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## **BORROWERS TAP SMALLER PREFERRED EQUITY DEALS**

Count on increased demand for preferred equity under \$5M, as borrowers stretch to fill the gap created by aggressive pricing. Keep an eye out for select players, including funds, high net worth individuals and family office investors, to get involved in these smaller deals. Few institutional investors will consider pref equity deals under \$10M. As pref equity becomes a safer vehicle, look for more investors to ponder smaller deals. Leverage will total 85% or 90% of the capital stack and 80% of the equity tranche. Pricing will be mid-teens to 20%.

**Regional Capital Group's** pref equity investments will start at \$1M. The lender targets upper teens to 20% returns. Retail, warehouse, multifamily and office will be targeted. **Pensam Capital** will provide equity starting at \$1M for multifamily properties, including those with rehab and limited construction needs. Pricing starts at 15% for stable properties and increases according to risk. **Newport Capital Advisors'** pref equity sweet spot will be \$1M to \$5M. The lender looks for low double-digit returns. Newport teams up with Fannie Mae on multifamily transactions, but other property types could be in the cards. Odds are other pref equity lenders will follow.

## DEAL OF THE WEEK

Property Type: Self-Storage Facility in Chantilly, Va.  
 Loan: \$4.9M refi  
 Lender: **Basis Investment Group**  
 Leverage: Sub 60%  
 Rate: 5.03%

This loan includes five years of interest-only terms, whereas most lenders will top out at two or three years. Basis was comfortable providing these terms due to the lower leverage. The lender was eagerly flexible with terms to help build a relationship with the borrower for future deals. The strong submarket, stable occupancy history and borrower's track record of owning other facilities in the area all helped finalize this deal.

The borrower wanted to refinance the existing bank recourse loan with a non-recourse deal, which made CMBS an ideal fit. The 10-year loan has a 30-year amortization schedule. DSC was a 1.70x minimum. Debt yield was an 11.75% minimum.

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### BRIDGE LENDERS BREAK ON RATES...

*Continued from Page 1*

**Regional Capital Group** will provide bridge money from \$1M to \$50M. The four food groups, plus hotels and self storage will be on the docket. Rates will be between 7% and 12%. **Avant Capital** will allocate bridge loans from \$1M to \$30M. Multifamily, retail and condos will be targeted. Leverage will be 60% to 65% and rates will be 8% to 14%, depending on cash flow.

**Lone Oak Fund** will play in the \$1M to \$12.5M space. Rates will be 7.9% to 9.9%. Look for **Sterling Commercial Capital's** typical bridge loan to be between \$3M and \$5M, with interest from 10% to 16%. The lender will work with any income producing property, including hotels. **Hudson Realty Capital** will originate loans in the \$5M to \$50M range. Rates will be 6% to 12%. **Lexden Capital** holds enough equity for \$400M in bridge loans. Pricing will be between 7% and 9% and loans will be \$5M to \$50M. Office, retail, warehouse/industrial and multifamily will be considered. **W Financial** will close bridge loans quickly and compete on deals it would not have considered a year ago.

More bridge lenders could start to shift focus toward retail and office going forward. Multifamily, condo portfolio loans and residential construction completion will dominate the sector. Look for a pickup in bridge deals in Florida, the Midwest, Georgia and Virginia. Coastal California cities from San Diego to San Francisco will see an uptick of activity. Lenders will want enough cash flow to support future permanent financing and target three to four months of cash in the bank. Borrowers will need experience, exit strategies and favorable liquidity. Lenders will be cautious of borrowers taking out a bridge loan to replace a previous bridge loan.

CONSIDER SINGLE TENANT INDUSTRIAL

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**LENDERS CONSIDER SINGLE-TENANT INDUSTRIAL...**

*Continued from Page 2*

Going forward, expect big banks such as **Chase, BofA, Wells Fargo** and **Citi** to consider single-tenant deals with strong borrowers. Look for more deals from **EverBank** as it buys the former **GE** single-tenant credit lending group.

Count on lenders to require recourse for protection against the possibility of the tenant vacating. Lenders will look at the credit of the tenant and borrower, strength of the location and re-lease ability of space. Typically, industrial leases tend to be short, which could keep lenders at bay. Industrial tenants won't be as focused on the particular site as tenants of other property types. Many lenders, including conduits, will require that the lease term exceed the loan term. Tenants with positive trending financials and successful operating histories will be preferred.

## DEALMAKER DATABANK

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Capital Advisors teams up with UBS to provide two shopping center refi loans. Bryan Station received \$2.5M, while Brannon Crossing obtains \$4.3M. LTV was 60% on both loans. Interest came in at 5.20%. These were 10-year loans, with 30-year amortizations.

Dockerty & Romer provides a \$23M permanent loan for a three-building industrial portfolio in Miami with New York Life. This was a 10-year, fixed-rate loan. The lender liked the location near the airport and institutional pension fund borrower.

HFF secures construction financing with Wells Fargo and JV equity through Principal Real Estate Investors for the development of 500 Madison, a mixed-use project in Alexandria, Va.

HFF closes a \$43M refi loan for The Plaza at Encinitas Ranch, a retail center in Encinitas, Calif. A life insurance company provided the 13-year loan. Interest came in around the low 4% range. LTV was 60%. DSC was 1.40x. Debt yield was sub 10%.

Marcus & Millichap secures \$6.9M for a six-property student housing portfolio across Kutztown University and Penn State University's Harrisburg campus. Wood and Banas also arrange \$6.9M in two loans for student housing portfolios at Temple University and University of Pennsylvania.

Meridian originates \$200M with Cantor Commercial Real Estate to refinance a retail and office asset in Manhattan, N.Y. LTV was approximately 50%. This was a 10-year, fixed-rate loan.

Newmark closes a \$7M non-recourse refi for South Bay Distribution Center, an industrial park in Chula Vista, Calif., with an East Coast institutional lender. This was a 10-year loan, with 30-year amortization.

NorthMarq arranges a \$28.25M conduit refi with Wells Fargo for Rooney Ranch, an anchored and shadow-anchored retail center in Oro Valley, Ariz. LTV was 75%. Debt yield came in at 9%. This was a 10-year loan, with 30-year amortization.

NorthMarq teams up Webster Bank and Fulton Bank to provide a \$29.5M construction loan for Bakers Square Shopping Center, a retail center in Philadelphia. LTC was 59%. The loan has a 20-year term, with 30-year amortization and a floating rate.

Thomas D. Wood works with Advantus to arrange a \$5.5M refi for industrial buildings in Tampa, Fla. LTV came in at 65%. Interest was fixed at 5%. DSC was 1.60x, while debt yield was 13%. This was a 10-year loan with 25-year amortization.

## STUDENT HOUSING LENDERS LOOSEN

Look for student housing lenders to expand on fundamentals such as asset location, market and quality, as well as sponsor strength and experience. Agency lenders such as **Arbor Commercial Mortgage** will