

CAPITAL MARKETS UPDATE



February 24, 2010

MARKET COMMENTARY

- The latest outlook from The National Association for Business Economics sees steady net job gains resuming this quarter, but projects that unemployment will not get below nine percent for another year. Consumer spending will be relatively sluggish as consumers continue to dig themselves out of debt but inflation is expected to remain subdued, and home prices should rise at a rate slightly above inflation in 2010 and 2011. This forecast is consistent with Federal Reserve projections which show very little inflationary pressure for 18-24 months and a slow jobs recovery as companies take advantage of productivity gains.
- Despite the steady downward march in super senior AAA CMBS

bond spreads, which has resulted in more than 100 basis points of tightening since November, asset-backed securities such as car loans, credit card receivables and student loans continue to trade well inside of triple-A CMBS. However, until delinquency rates start to decline we probably will not see the final chapter of the CMBS repricing story.

- Two large NYC office building loans, \$420M loan on 237 Park Avenue and the \$250M loan on 1775 Broadway, recently moved to special servicing, signaling that the pressure on large, heavily-levered Manhattan office projects is likely to increase in those cases where sponsors do not have the wherewithal to recapitalize.

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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	5.75%	50%	10 Years	30 Year/0.25% fee
Office	Fixed	Life Company	S + 220 (min 6.00%)	50%	10 Years	2 Years I/O/0.25% fee
Hotel	Fixed	Fund	8.25%	70%	5 Years	25 Year
Multi-Family	Fixed	Regional Bank	S + 250	60%	5 Years	25 Year
Industrial Portfolio	Floating	Life Company	L + 275 (min 5.75%)	67%	3+1+1	I/O/0.50% fee
Industrial Portfolio	Fixed	Life Company	6.50%	70%	5 Years	25 Year/0.50% fee
Multi-Family	Floating	Agency	L + 430	65%	10 Years	1% prepay option
Multi-Family Rehab	Fixed	Bank	6.50%	65%	3+1+1	30 Year
Warehouse	Fixed	REIT	8.00%	70%	5 Years	30 Year/1% fee
Suburban Office	Floating	Bank	L + 400	60%	3+1+1	25 Year/2% fee
Office	Floating	Bank + Mezzanine Fund	L + 600	65%	5 Years	30 Year/1.5% fee
Retail - Credit Anchor	Fixed	Investment Fund	8.00%	70%	7 Years	30 Year
Suburban Office	Fixed	REIT	7.75%	65%	5 Years	30 Year/3% fee

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments
Multi-Family	JV Equity	Pension Fund	18%	90%/10%	20% above 14%, 30% above 18%
Industrial Development	JV Equity	Opportunity Fund	22%	80%/20%	20% above 10%, 30% above 16%
Single Family	JV Equity	Private Equity	20%+	90%/10%	30% above 10%
Note	JV Equity	Opportunity Fund	25%	90%/10%	20% above 15%
Office	JV Equity	Life Insurance Company	18%	98%/2%	10% above 13% , 25% above 15%
Land	JV Equity	Opportunity Fund	25%	95%/5%	20% above 10%, 30% above 16%, 40% above 22%

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	60 - 65%*	1.35 - 1.60	T + 390 - 440
Fixed Rate - 10 Years	55 - 67%*	1.35 - 1.50	T + 250 - 320
Floating Rate - 5 Years			
Core Asset	<65%*	1.30 - 1.50	L + 275 - 400
Value Add Asset	<65%*	1.25 - 1.40	L + 400 - 550
Mezzanine Moderate Leverage	60 - 75%	1.05 - 1.15	L + 800 - 1,100
Mezzanine High Leverage	75 - 85%		L + 1,200 - 1,500

* 65 - 70% for Multi-Family (non-agency), Libor floors at 2-3%

BASE RATES

	February 24, 2010	Two Weeks Ago	One Year Ago
30 Day LIBOR	0.23%	0.23%	0.48%
U.S. Treasury			
5 Year	2.36%	2.39%	1.93%
10 Year	3.70%	3.72%	2.86%
Swaps		Swap Spreads	
5 Year	2.70%	0.34%	
10 Year	3.80%	0.10%	

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	55 - 65%	T + 290	T + 325
Strip Center	55 - 60%	T + 330	T + 370
Multi-Family (non-agency)	65 - 70%	T + 250	T + 300
Multi-Family (agency)	70 - 75%	T + 205	T + 240
Distribution/Warehouse	60 - 65%	T + 295	T + 340
R&D/Flex/Industrial	55 - 65%	T + 330	T + 365
Office	55 - 65%	T + 260	T + 320
Hotel	50%	T + 390	T + 440

* DSCR assumed to be greater than 1.35x

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