



Bullet Points

Capital Markets Update

July 26th, 2023

Tauro Capital Advisors, **Inc.**



RECENT FUNDINGS



Construction Loan

\$6,000,000 for Construction of NNN Retail Development

Southeast, US

- Loan-to-Cost: 80%
- Interest Rate: 11.5%
- Term: 1.25 Years
- Amortization: Interest-Only
- Close Date: 6/27/23

Tauro Capital Advisors, Inc. was exclusively engaged to place construction financing for a single-tenant NNN Neuragenex medical office development in the southeastern US. The Sponsor was seeking a loan to update the property to the lessee's standards in a high interest rate environment. Nevertheless, Tauro was able to secure a loan at 80% LTV with a bridge loan at 11.5% interest rate, interest-only for 18 months. The tenant, Neuragenex, is a non-invasive, non-pharmaceutical pain management provider with locations nationally.

This NNN asset is located along the southeastern coast of the US. Located in a major metropolitan area, it allows for Neuragenex, to provide services to a wide array of clients, well located and a strong investment for the Sponsor.

The Sponsor is a repeat Tauro client with a portfolio of different properties including other Neuragenex assets. The sponsor's properties are located on the west and east coasts with some in the Midwest with a focus on NNN, Outlet Malls, Regional Malls, Strip Centers, Mixed-Use Buildings, Power Centers, and more.



Tony Festa



Paul Davidovac



Matt Mueller

CAPITAL
ADVISORS

RECENT FUNDINGS



Bridge Loan

\$3,500,000 for the Rehabilitation of a 132-Unit Multifamily Project

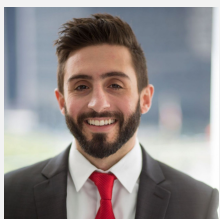
South, US

- Loan-to-Value: 65%
- Interest Rate: 9%
- Term: 2 Years
- Amortization: Interest-Only
- Close Date: 6/30/23

Tauro Capital Advisors, Inc. was exclusively engaged to place bridge financing for the renovation of a multifamily property located in the southern US. The Sponsor was looking for a mid-construction loan in order to complete the remaining renovation of 46 units with cash-out. Tauro was able to secure a loan at 65% LTV with a 9% interest rate over a 6-month, interest-only term. Additionally, the loan is non-recourse with a 6-month minimum interest prepayment.

The apartment complex consists of 132 units comprised of 82 one-beds, 41 two-beds, and 9 three-beds. The property was acquired by the Sponsor in 2019 with a 100% vacancy rate. Already, the Sponsor has managed to improve occupancy to nearly 50% through renovations to over half of the complex as well as the neighboring 120-unit property. The area has seen an increase in rent per unit as it is within close proximity of various parks and attractions.

The Sponsor is an experienced commercial real estate investor with over 10 years of investment, renovation, and management experience primarily in the southwestern region of the US. His current portfolio consists of 9 multifamily properties.



Matt Bucaro



Matt Ingle

CAPITAL
ADVISORS

RECENT FUNDINGS



Perm Loan

\$1,000,000 for Refinance/Cash-Out of
NNN Retail Ground Lease

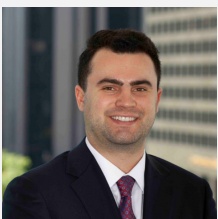
South, US

- Loan-to-Value: 30%
- Interest Rate: 6.25%
- Term: 14 Years
- Amortization: 30 Years
- Close Date: 7/6/23

Tauro Capital Advisors, Inc. was exclusively engaged to place a \$1 million dollar permanent loan for the cash-out refinance of a Raising Cane's ground lease located in the southern US. Challenged with lien waiver delays putting stress on the term sheet deadlines, Tauro was able to overcome with a long-term lender relationship that provided a loan at 30% LTV, 6.25% fixed interest rate on a 14 year term amortized over 30 years. Additionally, the Sponsor will not have a prepayment penalty.

The asset is a brand new, built-to-suit property. Raising Cane's executed a 15-year absolute NNN ground lease that commenced earlier this year located near a major intersection. The rent increases 10% every year, offers 5 x 5-year options, and has a corporate guarantee.

The Sponsors are a retired couple who are long time investors in commercial real estate and were looking for a safe investment which they can end their portfolio. Raising Cane's is one of the fastest growing fast-food companies with over \$1.5 billion in annual revenue, 661 locations over 35 states, and 50,000 employees.



Sam Stein

CAPITAL
ADVISOR

BULLYPULPIT

With the recent passing of real estate legend Samuel Zell, I read his infamous "Grave Dancer" investment philosophy. His thesis applies very much to the market conditions we are seeing today.

Real estate development in the US has often been driven by the availability of funds rather than demand.

Historically, during periods of easy money, excess supply is created. During these times, unsophisticated and undercapitalized borrowers emerge in the real estate development market. This leads to two main outcomes:

1. An increase in upside-down deals due to inexperienced developers
2. New construction surpasses demand

During these periods, Samuel Zell, known as "The Grave Dancer," made millions by executing workouts. Mr. Zell would identify projects that exhibited sound real estate fundamentals but lacked the developer bandwidth to complete the deal. He understood that periods of abundant liquidity are typically followed by significant economic tightening. This tightening leads to declines in new construction and helps absorb excess capacity, ultimately resulting in increased demand and rising rents.

His thesis differs from the concept that inflation alone will cause rents to rise faster than total expenses.

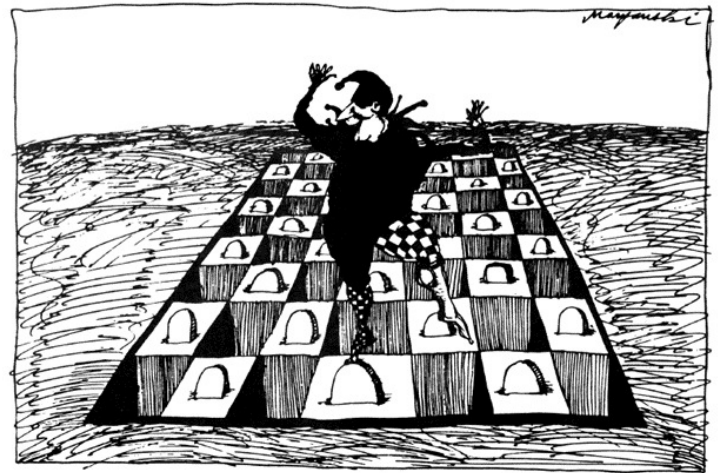
Instead, his philosophy is rooted in understanding the timing of the shift in the demand-supply equation of real estate.

Applying Mr. Zell's thesis to the current market conditions, we have witnessed historically low costs of capital in the past 5 years. Consequently, an influx of market participants with minimal experience has flooded the space, hoping to get a piece of the pie. Many of these developers have achieved success for themselves and their investors, as rents have increased, and cap rates have compressed.

However, things have recently flipped. Interest rates have surged, and capital has become competitive. The market is undergoing a correction, resulting in a filtering out of weaker players within the industry. For operators who do possess experience, market knowledge, and sufficient capital, the present moment represents some of the most promising upside return potential we have witnessed in the past decade.

The Grave Dancer

Samuel Zell



Andy Evans

ANALYST



Tauro Capital Advisors, Inc.

www.taurocapitaladvisors.com

tauroadvisor@taurocapitaladvisors.com | 310.564.2641

Tauro Capital Advisors, Inc. is a fully integrated commercial real estate advisory services company with a diverse background in all aspects of commercial real estate. Tauro's advisory services provides clients with creative capital structuring solutions and placement services by making a market specific to a client's needs and priorities with a diverse but focused group of capital providers.

BulletPoints is a TauroAdvisor publication. "TauroAdvisor", "Tauro Capital Advisors, Inc." and the Tauro logo are registered trademarks of Tauro Capital Advisors, Inc. All rights reserved. Copyright 2023.

Broker of Record

Stephen Stein
sstein@taurocapitaladvisors.com
CA DRE# 01223526



Responsible Person - Arizona

Patrick O'Donnell
podonnell@taurocapitaladvisors.com
NMLS - CMB-1044199