Financing for a Single, Non-Credit Tenant Retail Property

Transaction Summary

Date: November 2012

Property Description: An 8,000 sq. ft. retail store with a glass and aluminum store front constructed in 2009. The property is in good condition with excellent drive-by traffic.

Tenant: The tenant is a well-recognized national retailer but the company has **no credit rating**. The franchisee owns several stores and is well qualified and financially profitable.

Lease Term: 15 years with two, 5 year lease options

Purchase Price: $1,550,000

Requested Loan Amount: $875,000 (56.5% LTP)

Financing Issues: There were two financing issues:

1) Because the tenant had no credit rating, several lenders expressed no interest. Eleven lenders were contacted. Six submitted LOIs; and,

2) The loan had to close by year end which was less than 50 days away, a very tight time frame. Two lenders said they couldn't make the deadline but four lenders said they could do it that quickly.

The four lender quotes are shown on the following page.

SINGLE, NON-CREDIT TENANT RETAIL PROPERTY
LOAN QUOTE COMPARISON

November 2012

Lender Type:	Lender #1	Lender #2	Lender #3	Lender #4
Loan Amount:	$875,000	$875,000	$875,000	$825,000
Estimated Value:	$1,550,000	$1,550,000	$1,550,000	$1,550,000
Loan To Value:	56.5%	56.5%	56.5%	53.2%
Indicated Interest Rate	4.500%	4.750%	4.750%	5.250%
Interest Rate Calculation:	Actual/360	30/360	30/360	30/360
Underwriting Criteria				
Maximum LTV:	70.0%	70.0%	65.0%	n/a
Minimum DSCR:	1.35	1.25	1.30	n/a
Loan Term:	5 + 5 + 5 + 5 + 5	10	10	15 + 5 + 5
Amortization Period:	25	25	25	25
Rate Lock When?	At Applicaction	At Closing	At Closing	At Application
Rate Lock Fee:	n/a	n/a	n/a	n/a
How long?	n/a	n/a	n/a	n/a
Refundable?	n/a	n/a	n/a	n/a
Monthly Loan Constant:	0.5558%	0.5701%	0.5701%	0.5992%
Total Loan Fees (Lender/Mtg Broker):	2.0%	1.0%	2.0%	3.0%
Application Deposit	$0	$3,500	$2,000	$8,500
Are costs capped?	no	no	no	no
To be used for:		3rd party reports	3rd party reports	appraisal and processing fee
Third Party Reports Required				
Appraisal	$3,700	$3,700	$3,700	$3,700
Level I Environmental Report	no	no	$2,200	$2,200
Property Condition	no	no	no	no
ALTA Survey	no	no	no	no
Other Costs				
Processing Fee/Site Visit	$250	$0	$0	$0
Lender's Legal Cost Estimate	$0	$0	$0	$0
Escrow Impounds				
Property Taxes	no	no	no	yes
Insurance	no	no	no	no
Tenant Impr & Leasing Comm Res.	no	no	no	no
Replacement Reserves	no	no	no	no
Assumable loan?	no	no	no	yes
Prepayment Penalty				
Lock-Out Period	none	none	none	2 Years
Method of Prepayment	2% except for sale	5-4-3-2-1	5-4-3-2-1	Yield Maintenance
Open Period	none	Last 5 years	Last 5 years	Last 90 days
Recourse/Non-Recourse	recourse	recourse	recourse	recourse

SINGLE, NON-CREDIT TENANT RETAIL PROPERTY
ESTIMATED SOURCES AND USES STATEMENT

	Lender #1	Lender #2	Lender #3	Lender #4
SOURCES				
Loan Amount	875,000	875,000	875,000	825,000
Cash From Borrower	699,880	690,880	701,830	759,080
Total Sources	**$1,574,880**	**$1,565,880**	**$1,576,830**	**$1,584,080**
USES				
Cash To Borrower	0	0	0	0
Purchase Price	1,550,000	1,550,000	1,550,000	1,550,000
Prorated Property Taxes	0	0	0	0
Financing Charges				
Financing Fee	17,500	8,750	17,500	24,750
Appraisal & Review	3,700	3,700	3,700	3,700
Level 1 Environmental Report & Review	0	0	2,200	2,200
Property Condition Report	0	0	0	0
Appraisal Review Fee	0	0	0	0
Environmental Review Fee	0	0	0	0
Lender Legal	0	0	0	0
Processing/Inspection Fee	250	0	0	0
Miscellaneous Lender Costs	0	0	0	0
Title Policy Insurance	2,344	2,344	2,344	2,344
Escrow	586	586	586	586
Miscellaneous Closing Costs	500	500	500	500
Total Financing Charges	24,880	15,880	26,830	34,080
Total Uses	**$1,574,880**	**$1,565,880**	**$1,576,830**	**$1,584,080**

Disclaimer: This Sources and Uses Statement is only a preliminary estimate. The financing fee is a function of the loan amount which has yet to be determined. Other financing charges shown above, the appraisal, the environmental report, etc. are based on usual and customary charges and should not be considered actual quotes.

SINGLE, NON-CREDIT TENANT RETAIL PROPERTY
MONTHLY CASH FLOW AFTER DEBT SERVICE

Square Feet: 7,912

	Lender #1	Lender #2	Lender #3	Lender #4
INCOME				
1. Rental Income	$104,625	$104,625	$104,625	$104,625
2. CAM Reimbursements	$16,000	$16,000	$16,000	$16,000
3. Miscellaneous Income	0	0	0	0
4. GROSS INCOME	120,625	120,625	120,625	120,625
5. Vacancy & Credit Loss	0	0	0	0
6. EFFECTIVE GROSS INCOME	**$120,625**	**$120,625**	**$120,625**	**$120,625**
Operating Expenses				
7. Management Fee	2,413	2,413	2,413	2,413
8. Maintenance & Repair	0	0	0	0
9. Property Taxes	12,000	12,000	12,000	12,000
10. Electricity	0	0	0	0
11. Water & Sewer	0	0	0	0
12. Garbage Removal	0	0	0	0
13. General & Administrative	0	0	0	0
14. Insurance	4,000	4,000	4,000	4,000
15. Landscaping	0	0	0	0
16. Replacement Reserves	2,413	2,413	2,413	2,413
17. LC & TI Reserves	0	0	0	0
18. TOTAL OPERATING EXPENSES	**$20,826**	**$20,826**	**$20,826**	**$20,826**
19. % Expense/Effective Gross Income	17.3%	17.3%	17.3%	17.3%
20. Expense Per Unit or Square Feet	$2.63	$2.63	n/a	n/a
21. CASH FLOW BEFORE DEBT SERVICE	**$99,799**	**$99,799**	**$99,799**	**$99,799**
22. Monthly Net Income	$8,317	$8,317	$8,317	$8,317
23. Loan Amount	$875,000	$875,000	$875,000	$825,000
27. Interest Rate	4.50%	4.75%	4.750%	5.250%
28. Amortization	25	25	25	25
29. Less: Mortgage Payment	$4,864	$4,989	$4,989	$4,944
30. CASH FLOW AFTER DEBT SERVICE	**$3,453**	**$3,328**	**$3,328**	**$3,373**

SINGLE, NON-CREDIT TENANT RETAIL PROPERTY
BEFORE & AFTER TAX RETURN ON EQUITY

	Lender #1	Lender #2	Lender #3	Lender #4
PROJECTED TAXABLE INCOME				
NET CASH FLOW BEFORE DEBT SERVICE	$99,799	$99,799	$99,799	$99,799
Annual Interest Expense	39,244	41,424	41,424	43,168
Cost Recovery (Depreciation)	31,794	31,794	31,794	31,794
TAXABLE INCOME	$28,762	$26,581	$26,581	$24,837
CASH FLOW BEFORE & AFTER TAXES				
Net Operating Income	$99,799	$99,799	$99,799	$99,799
Annual Debt Debt Service	58,362	59,862	59,862	59,326
CASH FLOW BEFORE TAXES	$41,437	$39,937	$39,937	$40,473
Tax Liability @ 25%	7,190	6,645	6,645	6,209
CASH FLOW AFTER TAXES	$34,246	$33,291	$33,291	$34,264
RETURN ON EQUITY				
BEFORE TAX	6.1%	5.9%	5.9%	5.6%
AFTER TAX	5.1%	4.9%	4.9%	4.7%

DEPRECIATION AND TAX ASSUMPTIONS	
Estimated Value	$1,550,000
Building Value as % of Total Value	80%
Depreciation Schedule	
Apartments	3.636%
Commercial Buildings	2.564%
Ordinary Income Tax Rate:	25%