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How One Construction Lender Raising A $650M Fund Is Navigating Macroeconomic Instability

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Courtesy of DD Reps
Robert Schwartz and Joshua Crane, co-founders and principals of construction lender S3 Capital.

Even amid unprecedented economic uncertainty, S3 Capital is sticking to a formula that has netted it more than $5B in loan volume since the lender's inception in 2013.

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Businesses across the planet have felt the effects of a whiplash in U.S. trade policy. After months of executives pleading with President Donald Trump for clarity, his promised tariffs went into effect on Wednesday — only for him to essentially reverse course with a 90-day pause hours later.

But for S3 Capital, a New York City-based multifamily construction lender whose borrowers will likely have to find ways around higher costs for building materials to arrive on-site, the signal is clear: it's business as usual.

The company is in the process of raising its third fund, with $400M raised so far of its $650M target. Its second, $350M fund is now fully committed with loans between $20M and $175M.

S3 Capital co-founder and principal Joshua Crane told *Bisnow* this week the firm is planning on sticking to its bread and butter to ride out the impacts of tariffs: scrutinize the budget, visit every site before putting down any cash, don't lend above 65% loan-to-value and make sure the borrower has a lot of equity in the deal.

"Our process hasn't changed," Crane said.

"We make sure that our borrowers have adequate equity, and that's not going to change," he added. "If we feel like adequate equity means more equity, depending on what the situation is, we're going to require that."

Even with Trump's self-described reciprocal tariffs in place, Crane and his colleagues have been spending time alongside building trades to work out how much costs will increase. Their estimate for hard costs on their projects was between 7% and 10%. Still, neither the tariffs nor the 90-day pause have changed S3's lending process, Crane said.

"Tariffs are not good, but they shouldn't clear our jobs," he said. "If it's a 7%-only, hard cost hit to your job — if that messes up your job, there's bigger issues."

The projects S3 Capital puts that cash toward are split 70-30 between rental construction and condo work. The firm started out with one fund of smaller loans, between $1M and $20M each, with family offices and registered investment advisor networks as investors.

While it is doing some larger deals, those smaller loans still make up the bulk of its day-to-day activity, with 140 active small loans out right now, Crane said.

“A lot of different types of real estate credit is more attractive than some of the other places where your capital might have been, because they're real assets,” Crane said, saying that the investments have continued to come in even as Trump pushed ahead with his tariff agenda. “You can go see them, touch them. They should be an inflation hedge.”

But the other reason that Crane is confident about S3’s future is that there are fewer multifamily lenders around than there were just a few years ago.

In a previous era, Crane would have been pitching S3 Capital against regional banks — but following the failures of Signature Bank and Silicon Valley Bank, regional banks have largely disappeared from NYC's multifamily lending market, Crane said.

“Even though construction starts are down, liquidity is even more down in my area than construction starts,” he said. “There is a lack of construction liquidity. So because of that, you have the ability to choose the projects.”

Still, Crane’s optimism over S3 Capital’s ability to weather the economic uncertainty and recession risk from tariffs is tempered by the potential for the country's long-term economic outlook to sour.

“No one wants a recession,” he said. “The best we could do over here at S3 is react over the next months to whatever happens. Not an exciting answer, but that’s the truth.”