



OLD CAPITAL

PARTNERS

Guidelines for Retail Loans

Underwriting Criteria



- Flexible Terms and Conditions
- Aggressive Underwriting
- Quick Commitments
- Excellent Service

5051 Westheimer, Suite 700 Houston, Texas USA 77056

713.621.2050 Office

713.621.6432 Fax

Retail Property Loan Overview

Eligible Properties:	Anchored or unanchored single-story retail centers. Property must be strong sales generator with a good reputation in the market. Consider two-story centers, but typically will underwrite the second story with income limitations. Exclude special use properties and smaller buildings with limited appeal to alternative tenants. Consider free-standing stores on a case-by-case basis. Require current minimum economic occupancy of 85%. Prefer credit tenants with greater than five years remaining on the lease term.						
Eligible Property Locations:	Nationwide; require direct access to major roadways and high visibility. Prefer infill locations in developed neighborhoods. Unanchored centers should be located in high traffic areas. Where direct competition exists, the property is required to exhibit a stronger market appeal than the competition or a history of retaining its tenancy, sales volume and competitiveness.						
Loan Types:	Acquisition, Development, Construction and Permanent Financing available						
Loan Size:	\$3Million - \$100 Million; will also consider larger portfolio transactions.						
Debt Service Coverage:	Generally, 1.20 to 1.30x, depending on the quality of the location of the market, the property and the existence and quality of anchor tenants.						
Loan-to-Value Ratio:	Up to 80% maximum LTV in first position for permanent financing. Higher leveraged requirements should inquire about mezz debt options.						
Loan Term:	7, 10, 15, 20 and 25 year terms available for permanent financing. AD&C loans from 12 -36 months.						
Amortization:	30 years or less, depending on major lease terms and expiration, and property age.						
Interest Rates:	Pricing is based upon the quality of the real estate and the credit strength of the deal. We offer LIBOR and Treasury based pricing. Treasury spreads run between 150 -325 basis points over the corresponding US Treasury for permanent loans. Swaps are quoted on a project specific basis. Construction loans run 250-400 over the one month LIBOR.						
Fees:	<table border="0" style="width: 100%;"> <tr> <td style="padding-right: 20px;">Loan Fees:</td> <td>0-3% of the loan amount</td> </tr> <tr> <td>Good Faith Deposit:</td> <td>\$7,500 at application</td> </tr> <tr> <td>Deposit for Third Party Costs:</td> <td>\$20,000.00 for Appraisal, engineering, environmental, legal, etc.</td> </tr> </table>	Loan Fees:	0-3% of the loan amount	Good Faith Deposit:	\$7,500 at application	Deposit for Third Party Costs:	\$20,000.00 for Appraisal, engineering, environmental, legal, etc.
Loan Fees:	0-3% of the loan amount						
Good Faith Deposit:	\$7,500 at application						
Deposit for Third Party Costs:	\$20,000.00 for Appraisal, engineering, environmental, legal, etc.						
Anchored / Unanchored:	<p>Allowable anchors include supermarket-drug stores, discount department stores, dry goods, retail and home improvement stores. Financially healthy national, regional or local chains are acceptable. Anchor tenant leases should have at least five years remaining on their leases, as of the date of closing. Anchors should exhibit strong sales histories.</p> <p>Unanchored centers should have a complimentary tenant mix. Stores in unanchored centers must have strong, stable sales histories. Not more than 25% of the leases should expire in any single year. Credit tenants with base lease terms exceeding five years beyond the final term loan typically will receive most favorable underwriting.</p>						



NOI Calculation: Strongly prefer to receive three full years of operating history. **Credit Tenants** - Credit tenants (BBB- or better) with base lease terms exceeding five years beyond the final loan term typically may be excluded from vacancy, Tenant Improvement and Leasing Commission reserves.

Expenses - Underwrite expenses using the greater of actual 12 months trailing, last two years historical, or the market/industry average. Expense recovery must reflect the stabilized operating history of the project.

Vacancy - Will be the higher of actual or market with a minimum of 5%. A vacancy factor will be taken on all credit/anchor tenants if the lease term is less than the loan term.

Rent Roll - Prefer smooth lease expiration schedules so that the debt coverage ratio in any given year does not fall below break-even. May consider properties with significant rollover risk on a case-by-case basis. Tenants not occupying space and paying full rent for at least 3-months will require a seasoning reserve equal to 3-months rent.

Management Fee - 5% of effective gross income. Single tenant buildings that are fully maintained and managed by the occupant can be underwritten at a 3% management fee.

Reserves - \$.10 to \$.25 per square foot for structural reserves depending on the property age and condition and adjusted in accord with the engineering report. Determine Tenant Improvement and Leasing Commission reserves from the rollover schedule and market averages.

This Space Intentionally Left Blank – Please See Submission List on the Next Page

INITIAL SUBMISSION CHECKLIST

1. If financing is for acquisition purposes, please provide a copy of the fully executed purchase and sale agreement.
2. If financing is for a refinance, please provide the original purchase price paid for the property, date of purchase and summary of current financing.
3. If financing is for construction purposes, please provide complete construction cost breakdown.
4. Detailed Monthly Income & Expense for past 3 years if available, as well as 2003 YTD and proforma by Month.
5. Most recent appraisal and/or complete property description including photos, site plan, floor plans and area location map.
6. Detailed Lease Abstract:
7. Detailed Use of Funds Statement
8. Detailed Capital Expenditures (Past, Present & Future)
9. Borrower Resume & Current Financial Statement
10. Property Management Company Overview
11. Current Market Analysis (if available).

For More Information Please Contact:

Ron Bearden

Direct: 713.621.2050

info@oldcap.com