CAPITAL MARKETS UPDATE

CUSHMAN & WAKEFIELD®
SONNENBLICK GOLDMAN

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MARKET COMMENTARY

• CMBS offerings are growing in both size and number, with J.P. Morgan, Deutsche, Cantor, UBS, Morgan Stanley and RBS all announcing 1Q offerings. The offerings are growing in size as bankers gain confidence in the market's ability to digest larger deals. Several of the pools being sold will reach $1.5 – 2.0 billion which, though a far cry from the $7.9B pool Wachovia sold in 2007, is more than twice the size of the largest pool in 2010. There is also pressure from the rating agencies for geographic and asset type/size diversity in the pool (some of the key rating agency metrics score pools for these attributes), running counter to the 2009-10 "new CMBS" focus on granular pools which could be more easily diligenced by bond buyers.

• Trepp reported that for the first time in nearly two years more than 50% of maturing loans were paid at or shortly after maturity. This is well below historical pay-off levels, which generally were 75-80% for CMBS, but is still a welcome sign of the recovery in the market.

• The mood at the ALIS lodging conference was upbeat, with debt and equity capital flowing to the asset class. A number of medium- and large-sized PE funds are aggressively pushing to build positions in the lodging and resort sector which will benefit from improving ADR's. Financing spreads are also tightening, with many loans now priced only 50 - 75bps wide of other CRE assets.

• Delinquency rates continued to rise throughout 2010. Las Vegas, Phoenix, Atlanta and Miami led (so to speak) the market in terms of the percentage of CMBS loans in default at 31.4%, 18.3%, 13.1% and 12.35%, respectively. The delinquency story by asset class in 2010 was interesting. Industrial, multi-family and retail properties saw the biggest increases in delinquency, with industrial delinquency rising 125% to 8.97%, MF rising 50% to 13.97% and retail rising 42% to 7.75%. Delinquency rates for lodging properties on the other hand were virtually flat y-o-y, rising 3bps to 13.88% from 13.85%.

RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Fractured Condominium	Fixed	CMBS	S + 325	65%	5 years	30 Year
Industrial Portfolio	Fixed	CMBS	S + 300	65%	5 years	30 Year
Industrial Portfolio	Fixed	CMBS	S + 355	75%	5 years	30 Year
Specialty Retail/Office	Fixed	CMBS	S + 270 (min. 5.9%)	65%	10 years	30 Year
Retail - Strip	Fixed	CMBS	S + 250	70%	10 years	30 Year
Office	Fixed	CMBS	5.43%	63%	5 years	30 Year
Multifamily	Fixed	Agency	T + 245	80%	5 years	30 Year
Office	Fixed	Life Company	T + 145	40%	10 years	I/O
Office	Floating	Debt Fund	L + 450	65% plus 100% TI/LC Costs	3+1+1	1% fee
Office - Mezzanine	Fixed	Mezzanine Fund	12.00%	65 - 85%	5 years	I/O
Retail Condo	Fixed	Regional Bank	5.00%	70%	3 years	I/O
Retail - Lifestyle Center	Fixed	Life Company	5.30%	57%	10 years	30 Year
Retail - Value Add	Floating	Bank	L + 600	65%	36 months plus one year	Partial Recourse; 1% fee
Multi-Family Construction	Fixed	Bank	5.50%	70%	2+1	I/O; Partial Recourse

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments
Hotel	JV Equity	Opportunity Fund	20%+	95%/5%	20% above 12%, 30% above 30%
Retail	JV Equity	Opportunity Fund	20%	90%/10%	15% above 10%, 30% above 16%, 40% above 22%
Multi-Family Development	JV Equity	Opportunity Fund	20%	99%/1%	20% above 12%
Industrial Development	JV Equity	Opportunity Fund	22%	80%/20%	20% above 10%, 30% above 16%
Hotel	JV Equity	Private Equity	22%+	80%/20%	20% above 15%
Office	JV Equity	Life Insurance Company	18%	98%/2%	10% above 13% , 25% above 15%

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65 - 70%*	1.30 - 1.50	T + 230 - 325
Fixed Rate - 10 Years	60 - 70%*	1.30 - 1.50	T + 195 - 270
Floating Rate - 5 Years			
Core Asset	<65%*	1.30 - 1.50	L + 200 - 300
Value Add Asset	<65%*	1.25 - 1.40	L + 300 - 450
Mezzanine Moderate Leverage	65 - 80%	1.05 - 1.15	L + 700 - 1,000
Mezzanine High Leverage	75 - 90%		L + 1,100 - 1,300

* 65 - 70% for Multi-Family (non-agency); Libor floors at 2-3%

BASE RATES

	January 31, 2011	Two Weeks Ago	One Year Ago
30 Day LIBOR	0.26%	0.26%	0.23%
U.S. Treasury			
5 Year	1.95%	1.95%	2.39%
10 Year	3.38%	3.35%	3.66%
Swaps		Current Swap Spreads	
5 Year	2.17%	0.22%	
10 Year	3.44%	0.06%	

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	60 - 70%	T + 215	T + 245
Strip Center	60 - 65%	T + 220	T + 260
Multi-Family (non-agency)	65 - 70%	T + 215	T + 240
Multi-Family (agency)	70 - 75%	T + 210	T + 230
Distribution/Warehouse	65 - 70%	T + 235	T + 260
R&D/Flex/Industrial	55 - 65%	T + 240	T + 260
Office	60 - 70%	T + 220	T + 260
Hotel	50 - 55%	T + 275	T + 325

* DSCR assumed to be greater than 1.35x

Since 2005, Cushman & Wakefield Sonnenblick Goldman has raised approximately $25 billion of capital from more than 125 capital sources for 270 transactions. For more information on this report or on how we can assist your financing needs or hospitality or note sales, please contact any CWSG office or:

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