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THE DAILY NEWSLETTER OF THE MORTGAGE BANKERS ASSOCIATION

Dealmaker: Continental Funding Group Secures \$21M

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August 23, 2016

Continental Funding Group, Los Angeles, arranged \$20.9 million for California multifamily and industrial assets.

CFG President Mitch Paskover arranged a \$12.7 million non-recourse loan to finance a Redwood City, Calif. multifamily property.

Paskover said the client, which specializes in value-add opportunities, identified a property with below-market rents. It plans to invest nearly \$1.1 million to renovate the asset to stabilize the property and increase rents.

The three-year bridge loan, which included an interest reserve and renovations costs, priced at 30-day LIBOR plus 515 basis points and allows the borrower to pay the loan off after 12 months without any prepayment

premiums. "This structure provided maximum flexibility for the client to utilize equity that they had on hand to improve their internal rate of return while also providing the bank control of the renovation releases," Paskover said.

CFG Director Eugene Rutenberg also secured \$8.23 million for three Class A industrial assets totaling 105,000 square feet in the greater Los Angeles area.

"Industrial is one the hottest asset classes in the greater Los Angeles area," Rutenberg said. "As demand for premium industrial space continues to surge throughout the Los Angeles region, vacancy rates have reached a record low. The limited supply of industrial product, coupled with enormous demand from distribution and manufacturing tenants, is driving rental rates, resulting in increased lending activity for this property type."

CoStar, Washington, D.C., reported an average rental rate for industrial space in the greater Los Angeles region of \$9.45 per square foot at mid-year, up 3.1 percent increase from the first quarter.

"Based on these strong economic indicators, our strategy was to secure exceedingly aggressive terms on behalf of our sponsors to capitalize on the growth of this robust and dynamic industrial market," Rutenberg said.

In the first transaction, CFG arranged \$4.48 million loan to refinance two single-tenant industrial properties in Valencia and Santa Ana, Calif. "Despite the strength of the SoCal industrial market, the tenant base for each of these properties presented an initial challenge in attracting lender interest," Rutenberg said. "Both assets were comprised of single non-credit tenants, each with fewer than three years remaining on their respective leases. While most lenders will originate loans with competitive terms for properties that are leased to credit tenants, lenders are typically more conservative when it comes to financing non-credit-tenanted assets."

Rutenberg said CFG found a portfolio lender that originated a fixed-rate loan at 3.55 percent. The 10-year non-recourse loan closed with a 58 percent loan-to-value ratio.

In addition to the Valencia and Santa Ana industrial assets, CFG arranged a \$3.75 million bridge loan to refinance a single-tenant industrial property in Van Nuys, which is in Los Angeles' San Fernando Valley submarket.

"The San Fernando Valley is booming in terms of economic growth, increasing lender confidence in this market," Rutenberg said. He secured a non-recourse loan that offered the private owner sponsor two years of interest-only financing with no prepayment premium and a sub-8 percent

fixed rate.

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