The **CRITTENDEN REPORT**® **Real Estate Financing**

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REGIONAL BANKS INCREASE TERMS

Look for the regional and local banks to compete aggressively by introducing larger loan amounts and longer terms before the year is through. These guys will be a good source of liquidity as the conduits pull back and many life companies complete allocation goals. **East West Bank, Union Bank, Sovereign Bank, SunTrust, California Bank & Trust, Webster Bank, Sterling National Bank, First Fidelity Bank, City National Bank of Florida** and **Bank of Hawaii** will dole out money by year's end.

Watch for some regionals to do larger loans up to $40M going forward, which makes them major players in the game. As numerous strong regional and local banks step up to fund loans, many of them will consider longer terms instead of sticking to the traditional five- and seven-year money. Sovereign and SunTrust will ink up to $30M, while Bank of Hawaii, East West Bank and City National of Florida will consider $20M loans.

Regionals will compete with Fannie and Freddie on multifamily deals and the life companies on the other property types. Regional and local banks will be conservative and borrower specific. They will target well-located properties with a strong tenant base and a favorable borrower. Community bankers will underwrite based on the borrower rather than the deal itself.

Investors are taking money out of the volatile stock market and putting deposits back in banks. This influx will help smaller community banks have money to originate toward commercial real estate. Banks that have only been around for five years could have a bit more luck since they do not have the legacy loan issues like some of the troubled older banks. These newer lenders made much lower leveraged loans, showed more scrutiny on the credit side and were not making crazy land or construction deals.

BANKERS EXPAND CMBS MARKETS

Conduits begin to reach into the beaten down Midwest, Southwest and southern markets for hotel loans. Hoteliers in shaky markets will start to see more financing options going into Q4 and the beginning of 2012. Odds are **JP Morgan Chase, Wells Fargo, Deutsche Bank, Goldman Sachs, UBS, BofA** [redacted]

LCs MORE ATTRACTIVE THAN AGENCIES?

Life company lenders will aggressively pursue multifamily loans during the remainder of the year, especially as many solid Fannie and Freddie borrowers diversify and look for other lending options. Nearly all life companies are underweight in multifamily, so expect emphasis on this product type through year's end and into 2012. Count on some to even increase their allocation goals since they can put quality conservative loans on the books at high spreads over treasuries.

Northwestern Investment Management Company looks for multifamily deals, while **Allianz** will focus on Class A infill urban and suburban garden apartments. **Conerstone** will quote 8% debt yield on the best multifamily properties in the "smile" markets and Chicago. **Prudential** has substantial allocations for multifamily and will also do agency loans. **The Standard Life Insurance Company** will consider the smaller size loans. **ING Investment Management Americas** has an emphasis on multifamily since it is underweight on that property type. **New York Life Insurance Company** recently put together $128M for an eight-property multifamily portfolio to pay off the existing facility, so keep an eye on them to do the larger loans.

Multifamily borrowers will start to trickle back to portfolio lenders and look for LCs to be right there to swoop up the deals. In some cases, life companies will be able to provide more favorable pricing than the agencies. LCs offer flexibility with the deal structure and terms to meet the borrower's needs compared to Fannie or Freddie.

As borrowers become more concerned with the future of agency lenders, life companies will be happy to fill in the gap on the highest quality properties and sponsors. LCs provide the flexibility to lock in rates up [redacted]

DEALMAKER DATABANK	
Aztec Group Inc. 2665 S. Bayshore Drive, PH-2A, Coconut Grove, FL 33133 Howard Taft, Senior Managing Director; Charles Penan, Director (305) 938-8619; (305) 938-8621 htaft@aztecgroup.com; cpenan@aztecgroup.com	Credit Suisse/Column Financial puts together $35M in acquisition financing for an office building in Aventura, Fla. Interest is fixed at 5.30% and LTC was 66%. Symetra doles out $3M for refi of Walgreens in Hialeah, Fla. Interest is fixed at 6.04% and LTV was 70%.
Bank of Hawaii 130 Merchant St., 20th Floor, Honolulu, HI 96813 Ben Kashiwabara, VP-Commercial Real Estate Loan Division (808) 694-8782 ben.kashiwbara@boh.com	Bank of Hawaii completed $125M in the first half of the year and will work with the four basic food groups, including mixed-use and construction loans for affordable housing projects. LTV can go up to 75% and DSC will be 1.25x on up. The loan sweet spot is $1.5M but can go up to $20M.
Cassidy Turley BRE Commercial 4350 La Jolla Village Drive, Suite 500, San Diego, CA 92122 Gary Goss, Debt Placement (858) 546-5452 ggoss@breb.com	Goldman Sachs Commercial Mortgage Capital provides $17.1M for the refinance of retail center, Eagle Glen Plaza in Corona, Calif. The five-year loan has interest fixed at 4.8%. LTV was right at 70% and debt yield was 9.4%.
City National Bank of Florida 1450 Brickell Ave., Suite 2800, Miami, FL 33131 Gary Fitzgerald, Real Estate & Private Client Group Executive (305) 577-7461 gary.fitzgerald@citynational.com	Count on the bank to loan out around $350M in new commitments this year; $160M has already been done. LTV will be 65% to 75% and DSC at 1.25x to 1.35x. The lender is opened to all property types with an emphasis on anchored retail, apartments, office and warehouse.
Florida Bond & Mortgage Inc. 3696 N. Federal Highway, Suite 200, Fort Lauderdale, FL 33308 David Ramsey, President (954) 566-7485 dramsey@flbondmtg.com	Thrivent Financial for Lutherans loans out $4M for the refinance of a maturing conduit loan on Plantation Square, a retail property in Plantation, Fla. LTV was 65% and DSC 1.40x. The loan has a 10-year term and 20-year amortization. Interest was 5.65%.
HFF 200 Campus Drive, Suite 205, Florham Park, NJ 07932 Jon Mikula, Senior Managing Director (973) 549-2006 jmikula@hfflp.com	Nationwide Life Insurance Company puts together $21M to refinance Florham Park Plaza, a retail center in Florham Park, N.J. This is a 10-year fixed-rate loan. The borrower was The Klein Group, a real estate investment firm.
HFF 18300 Von Karman Ave., Suite 900, Irvine, CA 92612 Charles Halladay, Associate Director (949) 798-4105 challaday@hfflp.com	Citigroup Global Markets doles out $61M for refinance of The Shoppes at Chino Hills, a lifestyle center in California. LTV was just under 65%; debt yield was 10.88%. Interest is fixed for 10 years at 5.2%. Keep an eye out for Citigroup to close another retail loan soon.
HFF 200 Campus Drive, Suite 205, Florham Park, NJ 07932 Thomas Didio, Senior Managing Director (973) 549-2008 tdidio@hfflp.com	Allstate doles out a $43M refinance loan for Boulder Run Shopping Center in Wyckoff, N.J. The LTV was around 70% and DSC was 1.25x. This is a 20-year loan with 25-year amortization that replaces an existing construction loan on the recently renovated retail center.

DEALMAKER DATABANK	
Marcus & Millichap Capital Corporation 1 World Trade Center, Suite 2100, Long Beach, CA 90831 Michael Derk, VP-Capital Markets (562) 257-1271 michael.derk@marcusmillichap.com	Luther Burbank Savings doles out $7.2M for the acquisition Sandalwood Apartments in Santa Ana, Calif. LTV was 77% and DSC was 1.20x. Interest is fixed for five years at 4.45%, with 30-year amortization. This closed in 52 days.
Mark One Capital 1420 Fifth Ave., Suite 1600, Seattle, WA 98101 Glenn Gioseffi, Director-Capital Markets (206) 579-1178 ggioseffi@marcusmillichap.com	JP Morgan Chase lends out $5.3M from its banking arm for the refinance of Melrose Apartments in Seattle. Interest is fixed for three years at 4.4%, with 30-year amortization. LTV was 75% and DSC was 1.15x.
Meridian Capital Group 1 Battery Park Plaza, New York, NY 10004 Ronnie Levine, Managing Director (212) 612-0153 rlevine@meridiancapital.com	Citigroup Global Markets puts together $180M for 1551 Broadway, a flagship store for American Eagle Outfitters in New York City. The 10-year, fixed-rate loan allowed the borrower to retire the property's existing floating-rate debt and lock in favorable terms.
NBS Financial Services 121 S.W. Morrison, Suite 200, Portland, OR 97204 Ken J. Griggs, President (503) 273-0363 kgriggs@nbsfinancial.com	NBS closes a $6M refi loan from Kansas City Life Insurance Co. for Pacific Industrial Park in Seattle. The company also inks a $7.9M refi loan from Genworth Financial for an 86,676-s.f. office building in Oregon called One Embassy Center.
NorthMarq 111 S. Wacker Drive, Suite 3975, Chicago, IL 60606 Jeff Cherner, SVP/Managing Director (312) 201-1903 jcherner@northmarq.com	Bank of America loans out $26.86M from its banking arm in first mortgage financing for Burr Ridge Medical Center a medical office building in Burr Ridge, Ill. The bridge loan has a three-year term.
NorthMarq 4011 Westchase Blvd., Suite 210, Raleigh, NC 27607 Todd Crouse, SVP (919) 781-1811 tcrouse@northmarq.com	Genworth Financial loans out $6.6M for the refinance of Rocky Mount Marketplace, a retail center in Rocky Mount, Va. LTV was in the 70% area. DSC fell between 1.40x and 1.50x. This is a 15-year loan with 20-year amortization.
Optimum Hotel Brokerage LLC 23 Breyer Court, Elkins Park, PA 19027 Joseph R. McCann, President (215) 572-7711 joe@optimumbrokerage.com	Optimum recently closed the sale of the Holiday Inn Columbia in Columbia, Md., for $6.26M. The deal included a $3.5M loan for the PIP. The hotel averages $2.9M in annual room sales and $900K in F&B.
PMZ Realty Capital LLC 570 Seventh Ave., Suite 805, New York, NY 10018 Michael Sonnabend, Managing Partner (212) 277-8252 sonnabend@pmzcapital.com	PMZ recently closed a $30M refi loan for three select service hotels in North Carolina. Watch for the company to ink around eight hospitality CMBS deals this month.
Thomas D. Wood & Company 7349 Professional Parkway E., Suite B, Sarasota, FL 34240 Brad Cox, SVP (941) 552-9731 bcox@tdwood.com	Stancorp. loans $1M out to Keystone Courtyard apartments in Tampa, Fla. This is a refi of a hard money loan the borrower put on the property to renovate. LTV was 60% and DSC was 1.45x. Interest was 6.375% on the 20-year loan.

LENDERS FANCY RETAIL...

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MAJOR BANKS: RELATIONSHIP DRIVEN

Expect major banks to rely on borrower relationships to get money out with longer than normal loan terms possible. **JP Morgan Chase, BofA, Wells Fargo, Citigroup, U.S. Bank, PNC, BB&T** and **Bank of the West** will all be active. These lenders will look at multifamily more than any other product type. Count on Wells Fargo, BofA, PNC and U.S. Bank to consider construction loans in the near future. With all the CMBS set to mature in the next few years, the banks will definitely have to help handle the increase in refi loan volume.

Wells, JP Morgan, Citi and BofA could flip their focus to portfolio lending since they were really pushing their conduit arms this year but that has seized up. They will most likely stick to five-year, fixed-rate loans and might not be able to price along with the life companies.

Relationships will be important going forward as the conservative banks look to put some money out into the market. Bankers will be able to push the envelope with the length of the loan term with existing clients. BB&T recently quoted a deal with a 15-year, fixed-rate term, something out of the norm for most banks. Some of other national banks could follow their lead and initiate 10-year loans with 30-year amortization to be able to compete with the regional banks.

Count on banks to do the lower leverage deals, probably in the 60% to 65% area, with a few treading into the 70% to 75% waters. DSC will start at 1.25x on up. The typical five-year, full recourse loan with 25-year amortization will have a rate around 5.5% to 5.75%. Floating rates will most likely fall 250 to 400 bps over Libor, with fixed rates in the 4.5% to 6% range, depending on terms and risk. Borrowers need to have sufficient liquidity and net worth to provide adequate secondary support.

Healthy banks will try to get money out before the year is through, although they may not be as aggressive in underwriting as other lending institutions. Banks will be active in the four major food groups. There will be an emphasis on the trophy assets in established metropolitan markets. Bankers will look at underlying risk, collateral type, strength of the sponsorship and reliability of the cash flow. Don't expect them to work on one-off deals anytime soon. Income producing properties and owner-occupied properties will get some attention along with SBA loans. Banks will primarily be interested in refinances and acquisitions and will only look at construction with a major tenant already on board.

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