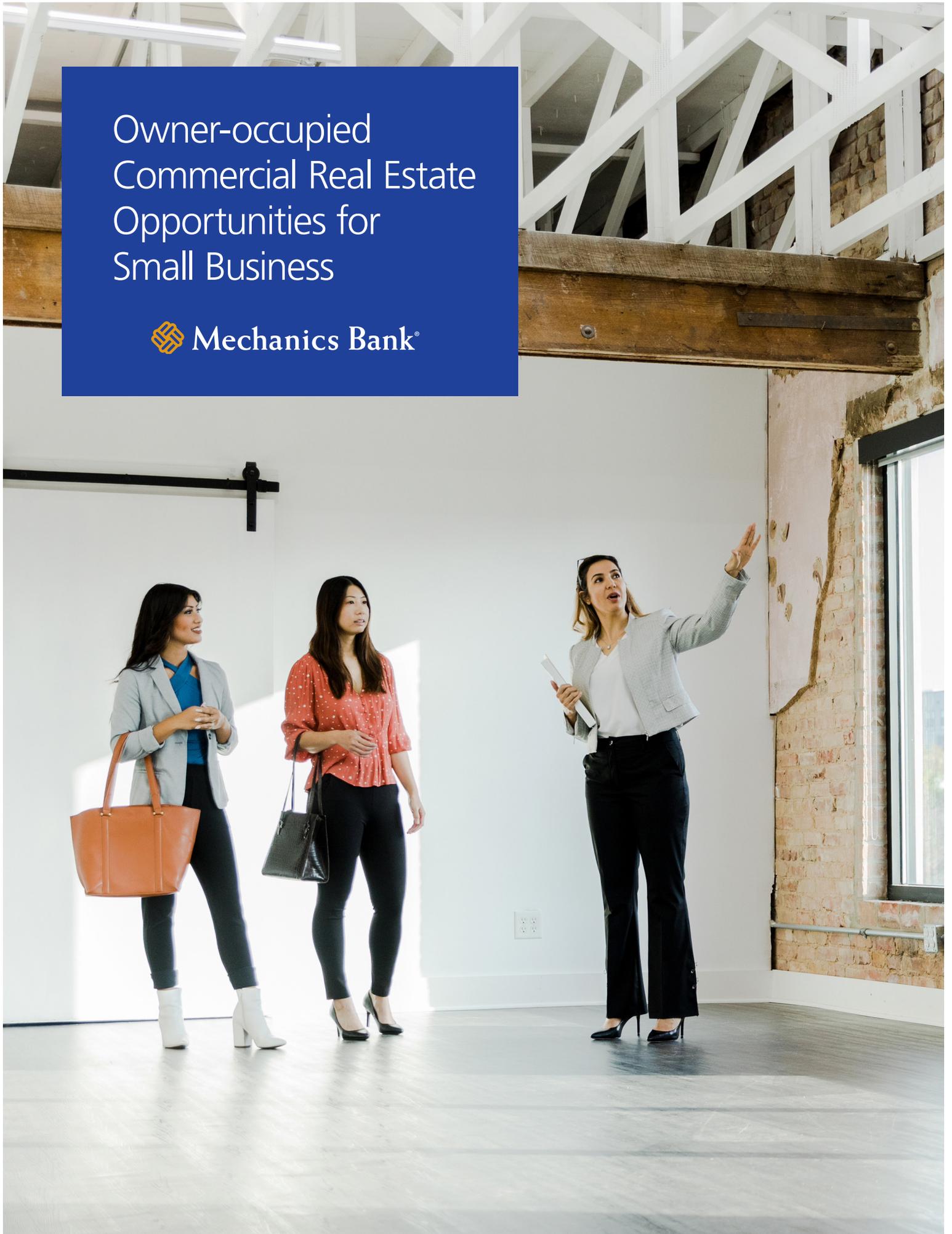


Owner-occupied Commercial Real Estate Opportunities for Small Business

 Mechanics Bank®





Owner-occupied commercial real estate (OOCRE) is commercial real estate that you own rather than rent, and that your business occupies. For example, a law firm may buy a building and use at least 51% of the space for its own offices or a restaurant may purchase a building and lease out less than 50% to one or more other businesses.

Why Owning is Better Than Renting

OOCRE gives you control over your business space and saves you from being at the mercy of a landlord who may eventually raise your rent or sell the building to someone else who will. The buyer may even force you to relocate. If you own the building, you don't have to worry about such scenarios, and you can rent out part of the space for an extra stream of income. This is a great reason to seek out financing.

BENEFITS OF OWNING INCLUDE:

- Build equity
- Improve cash flow
- Save on bottom line
- Create rental income
- Potential tax benefits
- Expand your business

Owning allows you to build equity and eliminate uncertainty that comes with renting. You can improve cash flow with better financing rates and terms in addition to creating extra income from renting part of the building. You also have the potential to expand your business and occupy a greater percentage of the building.

See your tax advisor to find out about potential tax benefits that may be available to you.





Why Commercial Real Estate is a Good Investment

OOCRE is a good investment, even with today's higher interest rates. A business stands to make significant money through rent, which it can then use for its own growth. Rents, particularly in the industrial space, are seeing substantial growth.

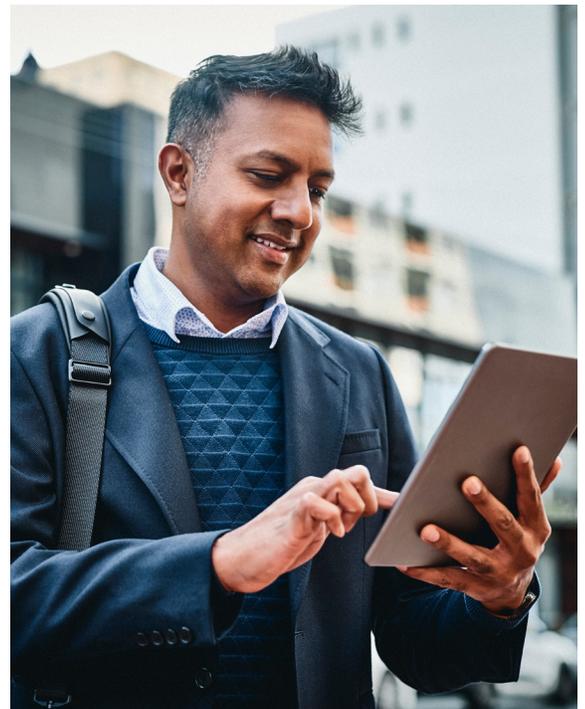
Owning means you can not only charge other businesses rent, but you can avoid rising rent yourself as you capitalize on your investment. OOCRE can even be a great entrance into a larger commercial real estate investing future for your business. It can be a good way to get a feel for what it's like to own a building and rent to others. If you expand your investing to additional buildings, you can cultivate a sizable new stream of income.

Financing Options

There are several options for financing the purchase of OOCRE. One is a conventional commercial real estate loan for up to \$10 million. These typically range from five years or less to 20 years. With this type of loan, the bank will consider collateral, the business's credit, information from financial statements, and tax returns.

Businesses can also seek funding through one of two types of U.S. Small Business Administration (SBA) loans: 504 or 7(a)¹. Both are available for up to \$5 million and terms of up to 25 years. The 7(a) is a general small business loan, and is the most popular. It can be used for real estate, as well as for working capital, debt refinancing, equipment, etc. A 504 loan is specifically for financing major fixed assets that promote business growth and job creation, such as the purchase or construction of buildings, or buying land, new facilities, and/or long-term equipment. It can also be used to update buildings and land, including streets, parking lots, and landscaping.

Speak with a Mechanics Bank representative to determine which is the right option for your business.



¹) All loans subject to SBA criteria and approval.

Key Industries for Owner-occupied Real Estate

OOCRE can benefit businesses in a number of industries, but is commonly utilized within the following:

- Legal
- Offices
- Medical
- Manufacturing
- Retail
- Industrial
- Warehouse

No matter what kind of business you run, if you own a building and occupy at least half of it, you can take advantage of the benefits OOCRE has to offer. Depending on your industry, you may even be able to obtain foot traffic from customers of your tenants.

How to Choose the Right Property

Choosing the right property is key to how good of an investment OOCRE is for you. You want a property that will directly benefit your business as well as that of your tenant(s). Whether or not the building and location is ideal for your operations should be your first concern. At the same time, you'll want a space that is attractive to renters so you can consistently collect on that stream of income.

Make sure that occupying at least 51% of the property is realistic. Avoid purchasing a property that is too big because you'll likely be paying for more than you need. The size and type of your business will directly influence this, as will any expansion plans you may have. Make note of the exact facilities that you require, whether it's a warehouse or office space with private offices, a conference room and break room or a retail store with a stock room. Consider your on-site storage needs no matter what type of business you have.

Location is also a significant part of the equation. Is the property in an ideal spot for your needs? If you rely on foot traffic, is it in a location that provides this? Consider commutes for yourself and your employees, as well as accessibility for customers or clients. Is there ample parking? You may also want to take the neighborhood's crime rate into consideration.

Don't forget to get a good idea about operating expenses, such as utilities, taxes, maintenance, cleaning, etc. All of this, along with price, should factor into your decision to purchase a particular piece of property.

Conclusion

Owner-occupied commercial real estate can be a major boon for your business, providing you with helpful income for your business while filling your own need for a great place to do business. Financing options like commercial real estate loans and SBA loans can help you turn it all into a reality.

Existing OOCRE owners can leverage their properties through refinancing or cashing out for tenant improvements to keep tenants happy or attract in new ones. Get in touch with Mechanics Bank to get the financing you need, whether you already own a building or are ready to give OOCRE a try.

Make the Most of Your Business Space with Mechanics Bank

Whether you want to buy, refinance, or renovate, one of our Bankers will be in contact to discuss how our owner occupied commercial real estate lending can help your business succeed. For more information on Mechanics Bank and what sets us apart, visit www.MechanicsBank.com/WhyMechanics.

All loans and credit products subject to program eligibility, collateral, underwriting approval and credit approval.

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