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SMALLER JV DEALS TO EMERGE

JV equity players will ease on minimum requirements and begin to look at deals with smaller capital infusions. Many developers vie for \$5M to \$15M in JV equity for mid-sized deals; until now few players have been interested in that deal size. As the market opens up, JV partners will begin to look at JV deal infusions of \$10M to \$15M in the first half of this year. Multifamily, senior housing and student housing will be the most coveted, but JV equity will become more abundant for hotels and office developments in 2013.

The Carlyle Group will look at JV equity investments starting at \$10M for multifamily and senior housing, as well as hospitality in top-tier markets. It's also likely some JV equity could be deployed for office developments in California's Silicon Valley and Manhattan, N.Y. The group's JV investments will go as low as \$5M for student housing, due to the nature of that sector. Carlyle's current \$2.4B fund aims for a 50/50 mix of development and existing assets. The fund is almost exclusively equity and about one-half has been deployed. Smaller \$10M-plus deals will often be part of a larger strategy to engage a new development partner. Ideal partners will have expertise with the asset type and market.

Anticipate **The Resmark Companies'** typical equity contribution to range from \$10M to \$20M for multifamily. Denver, Las Vegas, Southern California, the Bay Area, Seattle and Phoenix will be targeted. **Kayne Anderson Real Estate Advisors** will fund \$10M to \$30M JV equity investments for student housing. The company prefers off-campus student housing projects near universities with enrollment of more than 15,000. **Harrison Street Real Estate Capital** will pursue relationship-driven smaller JV equity plays. The company will be active in seniors housing, student housing, self storage and medical office. Rumor has it **USAA Real Estate Company** and **RSF Partners** will re-enter the small JV equity development scene by Q2.

Expect to see large JV players begin to look at deals with equity portions as low as \$15M for 200-plus unit apartment projects. Look for **JP Morgan**, **TIAA-CREF**, **Rockwood**, **Canyon Capital Realty Advisors** and **Northwestern Mutual** to be active with JV construction deals this year.

JV equity providers will prefer shovel ready developments in major markets and gateway cities. Bank construction loans will reach 75% leverage with recourse, but only 60% without recourse. Many mid-size developers will opt to go the non-recourse route.

DEAL OF THE WEEK

Property Type: Single-Tenant Retail in Lakeland, Fla.
 Loan: \$3.9M acquisition
 Lender: **Sabadell United Bank**
 Leverage: 55% LTC
 Rate: 3.6%

Sabadell United Bank strays from its typical criteria to fund this deal due to the recourse coverage and the borrower's strong track record with big-box centers. If the tenant files for bankruptcy or does not renew the lease, springing recourse will come into effect. The tenant, Kmart, has only six years left on a 25-year lease. The monster retailer does not report financials, which made it difficult to find interested lenders.

Securing financing for a single-tenant, big-box anchor such as Kmart is a challenge, but the conservative leverage and borrower's creditworthiness helped the loan close. The borrower contributed \$4M of equity in the NNN lease deal and has a backup plan in place if the tenant vacates. This was a seven-year loan, with 15-year amortization. DSC was 1.45x.

Aztec Group: 2665 S. Bayshore Drive, PH-2A, Coconut Grove, FL 33133. Charles Penan, Director,
 (305) 938-8621. cpenan@aztecgroupp.com

BRIDGE LENDERS REACH FOR NEW PROPERTY TYPES...

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Berkadia Commercial Mortgage favors multifamily but will shift toward retail, office, hotels and industrial over the next couple years. The average bridge loan will be \$20M, but the lender will fund loans from \$5M to \$50M. Medium to large borrowers will be desired. **Hudson Realty Capital** allocates bridge loans in the \$5M to \$25M range with experienced mid-sized developers. Leverage can reach 90% on certain deals. Office, retail, multifamily, industrial and hospitality will all be targeted. Hudson's pricing will start at 5.5% and the majority of loans will be renovation and construction this year.

Centerline Capital will work with mid-sized borrowers on \$10M to \$15M deals. Multifamily and retail properties will be targeted. Leverage can go as high as 80% of cost and 70% of stabilized value. **B&A Capital Partners'** loan sweet spot will be \$2M to \$15M. Pricing will start at 8% and leverage can hit 90% on certain transactions. B&A will partner with small, medium and large borrowers. **Silo Financial** will originate loans between \$1M and \$20M with all size borrowers. The lender will work with all the major food groups on one- to three-year loans.

Look for A10 Capital to target \$1M to \$15M loans with non-recourse options. Office, retail, industrial

BANKS & LENDERS
(Supplemental to the 2012 Directory)

- Archetype Mortgage Capital: 1114 Avenue of the Americas, 38th Floor, New York, NY 10036. Tim Szalay, SVP, (212) 600-2836. tszalay@archetypemortgage.com
- Bank of Rhode Island: 1 Turks Head Place, Providence, RI 02903. Keb Brackenbury, SVP/Team Leader, (401) 574-1615. kbrackenbury@bankri.com
- Berkadia Commercial Mortgage: 521 Fifth Ave., 20th Floor, New York, NY 10175. Joseph O'Connor, Senior Portfolio Manager, (646) 432-7453. joseph.oconnor@berkadia.com
- Carlyle Group, The: 11100 Santa Monica Blvd., Suite 750, Santa Monica, CA 90025. Tim Bruning, VP, (310) 575-1736.
- Centerline Capital: 18300 Von Karman Ave., Suite 600, Irvine, CA 92612. Peter Clasquin, SVP, (949) 221-6681. pclasquin@centerline.com
- Guggenheim: 3455 Peachtree Road N.E., Suite 500, Atlanta, GA 30326. Kieran Quinn, Managing Director, (404) 995-6766. kieran.quinn@guggenheimpartners.com
- Harrison Street Real Estate Capital: 71 S. Wacker Drive, Suite 3575, Chicago, IL 60606. Brian Thompson, SVP, (312) 376-0114. bthompson@harrisonst.com
- Hudson Realty Capital: 250 Park Ave. S., Third Floor, New York, NY 10003. Spencer Garfield, Managing Director, (212) 532-3553. sgarfield@hudsoncap.com
- Investors Bank: 101 JFK Parkway, Short Hills, NJ 07078. Richard Spengler, EVP/Chief Lending Officer, (855) 422-6548.
- Kayne Anderson Real Estate Advisors: 200 Business Park Drive, Suite 309, Armonk, NY 10504. Al Rabil, Managing Partner/CEO, (914) 940-6040.
- NXT Capital: 1300 Ridenour Blvd., Suite 100, Kennesaw, GA 30152. Kevin Rostowsky, Senior Managing Director, (678) 819-3832. kevin.rostowsky@nxtcapital.com
- Opus Bank: 19900 MacArthur Blvd., 12th Floor, Irvine, CA 92612. Dan Borland, President-Income Property Banking, (949) 251-8177. dborland@opusbank.com
- Pembroke Capital Management: 485 Madison Ave., 22nd Floor, New York, NY 10022. John Garth, Managing Director, (212) 906-8688. jgarth@pembrookgroup.com
- Resmark Companies, The: 10880 Wilshire Blvd., Suite 1420, Los Angeles, CA 90024. Ziv Cohen, COO, (310) 474-8400.
- Ridgewood Savings Bank: 71-02 Forest Ave., Ridgewood, NY 11385. Gregory Hrycak, VP/Managing Officer, (718) 240-4851. ghrycak@ridgewoodbank.com
- RSF Partners: 3232 McKinney Ave., Suite 890, Dallas, TX 75204. Christopher Mahowald, Principal, (214) 855-9400. cmahowald@rsfpartners.com
- Sabadell United Bank: 1111 Brickell Ave., 30th Floor, Miami, FL 33131. Kevin Miliffe, VP, (305) 376-2457. kevin.miliffe@sabadellunited.com
- Seattle Funding: 4711 Viewridge Ave., Suite 270, San Diego, CA 92123. Charles Salas, Senior Underwriter, (858) 751-0556. chuck@sfgfunds.com
- USAA Real Estate Company: 9830 Colonnade Blvd., Suite 600, San Antonio, TX 78230. Sharon Ballenger, Spokeswoman, (210) 641-8410. sharon.ballenger@usrealco.com
- W Financial Fund: 149 Madison Ave., Suite 701, New York, NY 10016. David Heiden, Managing Member, (212) 684-8484. david@w-financial.com
- Washington Trust Company, The: 23 Broad St., Westerly, RI 02891. Julia Anne Slom, SVP/Team Leader, (401) 348-1430. jaslom@washtrust.com

RETAIL BORROWERS SEE IMPROVED TERMS FROM BANKS

Expect bankers to reach further, allocate more funds and loosen underwriting parameters for retail assets. Look for leverage to hit 75% on centers with strong anchors, up from the 65% maximum seen in the recent past. Acquisitions will obtain 75% leverage due to fresh equity in the deals, while refis will top out at 70%. Banks will start to provide 30-year amortization schedules and interest-only periods to win deals. Retail borrowers could see DSCs ease from 1.30x to 1.25x. Keep an eye out for an increase of bank construction loans on grocery-anchored centers.

Interest rates will be under 4% for three-, five- and seven-year deals, while 10-year money will be in the 4% range. Mid-sized borrowers will see rates between 4% and 5% and 9.5% to 10% debt yield. Borrowers can expect three- to five-year terms, with select banks going up to seven or 10 years. Banks will lower pricing on favorable assets rather than fund higher risk deals.

National and regional banks will be active with mid-sized borrowers, while the local banks will desire smaller developers on deals under \$5M. **Wells Fargo, Chase, PNC, KeyBank, US Bank and BofA** will partner with mid-sized borrowers on centers with major tenants.

Opus Bank will allocate retail loans in the \$1M to \$15M range with the majority of deals going to small to mid-sized borrowers. Opus will provide terms up to 10 years without covenants, which will be longer than most other bank lenders. **The Washington Trust's** sweet spot will be \$3M to \$8M. Most deals will be with local borrowers. Regional banks, including **City National Bank, TD Bank, Sovereign Bank, Bank of Rhode Island, Cambridge Savings Bank, Investors Bank, People's United Bank and Ridgewood Savings Bank** will be active on retail. Local banks will swoop up deals under \$5M.

Banks look closely at cash flow and store sales, which can be a challenge as many retailers do not disclose those numbers. Anticipate bankers to want at least five years remaining on leases. Mom-and-pop tenants with short-term leases and small centers without national tenants will be tough to get financed. Banks will avoid single-tenant retail and properties with poor tenant sales, weak tenancy and leasing problems. Regional malls with anchor vacancy or deals in tertiary markets with negative sales trends will also keep bankers at bay.

Borrowers that bring ample cash equity to the table will need around 50% pre-leasing. Count on banks to require enough net worth to support the loan. Ample management and ownership experience will also be desired. Most banks will avoid one-off transactions and properties with above market rents. Construction loans will need substantial pre-leasing to get banker attention.

CONDUITS CRACK SMALL BALANCE SELF STORAGE

Keep an eye out for conduits to launch small-loan programs allowing for self-storage deals as low as \$2M. Borrowers with roughly five properties will be the most sought after, while those with two or three assets will need to jump through more hoops to secure financing. Look for CMBS to pick up ample market share this year, after the banks dominated the bulk of loans under \$5M in the past. Leverage will be between 65% and 75%. Interest-only loans that boast 25- to 30-year amortizations could see leverage up to 80% before year's end. Rates will be around 4% and debt yield will start at 9%.

CMBS lenders such as **JP Morgan Chase, RBS and Ladder Capital** will be the most active and originate leverage in the 70% to 75% range. Count on **Citi, UBS, Archetype Mortgage Capital and Guggenheim** to work with mid-sized developers and borrowers. **Morgan Stanley** looks for small deals under \$5M.

Conduits will target Class B and C+ properties in secondary and select tertiary markets. Demographics, traffic counts, visibility, borrower experience and occupancy will be highly scrutinized. Properties with occupancy above 80% will be desired. Management companies will need around 10 years of experience. Poor historical trends, shaky management or lack of borrower experience could keep conduits at bay.

Self storage will be a desirable asset type as occupancies recover and delinquencies drop. Expect more people to utilize self storage due to the shift from homeownership to apartment rentals. Lenders can diversify risk with self-storage properties since the tenants usually stay for years. The diversified tenant roster and monthly adjusted rents will also catch the conduits' eyes.

DEALMAKER DATABANK

Baltimore Financial
31 Commercial Blvd., Suite A, Novato, CA 94949
Joseph Moore, President
(415) 883-1593
joseph@baltimore-financial.com

Capital Advisors
35 Brendan Way, Greenville, SC 29615
J. Matthew Good, VP
(864) 234-6565
matt.good@capadvisors.com

Citation Capital Partners Inc.
3184-H Airway Ave., Costa Mesa, CA 92626
Mike Gottlieb, Chairman
(714) 546-3465
mgottlieb@citationcp.com

Eastern Union Funding
1189 Lakewood Farmingdale Road, Howell, NJ 07731
Eli Breiner, SVP
(732) 301-3941
ebreiner@easternuf.com

HFF
100 California St., Suite 720, San Francisco, CA 94111
Peter Smyslowski, Managing Director
(415) 276-6950
psmyslowski@hfflp.com

HFF
1125 17th St., Suite 2540, Denver, CO 80202
Josh Simon, Director
(303) 515-8002
jsimon@hfflp.com

HFF
1999 Avenue of the Stars, Suite 1200, Los Angeles, CA 90067
Brad Black, Managing Director
(310) 407-2100
bblack@hfflp.com

Johnson Capital
1801 Century Park E., Suite 1550, Los Angeles, CA 90067
Kevin Burkhalter, SVP
(310) 407-3251
kjburkhalter@johnsoncapital.com

Metropolitan Capital Advisors
18111 Preston Road, Suite 650, Dallas, TX 75252
Todd McNeill, Senior Director
(972) 267-0600
tmcneill@metcapital.com

Newmark Realty Capital
595 Market St., Suite 2550, San Francisco, CA 94105
Eric Von Berg, Principal
(415) 956-9922
evonberg@newmarkrealtycapital.com

PMZ Realty Capital LLC
570 Seventh Ave., Suite 805, New York, NY 10018
Michael Sonnabend, Managing Member
(212) 277-8252
sonnabend@pmzcapital.com

Baltimore Financial arranges a \$650K private money loan for airplane hanger buildings in Hayward, Calif., at 9.9%. It was a 24-month, interest-only loan. The metal buildings and an un-subordinated ground lease provided some challenges.

Capital Advisors works on a \$2M self-storage loan where the borrower was seeking 70% LTV. Good received five competitive loan quotes from LCs willing to make the loan on a non- or partial-recourse basis at 65% to 70% leverage and 4% to 4.5% rates.

Citation closes a \$10M refi loan for a Class A apartment asset in Southern California. The 10-year old asset is in an urban infill location. Thenon-recourse loan has 75% leverage and interest fixed at 3.7% for five years.

Eastern Union secures a \$7.5M refi through People's United Bank for a retail center in Manchester, N.J. The seven-year loan has a 3.67% rate. The bank lends at 90% of all-in costs, despite the fact the property was recently purchased.

HFF arranges \$42.5M with BofA for the acquisition of Public Market, a mixed-use property in the San Francisco Bay Area. LTV was 65%. This was a non-recourse, floating-rate loan. The bank liked the infill location with barriers to entry.

HFF closes a \$20.1M refi with Mesa West for 1875 Lawrence Street, a Denver office building held by Behringer Harvard Opportunity REIT II.

HFF secures \$60M in CMBS financing for two Los Angeles retail centers with Deutsche Bank. Both loans were originally expected to be LC executions but after the rally in long-term treasuries during Q4 CMBS was the better option.

Johnson Capital teams up with a life insurance company to provide \$54M for a six-building industrial warehouse/distribution portfolio in Los Angeles County. Interest is fixed at 3.79% for the fully amortizing 20-year loan.

Metropolitan Capital completes a \$10M acquisition loan with a local bank for Pitman Corners Shopping Center in Plano, Texas. LTV was 75%. Interest came in at 5.5% on the non-recourse loan.

Newmark closes a \$5.25M loan for Elk Grove Self Storage with Adavantus Capital Management. The money will refinance two existing CMBS loans. LTV was 64%. Debt yield came in at 12%, while DSC was 1.70x. The lender liked the strong operator.

PMZ closes a loan for a Home2 Suites by Hilton in Baltimore. The hotel had a limited operating history of less than one year. The CMBS loan was able to achieve 30-year amortization due to lower leverage.

PRIVATE MONEY PICKS UP SPEED

Private lenders will become viable competition for banks as liquidity increases and brings downward pressure on pricing. Leverage will increase up to 75% for conventional deals and 85% for bridge loans. Keep an eye out for more private lenders to enter the construction lending game this year. Select players will even begin to look into land deals. Rates will be 7% to 14%. Expect some new smaller private lenders to enter the lending sector by year's end.

Terra Capital will allocate loans from \$5M to \$7M for mid-sized borrowers. Multifamily, office, industrial, hospitality, self-storage and retail will be targeted. Rates will be 12% to 15%. **Seattle Funding** will originate loans from \$200K to \$6M. Leverage will be 40% to 65% and rates will start at 7.99%. Seattle will partner with small, medium and large relationship borrowers. The lender will work on construction and construction completion loans, in addition to refis and acquisitions. **Silo Financial's** average loan will be around \$5M. **W Financial's** typical deal will be \$3.5M. Look for the lender to dive into private equity deals in 2013.

NXT Capital will provide loans around \$25M and focus on multifamily, office and hotels with mid-sized borrowers. Leverage will top out at 80% for multifamily, 70% to 75% for office and 65% for hospitality. **JCR Capital** will target loans in the \$5M to \$25M range. Multifamily, industrial, retail, condo and land will all be in the cards. Small to mid-sized borrowers will be preferred. Pricing will start at 7%.

Popular Commercial Lending Group will originate loans in the \$1M to \$5M range. Anticipate the lender to start looking at hotels this year, along with other property types. Most deals will be with small and mid-sized borrowers. Rates will land at 4% to 5% and leverage will be between 60% and 80%. Keep an eye out for **B&A Capital** to begin working with land and trophy, single-family home rentals by Q4.

Experience in the property type will be key and most private lenders will want borrowers with five to