CAPITAL MARKETS UPDATE

February 4, 2019

CUSHMAN & WAKEFIELD

- President Donald Trump and members of Congress agreed to reopen the Government January 25th, ending at least temporarily, the longest government shutdown in US history - 35 days. News of the end of the shutdown alongside positive fourth quarter earnings from some of the largest US companies has reanimated investor confidence. An undertoe of the US-China trade war, uncertainty around Brexit, and fears of a broader global economic slowdown have many investors proceeding with caution. An abundance of dry powder, growing allocations to real estate, and moderating supply are dampening any concerns specifically related to real estate.

- Cushman & Wakefield's EMEA Debt & Structured Finance Team recently launched a monthly market update. The report is a great way to stay apprised of EMEA data points and current capital matters. You can access December's report here. There is also a link at the bottom of the report to subscribe.

- Cushman & Wakefield Research recently released a 2019 North American Industrial Outlook and will be hosting a webcast on Wednesday, February 6th. Full report and registration for the webcast can be accessed here. Key points from the release include:

  - Industrial Will Not Lose Its Luster - Forecasted North American industrial absorption in 2019-2020 is a healthy 494.7 msf. New supply, which has trailed demand for eight consecutive years, will finally surpass that level during the period with 548.7 msf of new product projected to come online by year-end 2020.

  - Capital Markets Favor Industrial - Global CRE volume increased 8.4% in the first three quarters of 2018, compared to the same period a year prior. Similarly, total CRE transaction volume in North America rose 11.9% during the same period with industrial sales volume increasing 20.6%.

  - Outcome of U.S.-China Trade Talks is Uncertain - If trade tensions were to re-escalate, substitute Asian exporters would be inclined to ship goods through similar trade lanes and ports of entry - the near-term risk to gateway industrial markets is low.

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
Industrial	Fixed	Life Company	T + 180	65%	15 years	30 year, 4 Years IO
Industrial - Single Tenant	Floating	Bank	L + 155	75%	10 years	8.5 year, 1.5 Years IO
Office	Floating	Bank	L + 190	70%	5 years	IO, 0.675% fee; 7.25% DY
Mixed-Use - Construction	Floating	Pension Fund	L + 340	60%	3 + 1 + 1	IO, 1% fee
Retail	Floating	Bank	L + 170	65%	5 years	30 year, 2 Years IO
Office - Single Tenant	Fixed	CMBS	S + 175	50%	10 years	IO, 8% DY
Office - Single Tenant	Fixed	Life Company	T + 150	45%	10 years	IO, 9% DY
Office - Future Funding	Floating	Bank	L + 155	60%	7 years	IO, 0.45% fee
Industrial - Future Funding	Floating	Bank	L + 140	65%	7 years	30 year, 5 Years IO; 0.40% fee
Hotel - Ramping	Fixed	Life Company	5.75%	55%	10 years	IO
Hotel - Ramping	Fixed	Life Company	5.75%	75%	5 years	IO, 1% fee
Office - Future Funding	Floating	Debt Fund	L + 225	73%	2 +1 +1 +1 +1	IO, 1% fees
Industrial - Spec Construction	Floating	Bank	L + 350	60%	3 years	IO, 1.5% fees
Industrial - Spec Construction	Floating	Debt Fund	L + 665	90%	3 years	IO, 1.5% fees
Leased Fee - Office	Fixed	Bank	S + 125	51%	9 years	IO, 0.55% fee

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments/Promote
Mutlifamily - Development	Preferred Equity	Pension Fund	12.0%	100%/0%	85% LTC
Office - Opportunistic	JV Equity	Value-Add Fund	22.0%	90%/5%	20% > 12%, 35% > 20%
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%

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65 - 75% (1)	1.30 - 1.50	T + 135 - 280
Fixed Rate - 10 Years	65 - 75% (1)	1.30 - 1.50	T + 145 - 255
Floating Rate - 5 Years			
Core Asset	<65% (2)	1.30 - 1.50	L + 120 - 220
Value Add Asset	<65% (2)	1.25 - 1.40	L + 200 - 400
Mezzanine Moderate Leverag	65 - 80%	1.05 - 1.15	L + 450 - 675
Mezzanine High Leverage	75 - 90%		L + 650 - 1300

(1) 70-75% for Multi-Family (non-agency) (2) Libor floors at 1.75-2.00%

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	70 - 75%	T + 190	T + 200
Strip Center	65 - 75%	T + 200	T + 210
Multi-Family (non-agency)	75 - 80%	T + 210	T + 220
Multi-Family (agency)	75 - 80%	T + 225	T + 235
Distribution/Warehouse	65 - 75%	T + 180	T + 190
R&D/Flex/Industrial	65 - 75%	T + 185	T + 195
Office	65 - 75%	T + 185	T + 195
Full Service Hotel	60 - 70%	T + 235	T + 255

* DSCR assumed to be greater than 1.25x

BASE RATES

	February 4, 2019	Four Weeks Ago	One Year Ago
30 Day LIBOR	2.514%	2.516%	1.580%
U.S. Treasury			
5 Year	2.53%	2.51%	2.54%
10 Year	2.71%	2.68%	2.78%
Swaps		Current Swap Spreads	
5 Year	2.62%	0.09%	
10 Year	2.74%	0.03%	

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

Cushman & Wakefield Equity, Debt & Structured Finance ("EDSF") has arranged approximately $40 billion of capital from more than 250 capital sources for 880 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	171 17th Street NW, Suite 1400	225 Franklin St. Suite 300	225 W. Wacker Dr., Suite 3000	2021 McKinney Avenue, Suite 900	10250 Constellation Blvd., Suite 2200	333 SE 2nd Ave. Suite 3900	One Meadowlands Plaza, Suite 700	2555 E. Camelback Road, Suite 400	4747 Executive Dr. Suite 900	425 Market Street Suite 2300	2101 L St., NW Suite 700
New York, NY	Atlanta, GA	Boston, MA	Chicago, IL	Dallas, TX	Los Angeles, CA	Miami, FL	East Rutherford, NJ	Phoenix. AZ	San Diego, CA	San Francisco, CA	Washington, DC
212 841 9200	404 875 1000	617 330 6966	312 470 1800	972 663 9600	213 955 5100	305 371 4411	201 935 4000	602 253 7900	858 452 6500	415 397 1700	202 467 0600