Continental Partners Secures Financing for SF Conversion

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The sponsor plans to convert a a 7,500 square-foot value-add office building into multifamily micro-units.

San Francisco—Continental Partners has secured $5.3 million in bridge to mini-perm financing for the acquisition and conversion of a 7,500 square-foot value-add office building in the San Francisco financial district into multifamily micro-units. The financing was arranged by Continental Partners Director Eugene Rutenberg.


Architectural renderings provided by sponsor

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

Rutenberg pointed out that, by converting existing office space into more affordable micro-units, value-add investors can capitalize on the imbalance between the shortage of affordable housing options, which is due to the high construction costs and rising rental rates, and increasing demand partly brought on by job growth in the tech and financial sectors. He added that while rents will likely moderate for new Class A luxury multifamily product, rental growth will flourish for Class B and C assets.

The firm secured the loan from a regional bank which will finance the total project cost of approximately $7.54 million.

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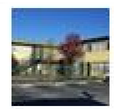
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The bridge loan was sized to 103 percent of the purchase price, with a loan-to-cost leverage ratio of 71 percent.

"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," said Rutenberg in prepared remarks. "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 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.

Renderings courtesy of Continental Partners

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