



Red Oak Capital Holdings provides \$4 million for midwest multifamily makeover

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Indianapolis, IN Red Oak Capital Holdings, LLC has provided a \$4-million bridge loan for the Bon Air Apartments, a multifamily complex. The funds will be used to pay off an existing loan and complete the renovation of the Marion County property.

The interest-only loan carries a note rate of 11.50% and a two-year term with two 6-month extension options. The non-recourse debt represents 54.4% of the property's estimated stabilized value of \$7.35 million. Red Oak's Stratos Athanassiades, regional manager-midwest, senior underwriter Thomas Gorski, and Jesus Martinez, senior loan administrator, originated and underwrote the debt under the firm's Opportunistic Bridge Loan Program, a higher-leverage product with a small equity component for assets with a substantial value-creation element. The transaction was brought to Red Oak by Paul Meyer of Bristol Capital.

"We're confident in the sponsor's successful track record in value-add investment and rehabilitations, including large projects," said Red Oak's CEO, Gary Bechtel. "Having invested \$4 million into Bon Air since acquiring the property in 2021, it's well under way with the renovation and has secured all the remaining approvals and permits needed to execute its business plan."

Located at 21 West 16th St., Bon Air Apartments consists of a trio of three-story buildings with 42 apartment units and 56 parking spaces. Originally built in 1960, the 33,810 s/f property sits on 1.18 acres spread across two parcels, one of which is undeveloped land.

The borrower, 21 West QOZ, LLC, is a group of seasoned professionals with years of experience in commercial and residential real estate investment, development and finance. Its plans for Bon Air call for the gut renovation of the three existing buildings at the site into a high-end, luxury multifamily offering, followed by a new ground-up building to be built on an adjacent vacant parcel along with common area and amenity spaces between and connecting all four buildings. The sponsor ultimately intends to exit the Red Oak loan via the future financing tied to the final building's development.

"While there are concerns about a decline in apartment demand and the prospect of overbuilding, they really don't apply here. Vacancy for Class B/C apartments sits below 5%, rents remain healthy, and development is slowing," Athanassiades said. "In addition to being located within a Qualified Opportunity Zone, Bon Air is in one of the most rapidly growing neighborhoods in Downtown Indianapolis. That growth and gentrification are expected to continue, particularly thanks to the

\$1.6-billion expansion of Indiana University's Methodist Medical Center, just two blocks away."

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