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## Behind the Deal Q&A with Continental Partners' Zalmi Klyne

By Dennis Kaiser

In this current lending environment, there is still plenty of liquidity in the market and strong lender appetite for industrial deals, says Continental Partners' Zalmi Klyne. Recently, the West Hollywood, CA-based firm arranged \$19.2 million in owner-user financing for a 256,000 square-foot industrial property in the Ventura County market.



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We asked Klyne to take a closer look at some of the financing trends that will impact commercial real estate this year, as well as how Continental Partners secured competitive financing for this industrial asset.

**Q: What overarching trends are impacting financing for commercial real estate this year?**

**A:** Interest rates are on the rise, and therefore one major trend that we anticipate to see this year is an increase in loan originations. Many borrowers are looking to secure long-term fixed rate loans now, in order to eliminate the interest rate risk over the next several years.

In addition, we may potentially see a loosening in regulations in regards to financial lending, which in turn will drive healthy lending activity in the year ahead. President Trump recently signed an executive order to repeal Dodd-Frank regulations. If this reversal takes effect, lenders will have greater flexibility and more opportunities to originate loans. That said, this change will not happen overnight, and most industry leaders will adopt a 'wait-and-see' approach.

**Q: What were some of the challenges with arranging financing for this industrial deal, and how did Continental Partners overcome them?**

**A:** The sponsor, an electronic manufacturing firm, had requested a high loan-to-cost, long term fixed-rate loan product to finance the acquisition of an industrial building in Ventura County to serve as its new headquarters. The firm was relocating from downtown LA to Moorpark, and in need of a state-of-the-art facility to support its future growth.

The initial challenge was that the sponsor had already withdrawn two SBA 504 loans in its name on two other properties and maxed out the SBA allowance.

We took a unique approach by utilizing the SBA Green Program, which provides small businesses with additional proceeds upon the integration of sustainable upgrades. The sponsor plans to install solar panels at its property to optimize energy efficiency. In doing so, we were able to secure another \$5.5 million in SBA financing. We also sourced an international portfolio lender that was comfortable enough with the transaction to originate a \$13.7 million first trust deed for a total of \$19.2 million in owner-user financing.

**Q: What are the requirements for applying for SBA financing?**

**A:** To qualify for an SBA loan, the sponsor must be a for-profit business and occupy at least 51% of the subject property. In this case, the sponsor was relocating from a 50,000-square-foot to a 256,000-square-foot building to support its future expansion, meaning it would initially only occupy about 20% of the building. By demonstrating the strength of the sponsor's business strategy and plans for growth, however, we were able to secure the necessary financing and meet the borrower's objectives with an optimal financing solution.

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For comments, questions or concerns, please contact Dennis Kaiser



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