

DEDICATION AND MARKET RESOURCES YIELD ADDITIONAL \$2 MILLION IN LOAN PROCEEDS

Challenges:

- Lender resists 16-month cash-out period
- One property has high vacancy and impending lease expirations
- Lender wants to retain \$500,000 for tenant improvements and leasing commissions
- Appraiser initially undervalues properties by \$2 million

Results:

- Educated lender on circumstances of initial acquisition, allowing client to receive nearly 2½ times initial cash injection
- Demonstrated that expiring leases were below current market rates and there was more value in attracting new tenants
- Persuaded lender to accept letter of credit in lieu of retaining \$500,000
- Supported higher valuation with comparable properties, which encouraged appraiser to lower cap rates by more than 2 percent

The borrower wanted maximum loan proceeds from a cash-out/refinancing of two retail plazas to purchase other properties. The lender, however, resisted providing a full cash-out because the client had only owned the property for 16 months. In addition, one of the properties was experiencing difficulties, adding to the lender's resistance. The lender also wanted to retain \$500,000 from loan proceeds for tenant improvements and leasing commissions. Initially, the appraiser assumed a 12.5 percent and 9.75 percent cap rate on the two properties, dramatically reducing the amount the borrower would finance.

Marcus & Millichap Capital Corporation's (MMCC) loan officer took a consistent and assertive approach to address these challenges. First, he educated the lender on the circumstances of the initial acquisition and the underlying property

value, allowing the client to receive nearly 2½ times their initial cash investment. Second, he advised the lender about the rent comparables for the properties, demonstrating that the vacating tenants were paying below-market prices and new tenants would boost performance and return. Third, he persuaded the lender to accept a letter of credit rather than holding \$500,000 in loan proceeds. Finally, the MMCC loan officer counseled the appraiser on the circumstances surrounding the acquisition price and, working with Marcus & Millichap's research division, provided comparable data that encouraged the appraiser to reduce the cap rates, resulting in \$2 million more in loan proceeds.

Only an MMCC loan officer has the dedication, knowledge and company resources required to direct a successful outcome such as this for the borrower.