PMI Indianapolis

Property Manager

Cash Flow | View Deal Model

Funding Amount: $150,500.92

Proj. IRR	Term (Mo.)	Coverage Ratio
10%	**23**	**2.84x**

Overview

This opportunity offers exposure to a cash flow advance vehicle funding the acquisition of an Illinois-based property management firm.

Atha Enterprises LLC (dba PMI Indianapolis) is a franchise of Property Management Inc., a national property management firm with over 400 franchise locations. The acquired firm will be housed in a parallel corporate entity managed by PMI Indianapolis principals.

Groundfloor Labs maintains an LTV cap of 85% (inclusive of total advance), and a coverage ratio floor of 1.54x to ensure sufficient capitalization.

Data Points

Total Properties	350
LTV *(inclusive of Cash Advance)*	34.0%
Pro Forma NCF	$271,791
Offering Monthly Payment	$7,174
Revenue Decline to 1x Coverage	21.6%
Total Required Expense Reserve	3 Months

Total Funding

$150.5k

Cash Advance	$142k
Listing Fee	$8.5k
Total	**$150.5k**

Cash Advance Ownership

Current Offering	90%
Sponsor Equity	10%
Total	**100%**

How it Works

Cash flow advances present fixed-term and fixed-rate investment opportunities powered by rental income.

Investment into Cash Flow Advance offerings represent equity exposure to initial cash flow advances originated by partner sponsors.

Follow-on advances may be underwritten in conjunction with sponsors partner for portfolios displaying additional growth and economic efficiency.

Property Photos

How do Cash Flow Advances mitigate risk?

Cash Flow Advances are specifically designed to eliminate or address many of the risks prevalent in real estate investing.

Agreements are fully amortizing, which removes balloon payment default risk.

An in depth debt analysis ensures the cash flow advance is only junior to the first mortgage (and very rarely, also an SBA loan).

The cash flow advance term never extends beyond a rate adjustment or mortgage maturity date, which eliminates refinance risk.

Advances are only based on stabilized cash flowing properties, which means there is no construction or lease up risk.

Max loan-to-value, inclusive of cash flow advance, is 85% (average is 58%). This reduces asset price volatility risk.

Deals are underwritten and sized based on proven, stabilized cash flow. They are not dependent on unproven projections.

Every deal is stress tested to ensure it can withstand significant revenue decline (min 10%) and still meet their obligations in the cash flow assignment or preferred equity agreements.

There are no assumptions of rent or occupancy growth.

Required 3+ years of operating experience from deal sponsors, which minimizes operator risk.

Advances will be paid out immediately after the mortgage payment. Please refer to the deal tearsheet for LTV.

FAQs

What are Cash Flow Advances?

Cash Flow Advances are loan instruments disbursed to real estate investors, managers, and operators powered by stabilized rental income. As an alternative method of financing to equity and debt, Cash Flow Advances provide non-dilutive capital to fund portfolio expansions and capital improvements. In exchange for providing upfront capital, investors receive fixed rate payments across agreed-upon payment schedules.

How are Cash Flow Advances underwritten?

In collaboration with sponsoring partners, each Advance undergoes a comprehensive diligence and underwriting process including analysis of pre-existing debt burden, historical financial performance, and historical capitalization. Across all Cash Flow Advance offerings, Groundfloor Labs maintains an LTV cap of 85% (inclusive of total advance), and a coverage ratio floor of 1.54x to ensure sufficient capitalization.

Coverage ratios represent the borrowing principal's cost burden of repayments relative to their net cash flows. For example, the coverage ratio floor of 1.54x denotes that the monthly net cash flow of the borrowing principal is 1.54 times greater than their monthly repayment amount; a higher coverage ratio is more favorable as the principal has a greater inflow to service cash flow advance repayments, providing greater risk mitigation against irregular net cash flows. Coverage ratios are derived as using the following expression: *(Total Monthly Cash Advance Repayment) / (Monthly Net Cash Flow)*, where *(Total Monthly Cash Advance Repayment)* represents the gross repayment amount made to Groundfloor Labs and all other financing entities of the cash flow advance.

What are my protections?

Cash flow advances provide multiple layers of protection, including: minimum cash reserve typically equal to three months of payments, lien on entity that owns or otherwise controls the underlying property, personal guarantees with the deal sponsor, and the contingent ability to replace non-performing management.

Where does this sit in the waterfall?

In regular course of operations, advances will be paid out after the mortgage and operating expenses.
If the property is sold, advances will be paid out immediately after the first lien debt, and ahead of any equity holders.

What is the term?

Cash Advance terms are determined on a per-deal basis, ranging from 1 and 5 years. Please refer to the deal tearsheet for more information.

What is the difference between a Cash Flow Advance and a Factoring Advance?

Cash Flow Advances and Factoring Advances are synonymous with regard to past and current deals on the Labs platform. We have recently updated the name of this security category to better align it with the deal structure.

For any questions, concerns, new product recommendations, please email labs@groundfloor.us.