

Grace Capital Group

Real Estate Partners



Ground Lease Capital

Ground Lease Overview

Our Investor is offering property owners and developers an opportunity to add leverage and increase returns in their investments. When developers and owners elect to enter into a ground lease with the Investor, they are able to access more efficient construction or permanent capital while reducing the equity needed.

With a ground lease, the property owner retains ownership and operational rights to their current or future improvements while making ground lease payments to the Investor. This allows the property owner to receive a lump sum payment for a portion of the value of the ground and current or future improvements.

How it Works

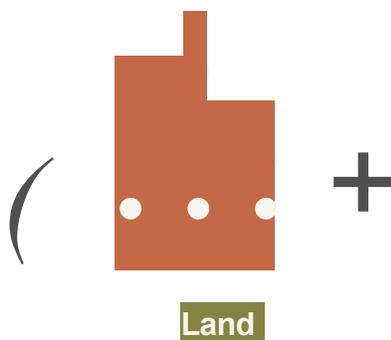
As Stabilized Value: \$100M

Land Purchase: \$30M (30%)

Lease payment: \$1.8M (6%)

Investor buys the land
for **\$30M**.

Proceeds fund
acquisition/construction.



Building owner enters into
a 99-year ground lease
and pays Investor \$1.8M
in ground rent.

Non-amortizing, acts like
interest-only debt.

Conventional Financing vs. Ground Lease Financing

Sale/leaseback of land reduces the total dollar value of a development without materially changing operational numbers, resulting in improved loan metrics and boosting investor returns.

Conventional Financing

Fee Simple

- \$100M Project Costs
- \$9M NOI
- 8% cap Rate
- \$112.5M Stabilized Value
- 5-Year Hold

\$30M Equity

\$70M Loan

70% LTC

5.0% Fixed

25-Year Amortizing

Ground Lease Capital

Leasehold

- \$100M Project Costs
- \$7M NOI
- 8.5% Cap Rate
- \$82M Leasehold Value
- 5-Year Hold

\$34M Land Purchase

\$20M Equity

\$46M Loan

70% LTC (less GLC)

5.0% Fixed

25-Year Amortizing

	Fee Simple	Leasehold	Leasehold Accretive Value
Equity Requirement	\$30,000,000	\$19,875,000	\$10,125,000 less
IRR	26%	36%	38% increase
LTV	62%	57%	5% lower
OCR	1.83	2.14	0.31 higher

Why use ground lease capital?

- Efficient capital that acts like interest-only debt for duration of ground lease
- New construction, rehabs, acquisitions and recapitalization of existing assets
- Reduced equity requirement
- Improves investor yield and loan metrics
- Non-recourse after construction completion

Our Ground Lease Difference

- Investor can Ground Leases during construction based on stabilized value of the asset
- Ground Leases are popular where land value is very high
- Investor is open to ground leases in all 50 states and on all asset classes
- Investor offers building owners an option to buyback the land at any point in time which allows for a larger buyer pool upon disposition of the asset
- Investor allows for the capitalization of up to 36 months of lease payments

Ground Lease Parameters

Product Offering	99-year unsubordinated ground lease
Deal Size	Minimum \$15M total asset value
Cap Rate	5.5% - 6.5% varies by location, valuation, asset class, development and other factors
Financing	25% to 35% of property's stabilized value
Property Types	Office, multifamily, hospitality, medical, retail, industrial, senior housing, self-storage, student housing, Renewal Energy (Solar/Wind/Water), Munciple Infrastructure
Transaction Type	New construction, rehabilitation, acquisition, recapitalization
Ground Rent	5.5% • 6.5% of land purchase price annually
Rent Escalation	2% per annum
Buy Back Ootions	Available
Closing Timeline	60-90 days
Guaranty Requirements	Construction completion
Capitalized Rent	Up to 3 years; does not count toward 30% of as-stabilized value
NOI	3 x's Annual Rent Payment

The Beaumont

Quick stats:

Ground Purchase Price: \$5.5MM

Project Location: St. Louis, MO

In August 2020, Twain provided \$5.5 million in ground lease capital to the historic Beaumont Telephone Exchange Building in Saint Louis, MO.

The 76,000 square-foot building will be transformed into a mixed-use apartment and commercial building. The residential component will include 72 apartments with community amenities and storage units. The 11,494 square feet of commercial space will consist of retail and co-working tenants and feature a lower level "Maker Space" for artists.

Additionally, Twain financed over \$8 million in federal and state historic tax credits.



Case Study:

Olana Event Center & Resort

Quick Stats:

Ground Purchase Price: \$32,546,482

Project Location: Hickory Creek, Texas

Investor provided \$32,546,482 in ground lease capital to The Olana Event Center for a major expansion.

The existing 45,000 sf building will be expanded by over 128,000 sf and will provide 110 hospitality units plus a commercial building..

Upon completion, the Event Center will become an Event Center and Resort for weddings, corporate events and special occasions.



Case Study:

Wellington Senior Living

Quick Stats:

Ground Purchase Price: \$9.3M

Project Location: Liberty, MO

Investor provided \$9.3 million in ground lease capital to the Wellington Senior Living Center in Liberty, MO.

The 76,000 square-foot building will be transformed into a mixed-use apartment and commercial building. The project will create a forward-thinking community that will define independent, assisted living and memory care for generations to come.

Upon completion, the project will include 153 total units, of which 91 will be allocated to independent living, 44 to assisted living, and 18 to memory care units.

Amenities and services include common areas, offices, community kitchen, beauty shops, an exercise room, and a social room.



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