

Participating construction permanent program

Deal example and general parameters



CONSTRUCTION



\$74.5 M participating construction loan on a 311-unit Class A multifamily complex



Hanover submarket of Baltimore, MD

81% Loan-to-cost

4-year IO term



CONSTRUCTION



\$44.05 M participating construction loan on a 220-unit complex with ground floor retail



Saint Anthony Park area of St. Paul, MN

84% Loan-to-cost

4-year IO term

ADVANTAGES TO BORROWER

- Up to 90% of the capital stack provided in this one-stop-shop product
- Borrower receives substantial cash flow and net residual proceeds with a significantly smaller equity component than traditional construction loans (participation varies by deal)
- Borrower retains more direct control over the asset than a traditional joint venture structure
- Borrower retains 100% of the income tax benefits generated from the investment (consultation with Borrower's income tax consultant is advised, however)
- Team with Principal's deep and broad history of construction lending capabilities and expertise

The above examples are provided for illustrative purposes only and do not represent all of the participating construction deals closed by Principal Real Estate Investors in 2021. 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.

General parameters: speculative, non-recourse participating construction/permanent loans

Size	\$25 million and up
Loan-to-Cost	Up to 90% (verifiable land equity may be considered in the cost)
Pro-forma Loan-to-Value	Up to 80% +/-
Terms	Flexible; 3–7 year range works best; structured like a typical construction/permanent loan
Product types	Multi-family and industrial
Pricing	<ul style="list-style-type: none">• Fixed-rate coupon in the 4%-5% range (accrues during construction until breakeven)• Lender shares in a portion of the property cash-flow and net residual (at the FMV) upon loan payoff• Lender requires an IRR look back to a minimum return of 7% (calculated at payoff — this is a floor return, not a capped return)
Prepayment flexibility	Tailored specifically to the deal
Guaranty	Completion and carve-out guaranty; no repayment guaranty required
Commitment fee	1%
Good Faith Deposit	Negotiable (typically 1%–2%)
General info	<ul style="list-style-type: none">• Borrower's equity invested/contributed first; debt funding follows• Interest is only charged on the portion of the loan which has been funded at any given time• Loan is funded similar to a bank construction loan, cost savings reduce the loan commitment at par (thus optimizing both Borrower's and Lender's basis/increasing cash-flow and residual splits)

Parameters are as of August 2022 and subject to change without notice



We open the door to an abundant number of deal structures.

So, the next time you are looking for a full-service, reliable lender, look to us

The information in this document has been derived from sources believed to be accurate as of August 2022.

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