

## MARKET COMMENTARY

- Quotes from portfolio lenders continue to tighten as banks and life co's hold the line on asset quality and compete on rate/terms. Conservative LTV floaters are now showing up with "one handle" spreads over LIBOR and no floors.
- The government has circulated a new set of regulations governing CMBS lenders which is creating some consternation. In particular, regulations establishing how much risk a lender must retain are unclear and may not, ultimately, result in better underwriting. Likewise, the creation of a trustee-like overseer to monitor potential conflicts between the senior bond holders and B-piece/specials is being greeted with skepticism.
- Equity interest in transitional assets continues to grow, albeit slowly. Private equity investors are trying to figure out where to go now that they've been priced out of most gateway, coastal markets. Nashville, Miami, Seattle, Chicago, Denver, Orlando, San Diego and Austin should expect more visits from PE investors flush with cash.
- Finally, our best hopes and wishes go out to all of our friends impacted by the flooding along the Mississippi.

### RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Office - Single Tenant	Fixed	Bank	S + 300	60%	7 years	25 year
Retail - Grocery Anchored	Fixed	CMBS	6.01%	75%	10 years	30 year
Industrial	Fixed	Life Company	5.15%	65%	10 years	20 year
Retail - Lifestyle Center	Fixed	CMBS	5.80%	70%	7 years	30 year
Student Housing	Fixed	Life Company	5.26%	77%	7 years	2 Years IO
Mixed-Use - Mezzanine Loan	Fixed	Pension Fund	12.00%	90%	5 years	IO
Mall - Mezzanine Loan	Fixed	Debt Fund	12.00%	82%	7 years	IO, 1% in and 1% out
Mall	Fixed	Bank	5.75%	72%	7 years	30 year
Industrial	Fixed	Life Company	4.95%	60%	10 years	25 year
Multifamily	Fixed	Bank	4.88%	75%	7 years plus one 5-year ext.	30 year
Multifamily Construction	Floating	Bank	L + 275	65%	3 years plus two 12-month ext.	IO, 1% fee, 25% rec.
Hotel	Fixed	CMBS	S + 265	62%	10 years	25 year
Hotel	Fixed	CMBS	S + 345	62%	5 years	25 year
Condo - Inventory	Fixed	Debt Fund	8.00%	70%	3 years	IO
Office	Fixed	Life Company	T + 365	55%	5 years	30 year
Office - Single Tenant	Fixed	Bank	5.55%	50%	10 years	30 year
Multifamily	Fixed	Life Company	4.25%	50%	5 years	4 Years IO

### 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 + 200 - 320
Fixed Rate - 10 Years	60 - 70%*	1.30 - 1.50	T + 175 - 275
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

	May 13, 2011	Two Weeks Ago	One Year Ago
<b>30 Day LIBOR</b>	0.20%	0.21%	0.34%
<b>U.S. Treasury</b>			
5 Year	1.83%	1.97%	2.24%
10 Year	3.17%	3.32%	3.52%
<b>Swaps</b>	Current Swap Spreads		
5 Year	2.09%	0.26%	
10 Year	3.30%	0.13%	

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

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	60 - 70%	T + 210	T + 230
Strip Center	60 - 65%	T + 220	T + 245
Multi-Family (non-agency)	65 - 70%	T + 205	T + 220
Multi-Family (agency)	70 - 75%	T + 195	T + 210
Distribution/Warehouse	65 - 70%	T + 210	T + 235
R&D/Flex/Industrial	55 - 65%	T + 220	T + 235
Office	60 - 70%	T + 210	T + 235
Full Service Hotel	50 - 55%	T + 220	T + 280

\* DSCR assumed to be greater than 1.35x

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