

Robert T. Gibney & Associates

Commercial Real Estate Financing from \$200,000

"Selecting the lender is as important as choosing the loan program"

LENDING UPDATE 11/1/06



Deal Summary

Sand Painter Apartments -2225 W Indian School
116 Units

Sales Price \$6,206,000 \$53,500/Unit

\$2,231,000 Cash Down / 36%

\$3,975,000 Loan Amount / 5-year term / 6.36% Fixed Rate / Non-Recourse with carve-outs

Underwriting Issues

Below-Market Rent – Buyers determined that there was a potential to increase rents to align the property with comparable apartments in the sub-market.

Operating Expenses – Buyers plan to reduce operating expenses by improving the efficiency of the property operations over the first 12 months of ownership.

Annual Debt Service – Buyers requested a loan that would provide reduced debt service for the first 12 months during the transition period of their new property management.

Non-Recourse Financing – The investment group required non-recourse financing to meet the needs of the LLC members.

Expected Hold-Time – Buyers want the option to sell the property in 3-5 years.

Financing Solution

We identified a loan designed for this situation using the following underwriting criteria:

- Interest-only payments for 1st year – then 30-year amortization for remaining loan term
- Non-Recourse with carve-outs
- 5-Year fixed rate priced at 160 over the 5-Year Treasury – 6.36%
- Prepayment Penalty- 5,4,3,2,1

Testimonial

"Bob Gibney, functioning as mortgage broker, was key to the successful close of the Sand Painter Apartments. He worked tirelessly to guarantee that my clients received the best care and the best loan for the project. I have used and recommended Bob for many transactions and I will continue to do so in the future" – Thom Khaler, designated broker HRN Realty

Similar loans are available that may help you to negotiate your next real estate transaction.

I invite you to call or email me to discuss your client's financing needs.

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