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A Borrower Funds A Small, Self-Liquidating Loan Outside Of CMBS

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Alex Draganiuk

WASHINGTON, DC–A few years ago **Ashley Capital**, a New York City-based real estate firm, purchased a building called the Interchange Business Center. A 792,000-square foot industrial property located on a 55-acre site in La Vergne, TN, it was a former Whirlpool manufacturing site about 16% occupied by the time Ashley Capital acquired it.

Ashley did a gut renovation on the property and then, recently, went looking to place permanent financing on it. The size of the loan it wanted was not very large but some of the demands by the borrower made the transaction less than vanilla. Still, eventually it found what it was looking for, despite the tightening capital market. Or perhaps that should be it found what it was looking for because of the tightening market. Ultimately Ashley Capital realized all of its demands because its lender recognized what a great sponsor it is and the building itself is a good investment, **Alex Draganiuk**, director of the Debt and Equity Finance Group for **Mission Capital Advisors** tells GlobeSt.com.

Briefly, the building's repositioning, along with its convenient access to the area's major freeways, brought it to full occupancy. Today the Interchange Business Center is tenanted by Penske Logistics, Amer Sports Company, Singer Sewing Company, and Fulfillment Supply Innovation.

This story should be a shot in the arm for borrowers with smaller-sized loans, especially as the CMBS market — where most such financing get done — **remains uncertain** and the policy environment for CRE **not as clear** as one might hope.

What Ashley Capital Wanted

As Mission Capital took the Ashley Capital loan to market there were some constraints the borrower had put in place. It didn't want to take all of the equity out of the project although there was a cash out, Draganiuk says. It also wanted a 15-year or 20-year term. Most permanent loans, of course, are ten-year fixed with a 25-year amortization, per the CMBS market. There were other elements as well that made the deal a bit unusual.

One was the size itself, which was $18 million.

"Eighteen million dollars is a tricky size," Draganiuk says. "It is a tweener." He explains that some life insurance companies — one obvious lending source — top out at $15 million per loan, while others don't start until $20 million to $25 million. And of course at the higher end there is a broader array of lenders.

The other was that Mission Capital was placing it directly. Oftentimes insurance companies will not look at deals offered directly from brokers, Draganiuk says. Deals typically must go through a correspondent network of brokers that screen the transactions for insurance companies, he says.

Mission Capital only reps owners or borrowers on an exclusive basis, which means the lenders know the deal has been fully vetted and they can rely on the information Mission Capital provides about the borrower, Draganiuk says.

The third oddity about this loan is that it is self-liquidating — that is, the borrower wants it paid off by the end of the term. This in itself may not be uncommon but it is less common to get a broker to arrange it.

Many Offers

In the end none of that matter to lenders. Mission Capital received a number of competitive offers from lenders, and structured "a very favorable long-term deal with fantastic terms," Draganiuk says.

A major life insurance company won the deal, which is not a surprise as the life insurance market is usually **the beneficiary of volatility** or uncertainty in the CMBS market. But then, life companies also come with their own set of constraints. Yet, "we were even able to negotiate the ability to upsize the loan on multiple occasions down the road, if desired," Draganiuk said — yet another off-the-beaten track aspect to this loan.