The CRITTENDEN REPORT® Real Estate Financing
The Nation's Leading Newsletter on Real Estate Finance
Crittenden Research, Inc. • P.O. Box 1150 • Novato, CA 94948-1150 • Customer Service: (800) 421-3483

Vol. 39, No. 21 **November 11, 2013**

BRIDGE LENDING LOOSENS IN 2014

Anticipate bridge lenders to expand outside their comfort zone by looking toward secondary and tertiary markets and considering new property types next year. Additional players will enter the space creating more available capital as the economy improves. Lenders will push leverage to 85% in order to compete. Most loans will be in the 60% to 80% range. Land borrowers will see sub-65% leverage, while hoteliers will obtain 55% to 70%. Loans will run 12 to 36 months and will usually be full-term interest only. Keep an eye out for equity fund players to launch bridge debt platforms over the next year.

Deals with upside potential or minor rehab requirements will see low to mid-5% rates, while loans with mid-level risk tolerance will be priced around 7%. The riskiest loans will see 9%-plus rates. Vacant value-add properties will obtain 7% to 10% rates. Deals with leverage above 80% will be priced similar to mezz in the 10% to 13% range. Bridge loans will typically be non recourse, unless assets are severely distressed in tertiary markets.

Bank lenders will increase bridge allocations and provide 5% rates for loans with some level of recourse. **Wells Fargo, BofA, US Bank, BMO Harris Bank, The Private Bank** and **City National Bank** will be active. **Opus Bank** originates $1M to $15M floating-rate bridge loans with options for perm financing once the property stabilizes. Leverage will reach 75% for multifamily and 70% for office, retail and industrial properties. Look for two- to three-year terms with recourse that will burn off.

Keep an eye out for life companies such as **Guggenheim Life & Annuity, Aetna, AIG, PPM Finance** and **American National** to provide bridge-to-perm programs next year. **Security National Capital** will start to consider secondary and tertiary market deals and new property types in order to compete. The LC boasts a $1M bridge loan sweet spot and favors office and retail properties. Rates will be between 7% and 9% with 65% to 75% leverage. Loans will have one-year, interest-only terms and recourse requirements.

Expect **Apollo Trust, Starwood, Prime Finance, Ladder Capital, Fortress Capital Finance, The Blackstone Group, GE Capital, CapitalSource, Latitude Management Real Estate** and **RAIT Financial Trust** to originate loans with leverage up to 85%. **NXT Capital** provides $10M to $40M non-recourse loans for multifamily, office, retail and hotels. Leverage will reach 75% to 80% with pricing around 5.5%. Count on one- to three-year terms. **Mesa West Capital** works on $15M to $200M-plus loans with 4% to 6% rates floating over 30-day Libor. Hotels, office, multifamily, retail and industrial will be targeted. Leverage will be 65% to 75%. All loans will be non recourse with two- to three-year terms.

BB&T Real Estate Funding originates $5M to $35M loans for single assets, but will go up to $55M for portfolios. Look for non-recourse loans with two- to three-year terms. Multifamily, senior housing and anchored retail will be the focus with 70% to 80% leverage. Rates will be 2.5% to 4.5% over Libor. **BRT Realty Trust** allocates $3M to $25M bridge loans for multifamily properties. Look for 10% to 12% rates with up to 75% leverage. Count on one-year loans with open prepayment and walk-away guarantees. **ReadyCap Commercial** provides $1M to $10M loans for the four food groups, along with self storage and mixed-use. Look for 6% to 7% rates and two- to three-year, non-recourse loans. Leverage will be 65% to 75%.

Lone Oak Fund originates deals between $250K and $18M for non-owner occupied residential and commercial properties in California. Leverage will max at 60% with 7.9% to 9.9% interest rates. Loans will have three- to 24-month, interest-only terms. Lone Oak does not require personal guarantees. **Revere Capital** allocates $1M to $20M loans with six- to 24-month terms. Leverage will be 50% to 65% with 10% to 14% rates. Retail, office, multifamily, industrial, land and hotels will be targeted, along with special-use assets such as parking garages, marinas and airports. Recourse is negotiable and loans can close in as little as five to seven days.

TOP JV AND PREF EQUITY INVESTORS
(PROJECTED EQUITY INVESTMENTS FOR 2014)

EQUITY INVESTOR	PROJECTED 2014 TOTAL	DETAILS
Harrison Street Real Estate Capital	$600M	$600M of JV equity in 2013; $7M to $8M pieces for multifamily
Mountain Real Estate Capital	$400M-$600M	$400M in 2013; $5M to $100M pieces for single family
RCG Longview	$200M-$300M	$100M to $200M in 2013; multifamily, office, retail, development
Canyon Capital Realty Advisors	$150M	$150M of pref equity and mezz in 2013; multifamily, condos, office, retail, hotels, industrial, mixed-use
Terra Capital	$150M	$100M of pref equity in 2013, multifamily, office, industrial, hotel, self storage, retail, MHC, broken condos
Pensam Capital	$150M	$100M in 2013; $5M to $20M pieces for value-add multifamily
Torchlight Investors	$100M-$150M	$100M to $150M in 2013; $10M to $50M pieces for multifamily, office, retail, hotels, industrial, student housing
LEM Capital	$100M+	$100M+ in 2013; $3M to $10M pieces for value-add multifamily
JCR Capital	$50M-$100M	$50M to $100M in 2013; $3M to $15M pieces for multifamily, retail, industrial, office, land, condo
Newport Capital Advisors	$50M-100M	$30M in 2013; $1M to $10M pieces for multifamily
BRT Realty Trust	$90M	$75M in 2013; $3M to $25M pieces for multifamily
Regional Capital Group	$75M	$40M in 2013; multifamily, office, retail, industrial, student housing
RSF Partners	$50M	$50M in 2013; $3M to $10M pieces for all property types
Morrison Street Real Estate Capital	$30M-$50M	$30M in 2013; four food groups

Other Aggressive Equity Providers: BMC Capital, $30M to $50M, $7M in 2013, four food groups and hotels; **Colony Capital**, $20M to $50M of pref equity in 2013, all properties; **Forman Capital**, $25M, $10M to $15M in 2013, retail, hotels and office; **Shem Creek Capital**, $5M to $10M, four food groups and hotels; **Partners Capital Solutions**, $1M to $10M pieces for all property types; **Resmark Companies**, single family and multifamily.

DEALMAKER DATABANK

CBRE Capital Markets 185 Asylum St., 31st Floor, Hartford, CT 06103 Michael Riccio, Senior Managing Director; Susan Larkin, VP (860) 987-4709; (860) 987-4737 michael.riccio@cbre.com; susan.larkin@cbre.com	CBRE is a leading intermediary to provide capital for institutional and private equity owners across all property types throughout the U.S. Larkin brings 30 years of institutional lending expertise to the table. Riccio is Co-Head of National Production.
Cohen Financial 1001 Brickell Bay Drive, Suite 2112, Miami, FL 33131 Eric McGlynn, Director (866) 315-6505 emcglynn@cohenfinancial.com	Cohen's equity practice advises on and arranges JV equity, equity securities and structured debt for its clients' operating platforms and single-asset transactions through its relationships with private equity, institutional investors and family offices.
Dockerty Romer & Co. 70 S.E. Fourth Ave., Delray Beach, FL 33483 Craig Romer, Principal (561) 330-8000 cromer@dockertyromer.com	Dockerty Romer & Co. completes $78M in financing with MetLife for 100 North Tampa, an office building in Tampa, Fla. This was a five-year, floating-rate loan. MetLife liked the quality of the real estate and strength of the borrower on this deal.
Grandbridge Real Estate Capital 222 S. Ninth St., Suite 3200, Minneapolis, MN 55402 Tony Carlson, VP (612) 341-7886 tcarlson@gbrecap.com	Carlson closes a $2.35M refi secured by three multifamily properties totaling 46 units. Funding was provided by a life company and featured a 15-year term, 15-year amortization and an interest rate in the low 4% range.
HFF 1125 17th St., Suite 2540, Denver, CO 80202 Josh Simon, Director (303) 515-8002 jsimon@hfflp.com	HFF arranges $49M in acquisition financing for an office building in Denver with Principal Real Estate Investors. The 10-year deal has a 3.11% fixed rate. Principal liked the strong borrower, CBD location and low leverage of the deal.
HREC Investment Advisors 701 Palomar Airport Road, Suite 300, Carlsbad, CA 92011 Michael Armstrong, Principal (760) 452-2255 marmstrong@hrec.com	HREC arranges $20M in financing for the 162-room Hotel Blake in Chicago. This bridge loan was provided by a debt fund.
Newmark Realty Capital 522 W. Riverside Ave., Suite 609, Spokane, WA 99201 Demetri Koston, VP (509) 720-6364 dkoston@newmarkrealtycapital.com	Koston specializes in lending opportunities for smaller secondary and tertiary markets. Newmark is one of the only direct correspondent banking firms with a presence in the inland Northwest.
NorthMarq Capital 5020 Weston Parkway, Suite 125, Cary, NC 27513 Brett Mason, VP (919) 781-1811 bmason@northmarq.com	NorthMarq Capital arranges $25.85M in acquisition financing for a multifamily property in Chapel Hill, N.C. Mason also closes $12.13M in acquisition financing for a multifamily property in Augusta, Ga.
NorthMarq Capital 500 Newport Center Drive, Suite 650, Newport Beach, CA 92660 David Blum, SVP (949) 717-5215 dblum@northmarq.com	NorthMarq secures a $10M bridge loan to refinance Ridgeview Plaza, a grocery-anchored retail center in Reno, Nev., with a specialty finance REIT lender. This was a two-year, interest-only loan with a one-year extension option.
PMZ Realty Capital LLC 570 Seventh Ave., Suite 805, New York, NY 10018 Michael Sonnabend, Managing Member (212) 277-8252 sonnabend@pmzcapital.com	PMZ Realty closes a $45M loan on a Hilton in Richmond, Va. Leverage was 65% and debt yield was 10%. The CMBS loan was interesting because Richmond is a secondary market and the deal closed sans cash management.
Thomas D. Wood and Company 3665 Bee Ridge Road, Suite 210, Sarasota, FL 34233 Brad Cox, SVP (941) 552-9731 bcox@tdwood.com	Thomas D. Wood closes $2M for an apartment/office building in Fort Meyers, Fla., with Stancorp. LTV was 70%. The borrower received a five-year deal with four five-year resets. Stancorp liked the quality of the borrower, asset location and tenant base.

MARKET OPENS FOR SUB-$5M MULTIFAMILY LOANS

Strong competition for large deals will push more entrants into the small balance multifamily loan space. Leverage will reach 80%; most deals will be 70% to 75%. Cash-out refis will land at 60% to 65%. Borrowers will see 3% to 5% rates and DSC will start at 1.25x to 1.30x. Lenders will want to see 10% of the loan amount or nine months of payments in liquidity. Metros with a population of at least 100,000 will be targeted. Properties will need a minimum of 20 units. Watch for lenders to scrutinize the borrower more than ever before, especially the track record and cash flow.

Expect **Chase** to be one of the most active lenders with sub-$5M multifamily loans. Leverage will be up to 75%. The bank will be flexible and provide adjustable-rate and five- to 10-year, fixed-rate loans. Chase looks closely at the experience of the operator and works with all properties, including Class B- and C assets. Older assets will need recourse. DSC in major rent controlled markets will be as low as 1.15x. Other major banks, including **Wells Fargo** will also be bullish on small multifamily loans. Conduits such as **Cantor Fitzgerald, Wells Fargo** and **Citi** will be active with 8% to 9% debt yields and 5.25% rates.

Regional banks such as **Presidential Bank, Flushing Bank, Northeast Community Bank** and **Empire National Bank** will provide 3% to 5.25% rates. Leverage should inch up to 80% in the near term. Banks will begin to be flexible with recourse. Look for five- to seven-year loans, deals beyond seven years will need swaps. **BofI Federal Bank** will allocate loans as low as $500K with 65% to 75% leverage. Loans under $3M will require full recourse. Class B- and below assets in strong markets will be in the cards. Rates will be mid- to high 3% range. BofI originates hybrid loans, which will be fixed for the first five years then see six-month adjustable rates for the balance of the term.

Life companies, including **Ohio National, Ameritas, Stancorp., Advantus** and **RiverSource** will be aggressive on smaller loans with up to 75% leverage. Look for 10-year terms and 20- to 25-year amortizations. DSC will be 1.25x and most loans will be non recourse. Rates will be 4.5% to 5%. Keep an eye out for more life companies to enter secondary markets next year. Properties with at least 20 units will be preferred.

Fannie Mae lenders will be active on deals under $5M. **Centerline Capital Group** allocates loans as low as $1M for multifamily with up to 80% leverage. Rates will be 4.85% to 5.2%. Class B properties with strong sponsors and assets in secondary and tertiary markets will be targeted. DSC will be 1.25x and above. Most loans will possess seven- to 10-year, non-recourse terms and 30-year amortization. Keep an eye out for Centerline to start considering loans under $5M for other property types. **Arbor Commercial Mortgage** will allocate loans starting at $1M for Class B and C properties. Leverage will top out at 80% and expect 1.25x DSC. Seven- and 10-year, non-recourse loans will see 4.5% to 5.25% rates. Private lender **Commercial Capital** will also be aggressive with a $100K minimum.

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.