

Subordinate debt update

Commercial mortgage lending

Principal Real Estate Investors offers competitive subordinate debt-lending options, tailored to meet borrowers' needs. Subordinate debt capital is available across the risk spectrum, with pricing ranging from 5% to 10%. Key highlights of recently closed transactions and program parameters follow.



\$75.0 million mezzanine loan

Principal Real Estate Investors, on behalf of its debt fund, funded a \$75.0 million mezzanine loan on a portfolio of 96 select service hotels located in 24 states.

- Last-dollar loan-to-value approximately 67%
- Debt Yield of 10.8%
- Refinance
- Two-year variable rate loan with extension options



\$20.0 million mezzanine loan

Principal Real Estate Investors, on behalf of its debt fund, funded a \$20.0 million mezzanine loan on seven building, office portfolio located in Washington, D.C., Atlanta, Orlando and Los Angeles.

- Last-dollar loan-to-value 67%
- 73% occupancy
- Three-year variable rate loan with extension options
- Acquisition financing with future fundings for leasing and cap ex costs

The above examples are provided for illustrative purposes only and do not represent all of the subordinate debt deals closed by Principal Real Estate Investors in 2017. The properties profiled above are intended to demonstrate the application of Principal Real Estate Investors' investment strategy and represents real estate transactions previously entered into by Principal Real Estate Investors. There is no guarantee that Principal Real Estate Investors will enter into any transactions having characteristics similar to those shown. It should not be assumed that any investments made in the future will be profitable or will equal the targeted performance of the properties presented here.

Deal parameters

Deal types Mezzanine, junior secured notes (e.g. B-notes), Preferred Equity

Size \$5 to \$100 million+ (\$10 to \$50 million preferred)

Terms 2 to 10 years (3 to 7 years preferred)

Maximum LTV Up to 80% last dollar loan-to-value available (transaction specific)

Minimum DSCR 1.15x DSC for stabilized properties; 1.0x DSC for non-stabilized properties

Property types Institutional-quality office, industrial, retail, multifamily and hotel. Stabilized or transitional (transaction specific)

Target markets Primary and secondary U.S. markets

Pricing Floating or floating rate. Market based pricing 5% to 10% (depending on term and overall risk profile and position in the capital stack)

Fees Transaction specific

Prepayment Fixed declining and flexible prepayment options available



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