

# CASE STUDY No.4

## DEBT INVESTMENT



### BACKGROUND

- After the market downturn in 2009, there was opportunity to provide mezzanine finance to a Melbourne developer to complete the capital structure for a 70 apartment development. Planning approvals and pre-sales had been achieved, and the developer had purchased the site below market value.

### STRUCTURE

- The loan was subordinated by a senior debt facility provided by a tier one senior lender. However, a registered second mortgage was provided to secure the investment.

### MANAGEMENT ACTIVE APPROACH

- Given management's track record and financial capacity, the senior financier was approving of the registered position, a security position that is not always available.

### PERFORMANCE

- Construction of the project was completed and fully sold and settled in 2011.

TRANSACTION	CHARACTERISTICS	INVESTMENT SIZE	INVESTMENT PERIOD	FORECAST INVESTMENT IRR
PROPERTY FINANCE	MEZZANINE DEBT	\$3 MILLION	18 MONTHS	25%