



C-PACE lender Petros sees 'substantial' uptick in business

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Commercial PACE lender Petros PACE Finance originated 30% more C-PACE volume in 1H20 than in all of 2019, according to Mansoor Ghori, managing director.

“Based on the term sheets we’re getting, it’s not slowing down,” he said. “We’re getting term sheets signed about every day.”

The average size of the company’s funded C-PACE lien is “substantially greater than it was last year,” Ghori said. The average lien funded is currently at USD 7m, compared with about USD 2.5m to USD 3m last year, he said.

Petros currently issues private placement deals, and last month closed on the company’s seventh deal. The lender will likely issue two more deals this year, Ghori said.

Many borrowers want to lock in PACE financing while it’s available now rather than wait, given the uncertainty in the markets due to the coronavirus pandemic, Ghori said.

“We’ve seen [project leaders] that were thinking about using PACE later in the year, and now they’re thinking ‘we don’t know what’s going to happen later, there’s so much uncertainty, senior lending is getting tighter and tighter. If we’ve got the cap stack together right now let’s just go ahead and get the pace done right now,’” Ghori said.

Also there has been increased interest due to C-PACE competitors not being able to currently fund projects, Ghori said.

There is business “coming from competitors who had worked on these projects, taken it to the point of closing and then something happened, where they could no longer close on that transaction,” he said. “So, we’ve seen that [business] come to us.”

Ghori declined to give more details on which competitors are unable to fund C-PACE projects, following the pandemic’s outbreak.

On the investment side, more investors are still being drawn to the C-PACE sector right now, Ghori said.

“Investors are still dying to get pieces of the business,” he said, particularly with where Treasury yields are right now.

Commercial PACE tax assessments are also seen as relatively safe assets because the payment priorities are senior to mortgages on the properties.

Property owners that take on a C-PACE lien pay a coupon of about 6%, or a little lower, on average across the sector, as reported.

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In response to the influx of business, Petros has also increased its team and in July hired Connor Murch as vice president of business development based in the St. Louis office, according to a 14 July company release.

Because the PACE sector is relatively new still, it is often difficult to find talent with prior experience in the market, Ghori said. However, Murch previously worked at Stonehill PACE, where he led national origination efforts for the firm, according to the release. "He has been on board now for two or three weeks and we've already got four deals that we're working on, that he brought in," Ghori said.

by Larissa Padden

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