

CAPITAL MARKETS UPDATE



September 30, 2011

MARKET COMMENTARY

• DB announced they will be going to market with a \$700M, multi-borrower floating rate pool, the first floating pool in this cycle. The pool includes loans originated as long as 8 months ago.

• CRE delinquency rates continue to slowly improve, with CMBS delinquency rates 100 - 200bp worse than bank delinquencies, which are at roughly 7.0%. That over-performance among banks may be the result of better underwriting by the banks or the prevalence of personal guarantees. It may also be that banks have been more proactive in managing problem loans. Given that there is more than \$800B of CRE bank loans maturing in the next three years, compared to "only" \$250B of CMBS and life co. loans in the same time frame, we expect that the pressure on weaker banks will grow and that the FDIC will be as busy in the next 12 months as they have been in the past 12.

• Deutsche Bank's "Six City Trophy Property Index" suggests that the value of the best assets in the best markets have declined 5 - 10% in the past 3 - 4 months. Over the same time frame, DB's National Property Price Index was flat to slightly up, albeit at pricing which is still 30 - 40 lower on a relative basis.

• Super-senior CMBS bonds have traded in narrow band from 295 - 315 over swaps for the past few weeks, and there has been some improvement in lower-rated investment-grade bonds as well. Coupons for new, fixed-rate, 10-year conduit loans fall in the range of 5.75 - 6.25%.

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RECENT DEALS/CLOSINGS/QUOTES - DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Office	Fixed	Life Company	4.25%	50%	10 years	5 Years IO
Industrial	Floating	Bank	L + 300	65%	3 years plus two 12-month ext.	IO
Retail	Floating	Bank	L + 200	65%	5 years	30 year
Retail	Fixed	Life Company	6.40%	60%	15 years	5 Years IO
Retail	Fixed	Life Company	5.35%	40%	10 years	20 year
Retail	Fixed	Life Company	4.75%	55%	10 years	30 year
Retail	Fixed	Life Company	5.50%	65%	10 years	30 year
Office	Fixed	CMBS	6.03%	70%	5 years	30 year
Retail - Mall	Fixed	Life Company	4.79%	60%	12 years	30 year
Retail	Fixed	Life Company	5.95%	65%	10 years	25 year
Retail	Fixed	Bank	5.40%	73%	10 years	30 year
Office	Fixed	Life Company	5.15%	65%	10 years	2 Years IO
Office	Fixed	Life Company	4.25%	65%	5 years	30 year
Multifamily - Mezzanine Loan	Fixed	Debt Fund	10.00%	85%	5 years	IO
Office - Mezzanine Loan	Fixed	Debt Fund	12.00%	80%	5 years	IO, 6% current pay

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments
Mixed-Use	Preferred Equity	Pension Fund	10%	100%/0%	Up to 80% LTV with 8% current
Mixed-Use	JV Equity	Private Equity	13% - 15%	60%/40%	50% promote above 7%
Multi-Family Development	JV Equity	Opportunity Fund	25%	95%/5%	20% above 10%, 30% above 16%
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%

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65 - 70%	1.30 - 1.50	T + 250 - 400
Fixed Rate - 10 Years	60 - 70%*	1.30 - 1.50	T + 235 - 400
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

	September 30, 2011	Two Weeks Ago	One Year Ago
30 Day LIBOR	0.24%	0.23%	0.26%
U.S. Treasury			
5 Year	0.96%	0.94%	1.26%
10 Year	1.93%	2.08%	2.51%
Swaps	<u>Current Swap Spreads</u>		
5 Year	1.24%	0.28%	
10 Year	2.11%	0.18%	

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	70 - 75%	T + 300	T + 320
Strip Center	65 - 70%	T + 330	T + 355
Multi-Family (non-agency)	65 - 75%	T + 245	T + 255
Multi-Family (agency)	70 - 75%	T + 245	T + 255
Distribution/Warehouse	65 - 70%	T + 310	T + 335
R&D/Flex/Industrial	60 - 65%	T + 320	T + 345
Office	65 - 70%	T + 315	T + 340
Full Service Hotel	55 - 60%	T + 350	T + 400

* DSCR assumed to be greater than 1.35x

Cushman & Wakefield Sonnenblick Goldman has raised approximately \$25 billion of capital from more than 125 capital sources for 270 transactions in the past five years. 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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