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BANKERS PROVIDE RELIABLE MF TERMS

The core banks consistently lending on multifamily for the rest of the year will include **Wells Fargo, PNC, US Bank, BofA** and **JP Morgan Chase**. National banks **Union Bank** and **M&T** will also target multifamily this year. Leverage will vary depending on the lender and could go up to 75%. Debt yield will be between 1.15x and 1.20x. Count on the big players to become bullish on construction loans for multifamily in the next few quarters.

JP Morgan, the largest apartment lender after the GSEs, will allocate 60% to 70% of its portfolio lending toward multifamily by year's end. In major markets, it will underwrite 75% leverage and 1.15x DSC. Loans will be between \$1M and \$10M. Everything from five-unit properties for small investors to large deals for major developers and REITs will be on the docket.

US Bank and Wells will compete for the same properties as they offer close alignment on underwriting. LTVs will move up to the 70% to 75% range and they will underwrite cash flow 1.20x at a 6.5% rate. US Bank will work with borrowers from middle market to institutional on all loan types, including bridge. Don't expect any 10-year money loans from US Bank.

M&T Bank lends nationwide from its agency platform and will work with 80/20 Multifamily Programs in New York City, along with market rate developments. LTC on development runs 60% to 70%, depending on the value of the land. Debt yield is tight at 9%. M&T will consider floating rate loans, which not everyone will do, and sticks to five- to seven- year terms. Union Bank lists multifamily as its preferred property type and considers everything from smaller second-tier assets to large institutional-quality properties. Construction loans go up to \$50M. Small balance mortgage product will be around \$2M.

Bank rates will be favorable and the programs are easy to use. Plus, the programs will lock in rates at application, whereas Fannie Mae can take up to 45 days. Life companies can also lock in rates quickly but tend to be expensive. Bankers will target well-maintained properties that have been adequately managed. Distressed properties can be difficult to finance because future cash flows will be impossible to predict and banks desire security. Properties in markets with 20% vacancy rates will be a challenge. Mixed-use properties will need around 40% multifamily to be considered.

Expect to see interest rates affect the pace of financing. If they move upward significantly, apartment lending will slowdown. The economy is still weak, so the chances of interest rates moving up are slim for the time being.

LIFE COMPANIES EXCEED EXPECTATIONS

Keep an eye out for the LCs to go beyond goals set in Q1 and be bullish on deals for the rest of the year. As investors increase activity, it will give the lending industry a shot in the arm and expect LCs to take advantage. Historically, the amount of business from life company lenders pales in comparison to banks and CMBS, but this year there will be more than enough to go around. The market scare in the last few weeks benefits the consistent portfolio lenders as borrowers scramble to get loans done with reliable sources.

Northwestern Mutual Real Estate Investments completes \$3.6B of its targeted \$4.3B for the year. The LC is on pace to slightly exceed its goal as long as the loans provide good relative value for the company. **MetLife** plans \$10B in allocations this year and completed \$39M in commercial real estate loans through Q2. Office made up 46% of the loans, retail came in at 22.8%, apartments hit 9.6%, hotels at 8% and industrial reached 7.8%. The remainder was for other property types.

Continued on Next Page

LIFE COMPANIES EXCEED EXPECTATIONS...

Continued from Page 1

Cornerstone Real Estate Advisers loans \$3B so far this year and will keep going as long as they see value. Allocations have been heavier in office and apartments and the company hopes to find more hotel and industrial/warehouse deals before the year is through. **ING Investment Management** nears its objective of \$2.1B to \$2.2B, with \$1.95B already closed or under application. Around 35% of allocations have gone toward industrial, 25% to retail, 15% for multifamily and 10% to other assets types, including mobile home parks and self storage.

Pacific Life is on track to deploy \$2.5B this year, with \$2B already out year to date. **Allianz** nearly beats its \$1B to \$1.5B allocation goal with just under \$1B closed or committed year to date. The life company sees value in commercial real estate lending and will remain active going forward. **Allianz** will lend on multifamily, office, retail, industrial and on campus MOBs.

LENDERS STEP UP FOR HOTELS

Watch for debt funds, LCs and banks to increase interest in hotels to fill in until CMBS returns to a solid pace of deal flow. Expect to see leverage at 65% to 75%. Look for 20 or so debt funds to be active underwriting commercial real estate loans with a good handful to be busy with hotels, including **Starwood**, **AREA Property Partners**, **KSL Capital** and **The Blackstone Group**. Life companies such as **Northwestern Mutual Real Estate Investments** and **Cornerstone Real Estate Advisers** entertain hotel deals. Expect **Wells Fargo** and **JP Morgan Chase** to be the most vigorous banks with hotel loans.

Borrowers should know there is not a liquidity shortage in the lending market, but lenders do have a confidence problem on how to price. As the industry realizes the economy may not be on a solid ascent, many lenders will moderate their views. Hotel operations begin to improve but likely at a much slower pace than originally anticipated. Supply is in check and demand grows, which will help make hotels a more viable investment going forward. Hoteliers need to be patient through the next few quarters of moderate operational growth.

Lenders look at hotel fundamentals and underlying real estate to come up with leverage amounts. Expect to see loans at a lower per room basis with shorter terms for the rest of this year compared to the peak. Banks and LCs plan to be moderately conservative going into next year.

Hotels rates increase further, generally for first mortgages. Going forward, expect to see interest come in the mid-5% to mid-6% range, depending on sponsorship, cash flow and location. Some 7% rates will emerge for challenging deals. There is a bridge market out there for transitional assets. Borrowers who recently sold properties without cash flow and are in need of money for acquisitions could see rates north of 8%.

LENDERS CONSIDER CASH OUTS

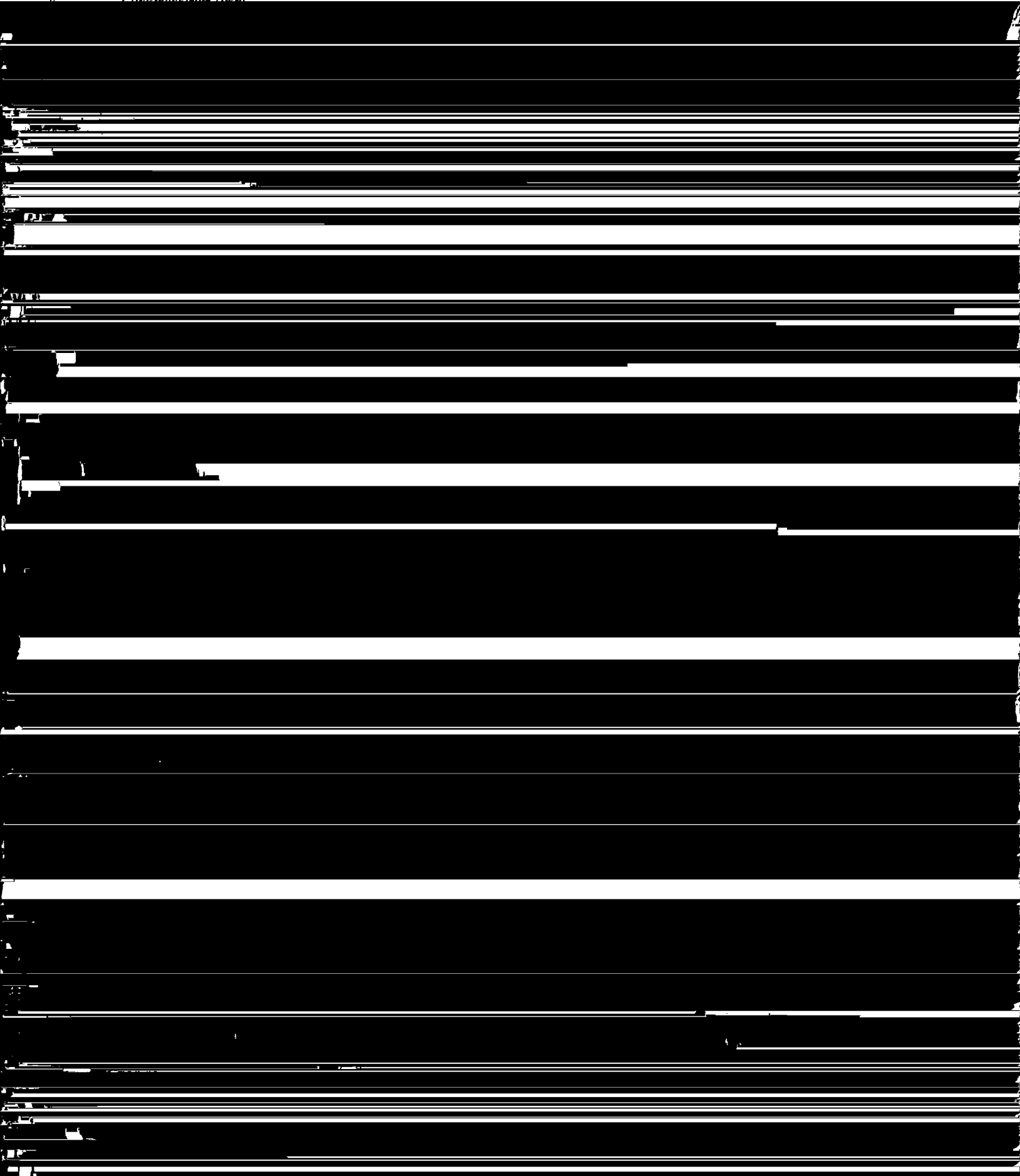
Many lenders will become more confident in cash outs for well-qualified borrowers as more money becomes available in the lending world. The demand for cash-out refis could diminish if interest goes up. Life companies **Principal Life Insurance**, **Summit Investment Partners** and **Allianz** will consider cash outs. **JP Morgan Chase** and **Wells Fargo**, along with multifamily lenders **Walker & Dunlop**, **Apartment Bank** and **Love Funding**, will also cash outs with prudent underwriting and conservative borrowers. However, some lenders such as **Cornerstone** will avoid these transactions in this market because it is rare that a property will have the equity for a cash out.

Count on more cash out refis to go through by year's end on high-quality properties, especially multifamily assets. The combination of low interest and reasonable cap rates in the sector leads to the best opportunity to pull additional equity out today. Expect the institutional apartment owners to have the most willing lenders. Fannie, Freddie and HUD will also do cash-out deals for the right properties. The agencies will look at borrowers with relevant experience in multifamily before considering a cash out. The agencies hold at 75% of the appraised value when borrowers try to take out more than 3% the principal amount. HUD will look at the loan term, the economic life of the property and the other properties the borrower owns.

Continued on Next Page

LENDERS CONSIDER CASH OUTS...

Continued from Page 2



DEALMAKER DATABANK	
<p>Allianz Real Estate of America 1114 Avenue of the Americas, 31st Floor, New York, NY 10036 James Stopestad II, CEO (212) 739-3301 james.stopestad@allianz.com</p>	<p>Count on total loan originations to be between \$1B and \$1.5B this year. Financing can close within 30 days. The four basic food groups along with medical office are targeted. Debt yield will be around 9%.</p>
<p>Apartment Bank 220 Newport Center Drive, Suite 11-268, Newport Beach, CA 92660 David Boyles, Senior Loan Officer-Income Property Lending (949) 244-8614 david.boyles@bankofinternet.com</p>	<p>Apartment Bank plans to double allocations over last year and will do multifamily loans from \$500K to \$20M on a case-by-case basis. Deals can close in 45 to 60 days. LTV is 70% for core markets and 65% for refinances. DSC is 1.25x for core markets and 1.35x for non core.</p>
<p>Cohen Financial 50 California St., Suite 3550, San Francisco, CA 94111 Kenneth Fox, Managing Director-Capital Markets Unit (415) 397-3111 kfox@cohenfinancial.com</p>	<p>JP Morgan Chase doles out \$2M in fixed-rate financing for the refinance of Spring Meadow Apartments in Pleasant Hill, Calif. Also, keep an eye out for a multifamily portfolio loan with four banks.</p>
<p>Cornerstone Real Estate Advisers 1 Financial Plaza, Suite 1700, Hartford, CT 06103 Rob Little, Chief Investment Officer-Finance (860) 509-2200 rlittle@cornerstoneadvisers.com</p>	<p>Cornerstone has completed \$3B in originations so far this year with more in the works. Multifamily and office have made up the most deals but the lender wants to do hotels and industrial/warehouse going forward.</p>
<p>Coro Realty Advisors 3715 Northside Parkway, Building 4, Suite 100, Atlanta, GA 30327 Robert Paul Fransen, EVP (404) 846-4010 rfransen@cororealty.com</p>	<p>ING doles out \$11M for Georgetown Shopping Center in Dunwoody, Ga. The loan had two parts, \$7M for a refi of existing indebtedness and \$4M for TIs. LTV was 40% and DSC was 2.5x. This was a 10-year loan, with 30-year amortization. Interest was under 5%.</p>
<p>HFF 4200 George J. Bean Parkway, Suite 2524, Tampa, FL 33607 Daniel Peek, Senior Managing Director (813) 870-1001 dpeek@hfflp.com</p>	<p>HFF recently arranged a \$24M construction/permanent loan from Cambridge Savings Bank and Brookline Savings Bank for South Shore Place, which will include a 200-key Hyatt Place Hotel.</p>
<p>ING Investment Management Americas 5780 Powers Ferry Road, Suite 300, Atlanta, GA 30327 Greg Michaud, SVP-Head of Real Estate Finance (770) 690-4865 greg.michaud@inginvest.com</p>	<p>ING will originate \$2.1B to \$2.2B this year and targets both retail and multifamily. LTV will be 65% or less for both these property types with \$300/unit reserves for multifamily and \$0.20/s.f. reserves for retail.</p>
<p>JP Morgan Chase 3 Park Plaza, Suite 1000, Irvine, CA 92614 Alfred Brooks, President-Chase Commercial Term Lending (949) 833-4069 alfred.brooks@chase.com</p>	<p>JP Morgan expands expectations between its commercial mortgage business and real estate banking business and will close more than \$10B in loans this year. It primarily does multifamily but will do office, retail and industrial.</p>
<p>Love Funding 1250 Connecticut Ave. N.W., Suite 310, Washington, DC 20036 Holly Bray, First VP/Senior Loan Originator (202) 887-1849 hbray@lovefunding.com</p>	<p>Love Funding will put together FHA cash out refinances for multifamily properties, including nursing and assisted living facilities, nationwide. Love specializes in FHA loans rate under 4% for refinances.</p>

DEALMAKER DATABANK

<p>M&T Bank Commercial Real Estate 350 Park Ave., New York, NY 10022 Peter D'Arcy, Group VP (212) 350-2550 pdarcy@mtb.com</p>	<p>Count on \$1B in new money loans in New York City and around \$2B of new money loans bank wide for the year. All property types are considered and there is an agency platform nationwide. Loans can be \$5M to \$100M.</p>
<p>Marcus & Millichap Capital Corp. 101 W. Elm St., Suite 600, Conshohocken, PA 19428 James Conley, Director (215) 531-7000 james.conley@marcusmillichap.com</p>	<p>Oritani Bank doles out \$7M in refinancing for a neighborhood shopping center in Philadelphia. LTV was 73% and interest was 5.40%. DSC was 1.30x on the 10-year loan, with 30-year amortization.</p>
<p>NorthMarq Capital 2929 E. Camelback Road, Suite 226, Phoenix, AZ 85016 James DuMars, Managing Director (602) 508-2206 jdumars@northmarq.com</p>	<p>Thrivent Financial for Lutherans puts together \$5M in refinancing for North Scottsdale Gateway in Scottsdale, Ariz. LTV was 65% and interest came in at 5.95%. DSC was 1.50x. This was a 10-year loan with 25-year amortization.</p>
<p>Northwestern Mutual Real Estate Investments 720 E. Wisconsin Ave., N16, Milwaukee, WI 53202 Gregory Walz, Managing Director (414) 665-6557 gregwalz@northwesternmutual.com</p>	<p>The company is on track to meet or exceed its \$4.3B allocation goal for this year. Multifamily, office, retail, industrial, manufactured housing, hospitality and self storage, as well as senior and student housing, are all on its list.</p>
<p>Pacific Life Insurance Co. 700 Newport Center Drive, Newport Beach, CA 92660 Tony Premer, Senior Managing Director-Real Estate Finance (949) 219-5447 tony.premer@pacificlife.com</p>	<p>Pacific will lend nearly \$2.5B by year's end on all property types. The focus is on loans in the \$50M and up range. The life company looks for opportunities in major markets on both coasts.</p>
<p>PMZ Realty Capital LLC 570 Seventh Ave., Suite 805, New York, NY 10018 Michael Sonnabend, Managing Partner (212) 277-8252 sonnabend@pmzcapital.com</p>	<p>Watch for PMZ to ink around eight hospitality CMBS deals in the next few weeks. The company will also close a portfolio of hotels in Michigan this month.</p>
<p>Union Bank 350 California St., Suite 720, San Francisco, CA 94104 Michael Stedman, Senior EVP (415) 705-7589</p>	<p>Union will do two to three times the volume it did in 2010, which will get it to 50% of allocations during the peak. Should get back to 100% pre-recession volumes in the next two years.</p>

CMBS TO INCREASE IN Q4

Expect to see CMBS return to a moderate pace during the next three months. Strong deals will see interest from a variety of conduits. The big players, including **Goldman Sachs, Wells Fargo, JP Morgan Chase, UBS** and **Morgan Stanley** will be active going forward. A few companies, such as **Citadel**, exit the conduit origination market altogether. **FundCore Finance Group** was on the verge of entering but its partner pulled out likely due to the volatile state of CMBS.

Odds are the reduction of CMBS originations in August was an over correction of the market. Deals did not stop, but the pace of loans drastically slowed down. Washington's political games did not help. One

