Financing for Multi-Tenanted Unanchored Retail

Transaction Summary

Date: June 2012

Property Description: 12,720 SF retail building built in 2001 in good condition. The property is 100% occupied with six tenants.

Purchase Price: $2,100,000

Requested Loan Amount: $1,365,000 (65% LTV)

Financing Issues: There are no issues with the property that would hinder financing the property. The borrower was financially strong with good real estate experience.

Borrower's Financing Request: The borrower wanted a 65% loan with as long a loan term as possible and with a competitive interest rate.

Financing Solution: Seven lenders were contacted, of which six lenders responded with letters of interest. The best four quotes are shown on the following page.

MULTI-TENANTED UNANCHORED RETAIL
LOAN QUOTE COMPARISON

June 2012

Lender Type:	Lender #1	Lender #2	Lender #3	Lender #4
Loan Amount:	$1,365,000	$1,375,000	$1,365,000	$1,360,000
Estimated Value:	$2,100,000	$2,100,000	$2,100,000	$2,100,000
Loan To Value:	65.0%	65.5%	65.0%	64.8%
Indicated Interest Rate	4.700%	5.000%	5.125%	4.850%
Interest Rate Calculation:	30/360	Actual/360	30/360	30/360
Underwriting Criteria				
Maximum LTV:	65.0%	70.0%	65.0%	n/a
Minimum DSCR:	1.40	1.30	1.40	n/a
Loan Term:	5 + 5	7 + 3	10	15
Amortization Period:	25	30	30	15
Rate Lock When?	At Application	None	At Application	45 days from app
Rate Lock Fee:	.125% or .25%	n/a	0.25%	1.0%
How long?	60 or 90 days	n/a	90 days	no limit
Refundable?	no	n/a	yes	yes
Monthly Loan Constant:	0.5672%	0.5368%	0.5445%	0.7830%
Total Loan Fees (Lender/Mtg Broker):	1.0%	2.0%	1.0%	2.0%
Application Deposit	$3,500	$10,000	$8,000	$8,500
Are costs capped?	no	no	no	no
To be used for:	appraisal + misc. reports	3rd party reports proc. fee + legal	3rd party reports processing fee	appraisal and processing fee
Third Party Reports Required				
Appraisal	$3,000	$3,500	$4,000	$4,500
Level I Environmental Report	no	$2,000	$1,750	$2,600
Property Condition	no	$2,100	no	no
ALTA Survey	no	maybe	no	no
Other Costs				
Processing Fee/Site Visit	no	$5,000	$3,000	$3,500
Lender's Legal Cost Estimate	no	no	$0	no
Escrow Impounds				
Property Taxes	yes	yes	yes	no
Insurance	yes	yes	no	no
Tenant Impr & Leasing Comm Res.	no	$0.61 per SF	no	no
Replacement Reserves	no	maybe	no	no
Assumable loan?	no	no	yes	yes
Prepayment Penalty				
Lock-Out Period	none	none	none	none
Method of Prepayment	2-2-2-2-1-1	none	5-4-3-2-1	Yield Maintenance
Open Period	Last 4 years	open	Last 5 years	Last 90 days
Recourse/Non-Recourse	recourse	recourse	recourse	recourse

MULTI-TENANTED UNANCHORED RETAIL
ESTIMATED SOURCES AND USES STATEMENT

	Lender #1	Lender #2	Lender #3	Lender #4
SOURCES				
Loan Amount	1,365,000	1,375,000	1,365,000	1,360,000
Cash From Borrower	756,933	771,588	756,838	782,488
Total Sources	**$2,121,933**	**$2,146,588**	**$2,121,838**	**$2,142,488**
USES				
Cash To Borrower	0	0	0	0
Purchase Price	2,100,000	2,100,000	2,100,000	2,100,000
Prorated Property Taxes	0	0	0	0
Financing Charges				
Financing Fee	13,650	27,500	13,650	27,200
Appraisal & Review	3,000	3,500	3,500	4,500
Level 1 Environmental Report & Review	145	2,000	0	2,600
Property Condition Report	0	2,100	0	0
Appraisal Review Fee	350	800	0	0
Environmental Review Fee	0	500	0	0
Lender Legal	0	0	0	0
Processing/Inspection Fee	0	5,000	0	3,500
Miscellaneous Lender Costs	100	500	0	0
Title Policy Insurance	3,350	3,350	3,350	3,350
Escrow	838	838	838	838
Miscellaneous Closing Costs	500	500	500	500
Total Financing Charges	21,933	46,588	21,838	42,488
Total Uses	**$2,121,933**	**$2,146,588**	**$2,121,838**	**$2,142,488**

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 engineering report, etc. are based on usual and customary charges and should not be considered actual quotes.

MULTI-TENANTED UNANCHORED RETAIL
MONTHLY CASH FLOW AFTER DEBT SERVICE

Square Feet: 12,720

	Lender #1	Lender #2	Lender #3	Lender #4
INCOME				
1. Rental Income	$201,156	$201,156	$201,156	$201,156
2. CAM Reimbursements	$33,487	$33,487	$33,487	$33,487
3. Miscellaneous Income	1,000	1,000	1,000	1,000
4. GROSS INCOME	235,643	235,643	235,643	235,643
5. Vacancy & Credit Loss	(18,851)	(18,851)	(18,851)	(18,851)
6. EFFECTIVE GROSS INCOME	**$216,792**	**$216,792**	**$216,792**	**$216,792**
CAM Expenses				
7. Property Management	4,200	4,200	4,200	4,200
8. Landscaping	5,881	5,881	5,881	5,881
9. Property Taxes	16,969	16,969	16,969	16,969
10. Utilities	12,000	12,000	12,000	12,000
11. Maintenance & Repair	1,200	1,200	1,200	1,200
12. Replacement Reserves	6,360	6,360	6,360	6,360
Landlord Expenses				
13. Administrative	300	300	300	300
14. Insurance	1,411	1,411	1,411	1,411
15. Maintenance	1,500	1,500	1,500	1,500
16. Utilities	100	100	100	100
17. LC & TI Reserves	6,360	6,360	6,360	6,360
18. TOTAL OPERATING EXPENSES	**$56,281**	**$56,281**	**$56,281**	**$56,281**
19. % Expense/Effective Gross Income	26.0%	26.0%	26.0%	26.0%
20. Expense Per Unit or Square Feet	$4.42	$4.42	n/a	n/a
21. CASH FLOW BEFORE DEBT SERVICE	**$160,511**	**$160,511**	**$160,511**	**$160,511**
22. Monthly Net Income	$13,376	$13,376	$13,376	$13,376
23. Loan Amount	$1,365,000	$1,375,000	$1,365,000	$1,360,000
27. Interest Rate	4.70%	5.00%	5.125%	4.850%
28. Amortization	25	30	30	15
29. Less: Mortgage Payment	$7,743	$7,381	$7,432	$10,649
30. CASH FLOW AFTER DEBT SERVICE	**$5,633**	**$5,995**	**$5,944**	**$2,727**

MULTI-TENANTED UNANCHORED RETAIL
BEFORE & AFTER TAX RETURN ON EQUITY

	Lender #1	Lender #2	Lender #3	Lender #4
PROJECTED TAXABLE INCOME				
NET CASH FLOW BEFORE DEBT SERVICE	$160,511	$160,511	$160,511	$160,511
Annual Interest Expense	63,941	68,559	69,762	65,594
Cost Recovery (Depreciation)	43,075	43,075	43,075	43,075
TAXABLE INCOME	$53,495	$48,877	$47,674	$51,842
CASH FLOW BEFORE & AFTER TAXES				
Net Operating Income	$160,511	$160,511	$160,511	$160,511
Annual Debt Debt Service	92,915	88,576	89,187	127,786
CASH FLOW BEFORE TAXES	$67,596	$71,935	$71,324	$32,725
Tax Liability @ 25%	13,374	12,219	11,918	12,961
CASH FLOW AFTER TAXES	$54,223	$59,716	$59,406	$19,765
RETURN ON EQUITY				
BEFORE TAX	9.2%	9.9%	9.7%	4.4%
AFTER TAX	7.4%	8.2%	8.1%	2.7%

DEPRECIATION AND TAX ASSUMPTIONS	
Estimated Value	$2,100,000
Building Value as % of Total Value	80%
Depreciation Schedule	
Apartments	3.636%
Commercial Buildings	2.564%
Ordinary Income Tax Rate:	25%