

Doc 018 | Lakeside Manor Apartments – Refinance Request (Bad Deal)

Borrower seeks a **\$10.8 MM** refi on a 92-unit 1970s vintage multifamily property in Toledo, OH. Current loan: 8.9 MM maturing in four months. Occupancy 68 %, down from 85 % last year. Broker OM claims “strong tenant retention,” but rent roll shows 19 month-to-month leases.

Operating Summary

Metric	Value	Comment
NOI (TTM)	510 k	trailing 12 months
Cap Rate	4.7 %	at ask 10.8 MM
DSCR	0.78×	negative amortization risk
IRR (proj.)	≈ 7 %	only if 95 % occupancy hit
LTV	90 %	based on 12 MM appraisal (questionable)
Vacancy	32 %	severe

Red Flags

- Appraisal uses pro forma rent 950/mo vs actual 795/mo (20 % gap).
- Deferred maintenance: roofs and boilers original. Insurance inspection lists “major plumbing risk.”
- Sponsor past-due taxes 2 years; claimed “in process.”
- Model assumes rent growth 6 % / yr in submarket trending 1 %.
- CapEx 400 k not funded—only “planned.”

Stress test: realistic NOI 420 k → DSCR 0.63×. Break-even occupancy 97 %. Even with rate reduction to 6 %, coverage < 0.8×.

Recommendation: Decline. Consider small bridge only if sponsor cures taxes and contributes 1.5 MM equity.