

CAPITAL MARKETS UPDATE



October 24, 2011

MARKET COMMENTARY

• After three months of brutal spread volatility for CMBS, the market has begun to settle into a narrower, albeit higher, trading range. This should be modestly good news for CMBS loan originators, who can only operate effectively in a predictable trading environment. It did not come quickly enough however for either Citadel, which closed its newly-created CMBS group only 14 months after getting into the business, or for Credit Suisse, which announced last week that it is shutting down its CRE loan origination platform. With many CMBS lenders still licking their wounds, we expect that the number of genuinely active securitized lenders will be down to 6 - 10 major banks.

• Super senior bonds tightened this week to swaps + 380, in about 5bps from last week. New 10-year, full-proceeds securitized deals are being quoted at 5.75 – 6.00%

with 30 year amortization. Interestingly, there is a growing opportunity to take advantage of liquidity in the floating rate market and swap to a fixed rate. One major bank is quoting 3, 5, 7 and 10-year floaters which, after being swapped, result in rates ranging from the mid-3's to the mid-5's. Sizing for these loans is in the range of 9-10% debt yields.

• According to RCA statistics, CRE sales volume has been declining in both Asia and Europe for the past 9 months, and volume in the U.S. turned down in the past three months. There has been some talk of trophy prices getting "ahead of the market," but recent sales in several U.S. gateway markets suggest that investors are still comfortable paying a premium for the best assets and markets.

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RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Office	Fixed	Life Company	4.75%	65%	10 years	25 year
Office	Fixed	Life Company	4.25%	50%	10 years	5 Years IO
Industrial	Floating	Bank	L + 300	65%	3 years plus two 12-month ext.	IO
Retail	Floating	Bank	L + 200	65%	5 years	30 year
Retail	Fixed	Life Company	6.40%	60%	15 years	5 Years IO
Retail	Fixed	Life Company	5.35%	40%	10 years	20 year
Retail	Fixed	Life Company	4.75%	55%	10 years	30 year
Retail	Fixed	Life Company	5.50%	65%	10 years	30 year
Office	Fixed	CMBS	6.03%	70%	5 years	30 year
Retail - Mall	Fixed	Life Company	4.79%	60%	12 years	30 year
Retail	Fixed	Life Company	5.95%	65%	10 years	25 year
Retail	Fixed	Bank	5.40%	73%	10 years	30 year
Office	Fixed	Life Company	5.15%	65%	10 years	2 Years IO
Office	Fixed	Life Company	4.25%	65%	5 years	30 year
Multifamily - Mezzanine Loan	Fixed	Debt Fund	10.00%	85%	5 years	IO

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments
Mixed-Use	Preferred Equity	Pension Fund	10%	100%/0%	Up to 80% LTV with 8% current
Mixed-Use	JV Equity	Private Equity	13% - 15%	60%/40%	50% promote above 7%
Multi-Family Development	JV Equity	Opportunity Fund	25%	95%/5%	20% above 10%, 30% above 16%
Mixed-Use	JV Equity	Private Equity	>15%	80%/20%	30% above 12%, 40% above 16%
Industrial	JV Equity	Offshore Life Company	8% - 12%	80%/20%	20% above 10%

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65 - 70%	1.30 - 1.50	T + 250 - 400
Fixed Rate - 10 Years	60 - 70%*	1.30 - 1.50	T + 235 - 375
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 0-1%

BASE RATES

	October 24, 2011	Two Weeks Ago	One Year Ago
30 Day LIBOR	0.25%	0.24%	0.26%
U.S. Treasury			
5 Year	1.08%	1.08%	1.18%
10 Year	2.21%	2.10%	2.59%
Swaps	<u>Current Swap Spreads</u>		
5 Year	1.43%	0.35%	
10 Year	2.40%	0.19%	

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	70 - 75%	T + 300	T + 310
Strip Center	65 - 70%	T + 330	T + 340
Multi-Family (non-agency)	65 - 75%	T + 245	T + 245
Multi-Family (agency)	70 - 75%	T + 245	T + 245
Distribution/Warehouse	65 - 70%	T + 310	T + 325
R&D/Flex/Industrial	60 - 65%	T + 320	T + 335
Office	65 - 70%	T + 315	T + 330
Full Service Hotel	55 - 60%	T + 350	T + 375

* DSCR assumed to be greater than 1.35x

Cushman & Wakefield Sonnenblick Goldman has raised approximately \$25 billion of capital from more than 125 capital sources for 270 transactions in the past five years. 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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