

# CAPITAL MARKETS UPDATE

April 20, 2017



- Treasuries had an extended rally the past month with geopolitical tensions and mixed economic data weighing on investors' minds. Risk off sentiment has pushed yields on both the 5 year and 10 year UST down by about 20 bps. During the same period, commercial real estate loan spreads have generally remained flat to tighter which means in most cases that all-in borrowing costs have trended down the last month. Expectations around the Fed increasing short term rates in June fell significantly this week as consumer and core prices, retail sales, employment data and housing starts all slipped in the past month.
- In the first quarter, transactions volumes were down 26% from the same period in 2016. The decline was widespread across market tier and product type with apartment and CBD office falling the most. The first quarter is ultimately a pause as buyers and sellers adapt to the new market paradigm. The current environment of low transaction activity, favorable market fundamentals, large amounts of dry powder and investors reaching the end of their fund cycles with substantial unrealized gains cannot persist. Rather, the foundation is set for a robust remainder of 2017.
- Lenders are chasing deals at all levels of the capital stack.
  - Life companies** are pricing moderate leveraged 10 year loans in mid 3% to low 4%. Some life companies have shorter term floating rate programs and others will offer up to 40+ year loans.
  - CMBS** lenders are craving product and pricing at similar interest rates to life companies but going deeper into the capital stack and offering more interest only.
  - Agency** lenders are still a popular choice for multifamily especially with certain features and programs they offer like supplemental and pre-stabilization program. Interest rates are generally upper 3% to mid 4%.
  - Debt funds** have mountains of cash and are generally pricing transitional and value add deals in the L + 300s - 400s and construction loans in the L + 500s - 600s. Incremental proceeds for a debt fund loan instead of a bank loan are usually in the high single digits to low double digits.
  - Banks** offer a wide range of products from low leverage loans for stabilized properties in the L + low 100s up to moderate leverage construction loans in the L + 400s.

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
Retail - Condominium	Fixed	Life Company	T + 170	60%	10 years	30 year, 3 Years IO
Office	Floating	Bank	S + 240	65%	5 years	IO, 0.70% fee
Industrial	Fixed	CMBS	S + 180	75%	10 years	30 year, 2 Years IO
Multifamily	Fixed	Life Company	3.75%	40%	10 years	25 year
Multifamily	Fixed	Agency	T + 180	60%	10 years	30 year, 1% fee
Multifamily	Fixed	Agency	T + 200	80%	10 years	30 year, 2 Years IO; 1% fee
Office	Fixed	Life Company	S + 148	45%	10 years	IO
Office - Construction	Floating	Debt Fund	L + 535	65%	3 + 1 + 1	30 year, 3 Years IO; 1% fee
Office - Construction	Floating	Bank	L + 410	50%	3 + 1 + 1	30 year, 3 Years IO; 1% fee
Retail - High Street	Fixed	CMBS	S + 147	57%	10 years	IO
Office	Fixed	CMBS	S + 209	70%	10 years	IO
Retail - Power Center	Fixed	CMBS	S + 199	70%	10 years	30 year, 5 Years IO
Multifamily	Fixed	Agency	4.60%	75%	10 years	30 year, 5 Years IO
Multifamily	Fixed	Life Company	3.90%	65%	10 years	30 year, 5 Years IO
Industrial - Single Tenant	Fixed	CMBS	S + 225	65%	10 years	25 year

## 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	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%
Multi-Family - Value Add	JV Equity	Opportunity Fund	20.0%	95%/5%	20% > 10%, 25% > 16%, 30% > 20%
Multi-Family - Value Add	JV Equity	Opportunity Fund	20.0%	90%/10%	20% > 12%, 30% > 18%
Multi-Family - Development	JV Equity	Life Company	14.0%	75%/25%	20% > 9%, 27% > 12%, 33% > 15%

## SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65 - 75% (1)	1.30 - 1.50	T + 120 - 275
Fixed Rate - 10 Years	65 - 75% (1)	1.30 - 1.50	T + 125 - 270
Floating Rate - 5 Years			
Core Asset	<65% (2)	1.30 - 1.50	L + 155 - 235
Value Add Asset	<65% (2)	1.25 - 1.40	L + 200 - 400
Mezzanine Moderate Leverage	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 0-0.50%

## 10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	70 - 75%	T + 200	T + 210
Strip Center	65 - 75%	T + 205	T + 215
Multi-Family (non-agency)	75 - 80%	T + 215	T + 225
Multi-Family (agency)	75 - 80%	T + 205	T + 215
Distribution/Warehouse	65 - 75%	T + 205	T + 215
R&D/Flex/Industrial	65 - 75%	T + 210	T + 220
Office	65 - 75%	T + 195	T + 205
Full Service Hotel	60 - 70%	T + 250	T + 270

\* DSCR assumed to be greater than 1.25x

## BASE RATES

	April 20, 2017	Four Weeks Ago	One Year Ago
<b>30 Day LIBOR</b>	0.99%	0.98%	0.44%
<b>U.S. Treasury</b>			
5 Year	1.76%	1.95%	1.31%
10 Year	2.23%	2.41%	1.84%
<b>Swaps</b>	Current Swap Spreads		
5 Year	1.87%	0.11%	
10 Year	2.19%	(0.04%)	

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

Cushman & Wakefield Equity, Debt & Structured Finance ("EDSF") has arranged approximately \$25 billion of capital from more than 190 capital sources for 440 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	200 S. Wacker Dr., Suite 2800 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.