

COMMERCIAL REAL ESTATE TRIAGE FINANCIER

UNDERSTANDING THE TRANSACTION AND SALES STRATEGIES

1 STRATEGIES FOR INVESTMENT SALES PROFESSIONALS: SELLER'S REPRESENTATIVE

Manage Expectations	New Debt	Rent Roll	Owner's Current Situation	Current Financing
<p>There is a gap today between buyer and seller perceived values.</p> <p>To help bridge this gap, use your knowledge of capital markets and show the seller the buyer's pro-forma.</p>	<ul style="list-style-type: none"> If using the "new underwriting" metrics (80% LTV constraint / 1.25x DSC constraint / 8% loan constant). If the buyer's pro forma is not achieving a mid-teens leveraged ROE, then your seller's pricing may be too high. 	<ul style="list-style-type: none"> Is It ready for sale, or should you spend some time cleaning it up? 	<ul style="list-style-type: none"> Why are they selling today? Is the loan on the property due? (Buyer's will smell trouble). Can it be refinanced in today's market? (If no buyers will smell trouble). What are the alternatives if the property does not sell? (loan restructure). 	<p>Is it assumable? A conduit loan made in 2004-2007 with an assumption option and good terms, could increase the value of the asset today.</p>

2 STRATEGIES FOR LEASING BROKERS: OWNER'S REPRESENTATIVE

- You create the building cash flow with leases.
- Don't sell yourself short - understand cash flow valuation and understand the buildings current debt / equity / NOI.

?	What are the owner's long term objectives with the building?
?	When is the loan on the building due?
?	If the loan is due soon, have they run a refinance pro forma under today's new stricter credit guidelines?
?	If the loan is due soon, can it be easily refinanced based on the current roll, or is the leasing and current vacancy going to materially impact the ability to refinance?

BUYER'S REPRESENTATIVE

Deals today require more equity. Make sure you are working with knowledgeable, qualified buyers who can bring 20-25% equity to the deal.

NOI	Rent Roll	Debt Markets	Return Thresholds
<p>Focus on the trailing - 12 month NOI, not pro forma NOI.</p>	<p>Understand the tenant mix, and discount the revenue from tenants who may not qualify for underwriting purposes (i.e. month to month tenants, those with escape clauses, etc.), as this income will not be "counted" by the lenders.</p>	<p>Bridge lender vs. bank, vs. life company.</p>	<p>Understand buyers ROE expectations and match that expectation with current debt markets.</p>

TENANT'S REPRESENTATIVE

- "Reverse engineer" the potential building your client's are looking at.
- You can help give a better lease for the client if you know the situation of each building's owner.

?	When is the loan on the building maturing?
?	What type of financing is on the building (conduit, bank, life company, etc.)?
?	Does the building have secondary debt (mezzanine loan)?
?	When was the loan made (look for when it was last sold)?

The Key Point: How bad does the building need tenants?

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