

MARKET COMMENTARY

- The surge of institutional "core" capital into the commercial real estate market is being widely registered. Among lenders, fixed-rate lending quotes for class "A" office and industrial properties located in major markets have settled in a range from 5.75 - 6.25%. Equity investors are bidding up class "A" properties. Multi-family assets are now routinely selling below 6.50% capitalization rates, with the best deals pricing inside of 6%. Core office pricing is likely to follow the same arc, with several major deals being negotiated in NYC, Boston and Washington, D.C. setting new post-Lehman benchmarks.
- Spreads on super-senior AAA CMBS bonds have continued to tighten despite the fact that the TALF program that provided financing for buyers of legacy AAA bonds has ended. Super-seniors are now trading at roughly 395 over swaps, which represents an improvement of 60 basis points in the past 30 days.
- Many debt funds and yield-driven balance sheet lenders are looking hard at the market and trying to determine how best to improve their loan spreads. Given a choice between taking greater lending risk in strong markets (i.e., increasing LTV) and pursuing conservatively-underwritten loans in secondary markets or getting into less popular asset classes, we believe that lenders will dial up the leverage in primary markets. This will be a boon for private owners in the best markets, but will exacerbate the tiering of the market that we have already commented on in the past.
- Consumer spending has climbed for five straight months and a broad range of retailers, from Best Buy to Nike to Tiffany's, are reporting strong revenue and income growth.

RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Industrial Portfolio	Fixed	Debt Fund	7.75%	75%	5 years	25 Year
Multi-family	Fixed	Agency	T + 215	65%	5 years	30 Year
Land	Fixed	Fund	10.00%	55%	2+1	I/O/1% fee
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
Retail - Credit Anchor	Fixed	Investment Fund	8.00%	70%	7 Years	30 Year

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	65 - 70%*	1.30 - 1.50	T + 360 - 400
Fixed Rate - 10 Years	60 - 70%*	1.30 - 1.50	T + 240 - 300
Floating Rate - 5 Years			
Core Asset	<65%*	1.30 - 1.50	L + 275 - 375
Value Add Asset	<65%*	1.25 - 1.40	L + 325 - 450
Mezzanine Moderate Leverage	60 - 75%	1.05 - 1.15	L + 800 - 1,100
Mezzanine High Leverage	75 - 85%		L + 1,100 - 1,400

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

BASE RATES

	March 31, 2010	Two Weeks Ago	One Year Ago
30 Day LIBOR	0.25%	0.24%	0.50%
U.S. Treasury			
5 Year	2.55%	2.38%	1.71%
10 Year	3.83%	3.65%	2.73%
Swaps		Swap Spreads	
5 Year	2.72%	0.17%	
10 Year	3.81%	(0.02%)	

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	60 - 70%	T + 250	T + 300
Strip Center	60 - 65%	T + 300	T + 320
Multi-Family (non-agency)	65 - 70%	T + 230	T + 270
Multi-Family (agency)	70 - 75%	T + 195	T + 230
Distribution/Warehouse	65 - 70%	T + 260	T + 290
R&D/Flex/Industrial	55 - 65%	T + 280	T + 310
Office	60 - 70%	T + 230	T + 300
Hotel	50 - 55%	T + 350	T + 400

* DSCR assumed to be greater than 1.35x

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