The CRITTENDEN REPORT® Real Estate Financing
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SINGLE-FAMILY SHOWDOWN

Look for more banks and private money lenders to enter the single-family financing market over the next six months and compete for market share. Most loans will be leveraged between 60% and 80%. Expect aggressive private money lenders to reach 85% leverage without personal guarantees before the year is through. Rates start at 4.25%. Construction lending will pick up as more developers enter and re-enter homebuilding and existing product sells like hot cakes. Many builders see projects sell out prior to completion. Keep an eye out for pressure on supply constrained markets to drive pricing, which could make lenders nervous. The rising cost of land prices could slow things down next year. Anticipate builders to move from high-end luxury homes and markets to middle-market projects and locales.

Wells Fargo, Comerica Bank, Citi, Chase, Union Bank, Deutsche Bank, Bank of the West and **US Bank** will be the most active with single family. Count on many other banks to follow suit over the next few months, especially with rising interest rates. **Builders Bank** provides $1M to $3M construction loans with up to 70% LTC. The bank has a rate floor starting at 5% with 1 point fees. Initial terms run 18 months with three-month extension options. Regional banks such as **California Bank & Trust** and **Beal Bank** will also be active. Banks allocate 60% to 65% LTCs with 4% to 6% rates for construction. Look for banks to target larger homebuilders.

Private money lenders allocate higher leverage and non-recourse options for 10- to 100-home developers. Look for these players to enter markets avoided by the banks. Smaller and mid-sized builders will see more available capital with favorable underwriting from private money. Rates will be 7% to 12% and 6% to 10% for construction. **Sabal Financial Group** targets private small and mid-sized homebuilders, with a $3M to $50M non-recourse loan sweet spot. Look for up to 85% LTCs and rates to start at 7%. Sabal will fund the land purchase, site work, development and construction. Most projects will have around 100 homes and Sabal works with seasoned builders that have limited financing resources.

Partners Capital Solutions originates $2M to $10M loans and up to 80% LTC. Rates will be 9% to 11%, with 2 to 3 points. Partners Capital provides financing for smaller projects with less than 10 homes. **Seattle Funding**'s typical single-family loan runs $1M to $3M with small and mid-size borrowers. Acquisition, refi, A&D, ground-up and construction completion financing will all be on the docket. Leverage will reach 65%. Rates max at 9.99%. Look for **Presidio Residential Capital** to originate loans between $5M and $25M, while **Sequoia Mortgage** funds deals as low as $500K.

Lenders will be active in Los Angeles, San Francisco, San Diego, New York City, Atlanta, Dallas, Phoenix, Las Vegas and Washington, D.C. Other markets in California, Florida, Georgia, Texas, Arizona, Washington, Colorado, Oregon and Nevada will see a pick up in lending activity because of pent-up demand for new homes.

CMBS CLIMBS THE CAPITAL STACK

Keep an eye out for CMBS lenders to provide higher leveraged loans with more layers of capital through "one-stop shop" first mortgage and mezz programs. Many conduits underwrite the first mortgage and mezz loans internally with plans to sell off the mezz piece after closing. A few players will underwrite and hold both pieces long term, while others will partner up with specific third-party mezz lenders to ease the process for borrowers.

Leverage will reach 90% for multifamily and 85% for retail, office and industrial. Blended pricing will be 6% to 8%. The senior piece will be priced around 4% to 5%, with 9% to 12% rates on the mezz slice.

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Small Deal Of The Week

Property Type: Mixed-Use Development in Santa Barbara, Calif.
Loan: $7.3M Construction Loan
Equity Investor: **Pacific Western Bank**
Leverage: 70% LTV, 60% LTC
Rate: Prime plus 1.50%

Pacific Western Bank reached to fund this loan for a mixed-use asset comprised of retail, residential and office space. The deal was difficult to get financed because it came with high cost per foot, low caps, a for-sale component and parking; however, the ultimate valuation and rents justified the high costs per foot. Incoming retail tenants were selected to meet the needs of the high-end market. The area has little new office space available and the residential units should quickly sell above projections due to the limited number of units available in the market. Pacific Western was attracted to the high barriers to entry, low vacancy of the locale and the experienced developer.

This is an 18-month, interest-only loan with options to extend for another six months. DSC was 1.30x/1.0x. The borrower brought the land and 30% of the equity to the deal, while the lender funded all the hard and soft costs. Obtaining entitlements was difficult but having a long-term lease in hand from a regional restaurant proved the project will attract favorable tenants.

George Elkins Mortgage Banking Company: 12100 Wilshire Blvd., Suite 520, Los Angeles, CA 90025.
Jeff Hudson, Principal, (310) 979-5749. jhudson@gemb.com

CMBS Climbs The Capital Stack...

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Debt yield rises slightly and will be between 7.5% and 8%. Hotels loans will see an 80% leverage max with higher spreads and debt yields on stacked deals.

Look for **Ladder Capital** and **Redwood Trust** to be among the few conduits to allocate and hold mezz pieces long term. **JP Morgan Chase** will be one of the biggest one-stop shops, while other major CMBS lenders such as **Wells Fargo, Citi** and **Jefferies LoanCore** also provide mezz and sell it post-closing. **BofA** originates mezz then presells it as a B note. **Deutsche Bank** and **Barclays** allow third-party mezz providers behind their loans bringing leverage as high as 85%.

Expect the recent 1% rise in rates to put stress on mezz since borrowers will have less free cash flow. This higher pricing could mean that conduits will not be able to get as high up on the capital stack. Borrowers will need to use cash flow to pay off the senior loans. Mezz pieces must be greater than $2M to be attractive to CMBS lenders. Many conduits will turn back toward using DSC ratios over debt yield numbers in the coming months. Watch for increasing DSC ratios to strain the amount of mezz to be placed on loans. Properties will need solid cash flows to help cover rising rates and DSC ratios.

CLASS B & C MULTIFAMILY LENDING IGNITES

Look for increased competition for Class B and C multifamily assets from agency lenders and CMBS during the second half of the year. Favorable B and C properties will be underwritten similarly to Class A assets. Leverage will be 60% to 80%, while deals in tertiary markets will max at 70%. DSC will be 1.25x to 1.40x. Rates will be in the 4% to 5% range, 5 to 10 basis points higher than Class A deals. Less competition for Class B and C assets versus Class A will draw lenders. Plus, these properties will often be centrally located, require less debt per square foot and boast predictable cash flow streams.

Agency lenders will be the most active and offer the best terms but **Fannie Mae** and **Freddie Mac** may tighten underwriting for Class B and C multifamily assets. Expect to see conduits loosen parameters to take more market share. The agencies and CMBS will have similar pricing, within 5 to 10 basis points, whereas agencies offered the better rates in the past.

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BANKS & LENDERS
(Supplemental to the Directory)

Arbor Commercial Mortgage: 333 Earle Ovington Blvd., Suite 900, Uniondale, NY 11553. Brian Scharf, VP, (516) 506-4253. bscharf@arbor.com

Archetype Mortgage Capital: 1114 Avenue of the Americas, 38th Floor, New York, NY 10036. Craig Picket, SVP-National Loan Origination, (212) 600-2839. cpicket@archetypemortgage.com

Beech Street Capital: 33 Inverness Center, Suite 150, Birmingham, AL 35242. Chad Thomas Hagwood, EVP-Originations, (205) 991-6700, Ext. 8190. chagwood@beechstcap.com

Berkadia Commercial Mortgage: 28411 Northwestern Highway, Suite 690, Southfield, MI 48034. Ernest Katai, SVP/Detroit Office Branch Manager, (248) 208-3460. ernest.katai@berkadia.com

Berkeley Point Capital: 4550 Montgomery Ave., Suite 1100, Bethesda, MD 20814. Jim McDevitt, President, (301) 347-4843. jim.mcdevitt@berkpoint.com

Builders Bank: 1999 Avenue of the Stars, Suite 2340, Los Angeles, CA 90067. Jeremy Cramer, Assistant VP-Lending, (310) 556-7732. jcramer@buildersbank.com

Centerline Capital Group: 14850 Quorum Drive, Suite 150, Dallas, TX 75254. Vic Clark, Managing Director, (972) 868-5757. vclark@centerline.com

Comerica Bank: 333 W. Santa Clara St., San Jose, CA 95113. Steve Burich, SVP, (408) 556-5323. sdburich@comerica.com

Cornerstone Real Estate Advisers: 1 Financial Plaza, Suite 1700, Hartford, CT 06103. Rob Little, Chief Investment Officer of Finance, (860) 509-2400. rlittle@cornerstoneadvisers.com

Jefferies LoanCore: 520 Madison Ave., New York, NY 10022. Mark Green, Managing Director, (212) 336-7074.

M&T Realty Capital Corporation: 350 Park Ave., Sixth Floor, New York, NY 10022. Michael Chavkin, Managing Director-Multifamily Finance, (212) 350-2648. mchavkin@mtb.com

Oak Grove Capital: 625 W. College St., Grapevine, TX 76051. Tim Leonhard, Managing Director-Dallas, (817) 310-5800. tleonhard@oakgrovecap.com

Pacific Western Bank: 401 W. A St., San Diego, CA 92101. Gerry Veal, Commercial Real Estate Manager, (619) 338-1408.

Partners Capital Solutions: 26901 Agoura Road, Suite 180, Calabasas, CA 91301. Michael Klein, Managing Director, (818) 676-3337. mklein@pcs-funds.com

Presidio Residential Capital: 9740 Appaloosa Road, Suite 230, San Diego, CA 92131. Don Faye, Principal, (619) 980-3058.

Redwood Trust: 1114 Avenue of the Americas, Suite 3405, New York, NY 10036. Scott Miller, Managing Director, (212) 600-2952. scott.miller@redwoodtrust.com

Sabal Financial Group: 4675 MacArthur Court, 15th Floor, Newport Beach, CA 92660. Pat Jackson, CEO/Founder, (949) 255-2662. pat.jackson@sabalfin.com

Seattle Funding: 4711 Viewridge Ave., Suite 270, San Diego, CA 92123. Chuck Salas, Senior Underwriter, (858) 751-0556. chuck@sfgfunds.com

Sequoia Mortgage: 1114 Irwin St., San Rafael, CA 94901. Jason Freskos, President, (415) 946-8201. jason@sequoiamortgage.com

Western & Southern Financial Group (Eagle Realty Group): 421 E. Fourth St., Cincinnati, OH 45202. Mario San Marco, President, (513) 361-7780.

DEALMAKER DATABANK

Aztec Group 2665 S. Bayshore Drive, PH-2A, Coconut Grove, FL 33133 Charles Penan, Director (305) 938-8621 cpenan@aztecgroup.com	Aztec Group secures $19.5M of JV equity to develop a retail/entertainment complex in Miami. Plans are to demolish an existing hotel and build the 53,000-s.f. complex with national retailers. The borrower bought the property for $17M using cash.
Brookfield Homes 500 La Gonda Way, Suite 100, Danville, CA 94526 Josh Roden, VP Land & Planning (925) 314-4022 josh.roden@brookfieldhomes.com	Brookfield Homes is a leading land developer and homebuilder with operations in 11 markets. Roden focuses on acquisitions and planning in Northern California, with an emphasis on the Bay Area.
Capital Advisors 823 N. Elm St., Greensboro, NC 27401 Glenn Enochs, VP (336) 617-3307 glenn.enochs@capadvisors.com	Enochs is a full service mortgage banker with 26 years of experience. He recently closed a Class A multifamily loan with a major LC that featured an early rate lock and pre-stabilization funding. He also closes a separate cash-out Class B multifamily deal.
Cohen Financial 227 W. Monroe St., Suite 1000, Chicago, IL 60606 Dan Rosenberg, Partner/Managing Director (312) 602-6148 drosenberg@cohenfinancial.com	Rosenberg secures more than $31M for three multifamily properties. Iron Gate Apartments near Chicago receives $6.75M from LoanCore Capital. Lofton Place in Tampa, Fla., and Azalea Apartments in Greenville, S.C., both obtain loans from Greystone.
Eastern Union Funding 7910 Woodmont Ave., Suite 525, Bethesda, MD 20814 Marc Tropp, Managing Director (202) 629-9140	Tropp arranges a $9.3M refi for a South Florida retail portfolio. The loan featured a five-year term and 25-year amortization. The three properties were 20% vacant and the deal was closed in only 45 days.
George Smith Partners 10250 Constellation Blvd., Suite 2700, Los Angeles, CA 90067 Gary Mozer, Principal/Managing Director (310) 557-8336, Ext. 144 gmozer@gspartners.com	Mozer closes over $300M in debt and equity for apartment properties so far this year, with another $200M in the pipeline. He has arranged over 20 CMBS loans. Mozer secures deals between $5M and $144M.
HFF 8401 N. Central Expressway, Suite 700, Dallas, TX 75225 Whitaker Johnson, Senior Managing Director (469) 232-1928 wjohnson@hfflp.com	HFF arranges $250M for three Omni Hotels in Texas and Illinois. This was a 15-year, fixed-rate loan with Prudential. The lender liked the strength of the borrower and diversification of the assets.
Johnson Capital 1801 Century Park E., Suite 1550, Los Angeles, CA 90067 Dennis Cisterna, SVP (310) 407-3245 dcisterna@johnsoncapital.com	Cisterna serves as Co-Head of Johnson Capital's Opportunistic Finance Group. His team recently closed a $23.2M loan secured by 215 single-family homes located in California's Antelope Valley at an attractive fixed rate with a 24-year term.
Newmark Realty Capital 12526 High Bluff Drive, Suite 300, San Diego, CA 92130 James Dick, VP (858) 793-8400 jdick@newmarkrealtycapital.com	Newmark Realty is a full service mortgage banking firm with a strong lineup of 20-plus correspondent lenders utilizing Newmark's production, closing and servicing capabilities. Newmark is staffed by over 60 employees in regional offices throughout the West.
Thomas D. Wood and Company 3665 Bee Ridge Road, Suite 210, Sarasota, FL 34233 Brad Cox, SVP (914) 552-9731 bcox@tdwood.com	Thomas D. Wood closes $950K for Shoppes at Hunter's Creek in Florida. Stancorp. provided the loan with a $200K hold back without any penalties. LTV was 66%. Interest came in at 5%.

LIFE COMPANIES REACH FOR HOTELS

The recent pullback from the previously aggressive CMBS market leaves the door open for life companies to swoop up hotel deals. The latest rise of interest rates represents the primary reason for the conduit slow down. Life companies offer competitive rates and leverage up to 70%. Hotel rates will most likely be in the 4.5% to 5% range, about 0.5% to 1% higher than other income-producing properties. Although some borrowers may seek floating rates, most life company lenders stick to long-term, fixed-rate deals.

Watch for **Prudential** to be one of the most active LCs in the sector, while other major players such as **MetLife** or **New York Life** increase hotel lending in the second half of the year. **Cornerstone Real Estate Advisers** targets central business district-located, full- or select-service portfolios in core markets. Preferred portfolios will possess a minimum of eight to 10 properties. Loans start at $40M. Cornerstone provides up to 70% leverage for properties in need of repositioning, while core loans top out at 60% with lower rates.

Pacific Life provides $75M to $200M hotel loans for medium to large borrowers. Branded full-service, upper upscale and luxury hotels in city center locations will be targeted. Rates will be approximately 4.5% for qualifying assets with 50% to 65% leverage. Keep an eye out for Pacific Life to consider hotel expansion loans for strong properties. **PPM Finance** focuses on lower leverage full-service assets, higher end select-service properties and independent/boutique hotels. Loans will be $10M to $40M. **Symetra** considers 50% leveraged deals for properties with favorable track records. **National Western Life** and **Western & Southern Financial Group** will originate loans under $50M.

Life companies seek strong owner/operators with flags such as Omni and Starwood. Portfolio loans and assets in primary markets will see plenty of available capital. LCs will look closely at how the sponsor performed during the downturn, as borrowers need to show experience in all economic times. Count on life companies to keep their distance from assets with marginal operators or locations. Secondary and tertiary markets will be tough.

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