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## Market (Proforma) Rent Apartment Loans

Type of Financing	Bank Earn Out Loan Programs		Portfolio Bank	Portfolio Bank	Private Investor
	Earn Out Loan #1	Earn Out Loan #2	Conventional	Bridge Loan	Bridge Loan
Loan Amounts	\$2M +	\$2M +	\$1M to \$10M	\$3M +	<b>\$2M to \$50M</b>
Loan to Value	75%	75%	75%	75%	Asset Based Lending 65% to 75% LTV Up to 85% LTC Rates from 7.99% to 12% 1 to 3 Yr Term Interest Only Payments Non Recourse Sub-1.00 DCR 1 to 2 week closing  Apartments Commercial Industrial Self Storage Assisted Living
Prepay Type	3,2,1,0	Step Down	Step Down	2,0	
Recourse	Optional	Optional	Optional	Optional	
Amortization	30/15	30/30	30/30	2 Years Interest Only	
3 Year Fixed Rate	N/A	N/A	3.633%	4.50% to 4.75%	
5 Year Fixed Rate	3.896%	3.850%	3.796%	N/A	
7 Year Fixed Rate	4.036%	3.950%	3.936%	N/A	
10 Year Fixed Rate	N/A	4.100%	4.125%	N/A	
DCR (Actual Rents)	1.15 to 1.20	1.15 DCR @ Start Rate	1.15 / 1.20	Sub-1.00 DCR	
DCR (Market Rents)	1.15 to 1.20	1.20 DCR @ Start Rate	N/A	1.15 to 1.20	
Payment	1st 3 Yrs Interest Only	Fully Amortized	Interest Only Option	2 Years Interest Only	
Earn Out Term	12 Months	18 Months	N/A	24 Months	

**Bridge Loans** are structured as interim financing typically for 1 to 2 years until the property is stabilized and ready to refinance after rehab & stabilization to market rents. Bridge Loans typically will provide all of the possible leverage upfront including Interest Only payments to help the buyer while increasing rents to market with turnover costs, etc. Bridge Loans do not lock in the rates beyond the two year term. The economic efficiency of the bridge loan is for added value-rehab opportunities with rents substantially below market.

**Earn-Out Loans**, also know as Stabilization-Advance are typically longer term loans that allow you to lock in the interest rate upfront even when the stabilization process may take 1 to 2 years. Typically, the buyer will have 9 to 10 months to achieve market rents and two additional months to stabilize, then the Earn-Out (Loan Advance) is funded or advanced. Typically, the buyer will need more down payment to close the transaction and upon stabilization, get the advance loan proceeds. The benefit is the ability to rate lock now with long term financing.

\*\*\*Earn-Out Loan #2 allows the buyer to pick a longer term fixed rate ( 7 to 10 years), obtain higher loan proceeds (lower DCR) and plan for a one or two phase Earn Out fundings over 12 to 24 months. Benefit is to rate lock now a long term fixed rates with built in leverage options over two years. The initial loan is qualified at a 1.15 DCR at the Start Rate to also provide better initial leverage.

## Bridge Loan Option Example

\$10,000,000 Purchase Price / 60 Units

Challenge #1: Rents 50% below market

Challenge #2: Buyer wants maximum leverage

Solution: Full Leverage Short Term Bridge Loan

Current Rents: \$583,000 (17.15 GRM / 3.75% Cap Rate)

Market Rents: \$875,000 (11.43 GRM / 5.50% Cap Rate)

Bridge Loan Option :

\$7,500,000 Loan Amount (75%)

\$2,500,000 Down Payment (25%)

2 Year Interest Only loan from 4.25% to 4.75%

No prepay after 12 months

Comments:

Loan is locked for two years and then must be paid off or refinanced.

## Earn Out Options Example

\$10,000,000 Purchase Price / 60 Units

Challenge #1: Rents 50% below market

Challenge #2: Buyer wants to lock rates for 5 to 10 years

Challenge #3: Buyer wants maximum leverage

Solution: Earn Out to Stabilization loan with Market Rents

Current Rents: \$583,000 (17.15 GRM / 3.75% Cap Rate)

Market Rents: \$875,000 (11.43 GRM / 5.50% Cap Rate)

Earn Out #1: Down Payment: \$4,700,000 (43%) with Initial Funding of \$5,300,000 (53%) and Earn Out to \$7,500,000 (75%)

Stabilization Window: 12 months to achieve stabilized market rents

Earn Out #2: Down Payment: \$4,500,000 (45%) with Initial Funding of \$5,550,000 (55%) with 1 to 2 Phase Earn Out Options up to 24 months:

Earn Out Phase 1: \$7,500,000 (75%)

Stabilization Window: 12 to 24 months

Type of Financing	Conventional Financing / No Tax Returns				
	Portfolio Bank	Portfolio Bank	Portfolio Bank Max Loan Dollars	Agency-FHLMC Full Term Interest Only	Agency-FHLMC
Loan Amounts	\$500,000 to \$749,999	\$750,000 to \$999,999	\$1M to \$10M	<b>\$1M to \$5M</b>	<b>\$1M to \$7.5M</b>
Loan to Value	75%	75%	75%	50% to 60%	80%
Prepay Type	Declining Step Down	Declining Step Down	Declining Step Down	Declining Step Down	Declining Step Down
Recourse	Optional	Optional	Optional	Non Recourse	Non Recourse
Amortization	30/30	30/30	30/30	30/20	30/20
Adjustable Rate	N/A	N/A	N/A	N/A	N/A
3 Year Fixed Rate	4.150%	4.050%	3.950%	N/A	N/A
5 Year Fixed Rate	4.250%	4.150%	4.050%	4.340%	4.190%
7 Year Fixed Rate	4.800%	4.700%	4.600%	4.600%	4.400%
10 Year Fixed Rate	5.010%	4.910%	4.810%	4.890%	4.690%
Debt Coverage Ratio (DCR)	1.15	1.15	1.15	1.35	1.20

*Rates & terms are subject to change with market conditions*

# Closed Transactions



Refinance  
35 Units Torrance  
\$6,590,000 (1st TD Loan)  
Cash Out Refinance



Refinance  
33 Units Torrance  
\$6,950,000 (1st TD Loan)  
Cash Out Refinance



Refinance  
21 Units Torrance  
\$3,850,000 (1st TD Loan)  
Cash Out Refinance



Refinance  
83 Units Hawthorne  
\$7,250,000 (1st TD Loan)  
25% Equity Position



Long Beach  
Purchase-Earn Out Loan  
59 Units  
\$5,150,000 (Price)  
\$3,862,500 (1st Loan)



Acquisition / Refinance  
108 Units Wilmington  
\$9,000,000 (1st TD Loan)  
Cash Out Refinance



Refinance 2017  
33 Units Torrance  
\$6,500,000 (1st TD Loan)  
Cash Out Refinance



Refinance  
40 Units Gardena  
\$3,450,000 (1st TD Loan)  
Cash Out Refinance



Refinance  
Cash Out Refinance  
34 Units Torrance  
\$4,900,000 (1st TD Loan)



Refinance  
80 Units Hawthorne  
\$6,284,000 (1st TD Loan)  
Cash Out Refinance



Purchase  
40 Units Gardena  
\$5,100,000 (Price)  
\$3,570,000 (1st TD Loan)



Purchase-Refinance  
32 Units Hawthorne  
\$3,800,000 (Price)  
\$2,420,000 (1st TD Loan)



Purchase-Refinance  
33 Units Lawndale  
\$2,600,000 (1st TD Loan)  
Refinance 2017



Purchase  
16 Units Hawthorne  
\$2,325,000 (Price)  
\$1,550,000 (1st TD Loan)



Refinance-6-20-17  
187 Units Hawthorne  
\$19.6M (1st TD Loan)  
Cash Out Refinance  
Acquired 8-1-16