bullet by any means, but we can give you capital markets expertise and attract the off-market bids. The upside to this is it allows lenders to focus on their day jobs instead of spending time doing what we do.

### **Where do you see Lotus Capital going from here?**

My goal is for Lotus to be seen as a preeminent investment banking firm—that doesn't mean that we'll be the biggest firm in the world, it means that people think about our firm as offering high-touch solutions and over time we'll add other dimensions to the business. The deals we've done already aren't for the faint of heart.

### **What do you expect to see in the industry in 2018?**

I see more bullishness. Like every year I expect some hiccups, but the market did a good job of shaking those hiccups off in 2017. With regard to sector-specific expectations, I do believe this will be the year that the retail sector is dealt with a little more thoroughly. I think certain investors will say "Ok, we understand now what the have and have-nots are, and we will scale down part of our retail portfolio." And that's a great opportunity for Lotus to help them address that need and distribute some of that paper.

**KEYWORDS:** [CREFC](#), [CREFC 2018](#), [Faisal Ashraf](#), [Lotus Capital Partners](#)

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