

FINANCIAL INSTITUTIONS

THE DIGITAL AGE

Online banking accelerates past trend status into the norm

By STEVEN CRIGHTON



ALTHOUGH THERE are some pandemic trends bankers can't wait to say goodbye to, the digital transformation of the industry is here to stay.

The digitization of banking services has progressed from a future priority into a central selling point for practically every bank within the last 18 months. According to **Tom Nida**, executive vice president of **City First Broadway** — the entity formed by last year's merger between Hancock Park-based Broadway Financial Corp. and Washington, D.C.-based City First Bank — the pandemic shaved years off an evolution process that was already well underway.

Western Alliance Bancorp., parent company of San Diego-based Torrey Pines Bank, similarly announced in December that it would implement a fully integrated digital banking platform for customers, launching in 2022. Western Alliance President and Chief Executive **Kenneth Vecchione** said in a statement that the company "believes there will be a growing demand for instantaneous digital payments among our clients and others as technology continues to mature."

CRE lending and market changes

Contrary to fears that the pandemic would wreak havoc on the local commercial real estate (CRE) market, banks are reporting that CRE lending for projects in the Los Angeles area has been a major source of activity. But it's a different market emerging from the crisis, as empty offices and boardrooms that have been collecting dust since March 2020 are increasingly repurposed for sublease, residential or other types of spaces.

Torrey Pines Bank reported a "strong surge" of lending for infill projects, mostly multifamily, driven primarily by the ongoing housing shortage.



McAuslan

"Interestingly, two years into the pandemic, what we're seeing is that many of these projects were not originally slated as residential — they were intended for other uses ranging from office to everyday services and retail," Western Alliance Executive Vice President **Bob McAuslan** told the Business Journal.

Torrey Pines is currently finalizing financing for a multifamily residential project in Burbank, he said, an area where new housing is in serious demand.

"While thousands of new jobs have been added in Burbank in recent years, remarkably, just 55 new housing units have been built over the last five years," said McAuslan. Nida said conversion projects have been an area of interest for banks in heavily urbanized hubs like L.A. and Washington, D.C., noting the trend will motivate commercial tenants to renegotiate their lease agreements for years to come.

"They've had to figure out an alternative use once the pandemic took a whack at office space, the retail market and the hospitality market, among others," Nida said.

Meanwhile, bank stocks have started the new year strong. Koreatown-based **Hope Bancorp Inc.**, for example, gained 12.2% since Jan. 1, while **Hanmi Financial Corp.**, also based in Koreatown, gained 10.3%.

Nida said the strong rebound is apparent across the industry and will likely continue throughout 2022 thanks to the likelihood of interest rate hikes.

"Bank stock prices had been somewhat depressed because of the interest rate environment we've been in the last few years, but within the last few months, we've seen a significant jump," Nida said. "I think the markets are reading that financial stocks are in for a rebound compared to what we've had, and we're starting to see the result of it."