

# CapStack Partners preps for surge in non-bank lending

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**C**apStack Partners, a specialty investment bank, is expecting a major increase in non-bank lending and infrastructure spending under the **Trump** administration. To take advantage of new opportunities in the market, the firm plans to actively engage in raising capital for more complex transaction types, while bolstering its debt and equity placement platform.

The proliferation of non-bank lenders, which was a major trend in 2016, isn't expected to slow down in 2017. "The regulatory dynamic has two elements that will continue to feed growth [for non-bank lenders] – an expected injection of a tremendous amount of capital into the system with the intention that it will be invested and lent, as well as a [great deal] of regulation that has been placed on the traditional bank and the conduit lender," said **David Blatt**, ceo.

Since its inception in 2012, CapStack has worked with developers and lenders to source debt and equity, especially in the real estate and hospitality industries. It also provides third-party underwriting due diligence for institutions, family offices, and syndicate desks that work with lenders to source loan participants. "[The variety of offerings] allows us to have a deep understanding of capital markets and how the machine works, which helps us execute," Blatt said. The firm hopes to expand its private placement practice for fund-focused raises and grow its lender-focused services in 2017.

The new administration has already touted its plans to increase infrastructure spending across the country, and Blatt believes this has the potential to directly benefit the growth of surrounding real estate, pointing to projects like the Second Avenue Subway line in Manhattan and the Brightline passenger train from Miami to Orlando. "There are some scary statistics of the age and condition of bridges in places all around the country," Blatt said. "There is [also] a correlation between investment in infrastructure and GDP growth." Public-private partnerships, which Trump's administration has touted as a way to develop infrastructure with lower upfront costs to the government, could be a way to do this. "We intend to be at the forefront of both the infrastructure related financing programs and the private capital that will inevitably follow," he added.

Blatt's view seems to be widely held among industry professionals, who agree that non-bank lenders are increasing the size of their market share and that the trend is likely to persist. "We're really seeing non-regulated capital step into the space [banks used to occupy]," said one executive. "They're getting the opportunity to make loans to borrowers they never have before because traditional [sources] are stepping away." One ratings agency official noted that non-bank loans can often help borrowers to secure bridge loans

or financing on traditional assets. "There's a demand for what they offer," he added. "[Non-bank loans] were created around the idea that it would be hard to manage the refinancing wave, but I think they'll have a life beyond that."

CapStack competes in the same arena as mortgage brokers, as far as the level of debt and equity placement, but focuses more heavily on complex situations where the client needs a helping hand. "We primarily deal with clients who are prolific in the deal side of what they're doing, but don't have the ability to navigate the capital markets," said Blatt. "We're essentially becoming the sponsor's investment banker."

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