Financing for an Investor Owned Auto Repair Shop

Transaction Summary

Date: August 2016

Property Description: The original structure was built in 1965 and completely renovated in 2015. The property is located in close-in SE Portland.

Owner: The owner was financially strong with good commercial real estate experience. The purpose of the loan was to pay off the seller financing received a year ago when the owner purchased the property.

Tenant: The tenant was a privately owned car repair business with two locations on the SE side of Portland. The tenant signed a 10 year NNN lease with the tenant responsible for all expenses with the exception of the roof, siding, foundation and structural improvements.

Estimated Value: $2,400,000

Requested Loan Amount: $1,680,000 (70% LTV)

Financing Issues: The owner wanted to maximize the loan size in order to get as much cash back as possible. From the lenders' perspective, they were concerned about 3 things: 1) any environmental issues; 2) giving back substantial cash back; and 3) tenant rollover risk.

Financing Solutions: Several lenders were contacted. Most said no right out of the chute because it was automotive as they have a knee-jerk reaction to potential environmental contamination. Three lenders got comfortable with the environmental risk and with the tenant who had an excellent track record in the auto repair business.

Shown on the following pages are three loan quotes.

Financing for Investor Owned Auto Repair Shop
Loan Quote Comparison

AUG 2016	Lender #1	Lender #2	Lender #3
Loan Amount:	**$1,200,000**	**$1,590,000**	**$1,680,000**
Estimated Value:	$2,400,000	$2,400,000	$2,400,000
Loan To Value:	**50.0%**	**66.3%**	**70.0%**
Indicated Interest Rate	**4.09%**	**4.97%**	**4.74%**
Interest Only?	**None**	**None**	**None**
Underwriting Criteria:			
Maximum LTV:	50%	70%	70%
Minimum DSCR:	N/A	1.20	1.25
Fixed/Variable Term:	10 Years	10 Years	10 Years
Variable Rate:	N/A	N/A	N/A
Variable Ceiling:	N/A	N/A	N/A
Loan Term:	**10 Years**	**10 Years**	**10 Years**
Amortization Period:	20	25	25
Rate Lock:	Yes	No	No
Monthly Loan Constant:	0.6107%	0.5828%	0.5695%
Total Loan Fees (Lender/Mtg Broker):	1.00%	1.50%	1.25%
Application Deposit	$10,000	$6,500	$0
Are costs capped?	No	No	No
To be used for:	3rd Party Reports & Processing Fee	3rd Party Reports & Processing Fee	3rd Party Reports
Third Party Reports Required			
Appriasal	Yes	Yes	Yes
Environmental	Yes	Yes	Yes
Property Condition Report	Yes	No	No
Survey	No	No	No
Deposit Relationship Required?	Yes	None	Yes
Other Costs			
Processing Fee/Site Visit	$5,500	$1,500	$0
Lender's Legal Cost Estimate	$0	$0	$0
Escrow Impounds			
Property Taxes	No	No	No
Insurance	No	No	No
Replacement Reserves	No	No	No
Prepayment Penalty			
Lock-Out Period	None	None	None
Method of Prepayment	**3%, 2%, 1%**	**5%, 4%, 3%, 2%, 1%**	**5%, 4%, 3%, 2%, 1%**
Open Period	**Last 7 Years**	**Last 5 Years**	**Last 5 Years**
Recourse/Non-Recourse	**Recourse**	**Recourse**	**Recourse**

Doug Marshall, CCIM
Marshall Commercial Funding, Inc

Call today for a no obligation
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Financing for Investor Owned Auto Repair Shop
Estimated Sources & Uses Statement

	Lender #1	Lender #2	Lender #3
SOURCES			
Loan Amount	1,200,000	1,590,000	1,680,000
Cash From Borrower	0	0	0
Total Sources	**$1,200,000**	**$1,590,000**	**$1,680,000**
USES			
Cash To Borrower	**168,950**	**552,963**	**647,079**
Pay Off Existing Mortgage	1,000,000	1,000,000	1,000,000
Repair Holdback	0	0	0
Financing Charges			
Financing Fee	12,000	23,850	21,000
Appraisal	4,500	4,500	4,500
Environmental Report	2,000	2,000	2,000
Property Condition Report	2,800	0	0
Survey	0	0	0
Processing Fee	5,500	1,500	0
Miscellaneous Lender Fees	0	0	0
Title Policy Insurance	3,000	3,750	3,937
Escrow	750	938	984
Miscellaneous Closing Costs	500	500	500
Total Financing Charges	**31,050**	**37,038**	**32,921**
Total Uses	**$1,200,000**	**$1,590,000**	**$1,680,000**

Financing for Investor Owned Auto Repair Shop
Monthly Cash Flow After Debt Service

No. of sq.ft. 6,870	Lender #1	Lender #2	Lender #3
INCOME			
1. Rental Income	$150,000	$150,000	$150,000
2. CAM Reimbursements	$0	$0	$0
3. Vacancy & Credit Loss	$0	$0	$0
4. EFFECTIVE GROSS INCOME	**$150,000**	**$150,000**	**$150,000**
EXPENSES			
5. Property Taxes	0	0	0
6. Insurance	0	0	0
7. Repairs & Maintenance	0	0	0
8. Elevator Maintenance	0	0	0
9. Utilities	0	0	0
10. Security	0	0	0
11. Landscape Maintenance	0	0	0
12. Management Fee @ 3%	0	0	0
13. Replacement Reserves @ 2%	3,000	3,000	3,000
14. TOTAL OPERATING EXPENSES	**$3,000**	**$3,000**	**$3,000**
15. % Expense/Effective Gross Income	2.0%	2.0%	2.0%
16. Expense Per Unit or Square Feet	$0.44	$0.44	$0.44
17. CASH FLOW BEFORE DEBT SERVICE	**$147,000**	**$147,000**	**$147,000**
18. Monthly Net Income	$12,250	$12,250	$12,250
19. Loan Amount	$1,200,000	$1,590,000	$1,680,000
20. Interest Rate	4.09%	4.97%	4.74%
21. Amortized or Interest Only?	Amortized	Amortized	Amortized
22. Amortization	20	25	25
23. Less: Mortgage Payment	**$7,329**	**$9,267**	**$9,568**
24. CASH FLOW AFTER DEBT SERVICE	**$4,921**	**$2,983**	**$2,682**

Financing for Investor Owned Auto Repair Shop
Before & After Tax Return on Equity

	Lender #1	Lender #2	Lender #3
PROJECTED TAXABLE INCOME			
NET CASH FLOW BEFORE DEBT SERVICE	$147,000	$147,000	$147,000
Annual Interest Expense	48,343	78,280	79,632
Cost Recovery (Depreciation)	69,811	69,811	69,811
TAXABLE INCOME	$28,846	($1,091)	($2,443)
CASH FLOW BEFORE & AFTER TAXES			
Net Operating Income	$147,000	$147,000	$147,000
Annual Debt Debt Service	87,946	111,207	114,820
CASH FLOW BEFORE TAXES	**$59,054**	**$35,793**	**$32,180**
Tax Liability @ 30%	8,654	(327)	(733)
CASH FLOW AFTER TAXES	$50,401	$36,121	$32,913
RETURN ON EQUITY			
BEFORE TAX	**4.9%**	**4.4%**	**4.5%**
AFTER TAX	4.2%	4.5%	4.6%

DEPRECIATION AND TAX ASSUMPTIONS	
Estimated Value	$2,400,000
Building Value as % of Total Value	80%
Depreciation Schedule	
Apartments	3.636%
Commercial Buildings	2.564%
Ordinary Income Tax Rate:	30%

Amortization Schedule

Lender #1

Original Mortgage Balance:	1,200,000
Interest Rate:	4.090%
Amortization in Years:	20

Month	P&I	Interest	Principal	UPB
				1,200,000.00
1	7,328.80	4,090.00	3,238.80	1,196,761.20
2	7,328.80	4,078.96	3,249.84	1,193,511.36
3	7,328.80	4,067.88	3,260.91	1,190,250.45
4	7,328.80	4,056.77	3,272.03	1,186,978.42
5	7,328.80	4,045.62	3,283.18	1,183,695.24
6	7,328.80	4,034.43	3,294.37	1,180,400.87
7	7,328.80	4,023.20	3,305.60	1,177,095.27
8	7,328.80	4,011.93	3,316.87	1,173,778.41
9	7,328.80	4,000.63	3,328.17	1,170,450.24
10	7,328.80	3,989.28	3,339.51	1,167,110.72
11	7,328.80	3,977.90	3,350.90	1,163,759.83
12	7,328.80	3,966.48	3,362.32	1,160,397.51

48,343.09 Total Interest Year 1

Lender #2

Original Mortgage Balance:	1,590,000
Interest Rate:	4.970%
Amortization in Years:	25

Month	P&I	Interest	Principal	UPB
				1,590,000.00
1	9,267.21	6,585.25	2,681.96	1,587,318.04
2	9,267.21	6,574.14	2,693.07	1,584,624.97
3	9,267.21	6,562.99	2,704.22	1,581,920.75
4	9,267.21	6,551.79	2,715.42	1,579,205.32
5	9,267.21	6,540.54	2,726.67	1,576,478.65
6	9,267.21	6,529.25	2,737.96	1,573,740.69
7	9,267.21	6,517.91	2,749.30	1,570,991.39
8	9,267.21	6,506.52	2,760.69	1,568,230.70
9	9,267.21	6,495.09	2,772.12	1,565,458.58
10	9,267.21	6,483.61	2,783.60	1,562,674.97
11	9,267.21	6,472.08	2,795.13	1,559,879.84
12	9,267.21	6,460.50	2,806.71	1,557,073.13

78,279.67 Total Interest Year 1

Amortization Schedule

Lender #3

Original Mortgage Balance:	1,680,000
Interest Rate:	4.740%
Amortization in Years:	25

Month	P&I	Interest	Principal	UPB
				1,680,000.00
1	9,568.31	6,636.00	2,932.31	1,677,067.69
2	9,568.31	6,636.00	2,932.31	1,674,135.38
3	9,568.31	6,636.00	2,932.31	1,671,203.07
4	9,568.31	6,636.00	2,932.31	1,668,270.75
5	9,568.31	6,636.00	2,932.31	1,665,338.44
6	9,568.31	6,636.00	2,932.31	1,662,406.13
7	9,568.31	6,636.00	2,932.31	1,659,473.82
8	9,568.31	6,636.00	2,932.31	1,656,541.51
9	9,568.31	6,636.00	2,932.31	1,653,609.20
10	9,568.31	6,636.00	2,932.31	1,650,676.89
11	9,568.31	6,636.00	2,932.31	1,647,744.58
12	9,568.31	6,636.00	2,932.31	1,644,812.26
		79,632.00	Total Interest Year 1	