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Continental Partners Arranges Acquisition And Renovation Financing For Office To Micro-Unit Multifamily Conversion In Downtown San Francisco

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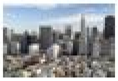
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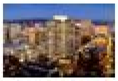
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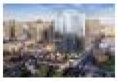
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MORE BREAKING NEWS

SAN FRANCISCO, Calif. (March 7, 2017) – Commercial real estate investment banking firm Continental Partners has successfully secured $5.3 million in bridge to mini-perm financing for a 7,500 square-foot value-add office building located in the financial district of downtown San Francisco, to be converted into multifamily micro-units. The financing was arranged by Continental Partners Director Eugene Rutenberg.

"Downtown San Francisco's tremendous job growth in the tech and financial services industries is driving demand for quality housing in this thriving market," says Rutenberg. "Due to the high cost of new construction and rising rental rates, however, San Francisco's affordability crisis continues to place enormous pressure on renters. As demand for more affordable housing options continues to outpace supply, there is a unique opportunity for investors to capitalize on this demand by converting existing office space into more affordable micro-units."

While rents will likely moderate for new Class A luxury multifamily product, rental growth will flourish for Class B and C assets, creating an opportunity for value-add investors in San Francisco to provide quality housing at a discount to new construction, according to Rutenberg.

The sponsor, a professional real estate investor specializing in value-add investments, needed a competitive loan to finance the acquisition and renovation of a Class B office building into multifamily units. According to Rutenberg, the sponsor requested a flexible bridge to mini-perm loan to renovate and stabilize the asset.

"Despite the value-add potential in this market where supply is severely limited and demand is extraordinary, the challenge was that most lenders were having a difficult time getting their credit committees comfortable with this project, as well as reaching initial proceeds given the multifamily conversion of this building," explains Rutenberg.

"Further, many lenders are being more conservative in their underwriting given the concern that the

"Further, many lenders are being more conservative in their underwriting given the concern that the multifamily market has reached its peak," continues Rutenberg. "To address these concerns, we focused on demonstrating the sponsor's sound investment strategy, as well as the demand for more affordable housing options."

Continental Partners adopted a strategic approach and provided a number of quality rental comps to justify the projected rents that the property would achieve through a series of targeted capital improvements. Continental Partners delivered substantial evidence that once the value-add business plan is executed, the sponsor would be able to refinance the existing bridge loan into a permanent loan product.

The sponsor intends to invest nearly $2.2 million to perform a complete gut rehabilitation of the office building. Planned improvements include partitioning the space into micro-units, and completing modern finishes that will appeal to millennial renters in this market.

"By emphasizing the strength of the sponsor's value-add investment strategy and the potential for considerable value creation, we were able to successfully secure a lender that would provide a bridge loan facility," Rutenberg affirms. "Upon stabilization of the property, the lender will drop the interest rate approximately 100 basis points and amortize the loan over 25 years for a period of four years after the initial 12 month term."

Based on a deep understanding of the sponsor's business plan and market research, the lender was able to structure a $300,000 interest reserve to cover the debt service shortfall during the renovation period, with the commitment based on a $9 million stabilized value.

Continental Partners secured the $5.3 million loan from a regional bank to finance the total project cost of approximately $7.54 million. The bridge loan was sized to 103 percent of the purchase price, with a loan-to-cost leverage ratio of 71 percent.

About Continental Partners

Continental Partners is a leading national mortgage banking firm based in Los Angeles that provides Market –Smart capital and financial services to real estate owners and developers nationwide. Since its inception, Continental Partners has arranged mortgage loans ranging from $2 million to $200 million for multifamily, office, retail, industrial, hotels, mixed-use and self-storage properties.

With its deep expertise in sourcing competitive debt, mezzanine, and joint venture equity, Continental Partners has established long-standing relationships with both lenders and clients, and continues to deliver sound financing solutions to maximize the value of real estate holdings. The firm offers all major loan types, including fixed rate, floating rate, mezzanine, bridge and construction. Information is available at www.contipartners.com.

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