

# A Decade After Lehman's Collapse, Some Say It Can Happen Again

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It may be known as the era of “too big to fail,” but during the throes of the Great Recession, one financial institution cratered in spectacular fashion and became the largest bankruptcy in U.S. history. The aftershocks rippled through the economy and the bankruptcy served as a lesson in smart lending.

Or did it?



*Wikimedia Commons/David Shankbone*

*The former Lehman Brothers headquarters in Manhattan*

With \$639B in assets at \$619B in debt, Lehman Brothers **filed for Chapter 11 bankruptcy** on Sept. 15, 2008. The investment bank had been one of the first to enter the arena of mortgage origination, and it quickly became a leading source of subprime mortgages following a string of acquisitions, including that of BNC Mortgage. Lehman's ties to subprime mortgages made it particularly vulnerable to any downturns in real estate values. Following the U.S. housing bubble's burst in 2007, Lehman's stock plummeted in the months leading up to its bankruptcy filing, including a 48% drop after the near-collapse of Bear Stearns in March 2008.

Its collapse has become the poster child of the Great Recession, but has anyone in finance and real estate learned anything? Ten years after the Lehman collapse, *Bisnow* reached out to an array of industry players to get their take on if its demise should have been predicted, whether it should have been saved, what — if anything — has changed and if something like it could ever happen again.

## **Lance Patterson — Patterson Real Estate Advisory Group CEO, Atlanta**



*Courtesy: Patterson Real Estate Advisory Group*

*Patterson Real Estate Advisory Group founder and CEO Lance Patterson*



**Bisnow: What was the climate like at the time of Lehman's collapse?**

It was a big event, but it was so far into the crisis period that it was almost not a big event. Merrill Lynch, which was a big real estate lender, announced a substantial write-off of real estate and loans. It sort of woke everyone up, as nobody was expecting that. I was in the process of closing a sizable loan with Merrill and was told they were just cleaning things up and not to worry. It didn't even take 30 days before I was told I couldn't close the loan. By the time September 2008 rolled around, it wasn't much because I had already been through it.

You can look back at all the stupid things we, as an industry, did. When you look backward, it was obvious there were clear signs.

**Bisnow: Do you think it could/should have been saved?**

My view on that is there should have been efforts taken to try and save it along with trying to save the overall U.S. and global economy. There were some things done that were instrumental in making sure we didn't go off a cliff. They aren't the only ones who were doing things the wrong way, but they are the poster child.

**Bisnow: How have things changed?**

It's changed for the better — substantially so. It really comes down to three concepts: caution, regulation and memory.

Some of the things that make it better also make it harder. There's no stupid money out there today. I don't see it. Money is very cautious and prudent. We all remember the stupid stuff we did last time around and don't want to do it again. There are some deals that make me wonder, but I don't see stupid money

The old adage is history repeats itself, but I don't see that. I was the 25th employee at my former company. I hired us to 80 and fired us back to 0, and you never want to go through that again.

**Bisnow: It seems like everyone is more cautious this cycle. Do you think anything like this could happen again?**

The real answer is nobody knows and just spouts stuff to make it seem like they do.

If you really focus on the real estate part of our business, how are properties performing? They are doing pretty good everywhere with the exception of multifamily or a few product types in a few cities. They're all doing good or super-duper good. It's all doing well.

Save for world economic shock, the only thing I'm beginning to see are deals that developers are trying to get done in my opinion shouldn't get done. That's relatively a new thing.