CAPITAL MARKETS UPDATE

September 28, 2018

CUSHMAN & WAKEFIELD

- Benchmark CMBS spreads fell to a six month low last week amid pent-up demand as the first conduit deal in 39 days priced. 10-yr AAA bonds priced at S + 78 bps compared to the four deals that priced in early August at S + 86 - 91 bps. In addition to the drought of recent issuances, spreads benefited from a recent rise in 10-yr UST which is up about 20 bps in the last month. Many buyers of CMBS paper are absolutely yield driven, so the increase in base rates allowed the issuers to drive tighter spread pricing. According to data published by Commercial Mortgage Alert as of last Friday, YTD US CMBS issuance was $57B which is down about 4% for the same period last year.

- As widely expected, the Fed raised rates another quarter point on Wednesday. Policymaker projections released a the Fed meeting pointed to three potential increases in 2019, same as in June, and markets are pricing a nearly 80% probability for an another quarter point increase in December. With the Fed rate increase, 30-day LIBOR has settled in the 2.20%s and with the projected increases could move above 3% in late 2019. In spite of an escalating trade war and rising oil prices, policymakers increased their GDP growth estimate for next year to 2.5% from 2.4% in June.

- Cushman & Wakefield Research just released a U.S. Macro Forecast titled Entering the Boom Phase. The economic backdrop pertaining to the property markets is in excellent shape and while trade tensions, the yield curve, labor shortages provide plenty of downside risks, it would take a lot to derail the U.S. expansion, which is gaining more momentum by the day. The report provides an overview of the economy and capital markets as well as provides some specific thoughts on opportunities and threats in the office, industrial and retail sectors.

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RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Multifamily/Condo - Conversio	Floating	Debt Fund	L + 300	80%	3 + 1 + 1	IO, 1.50% fee(s)
Retail	Floating	Bank	L + 180	65%	5 + 1	25 year, 2.5 Years IO; 0.65% fee
Office - Suburban	Fixed	CMBS	S + 220	75%	10 years	30 year
Multifamily	Floating	Bank	L + 160	63%	5 years	IO, 0.50% fee
Multifamily	Fixed	Life Company	S + 131	65%	40 years	40 year, 0.10% fee
Multifamily	Floating	Debt Fund	L + 255	80%	2 + 1 + 1 + 1	IO, 0.65% fee
Multifamily - Future Funding	Fixed	Life Company	S + 121	50%	10 years	IO, 0.10% fee
Industrial - Future Funding	Floating	Bank	L + 185	65%	2 + 1 + 1 + 1	25 year, 3 Years IO; 0.50% fee
Office	Fixed	Life Company	T + 155	65%	10 years	30 year, 3 Years IO; 0.50% fee
Office	Fixed	CMBS	S + 195	65%	10 years	IO, 6.6% DY
Office	Fixed	Life Company	T + 160	55%	10 years	30 year, 3 Years IO; 0.35% fee; 8% DY
Office - Vacant	Floating	Bank	L + 400	75%	4 + 1 + 1	25 year, 4 Years IO; 1% fee; PG
Multifamily - Value Add	Floating	Bank	L + 175	55%	4 + 1	IO, 0.50% fee
Industrial	Fixed	Bank	S + 140	65%	5 + 1 + 1	30 year, 4 Years IO; 0.50% fee
Industrial	Fixed	CMBS	S + 145	50%	10 years	IO

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments/Promote
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%
Multi-Family - Construction	Preferred Equity	Family Office	15.0%	100%/0%	85% LTC

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 + 120 - 240
Floating Rate - 5 Years			
Core Asset	<65% (2)	1.30 - 1.50	L + 120 - 210
Value Add Asset	<65% (2)	1.25 - 1.40	L + 200 - 400
Mezzanine Moderate Leverag	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 + 185	T + 195
Multi-Family (non-agency)	75 - 80%	T + 195	T + 205
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 + 220	T + 240

* DSCR assumed to be greater than 1.25x

BASE RATES

	September 28, 2018	Four Weeks Ago	One Year Ago
30 Day LIBOR	2.242%	2.105%	1.234%
U.S. Treasury			
5 Year	2.94%	2.76%	1.91%
10 Year	3.04%	2.88%	2.31%
Swaps		Current Swap Spreads	
5 Year	3.06%	0.12%	
10 Year	3.10%	0.06%	

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