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Developer Secures \$1.6M Per Unit Financing

By [Kelsi Maree Borland](#) | Los Angeles



SANTA MONICA, CA—A developer operating under the name **4th Street LLC and 5th Street LLC** has secured \$14.5 million in first mortgage debt. The funds will be used to pay off a construction loan for a newly built nine-unit luxury apartment complex in Santa Monica. After completion in May, the property was appraised at \$2.2 million per unit, a 70% premium over construction cost and five times the cost of the average apartment unit in Santa Monica. At \$1.6 million per unit, this is financing 125% of the total cost of construction

“The challenge of this assignment was identifying a lender willing to offer

significant cash-out on a newly constructed property that was only 65% occupied with unseasoned leases at a high loan per unit,” **Mike Yim**, a managing director at **Quantum Capital**, tells GlobeSt.com. “Because of Quantum’s familiarity with the market, including recent financings of similar high-end multifamily projects in Santa Monica, Beverly Hills, West Hollywood, and Brentwood, we were able to justify per unit values and rents that were substantially above market.” Yim secured the funds on behalf of the borrower along with Quantum Capital managing director **Jonathan Hakakha**.

Because the borrower was looking for such significant funds and because of the lower building occupancy, only two lenders were competing for the deal. “We proceeded with the lender that offered higher leverage at a lower rate,” says Yim. “Despite the limited appetite from lenders for this transaction, we were able to leverage existing relationships and identify aggressive capital willing to compete for the deal. The fact that we found two interested lenders is indicative of an improving and healthy capital markets. Twelve to 18 months ago, this deal would not have been completed.”

An Asian-based lender provided the funding, and closed in 30 days. The loan has a five-year term with a variable rate priced at the Wall Street Journal Prime Rate. Located in Santa Monica, the three-story building has nine three-bedroom units ranging in size from 1,900 to 2,400 square feet. It is 65% occupied.