

# CAPITAL MARKETS UPDATE



June 14, 2011

## MARKET COMMENTARY

• In one of the toughest trading weeks of the year, Morgan Stanley and BofA Merrill Lynch priced their \$1.21B CMBS pool consisting of 52 loans on 64 properties. Spreads for the pool were 20-25bps wide of the original pricing talk, with the AAA's priced at S + 65 and S + 150 for the 2.5 year and 7 & 10 year maturities, respectively. The average loan size was \$23 million; the pool's average coupon was 5.39%, and the underwritten LTV was 62%. The collateral mix was 42% retail, 40% office, and industrial, hotel, self storage, man. housing and mixed use assets ranged from 1.9 - 7.0% of the collateral. Nearly one-quarter of the loans are full-term I/O.

• Pricing and sizing for hotel loans continues to improve dramatically, with conduit spreads tightening between 100 - 150bps over the past 12 months. Improving industry fundamentals and the pending emergence of the floating-rate securitized market will continue to improve liquidity in the sector, driving transaction volume through 2012.

• A number of core funds, both pension and life co's, are actively quoting forward takeouts for MF development deals. However, even where the takeout credit is high investment grade (AA or better), construction lenders are maxing out on loan proceeds at 85 - 95% of construction cost.

### RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Hotel	Fixed	CMBS	S + 290	60%	5 years	IO
Hotel	Fixed	Bank	L + 250	55%	3 years plus two 12-month ext.	IO
Multifamily	Fixed	Agency	5.30%	75%	10 years	30 year
Multifamily	Fixed	Life Company	5.25%	65%	10 years	IO
Industrial - Single Tenant	Fixed	Bank	5.60%	60%	10 years	10 year
Retail	Fixed	Life Company	5.75%	70%	21 years	25 year
Industrial	Fixed	Life Company	5.60%	68%	10 years	30 year
Multifamily	Fixed	Life Company	6.75%	60%	20 years	25 year
Office	Fixed	Life Company	4.00%	55%	5 years	IO, 0.50% fee
Multifamily Construction	Fixed	Agency	4.75%	83% (LTC)	40 years	40 year
Office - Portfolio	Fixed	CMBS	5.53%	56%	10 years	30 year
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

### RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments
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%
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%

### 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 + 170 - 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

	June 14, 2011	Two Weeks Ago	One Year Ago
<b>30 Day LIBOR</b>	0.19%	0.19%	0.35%
<b>U.S. Treasury</b>			
5 Year	1.66%	1.68%	2.08%
10 Year	3.08%	3.05%	3.29%
<b>Swaps</b>			
		<u>Current Swap Spreads</u>	
5 Year	1.90%	0.24%	
10 Year	3.19%	0.11%	

### 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 + 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 + 220	T + 280

\* 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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