



CASE STUDY | Berkeley Way Office

Well-located, Class A office building in Berkeley, California

BRIDGE LOAN HELPS NEW BERKELEY OFFICE BUILDING WEATHER THE PANDEMIC

During construction of this Class A office property with 45,471 net rentable square feet in Berkeley, California, the sponsor executed a lease for 100% of the space. Then the pandemic struck, causing project delays, liquidity problems and a lease termination. TerraCotta stepped in and funded a \$26M senior bridge loan to refinance the maturing construction loan — providing the critical time and leasing capital necessary to allow the sponsor to reach property stabilization.

The Challenge:

Due to COVID-19 quarantine mandates, the project experienced significant delays during construction and inspection. During the delay, the sponsor's construction loan came due and the existing lender was unwilling to extend it due to liquidity needs. Simultaneously, the sponsor and a coworking company that had pre-leased the entire building mutually agreed to terminate the lease, given the lessee's negative business outlook. Combined, these circumstances left the sponsor with a completely vacant property and an expiring construction loan. Although the sponsor had reached a financing term sheet with another private lender, the deal failed to close due to the lender's own liquidity issues resulting from the COVID-19 crisis. The sponsor was running out of time to find a solution.

Loan Attributes

- Origination Date: September 4, 2020
- Status: Performing
- Asset Type: Office
- Term: 17 months
- Total Loan Amount: \$26,000,000
- Future Funding: \$4,000,000
- Loan-to-Value: ~75%
- Rate: 1-mo. LIBOR + 745 bps
- Origination Fees: 1% in/1% out
- Extensions: One 12-mo. option

TerraCotta Platform Advantages

- Powerful, proprietary and predictive analytics mean certainty for the sponsor.
- Creative loan structure allows for additional collateral to provide the sponsor with a one-stop-shop financing solution.
- High-touch service and adaptive problem-solving support the sponsor's evolving business plan in a volatile market environment.

TerraCotta's Problem-solving Approach:

TerraCotta's proprietary, data-driven methodology allowed us to provide certainty in both our loan terms and execution timeline amid an extremely volatile market. TerraCotta pivoted quickly and restructured the loan request after the sponsor and coworking tenant agreed to mutually terminate the lease prior to occupancy. Project delays led to additional soft costs and financing costs, which required additional loan proceeds. To address these issues, TerraCotta worked closely with the borrower on a loan structure that provided an interest reserve and a future funding component to complete tenant improvements.

TerraCotta was also able to provide increased loan proceeds by securing additional property collateral from the sponsor.

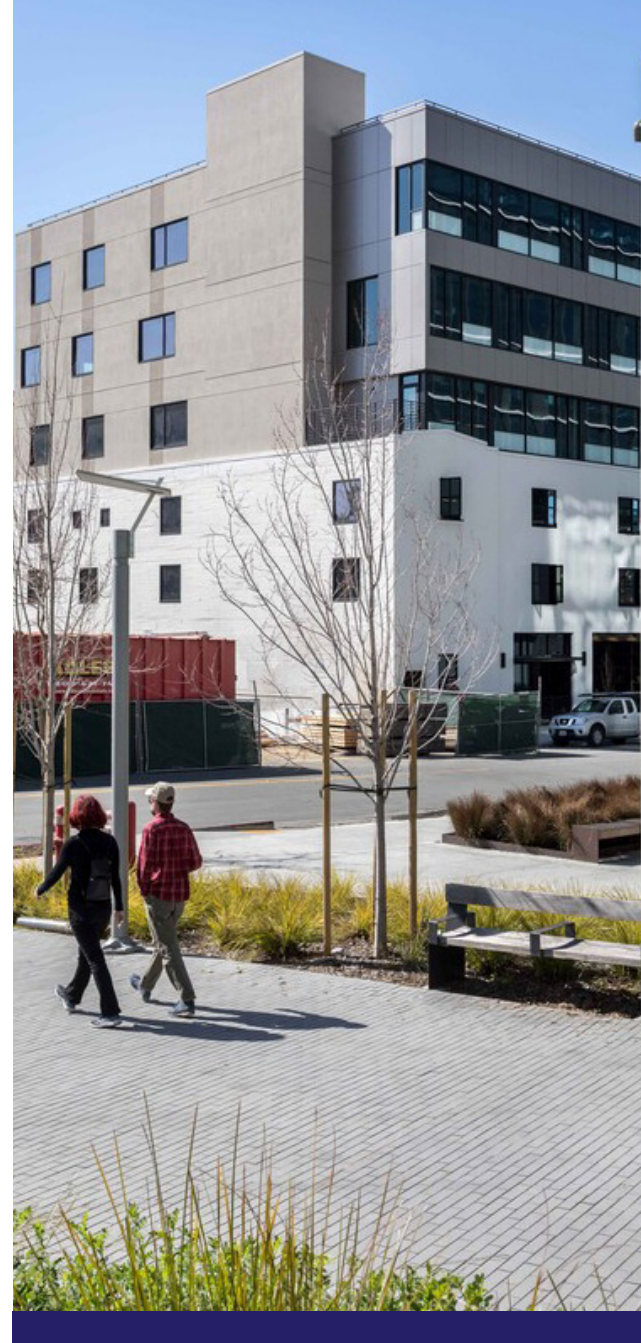
The Outcome:

TerraCotta provided a creative, flexible and multifaceted financing solution that no other lender in the market could deliver — allowing the borrower to fully execute their strategic and financial plan with confidence and certainty. The client's trust in our agility, execution and high-touch support gave them the confidence that TerraCotta would deliver a successful closing.

"TerraCotta was able to navigate a complicated refinancing transaction, including providing creative solutions to support an evolving business plan. I appreciated TerraCotta's agility and responsiveness, especially in overcoming the many challenges of doing business during the COVID-19 pandemic." — *Property Owner*

Want to know if a TerraCotta financing solution is right for you?

**Visit [terracottagroup.com](https://www.terracottagroup.com)
or call 424.269.3800**



About TerraCotta

TerraCotta is an investment firm focused on middle-market commercial real estate credit opportunities throughout the western U.S. Its main investment vehicle is a \$500 million open-ended, discretionary fund that originates and holds until maturity commercial real estate loans for middle-market, transitional properties. It enjoys some of the world's largest and most sophisticated institutional investors as limited partners, including public pension funds, global banks and wealth managers, insurance companies, family offices, endowments and high-net-worth individuals. TerraCotta is a relationship investor that values problem-solving for its sponsors and investors.

Learn more at [terracottagroup.com](https://www.terracottagroup.com)