CAPITAL MARKETS UPDATE

CUSHMAN & WAKEFIELD®

July 26, 2012

MARKET COMMENTARY

• Despite the ongoing turmoil in the EuroZone, CRE lending has remained strong through the first four weeks of the summer. CMBS spreads have steadily improved, with AAA spreads on existing loans tightening 15 basis points in the past 2-3 weeks. Several recent CMBS pooled offerings received a buoyant reception in the market, which has given lenders more confidence in the depth of the market. Lending volume in the securitized world is now being projected at $40-45B for the full year, up from earlier estimates of $30-35B.

• Cash is piling up at the life companies and they are responding by making more short-term and floating rate money available to the market. Five-year money is now being offered at LIBOR plus 250-275 for high quality properties with strong borrowers.

• Speaking of LIBOR, lenders and borrowers are now having to think about alternatives to LIBOR in their loan agreements. In a number of recent transactions, the issue of what happens if LIBOR either becomes unreliable or unavailable as a base index has resulted in lengthy philosophical discussions about the merits of other benchmarks. Attorneys, borrowers and lenders are looking at short-term corporates, treasuries, Prime and commercial paper to determine whether they are a reasonable proxy for CRE debt.

• Investment demand among buyers and JV equity investors remains robust, with most investors complaining that they are having a hard time finding deals and expressing concern whether they will meet their investment objectives for the year. Investment demand is strongest for core product, but investors are increasingly willing to look at secondary markets and value-add assets. The "hottest" asset class remains multi-family, with industrial, retail and CBD office following closely behind.

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RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Office	Floating	Bank	0.50%	65%	7 years	25 year, 4% floor,
Industrial	Fixed	Life Company	3.00%	50%	5 years	IO
Industrial	Fixed	Life Company	3.50%	60%	7 years	30 year
Office - Transitional	Fixed	Finance Company	7.25%	77%	3 years plus two 12-month ext.	IO, 1% in and 1% out
Multifamily	Fixed	Agency	3.90%	80%	10 years	30 year, 2 Years IO;
Office and Retail	Fixed	Bank	3.33%	55%	5 years	30 year
Office	Fixed	CMBS	5.15%	70%	10 years	30 year
Multifamily	Fixed	Bank	3.05%	60%	5 years	30 year
Retail - Mall	Floating	Bank	L + 300	50%	3 years plus two 12-month ext.	IO
Office	Fixed	CMBS	4.55%	45%	10 years	30 year, 3 Years IO
Office - Mezzanine Loan	Fixed	Life Company	6.50%	60%	5 years	IO
Hotel	Floating	Bank	L + 325	55%	2 years plus three 12-month ext.	IO
Hotel	Fixed	Bank	4.32%	55%	4 years plus one 12-month ext.	IO
Office	Fixed	Life Company	4.48%	55%	15 years	30 year, 3 Years IO
Retail	Floating	Bank	L + 275	50%	3 years plus two 12-month ext.	IO

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments
Multi-Family Development	JV Equity	Hedge Fund	35%	85%/15%	10% pref, 20% above 10%, 30% above 20%, 40% above 30%
Mixed-Use	Preferred Equity	REIT	11%	100%	Up to 75% LTV
Multi-Family Development	JV Equity	Insurance Company	22%	80%/20%	35% above 10%, 45% above 15%, 50% above 18%
Multi-Family Development	JV Equity	Opportunity Fund	22%	90%/10%	10% above 12%, 20% above 15%, 30% above 18%
Office	Preferred Equity	REIT	8%	100%	Up to 65% LTV

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65 - 70%	1.30 - 1.50	T + 225 - 415
Fixed Rate - 10 Years	60 - 70%*	1.30 - 1.50	T + 210 - 365
Floating Rate - 5 Years			
Core Asset	<65%*	1.30 - 1.50	L + 200 + 325
Value Add Asset	<65%*	1.25 - 1.40	L + 325 - 500
Mezzanine Moderate Leverage	65 - 80%	1.05 - 1.15	L + 700 + 900
Mezzanine High Leverage	75 - 90%		L + 900 + 1400

* 65 - 70% for Multi-Family (non-agency); Libor floors at 0-1%

BASE RATES

	July 26, 2012	Two Weeks Ago	One Year Ago
30 Day LIBOR	0.25%	0.24%	0.19%
U.S. Treasury			
5 Year	0.57%	0.63%	1.50%
10 Year	1.42%	1.50%	2.97%
Swaps		Current Swap Spreads	
5 Year	0.84%	0.27%	
10 Year	1.56%	0.14%	

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	70 - 75%	T + 300	T + 310
Strip Center	65 - 70%	T + 320	T + 330
Multi-Family (non-agency)	70 - 75%	T + 250	T + 255
Multi-Family (agency)	75 - 80%	T + 230	T + 235
Distribution/Warehouse	65 - 70%	T + 305	T + 315
R&D/Flex/Industrial	60 - 65%	T + 320	T + 335
Office	65 - 70%	T + 300	T + 315
Full Service Hotel	55 - 65%	T + 340	T + 365

* DSCR assumed to be greater than 1.35x

Cushman & Wakefield's Equity, Debt and Structured Finance Group has raised approximately $25 billion of capital from more than 125 capital sources for 270 transactions in the past five years. For more information on this report or on how we can assist your financing needs or hospitality or note sales, please contact any of our offices or:

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