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

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LENDERS MANUFACTURE LOANS

Anticipate more lenders to put manufactured housing communities in their sights next year. High-quality parks in attractive locations will see the most attention. The best-in-class product will get 60% to 80% leverage, depending on the lender. The agencies will provide up to 80% leverage and 30-year terms. Conduits will top out at 75%. Life companies will offer up to 65% leverage, but most will prefer 60%. Banks will underwrite leverage anywhere from 65% to 75%. Loans for portfolios will get the highest leverage, while those in secondary markets will be at the lower end of the spectrum.

Rates will be slightly higher for this product compared to typical multifamily loans and should fall in the upper 4% area. Five-year deals will get rates in the mid-4% range, while 10-year money will be in the 5% area. The best deals will get 1.20x to 1.25x DSC. Most loan terms will be five to 25 years, with 25-year amortization.

Fannie Mae will be the dominant lender in the space next year, but others will become more aggressive on these loans as well. Fannie will cover the Class A and B product. Banks, including **Union Bank** and **Sterling Bank** will compete on deals in favorable markets and on loans that fall outside Fannie's parameters. **GE Capital** should also compete on this property type. The conduits will most likely increase interest on multifamily once they pick up speed next year, as this has been a preferred CMBS asset type.

DEALMAKER DATABANK

Cohen Financial 50 California St., Suite 3550, San Francisco, CA 94111 Ken Fox, Managing Director (415) 591-3111 kfox@cohenfinancial.com	Cohen Financial is a diversified, commercial real estate capital services firm offering debt and equity placement, investment brokerage, loan administration and advisory services.
Daymark Realty Advisors 1551 N. Tustin Ave., Suite 200, Santa Ana, CA 92705 Jenifer Cho, Senior Manager, Client Communications (714) 975-2367 jcho@daymarkra.com	Daymark arranges a bridge loan with Berkadia Commercial Mortgage for Enclave at Golden Triangle, a multifamily property in Keller, Texas. LTV was 80% and interest was floating with a floor of 6%. DSC was 1.20x and debt yield was 8.5%.
Hendricks & Partners Inc. 5000 Birch St., Suite 5600, Newport Beach, CA 92660 Michael White, Senior Executive Partner (949) 223-0604 mwhite@hpapts.com	White manages execution capabilities in conventional senior debt, mezz and bridge financing. He also structures financing for asset workout/repositioning capitalizations, participating debt, preferred equity and JV investments.
PMZ Realty Capital LLC 570 Seventh Ave., Suite 805, New York, NY 10018 Michael Sonnabend, Managing Partner (212) 277-8252 sonnabend@pmzcapital.com	PMZ closes an $11M refi loan with a foreign bank for the Four Points by Sheridan in San Jose, Calif. The 10-year, fixed-rate loan had a LTV of 65% and an interest rate slightly below 6%.
Thomas D. Wood 7349 Professional Parkway E., Suite B, Sarasota, FL 34240 Brad Cox, SVP (941) 552-9731 bcox@tdwood.com	Thomas D. Wood works with Stancorp. on a $1.7M permanent loan for Mary Matha Shopping Center in Fort Pierce, Fla. LTV was 50%. Interest came in at 5.5%. This was a 15-year, fully-amortizing loan.
Tremont Realty Capital 30 N. LaSalle, Suite 2050, Chicago, IL 60602 Tom Lorenzini, Managing Director (312) 236-0960 tlorenzini@tremontcapital.com	Tremont arranges three loans with CMBS lenders for manufactured housing communities. Southwood Manor and Penland in Anchorage, Alaska, both had a LTV at 72% and Royal Highlander in Peoria, Ill., had a 70% LTV. Rates were around 6% on all the loans.

BRIDGE LENDERS PICK UP STEAM...

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RCG Longview targets loans in the $5M to $25M range with up to 80% leverage. **Silo Financial** specializes in one-year loans between $1M and $10M, with possible one-year extensions. **Owens Financial**'s loan sweet spot is $500K to $5M with 12- to 18-month terms. **W Financial** looks for $2M to $25M bridge loans for mixed-use, office, multifamily and retail. **Regional Capital Group** targets loans at $2M and up. Some regional banks will do bridge money but only for $10M-plus deals at lower leverage. Count on many more bridge lenders to enter the market in 2012.

Bridge lending could become the standard due to the increase in maturing loans. Next year will bring a wave of refinances and acquisition loans for distressed properties in need of repositioning. Bridge loans will be a necessity until borrowers can secure permanent money. Look for a bevy of discounted payoffs and short sales in 2012, which will create more opportunity for bridge lenders. Retail and office will most likely have the most need, due to weak underlying fundamentals.

Lenders will focus on sponsor quality and a quick turnaround of properties in bottomed-out markets in recovery. Many do not require appraisals and can do the underwriting in house. Leverage will depend on the sponsor, the upside and the market. They will look closely at the borrower's ability to execute on the business plan. Investors buying REOs or notes from banks will seek out bridge money. Borrowers in secondary or tertiary markets will also have a need since fundamentals are weak in those areas.

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BANKS & LENDERS

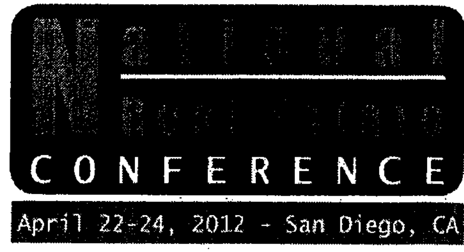
Lender	Outlook
Beech Street Capital 33 Inverness Center, Suite 150, Birmingham, AL 35242 Damon Reed, VP (205) 991-6700 dreed@beechstcap.com	Beech Street will close $2B for multifamily and manufactured housing by year's end. Count on $3B to $4B next year. The lender recently put together an $8.4M loan through its Fannie Mae program for a manufactured housing community in Michigan.
Lone Oak Fund 11611 San Vicente Blvd., Suite 640, Los Angeles, CA 90049 Stephan Kachani, Co-Managing Director (310) 826-2888 stephan@loneoakfund.com	Lone Oak will fund $300M or more in bridge loans for 2012. Multifamily, industrial, office and residential properties in California will all be targeted. The lender will loan up to 60% LTV and can do loans more than $10M.
Mark One Capital 1420 Fifth Ave., Suite 1600, Seattle, WA 98101 Glenn Gioseffi, Director-Capital Markets (206) 579-1178 ggioseffi@marcusmillichap.com	Mark One Capital counts on $1B to $2B in originations next year, companywide. The company will consider most property types, including multifamily, retail, industrial and manufactured home communities.
RCG Longview 7 Penn Plaza, Suite 512, New York, NY 10001 Christopher LaBianca, President (212) 356-9262 clabianca@rcglongview.com	RCG Longview plans to originate $250M next year. Around $100M will be bridge loans; the rest will be mezz, preferred equity and C notes. The company recently put together a $21M bridge loan for a multifamily property in Brooklyn, N.Y.
Walker & Dunlop 7501 Wisconsin Ave., Suite 1200E, Bethesda, MD 20814 Brendan Coleman, VP (301) 215-5595 bcoleman@walkerdunlop.com	Walker & Dunlop will be bullish on multifamily lending in 2012 through its Fannie Mae, Freddie Mac and HUD lending programs. Manufactured home communities are also in the cards.

RATES TO RISE MARGINALLY

Interest rates will likely increase slightly during Q1, anywhere from 0.25% to 0.75%. By year's end 2011, rates will mostly fall in the high 4% and low 5% range. Look for a further boost to the high 5% to low 6% range by end of 2012. Life companies such as **MetLife**, **Prudential**, **New York Life**, **Northwestern Mutual** and **Cornerstone Real Estate Advisers** will likely offer rates between 4.5% and 5.25%, with respect to minimum yields next year. Banks such as **JP Morgan Chase**, **Wells Fargo**, **US Bank**, **Union Bank** and **BofA** will provide rates in the 5% to 5.5% range. The conduits, including **Deutsche**, BofA, Wells Fargo, JP Morgan, **Cantor Fitzgerald**, **Morgan Stanley**, **Goldman Sachs** and **RBS** will be around 6%. **Fannie Mae**, **Freddie Mac** and **HUD** will quote 5% and below.

Expect the Fed to keep rates low for the next two years. Overall, the uncertainties in Europe, the upcoming presidential election, turmoil in the Middle East and high unemployment will most likely produce low rates. Going forward, the Fed will lean more toward getting the economy growing rather than worrying about inflation, so don't expect any major changes in the near future.

The first quarter will bring fresh allocations, which could bring spreads in. All eyes will be on the Eurozone and any noise will drive credit spreads tighter. Credit will also tighten if any signs of an economic contradiction emerge. If job growth and other indicators go higher than expected there could be an increase in rates. Rates will be affected by the uncertainty in the economy, the dollar, the treasuries, maturing loans and the prediction of inflation.



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CONDUITS INCREASE IN SECOND HALF OF 2012

Expect to see CMBS lenders deploy capital at a slow and steady pace during the first two quarters of the New Year. During the next six months, the conduits will move forward with securitizations of AAA tranches, while waiting for the market to pick back up for Bs. The first quarter will be choppy and unreliable at best. Expect Q2 to improve with a more robust deal flow anticipated by summer. This will be a drastic change from the conduits behavior in 2011, which started with a bang but fizzled by summer.

Conduits will look for leverage in the 60% to 70% range in Q1 for most asset types, with multifamily coming in closer to 75%. Interest rates will be as low as 4% for apartments. Office, retail and industrial along with the more unpredictable asset classes such as hotels will come in from the high 5% range up to 8%.

The global capital markets will influence conduits next year more than domestic factors. Conduits will be prudent until the risk in pricing and the problems in Europe begin to stabilize. Many of the bigger money center banks have a large exposure in Europe. **BofA**'s exposure is vast and it's rumored **JP Morgan Chase** also has a great deal tied to the area. Since it's uncertain exactly how much exposure the large banks have in Europe, lenders will be cautious in Q1 until the immediate horizon becomes clearer.

The life companies will be bullish in Q1 and Q2, which will balance out and allow the conduits to build their deal pace throughout the year. JP Morgan, **Wells Fargo, Cantor Fitzgerald, Morgan Stanley, Goldman Sachs, Citibank, Deutsche**, BofA and **RBS** will be the most active CMBS lenders in the market during Q1.

Expect to see conduits increase interest in deals with depressed cash flow in the New Year. Assets will need to show a strong story for upswing, but there will be more money available for transitional assets. This will particularly favor hotels since this sector hasn't rebounded as strongly yet. Some conduits will increase hotel loans next year up to 20% of tranches.

The Crittenden Report
Email: editorcr@crittendennews.com

Customer Service
Tel: (800) 421-3483 Fax: (949) 900-3760
E-mail: market@crittendenonline.com

Newsroom Fax: (949) 900-3760

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