

CAPITAL MARKETS UPDATE



April 13, 2011

MARKET COMMENTARY

- Super senior CMBS bonds continue to drift lower, with benchmark notes trading 3-5 bps tighter in the past week at swaps +185 - 190bps.
- Loan losses in those situations where losses have actually been realized are quite stunning. Trepp recently reported that total realized loan losses by vintage year ranged from 24% (1996) to 55% (2006). Moreover, in those instances where realized loan losses were greater than 2%, the range stretched from 23% to 62% with an average realized loan loss of 56%. The takeaway seems to be that when things go badly with a CMBS loan, they tend to go really badly.
- Offshore equity capital is clearly flowing back to the U.S. market, and it's not just NYC and Washington, D.C. office buildings that are attracting offshore bids. Recent meetings with investors in Europe and the Middle East suggest a greater willingness to consider new markets and asset classes.
- According to STR, hotel performance figures for the first quarter confirm that the U.S. lodging industry is showing broad strengthening. Occupancy and ADR are growing, and a number of markets, including San Francisco, LA and Miami, enjoyed double-digit RevPAR improvement during Q1. This data is all consistent with STR's projection for 2011 of 6.1% RevPAR growth.

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 + 265	62%	10 years	25 Year
Hotel	Fixed	CMBS	S + 345	62%	5 years	25 Year
Condo - Inventory	Fixed	Debt Fund	8.00%	70%	3 years	I/O
Office	Fixed	Life Company	T + 365	55%	5 years	30 Year
Office - Single Tenant	Fixed	Bank	5.55%	50%	10 years	30 Year
Multifamily	Fixed	Life Company	4.25%	50%	5 years	4 Years I/O
Multifamily	Floating	Bank	L + 375	70%	3 years	I/O, 1% fee
Retail	Fixed	CMBS	S + 195	70%	10 years	30 Year
Retail	Fixed	CMBS	S + 285	65%	5 years	3 Years I/O
Office - Suburban	Fixed	CMBS	S + 225	70%	10 years	30 Year
Office - Suburban	Fixed	CMBS	S + 315	70%	5 years	30 Year
Multifamily Construction	Floating	Offshore Bank	L + 250	70%	3+1+1	Partial recourse
Multifamily Construction	Fixed	Agency	5.10%	100% (land contributed)	40 years	40 Year
Retail	Fixed	Life Company	4.59%	60%	7 years	25 Year
Office - Value Add	Floating	Debt Fund	L + 425	40% (100% TI/LC/earnout to 65%)	5 years	I/O
Industrial Portfolio	Fixed	Life Company	4.10%	65%	5 years	30 Year
Hotel	Floating	Bank	L + 350	60%	3+1+1	I/O

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments
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%
Hotel	JV Equity	Private Equity	22%+	80%/20%	20% above 15%
Office	JV Equity	Life Insurance Company	18%	98%/2%	10% above 13% , 25% above 15%

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65 - 70%	1.30 - 1.50	T + 240 - 350
Fixed Rate - 10 Years	60 - 70%*	1.30 - 1.50	T + 180 - 300
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

	April 13, 2011	Two Weeks Ago	One Year Ago
30 Day LIBOR	0.22%	0.24%	0.25%
U.S. Treasury			
5 Year	2.17%	2.21%	2.60%
10 Year	3.47%	3.47%	3.87%
Swaps	<u>Current Swap Spreads</u>		
5 Year	2.36%	0.19%	
10 Year	3.56%	0.09%	

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 + 215	T + 230
Multi-Family (agency)	70 - 75%	T + 200	T + 215
Distribution/Warehouse	65 - 70%	T + 225	T + 250
R&D/Flex/Industrial	55 - 65%	T + 235	T + 250
Office	60 - 70%	T + 215	T + 240
Full Service Hotel	50 - 55%	T + 225	T + 285

* 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 CWGS office or:

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