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JV EQUITY EXPANDS TO MORE PROPERTY TYPES

As the year comes to a close, more JV investors will look at hotel and condo development, as well as single family rental. Hotels and condos will be especially hot in coastal markets such as Los Angeles and cities in Florida, including Miami and Fort Lauderdale. JV investors will also warm to retail and industrial development in the top 25 markets during Q1 2014. Institutional players will target $15M-plus deals, leaving a void for mid-size and smaller transactions. Look for more groups to lower their minimums in the end of this year and early next. Select large players such as **AIG** will look at JV infusions as low as $10M.

The majority of JV players will max out at a 90/10 split but expect to see select investors push this ratio all the way to 98/2. This split will be most common in larger deals; life companies will lead the charge. Odds are **Prudential** and **MetLife** will be active with the 98/2 split. Private lenders will play it safer and target 85/15 equity splits. Some sponsors will look to raise co-investments to help with their portion of the equity. Smaller high-net-worth investors and groups such as **RSF Partners** will provide co-investments.

Blue Vista targets $2M to $15M JV equity placements. The firm considers development deals but is more active with value-add acquisitions. Blue Vista will ink deals for all property types, including hotels, MOB, parking and self storage. **Mountain Funding** allocates $5M to $100M JV equity infusions with a focus on land and single family home building. Thus far in 2013, Mountain has invested $240M and plans to dole out another $100M by year's end. Plans for 2014 include $400M in JV investments. **JCR Capital** and **UC Funding** will also look at JV equity in the $4M-plus space.

AIG will put out $500M in JV equity this year and should be on track to match or exceed that number in 2014. Top MSAs in New York City, San Francisco, Southern California and Texas will be preferred. Select secondary markets will gain interest. AIG looks at multifamily, hospitality, retail and condos. Industrial and office may also see some attention. **Blackstone Group** allocates capital for single family rental deals.

Resmark looks for $10M to $40M JV equity placements. Most deals will be $15M to $25M equity contributions to $50M to $80M deals. Resmark targets apartment development, including urban and suburban projects in the Western U.S. and select markets nationwide. Podium style mid-rise, wrap garage designs and garden-style assets will all be on the docket. **Federal Capital Partners** pulls back on JV equity for development but considers JV for multifamily value-add and stabilized acquisitions.

MEDICAL OFFICE GRABS LENDER ATTENTION

Count on medical office building (MOB) financing to ramp up, as the aging population leads to increased demand for medical space in the coming years. Banks, life companies, private lenders and CMBS will all be bullish. Leverage will reach 75% and rates will be between 4.5% and 5.75%. Look for 9% debt yields before year's end. DSC will start at 1.25x. Lenders will be drawn to the sector's strong fundamentals, secure cash flows, high rental rates and guaranteed tenant demand. Tenants are less affected by the changing economy and once a tenant has moved in, they rarely move out.

Conduits such as **Deutsche Bank, BofA, Ladder Capital** and **Guggenheim Commercial Real Estate Finance** will be active with leverage up to 75%. Banks such as **Citizens Bank, American Momentum Bank, Bank of the Ozarks** and **The Washington Trust Company** will reach 65% leverage. Life companies, including **Northwestern Mutual** and **National Life** target Class A trophy buildings with 55% to 65% leverage. **Stancorp.** and **RiverSource Life Company** will target MOB loans under $5M.

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TOP HOTEL LENDERS
(PROJECTED HOTEL ORIGINATIONS FOR 2013)

LENDER	PROJECTED TOTAL	DETAILS
Goldman Sachs	$1.5B-$2B	Select service, full service, resorts
Morgan Stanley	$1B	Full service, select service; primary markets; strong flags; $10M average
Starwood	$500M-$1B	$40M-plus loans
Cornerstone Real Estate Advisers	$400M-$600M	$40M-plus loans
Canyon Capital Realty Advisors	$500M	Deployed $250M YTD; $15M to $130M loans
Access Point Financial	$350M	All brands; all locations; $250K to $10M bridge loans; up to $25M construction loans
East West Bank	$300M	Franchised, CBD-located, full service, select service; high barriers-to-entry markets
Prime Finance	$200M-$300M	Full service, select service, boutique; all markets
Mesa West	$250M+	Deployed more than $100M YTD; major flags; CBDs, strong secondary markets; $15M to $200M loans
Pacific Life	$250M	Flagged luxury, upper upscale, full service; $75M to $200M loans
Lowe Enterprises	$200M	Deployed $135M YTD; $20M to $35M senior loans; $10M to $75M mezz/pref equity
Hudson Realty Capital	$200M	All service levels; $5M to $50M loans; 50% to 80% leverage
PPM Finance	$150M-$200M	Deployed $105M YTD; $10M to $50M loans
CIBC	$150M-$200M	Branded full, select service; primary, secondary markets
NXT Capital	$150M	Deployed $75M YTD; Marriott, Hilton, Starwood assets; $10M to $40M loans
RockBridge Capital	$125M	Deployed $32M YTD; $7M to $15M loans
PCCP	$120M	Full service, newer select service; major markets; $15M to $50M loans

Other Aggressive Hotel Lenders: Pearlmark Real Estate Partners, $30M to $50M; **BMC Capital**, $35M to $50M; **Karlin Real Estate**, $25M to $50M; **Bank of Hawaii**, $30M to $40M; **Forman Capital**, $25M to $35M; **Edgewood Capital**, $30M; **Fidelity Bank**, $25M, deployed $10M YTD.

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MEDICAL OFFICE GRABS LENDER ATTENTION...

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GE Capital Healthcare Financial Services works with single-tenant and multitenant MOBs both on and off medical campuses. Loans will boast two- to five-year terms with a $5M minimum. Count on non-recourse deals with fixed or floating rates. **Thorofare Capital** targets $5M to $15M loans with 8% to 11% pricing and non-recourse options. Class A and B properties within a five-mile radius of large medical campuses and hospitals with a diversified tenant mix will be desired. Value-add deals with 30% to 70% occupancies will be in the cards. Leverage will go up to 80% on purchases, as long as the stabilized leverage is below 70%. **Redwood Trust** provides loans under $15M.

Anticipate lenders to want granular rent rolls, specialty doctor tenants and buildings in or near hospitals. Lenders will prefer offices 85% to 90% leased. The need for specialized services such as dialysis and cancer centers is expected to increase, so lenders will seek buildings with those facilities. MOBs with surgery centers, eye care centers and pharmacies will be highly sought after. Single-tenant buildings will need long-term leases. Look for plenty of available capital in markets such as Houston, which has seen a ramp up in medical campus construction.

LENDERS BATTLE FOR MANUFACTURED HOMES

As competition increases, look for all lender types to offer longer interest-only terms and lower DSC minimums for manufactured home community (MHC) assets. Lenders will start to consider deals in tertiary markets and be more flexible with RV parks and park-model lots next year. Look for lenders to slowly warm to rental homes in the communities. Some deals will see leverage up to 80%, while most will top out at 70% to 75%. Expect a 1.20x to 1.50x DSC.

Borrowers can expect 4.75% to 5.5% rates. The agencies will hand out floating rates from 3.75% to 6.75%. Look for interest rates to increase further over the next one to three years. Borrowers will be able to obtain lower pricing by opting for shorter term seven- and five-year loans.

Banks will start to include park-owned home income when underwriting in certain markets. Five-year loans will carry 3.75% to 4.25% rates. Some banks will drop DSC to as low as 1.15x. **Chase** will be one of the most active lenders in the space. **BofA, M&T Bank, CIBC, Opus Bank** and **CapitalSource Bank** will also be lending in the sector. **B of I Federal Bank** works on $500K to $20M loans. Three- and four-star parks with double-wide home sites will be preferred. Leverage will reach 75% for acquisitions and 65% for cash-out refis.

LCs will gravitate toward Class A assets with at least 100 units and parks with amenities such as club houses, pools, work out rooms and laundry facilities. Senior age-restricted parks and double-wide home sites will be preferred. Ten-year loans will see 4.75% to 5.5% rates and 65% to 70% leverage. **ING Investment Management, Prudential, John Hancock, AEGON, Northwestern Mutual, Principal** and **Lincoln Financial** will be aggressive.

Conduits, including **Citi, Wells Fargo, Morgan Stanley, JP Morgan Chase, C-III Commercial Mortgage, Cantor Fitzgerald, Starwood** and **Ladder Capital** will be in the MHC lending game. Count on 5.6% rates and leverage up to 75%. Debt yield will be 9% to 10%. CMBS lenders will increase interest-only periods and amortizations. Most deals will be more than $5M.

Capital One's purchase of **Beech Street Capital** is in the works, which will increase the agency lender's footprint and flexibility. Beech Street targets $2M-plus loans for three- to five-star assets. Rates will be in the 5% range. Leverage will max at 80% for acquisitions and 75% for refis. DSC will be 1.25x. **Walker & Dunlop** targets $2M-plus deals for four- and five-star communities. Count on up to 80% leverage for refis and acquisitions and a 75% max for cash-out refis. DSC will be 1.25x. Expect **Fannie Mae** lenders such as **Berkeley Point Capital, Centerline Capital** and **Greystone** to compete on these deals.

Many lenders will seek senior age-restricted communities. Infill-family parks in primary and secondary markets will also gain financing. Properties with at least three stars will see the most lender bids, while loans for two-star parks will require recourse. Count on a 150-home site minimum. Coastal and Sunbelt markets will see the most lending activity, especially California, Arizona and Florida. Cities with a recent upsurge in employment such as cities in Texas and the Dakotas will see available financing.

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DEALMAKER DATABANK

Contact	Details
Cohen Financial 50 California St., Suite 3550, San Francisco, CA 94111 Ken Fox, Managing Director-Capital Markets Unit (415) 591-3111 kfox@cohenfinancial.com	Fox specializes in retail financing with Wall Street, bank and life company lenders nationwide. He brings 30 years of experience to the market.
Grandbridge Real Estate Capital 222 S. Ninth St., Suite 3200, Minneapolis, MN 55402 Tony Carlson, VP (612) 341-7886 tcarlson@gbrecap.com	Grandbridge arranges financing for a multitenant retail property in the heart of Uptown in Minneapolis. The $2.25M loan carries a 15-year fixed rate.
HFF 50 Rockefeller Plaza, 15th Floor, New York, NY 10020 Michael Gigliotti, Associate Director-Debt Placement (212) 632-1811 mgigliotti@hfflp.com	HFF arranges a $10M refi for 45 Research Way, an office/MOB property in East Setauket, N.Y. National Life provides the fixed-rate loan. The lender liked the high barriers to entry and that the property was 96% leased.
HFF 50 Rockefeller Plaza, 15th Floor , New York, NY 10020 David Fowler, Analyst (212) 632-1835 dfowler@hfflp.com	HFF secures a $72.5M refi for a three-property neighborhood retail center in New York. ING Investment Management supplies the 15-year, fixed-rate loan. ING liked the location in a New York City submarket.
HFF 4350 La Jolla Village Drive, Suite 450, San Diego, CA 92122 Zach Koucos, Director (858) 812-2351 zkoucos@hfflp.com	HFF arranges $16.35M in acquisition financing for two manufactured home communities in California. AEGON provides $8.05M for La Maria in Santa Maria and Lincoln Financial provides $8.3M for Ojai Oaks Village in Ojai.
Johnson Capital 7377 E. Doubletree Ranch Road, Suite A-170, Scottsdale, AZ 85258 David Susank, SVP (602) 522-0066 davesusank@johnsoncapital.com	Johnson Capital closes $174M for four manufactured home communities and three multifamily properties in California with Walker & Dunlop. All the loans had 10-year terms with fixed rates and interest only.
Johnson Capital Opportunistic Finance 1801 Century Park E., Suite 1550, Los Angeles, CA 90067 Gabriel Weinert, SVP; Dennis Cisterna, SVP (310) 407-3248 gabeweinert@johnsoncapital.com	Johnson Capital arranges a $4.1M JV equity investment for the acquisition and development of a 45-lot residential subdivision in Fillmore, Calif. The project, Edgewood, is being developed by Williams Homes.
Marcus & Millichap Capital Corporation 5005 Rockside Road, Suite 1100, Independence, OH 44131 Andrew Burgess, Associate Director (216) 264-2029 andrew.burgess@marcusmillichap.com	Burgess specializes in financing apartments, self storage, manufactured housing communities, hospitality and retail properties throughout the Midwest with all lender types.
Newmark Realty Capital 5110 N. 40th St., Suite 100, Phoenix, AZ 85018 Patrick Barkley, Principal (602) 374-7806 pbarkley@newmarkrealtycapital.com	Barkley has financed several manufactured home communities and park model/RV resorts with correspondent life company, agency and conduit sources. Recent loans range from $3.5M to $42M for family and age-restricted communities.
Q10 Capital | Lutz Financial Services 300 S. Old Woodward, Birmingham, MI 48009 Luis Vela, Senior Director (248) 432-3219 lvela@lutzco.com	Q10 secures $99M for a portfolio of manufactured home communities through BofA's CMBS arm. LTV was 75% on the 10-year loans. Interest came in at 4.40%. Vela also arranges $9M for three multifamily properties with BofA.
Tremont Realty Capital 30 N. La Salle, Suite 3924, Chicago, IL 60602 Tom Lorenzini, Managing Director (312) 236-0960 tlorenzini@tremontcapital.com	Tremont Realty Capital closes $18M for four manufactured home communities in the Midwest with a conduit. One property has a low 55% vacancy but the lender was comfortable the other properties will balance it out.

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LEVERAGE RISES FOR CMBS SELF STORAGE

Conduits will push self-storage leverage to 75% in the next few months. In 2014, longer interest-only periods will emerge and more available mezz financing will bring leverage to 85%. Expect CMBS lenders to dip their toes into tertiary markets with 50,000 to 100,000 people, especially in Texas and California. Conduits will snatch up deals in secondary cities that life companies avoid such as Memphis, Tenn., and Minneapolis. Don't be surprised to see CMBS lenders underwrite based on the trailing-six versus nine or 12 months.

Debt yield will drop to 9% from the 10% seen earlier this year. Borrowers will see rates from 4.75% to 5.5%. Expect 6% rates by Q1 2014. DSC starts at a 1.25x minimum. CMBS lenders will delegate 25- and 30-year amortization schedules. Conduits will be drawn to the higher occupancies and increased rents expected in the sector going forward.

Major players, including **BofA, Wells Fargo, Goldman Sachs, Ladder Capital, UBS, Starwood, Deutsche Bank, JP Morgan Chase** and **Morgan Stanley** will be active. **Wells Fargo** originates loans under $2M. **GE Capital** targets a $3M minimum, while **Basis Investment Management** provides loans below $5M. **Cantor Fitzgerald** starts self-storage deals at $5M.

Prudential's conduit arm will allocate loans under $10M for the right property and sponsor. The lender will be bullish in primary and secondary markets and will look closely at barriers to entry, cash flow and demand drivers. **Natixis Real Estate Capital**'s typical self storage loan will be $3M to $7M with 5.15% to 5.5% rates. Leverage will generally be in the 65% to 70% range and typical debt yields will run 10% to 11%. Natixis seeks assets with at least 65% occupancy and institutional ownership. One-off, mom-and-pop properties will be considered with a strong and consistent historical performance.

Citi works on $2M to $200M self-storage loans with rates around 5.25%. Look for 9.5% debt yield and 60%-plus leverage. The lender looks closely at the climate-controlled percentage of the asset, along with market demographics and barriers to entry. **RBS** originates $5M to $10M transactions with rates between 4.75% and 5.25%. Newer climate-controlled assets with at least 80% occupancy will be in the cards. Debt yield will be 9% to 11% with up to 70% leverage.

Properties with 90% occupancy will be highly sought after, although assets with at least 75% will be considered. Climate-controlled, 50,000-s.f. and above properties will see the most dollars. CMBS desires at least 200 units. Look for the most activity in markets with housing growth such as Florida, California, Texas, Arizona and Washington, D.C. Properties built more than 10 years ago could keep conduits at bay.

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