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Financing Strategies

Harbor, Archon Roll Out New Lending Program

Harbor Capital Group and Archon Financial have collaborated to create a new loan structure for qualified borrowers who want to acquire properties prior to stabilization. The pair recently completed a \$30.4 million floating-rate loan on The Block, an apartment and retail complex in Richardson, Texas, that was Archon's first floating-rate loan on a property that is still being built. The loan was underwritten based on projected stabilized income, said Frank Satterfield, founder of Houston-based Harbor. Terms of the loan are tied to the property's performance.

Over the last 12 months, Harbor Capital has closed several loans secured by apartments in various stages of initial lease-up. When The Block was placed under contract, Harbor approached Archon about creating a pilot program to provide this type of loan structure, Satterfield said. "We had a number of situations where our clients were trying to buy a property before it got onto market," he said.

In these situations, Harbor's strategy had been to get forward commitments from lenders and assume construction loans. "The problem comes when you have a couple of moving parts, when trying to assume a loan at the same time as getting a permanent loan from a lender," Satterfield said. "With this, there is only one lender involved, one closing and one set of documents." Prior to this, Archon's fixed- and floating-rate loan programs targeted stabilized properties and loan amounts were underwritten on current, in-place rental income.

Satterfield said that while there was some additional paperwork that will need to be completed on The Block, the loan documents and structure were basically in place. "All you need to do is to fix the rate," he said. If the property does better or worse than expected, the loan will be adjusted, he added, noting that the time frame for stabilization will typically be two or three years.

Internacional Realty acquired The Block, which is comprised

of 396 multifamily units and 27,984 square feet of retail space, from NAP Properties. The apartments were 70% occupied and the retail space was 10% occupied at closing.