The **CRITTENDEN REPORT**® Real Estate Financing

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REGIONAL BANKS WILL SEE BUSY YEAR

Count on banks to increase commercial real estate lending by 25% in 2012 compared to last year. All the regional players will be back in the game on a fairly aggressive basis this year. Leverage will land between 60% and 75%, with the average around 70%. Don't expect LTV to exceed 75% this year. Banks will offer DSC at 1.15x for multifamily, with 30-year amortization. Office, retail and industrial will get a 1.20x DSC and 25-year amortization. Rates will be around 6.5% for most product types.

TCF Bank will complete around $400M by year's end. The bank will focus on $4M to $10M loans. **M&T Bank** will loan about $3B to $4B during the year with most loans landing in the $5M to $150M range. **Provident Bank** plans to double production this year over last, with about $70M in the works for multifamily and commercial real estate. **City National Bank of Florida** budgets for $350M in new loans in 2012 and favors deals in the $2M to $25M area. **Apartment Bank** will originate $500M this year. **Webster Bank** will prefer the $3M to $15M loans. **BMO Harris Bank** recently purchased **M&I Bank** with plans to increase the company's footprint significantly throughout the year.

The San Francisco Bay Area will see a great deal of activity from regional banks. **Luther Burbank,** [redacted]

LCs Increase Originations In New Year...

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Hartford Investment Management, Aviva, Advantus, OneAmerica and **Southern Farm** will also be active in the New Year. Anticipate multifamily to be the favored property type. Life companies will focus on core assets in primary, coastal markets with institutional sponsors. Spreads will be favorable, which should position LCs for a big year.

The CMBS market could normalize in the later part of 2012. The LCs will have an advantage due to the certainty of execution and pricing, even if the conduits become aggressive again. Plus, borrowers prefer the ability to go straight to the lender rather than a third-party servicer. Borrowers have learned the value of a portfolio lender after the uncertainty of the CMBS market.

Conservative borrowers with low leverage will get the best pricing from the life companies. Expect to see LCs offer pricing advantages over investment banks. LCs will focus on borrowers with attractive credit and a stabilized property with favorable historicals. Count on some life companies to team up with banks to allow them to be involved in larger deals without going over their asset guidelines. LCs could start to look abroad for opportunities.

LENDERS DEMAND STUDENT HOUSING

Anticipate student housing to be one of the most sought after product types for lenders this year. Colleges and institutions across the country are underserved in the amount of housing available, which will spur more construction lending needs. Count on leverage to be around 75% on this product. DSC will be a minimum of 1.30x. Permanent debt will obtain rates in the high 3% to mid-4%, depending on loan term and leverage. **Fannie Mae, Freddie Mac** and **HUD** will play an important role in financing. Agency lenders, including **Walker & Dunlop, Arbor Commercial Mortgage, Berkadia Commercial Mortgage** and **Red Capital Group** will all work on student housing deals.

Count on regional and community banks such as **BMO Harris Bank, Applied Bank, PNC Real Estate, Mutual of Omaha Bank** and **Apartment Bank** to be active in the sector, especially on construction loans. Larger banks, including **KeyBank** will also seek out student housing. Life companies such as **Aegon, Prudential** and **Western & Southern Financial Group** will get involved in new construction and mini-perm loans. Conduits, including **CIBC, Deutsche** and **JP Morgan Chase** will be active. Private lender **Regional Capital Group** will originate $15M to $100M loans and will work with any size higher-education facility from smaller private institutions to large universities. Don't expect many loans to fall under $15M for student housing properties next year.

Expect to see an increase in enrollment at schools nationwide until the job market picks up. Many people will go back to school if they can't find employment. Look out for the most growth to be in the Sunbelt, Texas, California and throughout the Southeast. Count on an increased in demand for ground-up construction, refi and acquisition loans this year. There will be a need across the country for Class A product.

Lenders will look at the property's distance and transportation options from the main campus. Fannie and Freddie target schools with admission of 10,000 and up. Most lenders will desire Class A or B assets within one-and-a-half miles from campus at a primary or secondary university. Contemporary amenities are a plus. Underwriting will be based on location, sponsorship and track record of the borrower.

Universities will be focused on putting in new academic buildings, which leaves housing up to the private sector. Borrowers will range from local entrepreneurial firms to national players. The larger private owners and public companies will be doing most of the new construction because they have the balance sheet capacity to do this. More capital will make the market more competitive but student housing is unique due to the amplified importance of location and amenities. Owners with the discipline to carefully select sites at the top-tier universities will fare better in the long run once assets start to age and the student population levels off.

BANKS & LENDERS

Apartment Bank
220 Newport Center Drive, Suite 11-268, Newport Beach, CA 92660
David Boyles, Senior Loan Officer, Income Property Lending
(949) 244-8614
dboyles@bofifederalbank.com

Apartment Bank will complete $500M this year. The bank's main focus will be on multifamily properties, including student housing. Major universities with a population of 100,000 within the market area will be preferred.

Arbor Commercial Mortgage
3707 W. Maple Road, Suite 206, Bloomfield Hills, MI 48301

Arbor completes some student housing loans, including $21.3M for The Lofts Apartments in

BANKS & LENDERS

Regional Capital Group 701 Route 70 E., Building 1, Marlton, NJ 08053 Paul Braungart, President (856) 983-4800 Ext. 206 paulb@regionalcapital.com	Regional Capital Group is a real estate opportunity fund manager that has several different lines of business, including bridge loans and 100% built-to-suit financing. Retail, office, industrial, multifamily and hospitality will all be targeted.
TCF Financial Corporation 200 E. Lake St., Wayzata, MN 55391 Jason Korstange, SVP, Corporate Communications (952) 745-2755 jkors@tcfbank.com	TCF will originate approximately $400M this year. The typical loan size will be $4M to $10M and all property types will be considered. The bank typically sticks to the states it does business in but will consider others for the right deal.
Walker & Dunlop 7501 Wisconsin Ave., Suite 1200, Bethesda, MD 20814 Will Baker, VP Multifamily Finance (301) 215-5510 wbaker@walkerdunlop.com	Walker & Dunlop will target student housing properties in the $15M to $30M area. The lender recently put together money for Cottages of Baton Rouge in Louisiana and Lodges at East Lansing in Michigan. Both had a LTV of 75% and 1.35x DSC.

LENDERS SEEK OUT GROCERS FOR RETAIL

When it comes to retail properties in the New Year, lenders will favor grocery-anchored centers as they sell staple items and will be somewhat immune to economic downturns. Most life companies will max out at 65% leverage with some going up to 70% on the best deals. The conduits will be comfortable hitting 75% if debt yield comes in at a minimum of 9%. Overall, CMBS debt yield will be between 9% and 10%. The LCs will stick to 11% to 12% debt yield. DSC will be between 1.25x and 1.45x, with most at 1.30x. Rates on 10-year loans will land between 4.5% and 5.65%, depending on the type of lender. Life companies will offer rates at 4.25% to 5.25% for this product. CMBS lenders will be plus or minus 5.65%.

The major life companies such as **John Hancock, Nationwide, ING Investment Management** and **Principal** will win the large portfolio grocery-anchored deals with the cheapest money in the market. The mid-sized companies such as **Thrivent Financial for Lutherans, Aetna, Lincoln Financial, State Farm, Guardian, Midland National Life Insurance Company** and **Symetra** will pick up the one-off business. Most of the grocery-anchored loans from the LCs will fall between $5M and $15M. **PPM Finance** doles out $10M for a center in California. **Hartford Investment Management Company** recently put together $21M for a grocery-anchored center in Illinois. Count on the LCs to offer 25-year amortization.

Many CMBS lenders, including **Cantor Fitzgerald, Wells Fargo, UBS** and **Goldman Sachs** will also look toward this product type. **Citigroup Global Markets** recently put together $14M for a grocery-anchored center in Omaha, Neb. The conduits will go up to 30-year amortization, with one to two years of interest only for a 65% leverage loan on a strong center. Conduits will not limit allocations for this product type and competition with the LCs will be fierce. Life companies will offer cheaper money and lower execution risk. CMBS did not win many of these deals last year. The cost of capital has improved and conduits will be able to offer better leverage this year, which should equal more deals.

Keep an eye out for more originations in 2012 as portfolio and securitized lenders feel the pressure to get money out the door. Infill grocery-anchored retail center will start to be considered a safe bet for lenders, especially if the grocer has a long-term lease. Location and tenant sales will be the most important elements.

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DEALMAKER DATABANK

CBRE Capital Markets
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CBRE works with Goldman Sachs Commercial Mortgage Capital on a $13.6M refi for Coppell Market in Coppell, Texas. LTV was 75% and interest was 5.62%. Debt yield was just under 9% and DSC was 1.25x.

Hendricks & Partners Inc.
5000 Birch St., Suite 5600, Newport Beach, CA 92660
Michael White, Senior Executive Partner
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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.

HREC Investment Advisors
1836 Sheridan Road, Encinitas, CA 92024
Michael Armstrong, Principal
(760) 452-2255
marmstrong@hrec.com

HREC puts together hotel refi and acquisition loans across the U.S. Loans begin at $5M. Armstrong sees rates starting in the mid-5% range. He focuses on non-recourse lending.

Mark One Capital
2626 Hanover St., Palo Alto, CA
David Campbell, Commercial Loan Associate
(650) 391-1798
david.campbell@markonecapital.com

Mark One Capital arranges a $6.6M refinance with Greystone for a 235-pad manufactured housing property in the San Francisco Bay Area. LTV was less than 50% and interest was 4.45%. Debt yield was under 8% on the 10-year loan.

NorthMarq Capital
2929 E. Camelback Road, Suite 226, Phoenix, AZ 85016
James DuMars, SVP/Managing Director
(602) 508-2206
jdumars@northmarq.com

NorthMarq puts together a $7.55M refi with Wells Fargo's CMBS arm for a grocery-anchored retail center in Phoenix. LTV was 65% and interest was 5.95%. Debt Yield came in at 9.75% and DSC was 1.45x +/-.

NorthMarq Capital
500 Newport Center Drive, Suite 650, Newport Beach, CA 92660
Rob Hervey, Senior Managing Director

NorthMarq arranges a $10M refi with PPM Finance for the Santa Maria Shopping Center in Santa Maria, Calif. LTV was 35% and interest was 3.78%. Debt

HOTEL LENDING: HEALTHIER NOT ROBUST

Commercial banks will be the most active hotel lenders in the first few months of 2012. The national banks, including **Wells Fargo, BofA, JP Morgan Chase** and **Citigroup** will focus on deals greater than $15M. Conduits will also look at hotel loans from $10M and up. Of the 20 to 25 active conduits next year, expect to see **Goldman Sachs, UBS, Cantor Fitzgerald, Deutsche, Morgan Stanley, RBS**, BofA, Wells and JP Morgan be the most interested in hotels. Conduits will cap out at 65% leverage, with most staying closer to 60% in Q1.

Smaller commercial banks will start to look at hotel deals under $10M, but many will be relationship driven. **Bank of Hawaii** will consider deals from $500K up to $25M. **First Midwest Bank** prefers flagged hotels for loans up to $20M. **Grandbridge Real Estate Capital** should ink a few hotel deals this year with leverage up to 60%. **HSBC** looks at loans from $1M to $50M. **East West Bank, BBVA Compass, BB&T** and **Bank of Arizona** will also consider hotel loans.

Leverage will top out at 65% from the banks, while many may prefer to be in the 50% to 60% range. Banks should lower recourse next year, but hoteliers will not see it disappear. Loans from private lenders may reach 70% in some cases. Don't expect to see any hotel loans top 75% leverage in the first half of the New Year, if at all in 2012.

Very little construction financing will be in the cards for 2012. Only exceptionally strong projects in underserved markets will see dirt move and obtain construction money. Lenders will scrutinize development loans with only the top 2% to 5% expected to come to fruition. Projects will need entitlements in hand, along with a very strong flag to see any interest. Lenders will favor experienced developers with large balance sheets.

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