

COMMERCIAL REAL ESTATE TRIAGE FINANCIER

DIFFERENT TYPES OF COMMERCIAL REAL ESTATE TRANSACTIONS

STABILIZED PROPERTIES	UNSTABILIZED OR VALUE-ADDED PROPERTIES	OPPORTUNISTIC PROPERTIES
<p>Permanent financing is for stabilized properties.</p> <p>Common characteristics of stabilized properties are:</p>	<p>Typically shorter term or floating rate financing is more appropriate for value added properties.</p> <p>Common characteristics of value added properties are:</p>	<p>These properties typically require "specialized" financing.</p> <p>The exit strategies for these properties require one of the following key events to happen:</p>
<p>➤ The property is fully leased, rents are at market, and there is current cash flow.</p>	<p>➤ The properties are not fully leased, and/or rents are not at market.</p>	<p>➤ Residential Sale Exits Typically relates back to the strength of the consumer (i.e. residential land and condominiums).</p> <p>➤ Development or Construction The property needs to be built and leased (which creates construction risk and lease-up risk).</p>
<p>➤ There is no more work to be done on the property to "grow or groom" the NOI.</p>	<p>➤ There is work to be done before the property becomes stabilized.</p>	<p>➤ Extensive Renovation or Change of Use The property has no cash flow in the beginning and may need to go through a change of use (i.e. office to apartments).</p> <p>➤ Commercial Sale Exits Typically relates to commercial land that has an exit strategy of sales to commercial developers.</p>
<p>RISK/REWARD</p> <p>The lender or your investor is betting that nothing "bad" will happen to the project cash flows in the future.</p>	<p>Something "good" needs to happen to property cash flow in order to stabilize the property and achieve its business plan. This is also known as the "key event".</p>	<p>Numerous good things need to happen.</p>

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