



KingSett
CAPITAL



Junior Debt – Income Producing Student Residence



Location:	South-Western Ontario
Property Type:	750 bed student residence / apartment building
Loan Amount:	\$75,000,000 first mortgage loan (\$100,000 / bed)
Term:	3 years
DSC Ratio:	1.05x
NOI / KS Debt:	6.86%

Junior Debt – Income Producing Student Residence

"ISSUES"

- Student housing asset class ... limited capital providers
- Tight DSC ratio @ 1.05x ... limited free cash flow for capital improvements
- Borrower has financed out all of their original cash equity
- A/B loan structure ... complicates realization process upon loan default

SOLUTION / COMFORT

- Accepted 1.05x DSC Ratio given is relatively new asset
- Committed \$75 million on bought deal basis (took the syndication risk)
- We syndicated A-Note to a conventional lender (KingSett administers)
- KingSett retained \$35 million subordinate B-Note in the whole loan
- We're comfortable at \$100K loan / door and a 6.86% NOI / Debt
- KingSett had assisted with construction financing ... were no issues

EXIT

- Non-syndicated conventional loan refinancing on maturity

Junior Debt – Purpose Built Apartment Construction



Location:	Vancouver
Property Type:	Purpose built apartment building to be constructed 14 stories / 200 units + 5,000 sf ground floor retail
Loan Amount:	\$52,000,000 First Mortgage Construction Loan
Loan Exposure:	\$260,000 / door = \$350 pbsf
LTV Ratio:	80% (after lease up)
DSC Ratio:	1.00x (after lease-up)
NOI / Debt:	5.4%

Junior Debt – Purpose Built Apartment Construction

“ISSUES”

- Apartment construction is spec by nature ... no pre-leasing
- Needed to get comfortable with pro-forma apartment rents
- Sponsor contributed \$500,000 cash equity vs. \$60 million budget (i.e., less than 1.0%)
- Debt subordinate to KingSett loan was required too
- A/B loan structure ... complicates realization process upon loan default

SOLUTION / COMFORT

- Accepted 1.00x DSC Ratio given comfort with borrower / market liquidity
- Committed \$52 million on bought deal basis (took syndication risk)
- We syndicated A-Note to a conventional lender (we administer the A-Note)
- KingSett retained \$8 million subordinate B-Note in the whole loan
- Reputable third party put \$6.6 million cash into project (11% of budget)
- Recognized \$3.4 million of land appraisal gain ... value created thru re-zoning

EXIT

- Sale of asset or refinancing upon stabilized lease up