

## MARKET COMMENTARY

- Pension fund asset growth and inflows at life companies and hedge funds are contributing to the improved liquidity picture for CRE. Capital flows for hedge funds shifted markedly in 2010, with reported inflows growing 14% in 2010 after drops in '08 and '09 of 6.0-7.0% per annum. Life company assets also grew in 2010, with new premium and investment earnings contributing to increased investment capacity and much healthier demand for new loan origination as well as equity investment into CRE.
- The multifamily sales market seems to be taking a breather after a blistering race to the finish in 2010. The year-end pop in treasury rates took some of the edge off the market, though property level performance is growing in most markets and the feeling is that multifamily investors have several good years ahead of them.
- Following on the heels of JP Morgan's successful \$1.5B offering two weeks ago, Goldman and Citi priced a \$1.4B offering the end of last week. Despite some spread widening tied to fears about a nuclear meltdown in Japan and the mental meltdown with Gaddafi, the pool priced inside the high end of the price talk. The pool's triple-A's priced in a range from 80 to 140bps over swaps, 15bps wide of the JPM offering. Retail assets comprised 60% of the pool and Rialto and Ellington bought the B-piece.
- There seems to be a growing willingness on the part of banks and special servicers to consider DPO's, particularly for smaller balance loans. Discounts generally range from 10-30% and borrowers should be prepared to close quickly once their lender has agreed terms.

### RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Multifamily	Fixed	Life Company	4.25%	50%	5 years	4 Years I/O
Multifamily	Floating	Bank	L + 375	70%	3 years	I/O, 1% fee
Retail	Fixed	CMBS	S + 195	70%	10 years	30 Year
Retail	Fixed	CMBS	S + 285	65%	5 years	3 Years I/O
Office - Suburban	Fixed	CMBS	S + 225	70%	10 years	30 Year
Office - Suburban	Fixed	CMBS	S + 315	70%	5 years	30 Year
Multifamily Construction	Floating	Offshore Bank	L + 250	70%	3+1+1	Partial recourse
Multifamily Construction	Fixed	Agency	5.10%	100% (land contributed)	40 years	40 Year
Retail	Fixed	Life Company	4.59%	60%	7 years	25 Year
Office - Value Add	Floating	Debt Fund	L + 425	40% (100% TI/LC/earnout to 65%)	5 years	I/O
Industrial Portfolio	Fixed	Life Company	4.10%	65%	5 years	30 Year
Hotel	Floating	Bank	L + 350	60%	3+1+1	I/O
Hotel	Fixed	CMBS	T + 325	60%	5 years	30 Year
Multifamily	Fixed	CMBS	S + 190	75%	10 years	30 Year
Fractured Condominium	Fixed	CMBS	S + 325	65%	5 years	30 Year
Office - Mezzanine	Fixed	Mezzanine Fund	12.00%	65 - 85%	5 years	I/O

### RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments
Industrial	JV Equity	Offshore Life Company	8 - 12%	80%/20%	20% above 10%
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%
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 + 240 - 310
Fixed Rate - 10 Years	60 - 70%*	1.30 - 1.50	T + 190 - 260
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%

### 10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	60 - 70%	T + 215	T + 235
Strip Center	60 - 65%	T + 220	T + 245
Multi-Family (non-agency)	65 - 70%	T + 215	T + 230
Multi-Family (agency)	70 - 75%	T + 205	T + 220
Distribution/Warehouse	65 - 70%	T + 225	T + 250
R&D/Flex/Industrial	55 - 65%	T + 235	T + 250
Office	60 - 70%	T + 215	T + 240
Hotel	50 - 55%	T + 240	T + 300

\* DSCR assumed to be greater than 1.35x

### BASE RATES

	March 31, 2011	Two Weeks Ago	One Year Ago
<b>30 Day LIBOR</b>	0.24%	0.25%	0.25%
<b>U.S. Treasury</b>			
5 Year	2.23%	1.91%	2.60%
10 Year	3.46%	3.25%	3.89%
<b>Swaps</b>	<u>Current Swap Spreads</u>		
5 Year	2.43%	0.20%	
10 Year	3.57%	0.11%	

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