



360 Capital



Understanding Real Estate Debt: Residual Stock

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“ 360 Capital Group (ASX:TGP) and its managed funds have originated and financed over \$225 million of loans, with a focus on first mortgage construction and residual stock finance. ”



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What are Residual Stock Loans?

From time to time, residential development projects reach completion with apartments/townhouses still available for sale. Developers typically look to residual stock finance to repay the balance of any construction debt and to release some equity from the project.

These loans are typically repaid through the sale of the “residual” apartments/townhouses over the loan term.

Why do they exist?

As we touched on in our “Understanding Real Estate Debt Guide”, developments generally commence construction with a level of “pre-sales” or “off the plan sales”. During the construction of the project, the developer will typically continue selling and target to reach completion with enough sales to repay the construction loan.

However, if there are insufficient sales proceeds to repay the construction loan and/or the developer would like to release some equity from the unsold apartments/townhouses, the developer can take out a residual stock loan, secured against the unsold apartments/townhouses.



Current market conditions have created an opportunity to provide registered first mortgage financing to completed residential apartment and townhouse stock at conservative Loan to Value (“LTV”) ratios and superior risk adjusted returns.

360 Capital Residual Stock Fund

360 Capital Group (ASX:TGP) has recently launched the 360 Capital Residual Stock Fund (360RSF), an unlisted, closed ended 3-year mortgage fund open to retail and wholesale investors. 360RSF is targeting a 6.0% p.a. distribution paid monthly.

The Fund will invest in registered senior secured loans which rank first in security over cash flow, assets and payments. Loans will be made directly to borrowers. Loans will only be made for completed residential apartments and townhouses where titles have been issued.

Investing in commercial real estate debt

As an asset class Commercial Real Estate Debt (CRED) offers investors monthly recurring income in the form of interest payments and as CRED is secured via a mortgage on the real estate asset, the debt must be repaid in full before any return is made to the equity holder(s) and as an unlisted fund with a fixed term, you are not subject to unit price volatility.

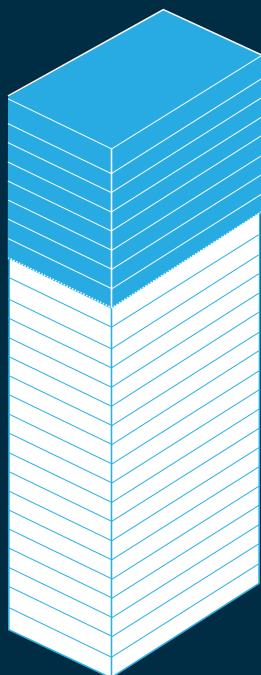
If you would like to invest in the Residual Stock Fund

[FIND OUT MORE](#)

CASE STUDY:

New Farm, Brisbane

Market Value:
\$8.0m



Developer Equity
\$3.35m

Avg price
\$1.6m

• LTV = 58% Max

Residual Stock
\$4.65m

Avg debt value
\$930k

An example of a Residual Stock Loan

The \$4.65m loan in New Farm, Brisbane, related to a development comprised of 22 apartments with the developer requiring residual stock finance for the five unsold luxury apartments (worth \$8.0m).

The loan was repaid from the sales of the residual stock.



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