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MAJOR BANKS RAMP UP ALLOCATIONS

Count on **Wells Fargo, JP Morgan Chase, BofA and Citigroup** to increase the amount of capital for commercial real estate in 2012. With so many eager lenders out there the only problem could be a lack of favorable deals. Anticipate banks to be the primary source of construction financing this year. Expect leverage from the banks to land around 70% to 75% for multifamily. The other assets will be at 65%.

DSC will be 1.20x. Debt yield will be between 9% and 10%. Rates will be 4.5% on five-year money, and 5% for longer deals. Expect to see LTC reach 80% to 90% on construction loans. Healthy middle-market players such as **US Bank, Union Bank, Comerica and PNC** will also compete this year.

Wells Fargo will be the most comfortable with retail and office properties for its CMBS lending in 2012. Well-structured hotel loans with good flags in favorable markets will also be considered. Loans will average \$20M. Count on the majority of loans to be permanent mortgages on stabilized properties. Chase will be bullish on multifamily loans in 2012 but will look into the other commercial property types as well. The bank originated more than \$7B in multifamily loans during 2011. Chase will also look cautiously into construction financing in 2012.

BofA will originate high-quality loans, while Citigroup will be the slowest of the major banks to come back fully. While many banks shy away from office, count on **US Bank** to be active in the space. The bank will also consider retail, multifamily and industrial construction loans. Most loans will be between \$10M and \$50M.

Look for an increase in non-recourse transactions from the big players this year, as well as longer-term loans up to seven years. The big banks will win deals over the other lenders because they will offer shorter maturity cycles, flexibility with structure and low priced floating-rate deals. Weak community banks will not be as active as they will be dealing with issues.

HOTEL BORROWERS LENDER SHOP

Hoteliers will get a chance to ink relationships with new lenders this year, thanks to the recent changes in SBA 504 guidelines for refinances. The program will allow borrowers to access 90% leverage. Lenders will be very attracted to SBA borrowers with equity, giving hotel investors more options than they've seen in years.

Conventional lenders will be underwriting the first piece of the loan, often at a low 50% leverage. SBA will provide a second piece up to \$5M (or 40% of the leverage). The 504 loans will average around \$10M. Some lenders will chose to go above the 50% leverage and underwrite the first piece at \$10M or more, which will allow borrowers to access loans up to around \$15M to \$16M.

Under the program, borrowers will be able to use equity in the asset to account for the remaining 10% of the asset's value. Many of the largest lenders will be doling out 504 loans this year, including **BofA, Merrill Lynch, Wells Fargo, GE Capital and Morgan Stanley**. **Zions Bank, Bank of the West, Mercantile Bank and TD Bank** will also be aggressive with SBA loans. **Circle Bank** plans to underwrite \$20M of hotel loans in 2012. The lender's average size SBA 504 loan will be around \$3M, but Circle will consider up to \$10M on certain projects. **BMC Capital** will work on hotel SBA loans up to \$5M.

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HOTEL BORROWERS LENDER SHOP...

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More aggressive lenders will target higher loan amounts and close loans in shorter time frames. Lexden Capital will underwrite hotel 504 loans up to \$16.5M. The lender holds no legacy issues and does not limit the number of hospitality loans possible this year. While many of the larger players

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A10 Capital plans to increase production totals this year. The lender will work with non-stabilized retail, office, industrial and multifamily assets nationwide. The typical bridge loan will be between \$1M and \$10M. Leverage will be 65% to 70%.

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ACG Companies typically does \$3M to \$75M short-term deals with rates starting at 9%. The lender will also do SBA 504 loans with rates around 6%.

Allianz

Allianz plans to beat last year's \$1B in originations by

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Popular Commercial plans for \$150M in originations this year, with \$50M going toward bridge. Office, industrial, multifamily, hospitality and special use are all on the docket. Loans will be between \$1M and \$10M.

US Bank will work on acquisition, construction and repositioning opportunities. Most loans will be between \$10M and \$50M, but could go higher. US Bank is a relationship lender so anticipate some form of credit support.

W Financial plans to loan \$100M this year in bridge financing. The hedge fund will work with all property types including land, office, retail and multifamily. Look for a \$6.5M bridge loan to close in New York City soon.

Wells Fargo plans \$40B in CMBS lending this year. Retail and office will be the main focus. Hotels will also be considered. Markets with high job growth such as Seattle, San Francisco, Houston, Dallas and Austin, Texas, will be targeted.

MANY LENDERS SEEK SELF STORAGE

All lender groups will consider financing self-storage properties in 2012 and leverage will hit 75% for assets with strong sponsorship. Banks will do 65% to 70%. Conduits will offer leverage for self storage starting at 65%. Life companies will provide leverage at up to 60%. New product will obtain up to 70% leverage, with a 1.30x DSC. Lenders will look for a 1.35x DSC for older assets, with leverage around 65%. Expect five-year, fixed-rate loans to see interest in the 5% to 5.25% range.

Keep an eye out for many of the active CMBS players to seek this product type, including **Citigroup** and **Ladder Capital**. Local and national banks will also look into self storage. **Mutual of Omaha Bank** will underwrite loans up to \$25M. The bank's average deal will be around \$2M, which bodes well for self storage. **Fifth Third Bank** and **First Midwest Bank** will also consider self storage.

Life companies, including **AIG**, **American National**, **Genworth**, **John Hancock**, **Kansas City Life**, **MetLife** and **Woodman of the World** will be active. **Equitable Life & Casualty** will look at self-storage deals in the \$500K to \$5M range, with 15-year amortization schedules. **Stancorp** will be bullish on loans around \$1M to \$3M.

Self-storage facilities will see steady demand this year as people downsize or lose their homes. There will be plenty of money available for this asset type in attractive locations with a solid trailing-12. Self-storage investors will have an easier time finding financing this year than the past few years. Rental concessions will be flat and occupancies will be favorable. Lenders will be attracted to the daily changing rates and multiple tenants. The major MSAs with nearby housing will get a great deal of lender attention.

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DEALMAKER DATABANK

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Cohen Financial puts together a \$7M refi with Wells Fargo for The St. George Residences, a mixed-use apartment building in Santa Cruz, Calif. Interest was in the mid-4% area. This is a 10-year loan, with 30-year amortization.

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Cohen Financial secures a \$7.9M bridge loan with Bixby Bridge Capital for a self-storage portfolio that has properties throughout the Carolinas. LTV was 70% and interest was sub-10%. This was a three-year, interest-only, non-recourse loan.

HFF
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HFF works on an acquisition loan with MetLife for Estancia at Ridgeview Ranch, a multifamily property in Plano, Texas. This was a five-year, fixed-rate loan. Leverage came in at 65%.

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Johnson Capital arranges a \$17.2M refi for a TOPS Self Storage Facility in Newbury Park, Calif., through a CMBS lender. LTV was 69% and the borrower received about \$3M in cash-out proceeds. Interest came in at 6.39%. DSC was 1.30x.

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Johnson Capital puts together a \$6M refinance loan for an apartment complex in Fresno, Calif. The loan was arranged through a partnership with Prudential Mortgage Capital Corporation and executed by Fannie Mae. LTV was 55%.

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NorthMarq arranges a \$16.3M refi with Jackson National Life Insurance for Indigo Pointe, a multifamily property in Grand Prairie, Texas. LTV was 63% with an interest rate of 3.5%. Debt yield came in at 10.2%. DSC was 2.9x.

Thomas D. Wood and Company
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Thomas D. Wood arranges two \$500K multifamily loans in Fort Myers, Fla., with Stancorp. LTV was 70% and interest came in at 5.4%. Cox also puts together \$580K for a self-storage property in Hudson, Fla., with a local community bank.

MANY LENDERS SEEK SELF STORAGE...

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Life companies will target the properties in major metros, while local banks will work on the assets in smaller markets.

Count on the majority of self-storage loans to be at \$5M or less. Most borrowers this year will be mom-and-pop owners since the REITs own the majority of the larger properties. Anticipate lenders to look at the last three years of historicals when underwriting and some will require positive profits for a minimum of three years. Traffic counts and favorable nearby population demos will also play a role in underwriting. Dense infill locations will be more attractive since they don't have as much turnover or flux in cash flow. Climate controlled properties will be highly sought after.

DEMAND SWELLS FOR BRIDGE LENDERS

Bridge lenders will be able to cherry pick business as demand increases throughout the year. Leverage on bridge loans will vary from 50% to 75%, depending on quality and location. Rates will be between 9% and 15%, with a few going as low as 8%. Private money lenders **Hudson Realty Capital, B&A Capital, Seattle Funding and Avant Capital Partners** will work on bridge loans. Banks such as **BBVA Compass**