

News &amp; Analysis

# Borrower profile: Muss Development narrows deals flow to stricter parameters

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Samantha Rowan - 12/26/2022

Despite an unstable interest rate environment, New York-based investment manager Muss Development is open to new acquisitions. There is a caveat, however: any opportunity the company looks must have strong fundamentals as well as the ability to obtain long-term financing once a business plan is executed.

“You’ll have to be able to be confident that when the financing you put in place runs out, whether it’s five, seven or 10 years, that you’ll be able to replace the debt that you’re talking out in the first place. There is no magical formula to it – it is just a function of your experience, your knowledge and your portfolio to know,” said Jason Muss, president.

Muss Development, founded in 1906, has a unique perspective on the commercial real estate market because of the company’s institutional knowledge. That history makes today’s rocky market easier to navigate in some ways, if only because the firm knows that in some situations, there is no playbook.

“The history of our company is such that we have an institutional memory that goes way back to include double digit interest rates, wars, recessions, a pandemic, super floods and financial crises. We have seen almost everything and anything that is out there and, as a result, my main mantra is ‘never be surprised.’ We try to be ready and to pivot for anything that might happen,” Muss said.

The company operates high-quality real estate properties from New York to the Southeast. “Over the last few years, we have had the opportunity to acquire several properties in a number of different locations and we’ve very pleased with how we’ve come out of the pandemic,” Muss said. “We’ve been able to adjust to a little bit of a different world, a little bit of a different environment.”

The firm's portfolio includes the Brooklyn Renaissance Plaza and the New York Marriott at the Brooklyn Bridge. Muss also owns several office buildings in Manhattan, Brooklyn, Queens as well as residential properties in all five boroughs. The portfolio also includes a number of retail shopping strips in Brooklyn, Queens and Staten Island.

Like its peers, the company has been following the slowdown in transaction volume. "It is going to take a while for the market to adjust to significant higher interest rates, which are affecting every element of the real estate market, any use type and any geographic area," Muss said. "But it is apparent that this is becoming the new normal and, as the tide comes in, you're going to find people who are over-leveraged or who turned to expensive bridge loans to make a deal work – that is going to cause a lot of stress in the market."

The flip side, however, is that there is a chance for well-capitalized companies which see opportunities to allocate to rescue capital for short-term investment opportunities, Muss said.

"The real question, though, is when is the right time to come in and recapitalize or take over a deal? A lot depends on the specifics of what you're looking at but there have been a lot of deals done with terms that are temporary on the assumption that something will happen to increase cashflow so the sponsor can recapitalize the project with permanent financing or sell," Muss said.