

CAPITAL MARKETS UPDATE



May 2, 2011

MARKET COMMENTARY

- The FDIC reported that six additional banks were closed on April 15th. Five of the six banks are located in the southeast and CRE loans comprise fully 75% of their non-performing loan portfolios, with construction loans being 50% of the total NPL portfolios.
- Cantor successfully placed a \$634B CMBS pool including assets contributed by Cantor and Barclays Bank. The pool included 38 loans on 67 properties, and the "B-piece" was bought by LNR Partners. Interestingly, while many recent pools have been heavily weighted towards retail assets, this pool is 45% office and 22% multi-family. The underwritten LTV for the pool was 67%, with 1.52x in-place DSC. The rates on the various bonds were higher than the price talk, with the AAA's pricing at swaps + 70 - 140 and the BBB's pricing at swaps plus 270 - 325.
- A Wells Fargo report comparing foreclosure time frames in judicial and non-judicial states revealed some interesting nuggets. Among the 30 states with non-judicial foreclosure, the average time to foreclose fixed-rate conduit loans has increased from 6.9 months in 2008 to

11.3 months in 2010. During the same timeframe, states with judicial foreclosure periods increased from 8.7 months to 12.4 months.

- In another sign of the improving health of the CRE market credit rating upgrades for CMBS bonds outnumbered downgrades for the first time since 2007.

• The pace of new 30-day and 60-day delinquency is slowing in the CMBS market, with most asset classes showing little or no growth in delinquency during the first quarter of 2011. Industrial seems to be the one exception, with Trepp reporting a jump in the 60-day del. rate from 5.73% at year-end to 8.91% in April.

- Eager MF developers are starting to find a more receptive audience among regional construction lenders. Several developers have reported closing construction loans (with PG's) as low as L + 250 - 300 with no LIBOR floors.

RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
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 extension	30 year
Multifamily Construction	Floating	Bank	L + 275	65%	3 years plus two 12-month extensions	IO, 1% fee, 25% recourse
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
Multifamily	Floating	Bank	L + 375	70%	3 years	IO, 1% fee
Retail	Fixed	CMBS	S + 195	70%	10 years	30 year
Retail	Fixed	CMBS	S + 285	65%	5 years	3 Years IO
Office - Suburban	Fixed	CMBS	S + 225	70%	10 years	30 year

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 + 205 - 325
Fixed Rate - 10 Years	60 - 70%*	1.30 - 1.50	T + 175 - 280
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 2, 2011	Two Weeks Ago	One Year Ago
30 Day LIBOR	0.21%	0.21%	0.28%
U.S. Treasury			
5 Year	1.96%	2.09%	2.46%
10 Year	3.28%	3.40%	3.72%
Swaps		<u>Current Swap Spreads</u>	
5 Year	2.15%	0.19%	
10 Year	3.37%	0.09%	

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 + 210	T + 225
Multi-Family (agency)	70 - 75%	T + 190	T + 205
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 + 225	T + 285

* DSCR assumed to be greater than 1.35x

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