CAPITAL MARKETS UPDATE

February 20, 2018

CUSHMAN & WAKEFIELD

- After a week long selloff in the global capital markets, equities have begun to rebound and recoup losses incurred. The selloff was sparked by a pickup in January wage growth data which ignited concerns of inflation and the Fed increasing interest rates faster than expected which led to fears of rising interest rates. Rising yields then initiated conversations around dulling consumer and corporate spending and higher interest rates hurting corporate profits, and the selloff began in the equities markets. While this series of events should not have led to a nearly 10% decline in equities, the correction was exacerbated by the recently low levels of volatility and positioning in the markets having shifted to an extreme long side as a result of the momentum.

- Despite investment sales volumes being down 8% from 2016, MBA recently announced in their Quarterly Survey of Commercial/Multifamily Mortgage Bankers Originations that 2017 debt originations were 15% higher than during 2016. Compared to 2016, there was a 26% increase for hotels, a 22% increase for industrial, a 17% increase for multifamily, a 12% increase for office properties, a 9% increase for healthcare properties, and a 21% decrease for retail properties. With a plethora of financing options for borrowers, 2018 is expected to be another big year for financings.

- The CMBS market has had a strong start to the year with 10 single borrower offerings and three conduit deals pricing in the first six weeks of the year. The three conduit deals priced 10-yr AAAs at S + 66-70 bps and the BBB- at S + 305 bps. These spreads compare favorably to the deals in early in 2016 that priced 10-yr AAAs at S + 88-95 bps and BBB- at S + 350-450 bps. While spreads to borrowers have broadly tightened by 30+/- bps, base rates increased significantly in the past year and all-in interest rates to borrowers for 10-year financings are up 10-15 bps from a year ago.

- Cushman & Wakefield Capital Markets Research recently released "U.S. CRE Is (Still) The Place to Be." The full report is available here. Key topics include:

  - Cap rate spreads are still attractive in both major and secondary markets
  - Debt markets have not overheated as underwriting standards are more conservative than in previous cycle
  - Secondary markets are appearing in more foreign investor crosshairs
  - Foreign investors increasingly seeking multifamily, industrial, hotels, and niche product opportunities

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
Office	Floating	Bank	L + 125	40%	3 + 1 + 1	IO
Hotel	Floating	Debt Fund	L + 395	60%	5 years	IO
Office	Fixed	CMBS	S + 165	65%	10 years	IO, 7.75% DY
Land - Pre-Dev	Floating	Debt Fund	L + 650	75%	2 + 1	IO
Multifamily	Fixed	Agency	T + 175	80%	10 years	30 year, 5 Years IO
Office - Suburban	Fixed	Life Company	T + 180	65%	5 years	30 year, 2 years IO; 0.375% fee
Office - Suburban	Floating	Bank	L + 225	60%	3 + 1 + 1	25 year, 2 years IO; 0.25% fee
Retail - Lifestyle Center	Floating	Bank	L + 200	65%	5 + 1 + 1	30 year, 3 Years IO
Office - Surburban	Fixed	CMBS	S + 175	70%	10 years	30 year, 3 Years IO; 9.5% DY
Office - Surburban	Fixed	Life Company	4.45%	63%	15 years	25 year, 2 Years IO
Industrial - Portfolio	Floating	Bank	L + 140	60%	3 + 1 + 1	IO, 0.50% fee
Multifamily - Lease-Up	Floating	Bank	L + 290	60%	1.5 years	IO, 0.80% fee
Office - Suburban Value Add	Floating	Debt Fund	L + 405	75%	3 + 1 + 1	IO, 1% fee, 6.8% DY
Senior Housing - Construction	Floating	Bank	L + 290	65%	5 years	30 year, 4 years IO, 0.50% fee
Multifamily - Value Add	Floating	Debt Fund	L + 265	65%	2 + 1 + 1 + 1	IO, 1% fee

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	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%
Multi-Family - Value Add	JV Equity	Offshore Investor	16.0%	85%/15%	20% > 10%, 25% > 15%

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65 - 75% (1)	1.30 - 1.50	T + 125 - 260
Fixed Rate - 10 Years	65 - 75% (1)	1.30 - 1.50	T + 125 - 250
Floating Rate - 5 Years			
Core Asset	<65% (2)	1.30 - 1.50	L + 135 - 210
Value Add Asset	<65% (2)	1.25 - 1.40	L + 200 - 400
Mezzanine Moderate Leverag	65 - 80%	1.05 - 1.15	L + 525 - 800
Mezzanine High Leverage	75 - 90%		L + 700 - 1400

(1) 70-75% for Multi-Family (non-agency) (2) Libor floors at 1.00-1.25%

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 + 190	T + 190
Multi-Family (non-agency)	75 - 80%	T + 200	T + 210
Multi-Family (agency)	75 - 80%	T + 175	T + 185
Distribution/Warehouse	65 - 75%	T + 180	T + 190
R&D/Flex/Industrial	65 - 75%	T + 185	T + 195
Office	65 - 75%	T + 170	T + 180
Full Service Hotel	60 - 70%	T + 230	T + 250

* DSCR assumed to be greater than 1.25x

BASE RATES

	February 20, 2018	Four Weeks Ago	One Year Ago
30 Day LIBOR	1.594%	1.562%	0.779%
U.S. Treasury			
5 Year	2.66%	2.44%	1.95%
10 Year	2.89%	2.64%	2.45%
Swaps		Current Swap Spreads	
5 Year	2.76%	0.10%	
10 Year	2.91%	0.02%	

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 1290 Avenue of the Americas, 8th Floor, New York, NY 212 841 9200

Atlanta 171 17th Street NW, Suite 1400, Atlanta, GA 404 875 1000

Boston 225 Franklin St. Suite 300, Boston, MA 617 330 6966

Chicago 225 W. Wacker Dr., Suite 3000, Chicago, IL 312 470 1800

Dallas 2021 McKinney Avenue, Suite 900, Dallas, TX 972 663 9600

Los Angeles 10250 Constellation Blvd., Suite 2200, Los Angeles, CA 213 955 5100

Miami 200 S. Biscayne Blvd. Suite 2800, Miami, FL 305 371 4411

New Jersey One Meadowlands Plaza, Suite 700, East Rutherford, NJ 201 935 4000

Phoenix 2555 E. Camelback Road, Suite 400, Phoenix. AZ 602 253 7900

San Diego 4747 Executive Dr. Suite 900, San Diego, CA 858 452 6500

San Francisco 425 Market Street Suite 2300, San Francisco, CA 415 397 1700

Washington, D.C. 2101 L St., NW Suite 700, Washington, DC 202 467 0600