

Vol. 38, No. 22

November 26, 2012

LENDERS "LAND" LOANS AT LAST

Due to plenty of capital available for construction, expect lenders to reach further and contemplate land deals. Count on lenders to be more aggressive, but cautious with underwriting. Only the most favorable sponsored borrowers will be considered. Leverage will be around 50%. Some lenders could drop cash

DEAL OF THE WEEK

Property Type: Two Industrial/Warehouse Buildings in Fountain Valley, Calif.

Loan: \$1.4M refi

Lender: **American Equity Investment Life Insurance**

Leverage: Mid-50% range

Rate: Mid-4%

American Equity stepped up with a 17-year, fully amortizing loan to fulfill the borrower's need for a long-term loan for a single-tenant property. The deal was challenging because the asset possessed a non-credit tenant with only five and a half years left on the lease. The property's solid location in a strong, low-vacancy market helped Sauerman and Magoffin close the deal. American Equity was also confident the functional buildings would be easy to re-tenant if vacated. Loan proceeds will go to pay off an existing bank loan. The lender provided a non-recourse loan due to the low leverage. DSC was 1.50x. This loan has step-down prepayment flexibility starting the first year at 3%.

Q10 Dwyer-Curlett & Co.: 1880 Century Park E., Suite 400, Los Angeles, CA 90067. Max Sauerman, Assistant VP; Shelley Magoffin, President, (310) 226-2700. msauerman@q10dc.com; smagoffin@q10dc.com

JV EQUITY INVESTORS GO GROUND UP...

Continued from Page 1

JV equity partners will require high teens to low 20% returns in order to take on the development risk. Most developers will seek a 90/10 equity split, but many investors will provide 80/20. Developers will need to sign on for the recourse. JV equity will be a viable option since most preferred equity investors would rather buy cash flowing properties at a discount to replacement cost before taking construction risk.

Expect JV equity partners to seek out projects in MSAs with high rents and occupancies, including

BANKS & LENDERS
(Supplemental to the 2012 Directory)

AEW Capital Management: 2 Seaport Lane, Boston, MA 02210. Marc Davidson, Managing Director, (617) 261-9287.
mdavidson@aew.com

AIG (SunAmerica): 1999 Avenue of the Stars, 37th Floor, Los Angeles, CA 90067. Todd Bedingfield, Managing Director,
(310) 772-6465. todd.bedingfield@aig.com

American Equity Investment Life Insurance Company: 6000 Westown Parkway, West Des Moines, IA 50266.
Kathleen Knudsen, VP, (515) 457-1725. kknudsen@american-equity.com

American Family Insurance: 6000 American Parkway, Madison, WI 53783. Jack Salzwedel, Chairman/CEO, (800) 692-6326.

Americo Financial Life: P.O. Box 410288, Kansas City, MO 64141. (800) 231-0801.

Archetype Mortgage Capital: 1114 Avenue of the Americas, 38th Floor, New York, NY 10036. Tim Szalay, SVP,
(212) 600-2836. tszalay@archetypemortgage.com

Avant Capital: 209 Bruce Park Ave., Greenwich, CT 06830. Adam Luysterborghs, Managing Principal, (203) 612-9580.
adam@avant-capital.com

Aviva: 215 10th St., Suite 1000, Des Moines, IA 50309. Eric Hasenauer, Managing Director, (212) 593-5606.

Barclays: 745 Seventh Ave., New York, NY 10019. Brandon Ashcraft, Director of Corporate Communications,
(212) 526-7000. brandon.ashcraft@barclays.com

Basis Investment Group: 75 Broad St., Suite 1602, New York, NY 10004. Tammy Jones, President, (212) 842-5712.

Buchanan Street Partners: 888 San Clemente Drive, Suite 200, Newport Beach, CA 92660. Michael Hurst,
Senior Director of Investments, (949) 219-2323. mhurst@buchananstreet.com

C-III Commercial Mortgage LLC: 717 Fifth Ave., 15th Floor, New York, NY 10022. Paul Hughson, President, (212) 705-5046.
phughson@c3cp.com

EverBank: 501 Riverside Ave., Jacksonville, FL 32202. Robert Clements, CEO, (888) 882-3837.

Guggenheim: 3455 Peachtree Road N.E., Suite 500, Atlanta, GA 30326. Keiran Quinn, Managing Director, (404) 995-6766.
kieran.quinn@guggenheimpartners.com

IHP Capital Partners: 19800 MacArthur Blvd., Suite 700, Irvine, CA 92612. Douglas Neff, Partner/President, (949) 851-2121.

Inca Capital: 7377 E. Doubletree Ranch Road, Suite 190, Scottsdale, AZ 85258. Paul Sargent, President,
(480) 947-5900, Ext. 14. paul@incacapital.com

Jefferies Group Inc.: 520 Madison Ave., 10th Floor, New York, NY 10022. Mark Green, Managing Director/Head of CMBS,
(212) 284-2300.

Resmark Apartment Living: 10880 Wilshire Blvd., Suite 1420, Los Angeles, CA 90024. Ziv Cohen, COO,
(310) 474-8400, Ext. 210. zcohen@resmark.com

Stancorp.: 19225 N.W. Tanasbourne Drive, Hillsboro, OR 97124. Ken Borst, Senior Mortgage Loan Officer, (971) 321-6263.

Symetra: 777 108th Ave. N.E., Suite 1200, Bellevue, WA 98004. Colin Elder, SVP/Manager, (425) 256-8749.
colin.elder@symetra.com

USAA Real Estate Company: 9830 Colonnade Blvd., Suite 600, San Antonio, TX 78230. Sharon Ballenger, Officer,
(210) 641-8410. sharon.ballenger@usrealco.com

Woodmen of the World Life Company: 1700 Farnam St., Omaha, NE 68102. (877) 664-3332.

LCS DOMINATE SINGLE-TENANT RETAIL...

Continued from Page 2

Stancorp. will provide up to 70% leverage for tenants such as Family Dollar, while **Summit (Ameritas)** will prefer physician tenants.

Grocery stores, including Safeway, Food Lion and Tesco will be the most favorable. Drugs stores such as Walgreens and CVS will be sought after, although Rite Aid will be less desirable. Costco, Kohl's, Walmart, Home Depot, Lowe's, Target, Trader Joe's, Dollar Store, AutoZone and Bed Bath & Beyond will be targeted. Restaurants such as Chili's and Applebee's will be tough because of the high failure rate. Chains that have closed stores recently such as Winn-Dixie and Best Buy will also have difficulties. Owner-occupied property loans will usually go to the local banks.

Deals without favorable sponsorship can be mitigated with a strong tenant or lower leverage. Count on life companies to closely scrutinize tenant credit and financials. Favorable locations, occupancy costs and strong sales will ease lender concerns. Tenants with high rents and flat-lined sales or deals with only two to five years left on the lease could run into trouble. Retailers with re-leasable space for other uses will see some interested LCS.

Borrowers will need strong net worth and liquid assets to qualify for financing. Many lenders are looking for...

DEALMAKER DATABANK

The table content is almost entirely obscured by black redaction bars. Only a few horizontal white lines are visible, suggesting the presence of a table with multiple rows. No specific data points or column headers are legible.

HOTELIERS SEE CMBS LOANS IMPROVE

Look for hotel underwriting to improve further going into 2013. Debt yield will ease from 12% to 10% for hotel CMBS loans. Amortization increases to 30 years, up from 20 years allocated in Q3. Leverage will come in at 70%, on average, going forward. Pricing will be in the low to mid-4% range. Deals with leverage under 50% will see sub 4% rates.

The CMBS market heats thanks to tranches selling at or above lender expectations. Across the board, lenders will reach for hotels. Expect **Goldman Sachs, JP Morgan Chase, Wells Fargo and UBS** to be among the largest originators in Q4. **Deutsche Bank, Morgan Stanley, UBS, Jeffries LoanCore, Ladder Capital, KeyBank, Citi, Archetype Mortgage Capital, C-III Commercial Mortgage, Guggenheim and Basis Investment Group** will also be very active throughout year's end and into 2013.

At the end of the day, all of these originators compete for deals. The key will be to understand which lenders have upcoming securitizations and what asset classes they need to fit in. Most tranches will be around \$2B and will include a mix of product types and originators. CMBS deals typically close in 60 days from coming to the market; shopping around for quotes takes 15 days on average.

Count on **BofA, RBS, Wells Fargo, Basis, UBS, JP Morgan, Morgan Stanley and Citi** to consider hotel loans under \$10M. Debt yield will be 12% or higher for deals under \$5M. Lenders will be in the driver's seat for smaller hotel deals and will look for cash flow to be the most crucial factor. Watch for more small loans for acquisitions to emerge next year.

The Crittenden Report
Email: editorcr@crittendennews.com

Customer Service
Tel: (800) 421-3483 Fax: (619) 923-3518
E-mail: membership@crittendenresearch.com



Newsroom Fax: (619) 923-3294

The Crittenden Report on Real Estate Financing™ is published by Crittenden Research, Inc., 45 Leveroni Court, Suite 204, Novato, CA 94949. Send address changes to *The Crittenden Report on Real Estate Financing*™, P.O. Box 1150, Novato, CA 94948-1150. Contents copyright © 2012 Crittenden Research, Inc. Sample reports may be requested online at www.crittendenonline.com.

Crittenden publishes *The Apartment Report*™, *The Crittenden Report on Real Estate Financing*™, *Crittenden Real Estate Buyers*™ and *Crittenden Retail Space*™. For more information on our reports go to www.crittendenonline.com.

The Crittenden Report on Real Estate Financing™ is protected by copyright. It is illegal under federal law to make and distribute copies of this report in any form without permission, including without limitation, photocopies, faxes, e-mails, digital scans and postings on an intranet site. Violators risk criminal penalties and up to \$100,000 in damages per offense. Please contact our customer service department at (800) 421-3483 for information regarding site licenses, to request reprints of articles or to inquire about permission to make copies.

Crittenden makes every effort to ensure the accuracy of the information published in *The Crittenden Report on Real Estate Financing*™. Crittenden uses only those sources it determines are accurate and reliable, but no guaranty or warranty with regard to the information is made or implied. Information in *The Crittenden Report on Real Estate Financing*™ is subject to change. Crittenden does not accept fees nor is it a business partner with any companies or firms mentioned in this publication.