

CAPITAL MARKETS UPDATE

May 22, 2018



- The Fed's next policy meeting is scheduled for June 12-13 and the market has priced in a 100% probability of the Fed increasing the target rate 25 bps to 1.75-2.00%, which would imply a LIBOR around 2.15%. The next increase is projected to be in September with 75% probability and the market is nearly evenly split on a final hike in December. Last week was a volatile week for the 10-Yr UST as it started the week at 2.97%, peaked at 3.126%, and closed at 3.06%. Both the 5-Yr and 10-Yr UST have increased about 8 bps in the past month.
- On May 1, the current economic expansion officially became the second longest in history at 107 months since the economy bottomed out in June 2009. Only the 1990s expansion of 120 months was longer. No recession expected in the next 12 months, and most expect the expansion to continue through 2020. See Cushman & Wakefield Research's "[Cycle Watch: U.S. Reaches Historic Point](#)" for more commentary and charts.
- ICSC RECon, the world's largest real estate convention, is taking place in Las Vegas this week. Below are a few interesting talking points:
 - Retail sales at the national level increased 0.3% in April, and sales growth in February and March were revised up by approximately 0.3%. Consumers spent more than we thought and are likely to continue doing so. Total retail sales for Q1 came in at \$1.5 trillion.
 - A lot of that spending is going to the internet; however, most is still at stores—internet sales represent only 8.4% of total retail sales.
 - The growth in internet sales has been spectacular. According to the Department of Commerce, internet sales totaled a record \$123.7 billion in Q1, up 16.4% from a year ago. Since 2010, internet spending has increased an average of 15.3% per year—more than three times as fast as the 4.5% increase in total retail sales.
 - Macy's and Walmart reported stronger than expected sales and profits. This was the second consecutive quarter in which Macy's was much stronger than expected.

Subscribers to the Bloomberg Professional service can access the C&W EDSF Capital Markets Update by typing **CWSG<GO>**.

RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Hotel - Ramping	Floating	Debt Fund	L + 350	65%	3 + 1 + 1	IO, 1% fee
Self Storage - Construction	Floating	Bank	L + 275	65%	3 + 1 + 1	30 year, 3 Years IO
Multifamily	Fixed	Life Company	T + 145	65%	10 years	30 year, 4 Years IO
Multifamily	Fixed	Life Company	T + 130	60%	10 years	30 year, 5 Years IO
Office	Fixed	Life Company	T + 155	65%	10 years	30 year, 3 Years IO
Multifamily - Construction	Floating	Debt Fund	L + 575	82%	3 + 1 + 1	IO, 1.50% fee(s)
Multifamily - Lease-Up	Floating	Debt Fund	L + 325	78%	2 + 1 + 1 + 1	30 year, 3 Years IO; 1.50% fee(s)
Senior Housing	Floating	Agency	L + 237	70%	7 years	30 year, 3 Years IO; 0.80% fee
Senior Housing - Construction	Floating	Bank	L + 325	70%	4 + 1	30 year, 4 Years IO; 0.90% fee
Multifamily	Fixed	Life Company	4.25%	55%	10 years	IO
Multifamily	Floating	Agency	L + 210	75%	7 years	IO
Multifamily	Fixed	Agency	4.80%	75%	10 years	30 year, 5 years IO
Industrial	Fixed	Bank	S + 200	65%	5 years	25 year
Hotel	Floating	Debt Fund	L + 550	80%	3 + 1 + 1	IO
Hotel	Floating	Bank	L + 395	65%	5 years	IO

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments/Promote
Multi-Family - Value Add	JV Equity	Value-Add Fund	18.0%	90%/10%	20% > 9%, 35% > 14%
Multi-Family - Value Add	JV Equity	Family Office	14.0%	80%/20%	20% > 9%, 30% > 14%
Multi-Family - Value Add	JV Equity	REIT	18.0%	95%/5%	10% > 10%, 15% > 14%, 20 > 20%
Multi-Family - Construction	Preferred Equity	Family Office	15.0%	100%/0%	85% LTC
Multi-Family - Value Add	JV Equity	Life Company	18.0%	90%/10%	17% > 8.5%, 28% > 14%, 33% > 18%

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65 - 75% (1)	1.30 - 1.50	T + 115 - 265
Fixed Rate - 10 Years	65 - 75% (1)	1.30 - 1.50	T + 120 - 255
Floating Rate - 5 Years			
Core Asset	<65% (2)	1.30 - 1.50	L + 125 - 210
Value Add Asset	<65% (2)	1.25 - 1.40	L + 200 - 400
Mezzanine Moderate Leverage	65 - 80%	1.05 - 1.15	L + 525 - 750
Mezzanine High Leverage	75 - 90%		L + 700 - 1400

(1) 70-75% for Multi-Family (non-agency) (2) Libor floors at 1.50-1.75%

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	70 - 75%	T + 175	T + 185
Strip Center	65 - 75%	T + 180	T + 190
Multi-Family (non-agency)	75 - 80%	T + 190	T + 200
Multi-Family (agency)	75 - 80%	T + 180	T + 190
Distribution/Warehouse	65 - 75%	T + 165	T + 175
R&D/Flex/Industrial	65 - 75%	T + 170	T + 180
Office	65 - 75%	T + 170	T + 180
Full Service Hotel	60 - 70%	T + 235	T + 255

* DSCR assumed to be greater than 1.25x

BASE RATES

	May 22, 2018	Four Weeks Ago	One Year Ago
30 Day LIBOR	1.953%	1.899%	1.023%
U.S. Treasury			
5 Year	2.90%	2.82%	1.80%
10 Year	3.07%	2.99%	2.25%
Swaps	Current Swap Spreads		
5 Year	3.00%	0.10%	
10 Year	3.10%	0.03%	

Source: Bloomberg, Board of Governors of the Federal Reserve System

Cushman & Wakefield Equity, Debt & Structured Finance ("EDSF") has arranged approximately \$30 billion of capital from more than 200 capital sources for 670 transactions in the past five years. For more information on this report or on how we can assist your financing needs or hospitality sales, please contact any of our offices or:

Steven A. Kohn
President, EDSF
(212) 841-9216
steven.kohn@cushwake.com

Christopher T. Moyer
Managing Director
(212) 841-9220
chris.moyer@cushwake.com

New York - HQ	Atlanta	Boston	Chicago	Dallas	Los Angeles	Miami	New Jersey	Phoenix	San Diego	San Francisco	Washington, D.C.
1290 Avenue of the Americas, 8th Floor New York, NY 212 841 9200	171 17th Street NW, Suite 1400 Atlanta, GA 404 875 1000	225 Franklin St. Suite 300 Boston, MA 617 330 6966	225 W. Wacker Dr., Suite 3000 Chicago, IL 312 470 1800	2021 McKinney Avenue, Suite 900 Dallas, TX 972 663 9600	10250 Constellation Blvd., Suite 2200 Los Angeles, CA 213 955 5100	200 S. Biscayne Blvd., Suite 2800 Miami, FL 305 371 4411	One Meadowlands Plaza, Suite 700 East Rutherford, NJ 201 935 4000	2555 E. Camelback Road, Suite 400 Phoenix, AZ 602 253 7900	4747 Executive Dr. Suite 900 San Diego, CA 858 452 6500	425 Market Street Suite 2300 San Francisco, CA 415 397 1700	2101 L St., NW Suite 700 Washington, DC 202 467 0600

Although we believe the above information to be reliable, we make no guarantee, warranty or representation about it. Any opinions or estimates contained in this update represent the current judgment of Cushman & Wakefield, Inc., and are subject to change without notice. We undertake no responsibility or obligation to revise or update any of our opinions or estimates. Rates and analysis are based on certain assumptions with respect to significant factors that may prove to be incorrect. You should understand the assumptions and evaluate whether they are appropriate for your purposes.