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Gundlach's DoubleLine Teams with Thorofare on Bridge Loans

By MATT PRESSBERG

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Jeffrey Gundlach certainly doesn't believe short-term real estate loans are a bridge to nowhere.

His investment firm, downtown L.A.'s DoubleLine Capital, announced Tuesday that it is teaming up with fellow downtown firm Thorofare Capital in a move that will give DoubleLine's investors access to a new pool of short-term real estate loans.

These loans are usually called bridge loans, as they're designed to fill a gap until a borrower can secure cheaper, more conventional financing. For instance, a borrower might take out a bridge loan to acquire a building with relatively high vacancy, then be able to replace that loan with bank financing once the building is leased up.

Because there's added risk, lenders can charge relatively high rates for bridge loans, which has made them a popular asset class of late as investors search for yield. Tightened bank regulations have also given private parties more opportunity in the market, and this partnership is just the latest example.

"With the increased regulations on traditional real estate lenders, there are opportunities for private capital," said DoubleLine Portfolio Manager Morris Chen, who leads the firm's commercial real estate team.

Under an exclusive arrangement, Thorofare will underwrite and originate middle-market commercial real estate loans – with terms of between two and five years – that it will then sell to DoubleLine. DoubleLine will buy the loans for its clients who have accounts managed under the firm's Opportunistic CRE Debt strategy.

Thorofare Chief Executive Kevin Miller said the program was designed to complement the firm's existing private fund offerings. Through mutual relationships, Thorofare and DoubleLine had been talking for some time.

"We had been contemplating a strategic relationship with DoubleLine for the past three years," said Brendan Miller, Thorofare's Chief Investment Officer and Kevin's brother. "For the past 12 months or so, we've been actively working on it."

"This has been a long time coming," Chen said. "For DoubleLine to work with Thorofare, a market leader in the bridge lending space, it's something we felt was the right move."

Thorofare typically invests in short-term loans with durations of between six and 18 months. It mainly lends against multifamily, office and retail properties worth between \$5 million and \$30 million.

Brendan Miller said this partnership allows Thorofare to originate longer-term debt, and Kevin Miller said the deal gives Thorofare more credibility in the investment world.

"We've had a very positive reception from our investors," Miller said. "They really viewed it as a great testament to the institution we have built."

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