

## EXPERT OFFERS CREATIVE FINANCING OPTIONS FOR INVESTMENT PROPERTIES

Due to the mass amount of foreclosures, as well as the weak economy, getting approved for an investment property loan these days seems to be much harder than ever before.

But the good news is that there are several creative financing options that allow potential business owners to bypass regular lending institutions. While these options do have some drawbacks, they also offer great benefits, such as eliminating the need for a down payment.

According to Alex Nackoul, CEO of Brownstone Mortgage Capital Corporation in Santa Ana, the best alternative way to finance a mortgage is through seller financing. Nackoul says with

investment properties becoming more and more difficult to sell, many owners are now willing to carry notes. Buying a property in this manner usually means a quicker closing, reduced closing costs and greater flexibility on the note's terms, Nackoul said.

"Seller financing is the easiest and fastest way to consummate a small commercial loan transaction," said Nackoul. "Commercial brokers shouldn't be afraid of hammering this home to their sellers who are having difficulty unloading their properties that they are going to have to carry paper."

Seller transactions benefit both buyer and seller, according to Nackoul. He says sellers also have the option of selling their note to a lending institution, such as Nackoul's company.

"We buy paper like that," said Nackoul, who has been in business since 1980.

If seller financing is not possible, Nackoul suggests looking into a lease-to-own option. In these transactions, qualifying is typically very easy and no down payment is required at signing. Nackoul says buyers typically have up to three years to pay the down payment (in installments), which can be as low as 10 percent.

"Many properties are just not financeable these days," said Nackoul. "Lease options would be my second choice for alternative financing. My company is willing to take 10% down that can be paid over a period of time. It's a win-win for both buyer and seller and something all brokers should present to their clients."

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## RULES AND PROVISIONS FOR TENANTS LEASING A FORECLOSED PROPERTY

For tenants leasing a property in foreclosure, it's crucial they become familiar with how to protect themselves and their businesses, according to Rancho Cucamonga attorney Paul Gray.

Gray says if a commercial property goes into foreclosure, a tenant's lease will most likely become null and void. The new owner has the right to sell the property, or lease it to the current occupants or to someone else. He or she also can evict the current tenant in certain circumstances.

"You should be very careful to thoroughly check out a property owner to make sure they are stable before you sign a lease with them," said Gray. "The bottom line is that if your landlord goes through a foreclosure, your lease can be wiped out."

To protect oneself fully, Gray recommends asking for a

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subordination clause to be included in your lease. This gives the tenant the legal right to continue leasing the property in the event of a foreclosure.

"Make sure you get a subordination clause included in your lease agreement before you sign it," Gray said. "Most lenders will agree to this because their monthly rent is the income that going to pay off the mortgage."

While a property is in the process of being foreclosed upon, a non-disturbance rule may apply. This allows a lease to remain active through foreclosure proceedings and prevents the foreclosing lender from disturbing the tenant as long as the tenant has complied with the leasing terms.

Gray encourages anyone who's looking to lease a commercial property to sit down with their broker and discuss ways to avoid some of the pitfalls you may encounter.

# WHITTIER LEADER SEES BETTER TIMES AHEAD FOR THE STRUGGLING CITY

The City of Whittier has seen its fair share of struggles during these tough economic times with the loss of many businesses, both large and small. But new Director of Community Development Aldo E. Schindler (who took over for Jeff Collier in November) says plans are in place to ensure Whittier and their retail sectors continue to grow and thrive for years to come.

GM Properties caught up with Schindler, who shared his insights and vision about Whittier's present condition and its future.

- Q: Your city has been hit hard by the recession and you've seen a lot of businesses close. Have things stabilized?
- A: We've seen a subtle rise in commercial and industrial value-based "addition/alterations" permits from the same time last year and anticipate a slight annual increase from last year.
- Q: What steps are you taking to ensure your city will continue to grow and thrive?
- A: We are creating new partnerships with manufacturing and retail associations in attempts to bring additional resources to our business community. We also are working with our Chamber of

Commerce, brokerage community and existing business to better forecast and troubleshoot the needs of our businesses.

- Q: What is the status of the Fred. C. Nelles project?
- A: The City of Whittier staff are working diligently with the state's Department of General Services and the developer to be prepared to move forward quickly with a development proposal and agreement if the state redevelopment lawsuit bodes favorably for municipalities.
- Q: Do you have any other new projects in the works?
- A: We've seen interest in the larger vacant parcels on Whittier Boulevard and we're also expecting new restaurant tenants at the Whittwood Mall, and that's always exciting news!
- Q: What is your vision for Whittier over the next 5-10 years?
- A: Short term is to prepare for the resurgence of the real estate market and economy; long term is to work with our City Council to plan sustainable development strategies that will aid Whittier in weathering any future economic dry spells, and retain the City of Whittier as a destination to shop and live.



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