



Bullet Points

Capital Markets Update

October 25th, 2023

Tauro Capital Advisors, **Inc.**



OUT TO MARKET



Construction Loan

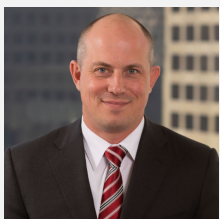
\$19,500,000 Request for a Horizontal Mixed-Use Development

South, US

- Loan-to-Cost: 53%
- Requested Rate: 9.0%
- Term: 30 Months
- Recourse: Non-Recourse

The land was acquired for \$12,000,000 and appraised in June for \$14,200,000. The project timeline is 27 months for the horizontal, and it is being broken into 2 phases. The developed lots will be sold upon completion, and the plan is for 75% of the sale proceeds to be used as payoff for a revolving loan. City grants will be put towards the revolving loan as well. Future development will include upscale multifamily, medical office, lifestyle retail, and restaurants to further compliment the existing schools and hospital.

One of the Sponsors is an experienced real estate investor and developer with over 20 years in the industry mainly focusing on multifamily. His partner's experience focused on the development of single and multi-tenant retail for major tenants.



Matt Mueller



Paul Davidovac

CAPITAL
ADVISORS

OUT TO MARKET



Common Equity

\$10,000,000 Request for the Development of a Multifamily Asset

Southeast, US

- % of Equity: 90%
- LP Profit: \$7.2M
- LP IRR: 24.3%
- LP EM: 1.9x

The 1.57 acre lot was acquired for \$3,100,000 and will be fully entitled and permit ready by the close of the HUD construction loan in mid 2024. The proposed building is a 5-story, 125-unit, Class-A apartment building with roughly 101,000 square feet of rentable area making the average unit size 807 square feet. There are 23 studios, 67 one-beds, 31 two-beds, and 4 three-beds. 20% of the units are affordable at 80% AMI. The project timeline will be 18 months with 6 months of lease-up. The location has a diverse and growing job market with several major company headquarters.

The Sponsor is a privately owned real estate firm headquartered in the Southeast focusing on large scale acquisitions, developments and redevelopments across mixed-use and multifamily projects. They have nearly \$750M in real estate holdings and transactions completed within the last 6 years.



Deryl Deese

CAPITAL
ADVISOR

RECENT FUNDING



Perm Loan

Acquisition of a Single-Tenant Industrial Warehouse

Southeast, US

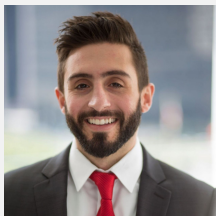
- Loan-To-Purchase-Price: 62%
- Term: 5 Years
- Recourse: Non-Recourse
- Close Date: 10/3/2023

The asset consists of a 16,000 square foot, single-tenant warehouse on a 2.5 acre property in a major distribution hub. Built in 1970, it has been occupied by different tenants over its lifetime with a new, market-rate lease beginning before the end of this year. This industrial property is located near several large highways, and it's also near a major port.

Sponsorship consists of an experienced group of commercial real estate owners and investors with a balance sheet that more than supported the loan request.



Matt Ingle



Matt Bucaro

CAPITAL
ADVISORS

BULLYPULPIT

From 1980 to 2020, the U.S. experienced a 2,000-basis-point decline in interest rates.

Over this 40-year period, investment profits were amplified through leverage and refinancing.

Additionally, lower interest rates heavily benefited asset owners due to the continual appreciation in value resulting from declining discount rates.



More recently, Covid-19 relief measures, coupled with supply chain issues, have led to an excess of money chasing too few goods, creating a classic condition for rising inflation.

Initially perceived as transitory, inflation has persisted, forcing the Fed to initiate a campaign of rate hikes that have fundamentally altered the investment landscape today.

The simplest way to portray the change is through an example: Five years ago, an investor went to the bank for a loan, and the banker said, "We'll give you \$800 million at 3%." Now, that loan is maturing, and the banker says, "We can give you \$500 million at 6%."

Not only has the investor's cost of capital increased, but they now face a \$300 million erosion in equity that needs to be addressed.

The era of easy money is over for now, and we are beginning to witness several consequences:

- 1) Profit margins are eroding
- 2) Economic growth is slowing
- 3) Asset appreciation is becoming less reliable

For investors looking to deploy capital or relocate their current portfolio, the question lies, where is the opportunity?

Lending, credit, or fixed income investing.

The low-rate environment of the past has created significant challenges for credit investors.

Lenders' options have included (a) holding and accepting low returns, (b) reducing risk in preparation for a correction, or (c) increasing risk in pursuit of higher returns.

However, today, high yield bonds, high-leverage senior debt, and mezzanine debt approach or exceed historical equity returns.

The key difference is the credit returns are contractual and come with significant protection.

In this evolving investment landscape, it's essential to acknowledge the shifting dynamics. Staying adaptable and well-informed will be of the essence to succeeding moving forward.



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