CAPITAL MARKETS UPDATE

CUSHMAN & WAKEFIELD® SONNENBLICK GOLDMAN

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MARKET COMMENTARY

• As further evidence of the recovery of the CMBS market, the $1.2B Morgan Stanley/BofA pool being offered next week will push 2011's issuance to nearly $12B, exceeding the total issuance in 2010.

• It finally appears that we are at or near the highwater market for CMBS delinquency. Trepp reported that 30+ day delinquency for CMBS loans dropped 6 bps to 9.60% in May, the single largest decrease in two years. Lodging, retail and multi-family loans all showed improved delinquency rates. However, industrial and office delinquency rates continue to deteriorate, with industrial delinquency spiking 120 bps to 11.96%.

• There is growing speculation that securitization shops will be quoting floating rate, large loans by the end of the summer. Several recent pools included floating rate tranches (created by swapping fixed rate loans to floating rate) that were well-received by bond buyers.

• Investment appetite among equity investors continues to build. The public and private REITs are flush with cash and actively seeking deals. A new equity fund seeking 8.0-8.5% initial cash-on-cash returns will be targeting secondary markets that currently attract very little institutional capital, while multi-family developers in a variety of markets are fielding calls from investors interested in funding development projects.

• The mood at ICSC was decidedly more upbeat this year. One attendee remarked that, unlike 2010, people were waiting until the parties to start drinking. Retail leasing activity is picking up and both buyers and sellers of retail properties are seeing capital available for their deals.

RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
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
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, 7% current pay
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

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 6, 2011	Two Weeks Ago	One Year Ago
30 Day LIBOR	0.19%	0.19%	0.35%
U.S. Treasury			
5 Year	1.63%	1.80%	2.04%
10 Year	3.03%	3.13%	3.26%
Swaps		Current Swap Spreads	
5 Year	1.89%	0.26%	
10 Year	3.16%	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 + 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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