

# CAPITAL MARKETS UPDATE



August 27, 2010

## MARKET COMMENTARY

- The Y-O-Y increase in delinquency rates has actually been far less dramatic for retail properties than for other asset classes. During the past 12 months, retail delinquency has grown from 4.7% to 7.25%, an increase of 58%. Over the same time frame, hotel delinquency rates have grown 3.8x, multi-family has increased 2.2x and office is 3x higher than this time last year.
- The CMBS markets continues to show some real resiliency despite the choppy equity markets. Trepp reported last week that several senior loan tranches had traded north of par in an active secondary market. That is encouraging evidence that institutional investors are seeing enough value improvement to bid more aggressively for bonds.
- The FDIC closed another eight banks last week, including four in California. Among those banks, CRE loans represented more than 70% of their non-performing loan positions. Foresight Analytics reports that banks in GA, FL and IL are likely to dominate the list of bank foreclosures during the third quarter.

### RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Retail	Fixed	Life Company	4.50%	60%	7 years	30 Year
Office	Fixed	Life Company	5.00%	70%	10 years	25 Year
Office	Floating	Bank	L + 300	60%	2+1+1	I/O
Retail Condo	Fixed	Regional Bank	5.00%	70%	3 years	I/O
Retail - Lifestyle Center	Fixed	Life Company	5.30%	57%	10 years	30 Year
Multifamily	Fixed	Agency	T + 230	80%	5 years	30 Year
Retail - Value Add	Floating	Bank	L + 600	65%	36 months plus one year	Partial Recourse; 1% fee
Multi-Family Construction	Fixed	Bank	5.50%	70%	2+1	I/O; Partial Recourse
Land	Fixed	Fund	10.00%	55%	2+1	I/O; 1% fee
Industrial Portfolio	Floating	Life Company	L + 275	67%	3+1+1	I/O; 0.50% fee

### RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments
Multi-Family Development	JV Equity	Opportunity Fund	20%	99%/1%	20% above 12%
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%
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%
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 + 280 - 380
Fixed Rate - 10 Years	60 - 70%*	1.30 - 1.50	T + 190 - 280
Floating Rate - 5 Years			
Core Asset	<65%*	1.30 - 1.50	L + 220 - 300
Value Add Asset	<65%*	1.25 - 1.40	L + 300 - 450
Mezzanine Moderate Leverage	60 - 75%	1.05 - 1.15	L + 700 - 1,000
Mezzanine High Leverage	75 - 85%		L + 1,100 - 1,300

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

### BASE RATES

	August 27, 2010	Two Weeks Ago	One Year Ago
<b>30 Day LIBOR</b>	0.26%	0.32%	0.26%
<b>U.S. Treasury</b>			
5 Year	1.40%	1.47%	2.45%
10 Year	2.54%	2.68%	3.44%
<b>Swaps</b>	<u>Current Swap Spreads</u>		
5 Year	1.59%	0.19%	
10 Year	2.54%	0.00%	

### 10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	60 - 70%	T + 230	T + 270
Strip Center	60 - 65%	T + 270	T + 300
Multi-Family (non-agency)	65 - 70%	T + 210	T + 240
Multi-Family (agency)	70 - 75%	T + 185	T + 205
Distribution/Warehouse	65 - 70%	T + 255	T + 285
R&D/Flex/Industrial	55 - 65%	T + 240	T + 280
Office	60 - 70%	T + 220	T + 290
Hotel	50 - 55%	T + 320	T + 375

\* DSCR assumed to be greater than 1.35x

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