



CAPITAL MARKETS UPDATE



September 12, 2011

MARKET COMMENTARY

• It's getting harder for banks to hold syndicates together on big loans (\$200M+), particularly where syndicates include offshore banks, as participant banks feel internal and external pressure to maintain liquidity.

• The nervous, risk-averse nature of the buyers of super-senior CMBS has become abundantly clear in the past 4-5 months. After tightening steadily for nearly 18 months, pricing for AAA bonds in the secondary market began to get choppy as early as late March of this year. Since reaching a post-2008 low of swaps + 175 in March, spreads bounced around and then started to climb in June, settling at swaps + 320 last week.

• How liquid are the healthiest U.S. banks? The fact that J.P Morgan and Wells have each stepped up in the past few weeks to take down billion dollar pools of performing

CRE loans (Anglo and Bank of Ireland) at close to par, or even above par, suggests that these banks are frustrated with how long it takes to put money to work in the CRE arena and view buying high-grade loans as a quick-n-easy way to push dollars out the door.

• Trepp reported this week that CMBS delinquencies for loans 30+ days in default dropped to 9.52% in August. This is the third decline in the past four months and is a welcome piece of news for the beleaguered CMBS market, particularly after July's 50bp spike in delinquency. Retail continues to lead the way among the major CRE asset classes, with delinquency dropping 47bps to 7.38%. Office was flat month-over-month, lodging declined to 13.8% and industrial actually lost ground, inching up to 11.24%.

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	5.15%	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
Multifamily	Fixed	Life Company	4.25%	60%	10 years	30 year
Retail	Floating	Bank	S + 225	70%	7 years	25 year
Industrial	Fixed	Life Company	3.75%	50%	5 years	30 year
Multifamily	Fixed	Life Company	6.38%	60%	20 years	30 year
Multifamily	Fixed	Bank	4.40%	75%	3 years	30 year
Multifamily	Fixed	Bank	4.45%	77%	5 years	30 year
Retail	Fixed	Life Company	5.65%	65%	10 years	20 year
Retail	Fixed	CMBS	5.20%	65%	10 years	30 year
Retail	Fixed	CMBS	4.80%	70%	5 years	30 year
Hotel	Fixed	Bank	5.75%	70%	10 years	25 year
Multifamily	Fixed	Life Company	3.86%	55%	7 years	4 Years IO

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 - 410
Fixed Rate - 10 Years	60 - 70%*	1.30 - 1.50	T + 230 - 395
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 12, 2011	Two Weeks Ago	One Year Ago
30 Day LIBOR	0.23%	0.22%	0.26%
U.S. Treasury			
5 Year	0.83%	0.99%	1.51%
10 Year	1.93%	2.28%	2.73%
Swaps	<u>Current Swap Spreads</u>		
5 Year	1.16%	0.33%	
10 Year	2.15%	0.22%	

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	60 - 70%	T + 325	T + 345
Strip Center	60 - 65%	T + 345	T + 370
Multi-Family (non-agency)	65 - 70%	T + 255	T + 270
Multi-Family (agency)	70 - 75%	T + 245	T + 260
Distribution/Warehouse	65 - 70%	T + 270	T + 295
R&D/Flex/Industrial	55 - 65%	T + 285	T + 300
Office	60 - 70%	T + 320	T + 345
Full Service Hotel	50 - 55%	T + 335	T + 395

* 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 CWGS office or:

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